

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 3762**

March 19, 2015

SPONSOR(S): Morrison

SYSTEM(S): Downstate Police, Downstate Fire, Illinois Municipal Retirement Fund (IMRF)

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**FISCAL IMPACT:** According to the Illinois Municipal Retirement Fund, HB 3762 might be impossible to implement in its current form. The amounts described in the bill as employer contributions do not accurately reflect the true amounts municipalities send to IMRF; as well, the interest rate in the bill is less than IMRF's prescribed rate of interest. It's presently unknown how the provisions of this bill would affect municipal finances or downstate police and fire funds. *Further study would be required to claim a definitive Fiscal Impact regarding the implementation of this bill.*

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**SUBJECT MATTER:** HB 3762 amends the Downstate Police and Fire and the IMRF articles of the Illinois Pension Code to empower municipalities to assume the liabilities of employees of the municipality and to change the terms of retirement benefits.

**COMMENT:** As of current law, a municipality with a population over 5,000 shall establish 1) pension funds adhering to the statutes as set forth by articles 3 and 4 of the Illinois Pension Code for the benefit of their police and firefighters, respectively; and 2) establish an account with IMRF. IMRF, the Police funds, and the Fire funds have a predetermined employee contribution rate, benefit calculation, and municipalities must make contributions and pay off unfunded liabilities according to an amortization schedule.

HB 3762 proposes that a given municipality may take sole authority over the fund(s) in its jurisdiction, relieving them of the burden of complying with State-wide statute. The Mayor and aldermen, President and trustees, or the local council (whichever is applicable) will have the right to enact this change. Once the municipality takes over control, the respective article of the Illinois pension code will no longer apply; however, the pension fund must still offer a benefit which meets IRS qualified status.

MD:dkb

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