

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0804, as amended by SA #1** May 10, 2007

SPONSOR(S): McGuire – Boland (Wilhelmi - Peterson)

SYSTEM(S): Illinois Municipal Retirement Fund, State Employees Retirement Systems

FISCAL IMPACT: The impact of HB 0804, as amended by SA #1, cannot be determined as the number of members who will purchase additional military service credit is unknown.

SUBJECT MATTER: HB 0804, as amended by SA #1, amends the Illinois Municipal Retirement and State Employees' Retirement articles of the Pension Code to allow certain participating employees to establish eligible creditable service for a period of up to 4 years spent in active military service.

FISCAL IMPACT: The impact of HB 0804, as amended by SA #1, cannot be determined as the number of members who will purchase additional military service credit is unknown.

COMMENT:

IMRF Military Service Credit

Currently, Illinois Municipal Retirement Fund members can receive service credit for up to 24 months of military service that is not preceded by IMRF employment. P.A. 90-448, which became effective on August 16, 1997, allowed members to purchase up to 24 months of military service credit by making contributions to the fund equal to: (i) the employee contributions that would have been required had the service been rendered as a member, plus (ii) an amount determined by the board to be equal to the employer's normal cost of the benefits accrued for that military service, plus (iii) interest on items (i) and (ii) from the date of first membership in the Fund to the date of payment. The Act stipulated that if payment was made during the 6-month period that began 3 months after the effective date, the required interest would be calculated at the rate of 2.5% per year, compounded annually, otherwise, the required interest rate would be calculated at the regular interest date.

HB 0804, as amended by SA #1, allows members of IMRF to purchase up to 48 months of service credit for military service. The member must be a participating employee in service on

or after its effective date, and must: apply to IMRF in writing and provide evidence of the military service that is satisfactory to the Board; obtain the written approval of the current employer; and make the employee and employer contributions (normal cost), plus regular interest from the date of first membership to the date of payment.

SERS Military Service Credit

Currently, if a member enters military service while working in a SERS-covered position, and returns to State service in the same or related position, he or she may receive service credit for up to 5 years of military service without making contributions. In addition to any such creditable service established, an employee may establish service credit for a period of up to 2 years spent in active military service that does not interrupt employment provided that 1) no dishonorable discharge took place from military service; and 2) the amount of service credit established by a member when added to the amount of other military service credit granted does not exceed 5 years.

HB 0804, as amended by SA #1, allows a member employed in positions covered under the alternative (state police) formula (i.e., state policeman, fire fighter, special agent, etc.) to establish eligible creditable service for an additional 2 years spent in active military service before entering state employment. The bill provides that employee contributions must be based upon the employee's compensation and contribution rate on the date he or she last became a member of the System, plus an amount determined by the Board to be equal to the employer's normal cost of the benefit plus interest, but with all of the interest calculated from the date the employee last became a member of the System. The bill also provides that this new benefit increase will be funded through the employee contributions required to establish this optional service credit.

HB 0804 amends the State Mandates Act to require implementation without reimbursement.

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