



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **SB 1281**

February 6, 2025

SPONSOR (S): Bryant – DeWitte, et al.

SYSTEM: Downstate Police & Downstate Fire

FISCAL IMPACT

SB 1281 would place the Downstate Police and Downstate Fire Articles under the ambit of the Retirement Systems Reciprocal Act (Article 20). While an impact to existing liabilities is possible, the exact fiscal impact of SB 1281 is unknown as the number of members who would receive proportional annuities between impacted funds is not known at this time.

SUBJECT MATTER: SB 1281 amends the Downstate Police and Downstate Fire Articles of the Illinois Pension Code to bring these articles under the ambit of the Retirement Systems Reciprocal Act, under which members are permitted to combine years of service across various reciprocal funds for the purposes of meeting the minimum vesting requirements of the fund in which they currently participate.

COMMENT: Under current law, the Downstate Police and Downstate Fire Articles of the Illinois Pension Code are not included under the Retirement Systems Reciprocal Act. The Retirement Systems Reciprocal Act allows for active employees to combine service credit earned from various participating systems to apply towards the minimum vesting requirements of the fund that they participate in currently or the fund that they last participated in before terminating active service. For example, a Tier 2 member in IMRF could utilize reciprocity and combine 4 years of prior service in SERS and 6 years in IMRF to meet the 10-year Tier 2 vesting requirement in IMRF.

SB 1281 would bring the aforementioned systems under the ambit of the Reciprocal Act. The bill states that participation under the Reciprocal Act would only apply to members who have not yet begun receiving retirement annuities as of the effective date. In other words, retired members would not be entitled to a recalculation of their pensions based upon reciprocal service.

Below is a visual representation of the formula for illustrative purposes, using a hypothetical police officer who has 20 years of credit with the Illinois State Police (ISP) in SERS and 5 years of credit with the Rock Falls Police Pension Fund. Under SB 1281, Rock Falls would be obligated to pay the reciprocal amount based on the higher ISP salary for the officer's life, whereas under current law, the officer would be eligible for refund only, regardless of tier status, as 5 years does not meet the Tier 2 vesting requirements.

Factor	SERS (ISP)	Rock Falls Police Pension Fund
Years of Service	20 years	5 years
Final Average Salary (FAS)	\$150,000 (ISP salary used for all)	\$150,000 (Reciprocity rule applies)
Pension Formula	3.0% per year	2.5% per year
Benefit Calculation	$20 \times 3.0\% \times \$150,000 = \textbf{\$75,000}$	$5 \times 2.5\% \times \$150,000 = \textbf{\$18,750}$
Annual Pension Paid By	\$90,000 from SERS	\$18,750 from Rock Falls
Total Annual Pension	\$108,750 (split between both funds)	

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