IMRF ISSUE BRIEF

Senate Bill 3877:
Transfers from Article 3 Funds to IMRF

IMRF Position:	**Sponsor(s):**
OPPOSE	**Senator Rachelle Crowe**

Proposed Change in the Law

This bill would make two changes for active members in the IMRF Sheriffs' Law Enforcement Personnel (SLEP) plan. First, it would create a permanent transfer provision that allows active members of the IMRF SLEP plan to transfer up to 10 years of service earned in an Article 3 police pension fund to IMRF SLEP. The Article 3 fund would transfer the employer and employee contributions accumulated in the police fund, plus interest, to IMRF.

Upon transfer, members would receive the total amount of service credit earned in the Article 3 fund by also paying to IMRF any additional amounts that would have been in the IMRF account had the member participated in IMRF for that entire period.

Reasons for Position

IMRF is a pre-funded retirement plan where the cost of the pension is funded over the member's working career. By allowing members to transfer service credit outside of this funding plan, it increases the likelihood that an unfunded liability will be created. While the bill requires an "actuarial" calculation of the cost of the transfer, actuarial calculations are only reliable for large groups. It is impossible to accurately apply actuarial principles to determine the exact cost for a specific individual. The IMRF Board has a general policy of opposing legislation that seeks to create temporary transfer windows from another fund into IMRF outside of the Reciprocal Act, While the policy does not apply to permanent transfer provisions directly, the concerns are the same, if not more severe with permanent transfer provisions.

Having the transfer provision be permanent makes any predictions of the potential costs even more difficult. Generally, members do not purchase the service during a temporary window,

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even if they are otherwise eligible, because they want to wait until they were closer to retirement. The bill requires that the member make up any difference between what was transferred from the Article 3 fund to IMRF, which is a positive. IMRF is concerned, however, that the language does not go far enough to allow it to set a rate that truly pays for the service or at least as close as possible since a true actuarial rate cannot be calculated for an individual.

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