

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2422, as amended by House Amendment 1** March 16, 2009
SPONSOR (S): Zalewski
SYSTEM(S): Chicago Firemen's Pension Fund

FISCAL IMPACT: The fiscal impact of HB 2422, as amended by House Amendment 1, cannot be determined as the number of firemen wanting to purchase service credit for past service is unknown. However, because these firemen will be paying the difference between the employer costs transferred in by an outside retirement system and the employer's normal cost under the Chicago Firemen's Pension Fund plus all the employees' contribution, and interest on both at the actuarially assumed rate, the fiscal impact on the Chicago Firemen's Pension Fund will be minimal.

SUBJECT MATTER: HB 2422, as amended by House Amendment 1, amends the Chicago Firemen's Article of the Illinois Pension Code to allow the purchase of service credit for prior service if: (1) The fireman had not been eligible to participate in the pension fund, or (2) The fireman's service was terminated and all employee contributions were thereafter refunded to the individual. HB 2422, as amended by House Amendment 1, also permits paramedics now in the Chicago Firemen's Pension Fund to transfer prior service credit as a paramedic in the Chicago Municipals Employees Pension Fund.

FISCAL IMPACT: The fiscal impact of HB 2422, as amended by House Amendment 1, cannot be determined as the number of firemen wanting to purchase service credit for past service is unknown. However, because these firemen will be paying the difference between the employer costs transferred in by an outside retirement system and the employer's normal cost under the Chicago Firemen's Pension Fund plus all the employees' contribution, and interest on both at the actuarially assumed rate, the fiscal impact on the Chicago Firemen's Pension Fund will be minimal.

COMMENTS: At the present time Chicago Firemen are not eligible to purchase additional service credit for past service periods. HB 2422, as amended by House Amendment 1, would permit the purchase of service credit for prior service in selected situations. First, if the fireman was not eligible to be in the pension fund at any time, HB 2422, as amended by House Amendment 1, would permit the purchase of service credit for this period. Second, if the fireman's service was terminated and all employee contributions were refunded to the

individual, HB 2422, as amended by House Amendment 1, would permit the repurchase of this service credit. In all cases, HB 2422, as amended by House Amendment 1, requires that the fireman pays the difference between the employer costs transferred in by an outside retirement system and the employer's normal cost under the Chicago Firemen's Pension Fund plus all the employees' contribution, and interest on both at the actuarially assumed rate.

If a paramedic was previously in the Chicago Municipal Employees Pension Fund and accepted a refund after termination, HB 2422, as amended by House Amendment 1, will also allow municipality credits computed and credited for this service to transfer into the individuals account in the Chicago Firemen's Pension Fund. The Chicago Municipal Employees Pension Fund will transfer these funds, together with interest at the actuarially assumed rate, to the Chicago Firemen's Pension Fund. The city shall not be responsible for making any additional employer contributions.

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