

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 96TH GENERAL ASSEMBLY

BILL NO: **HB 3655**

March 10, 2009

SPONSOR (S): Burke

SYSTEM(S): Chicago Fire

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**FISCAL IMPACT:** In establishing the additional service credit, HB 3655 requires the firefighter to make up the difference between the employee and employer contributions transferred and the amounts that would have been contributed had such service been earned in the Chicago Fire pension fund. The bill stipulates that in making such calculations, the Chicago Fire pension fund will consider the appropriate actuarial assumptions, including the member's service, age, and salary history, plus interest at the actuarially assumed rate of return (8% compounded annually). Because these calculations will be made using appropriate actuarial assumptions, the fiscal impact to the Chicago Fire pension fund should be minimal.

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**SUBJECT MATTER:** HB 3655 amends the Downstate Fire, Chicago Fire, Chicago Municipal, and Chicago Laborers articles of the Illinois Pension Code. The bill allows active Chicago firefighters to transfer up to 10 years of creditable service from the aforementioned funds to the Chicago fire pension fund until January 1, 2010, by making the contributions specified below in the Comments section.

**FISCAL IMPACT:** HB 3655 requires the firefighter to make up the difference between the employee and employer contributions transferred and the amounts that would have been contributed had such service been earned in the Chicago Fire pension fund. The bill stipulates that in making such calculations, the Chicago Fire pension fund will consider the appropriate actuarial assumptions, including the member's service, age, and salary history, plus interest at the actuarially assumed rate of return (8% compounded annually). Because these calculations will be made using appropriate actuarial assumptions, the fiscal impact to the Chicago Fire pension fund should be minimal.

**COMMENT:** HB 3655 provides that until January 1, 2010, an active member of the Chicago Fire Pension Fund may transfer to the Chicago Fire Pension Fund up to 10 years of service credit accumulated under a Downstate Fire pension fund, the Chicago

Municipal Pension Fund, or the Chicago Laborers Pension Fund, by paying an amount determined by the board of the Chicago Fire pension fund to be equal to the difference between the amount of employee and employer contributions transferred to the Chicago Fire pension fund and the amounts that would have been contributed had such contributions been made at the rates applicable to an employee under the Chicago Fire pension fund, plus interest at the actuarially assumed rate from the date of service to the date of payment. The bill stipulates that the Chicago Fire Pension Fund shall take into account the appropriate actuarial assumptions, including the member's service, age, and salary history, plus interest thereon at the actuarially assumed rate of return, compounded annually, from the date of service to the date of payment. This should serve to minimize the fiscal impact to the Chicago Fire pension fund.

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