

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 5297**

February 8, 2010

SPONSOR (S): May

SYSTEM(S): Downstate Police and Downstate Fire

FISCAL IMPACT: HB 5297 will provide a 2-year reduction in municipal contributions to police and fire pension funds but will ultimately result in higher contributions over the current amortization period, which ends in 2033.

SUBJECT MATTER: HB 5297 amends the Downstate Police and Downstate Fire Articles of the Illinois Pension Code. The bill provides that for taxable years 2010 and 2011, the employer contribution to police and fire pension funds will be the lesser of the amount normally required under statute, or the 2009 tax levy amount multiplied by 1.10.

FISCAL IMPACT: HB 5297 will provide a 2-year reduction in municipal contributions to police and fire pension funds but will ultimately result in higher contributions over the current amortization period, which ends in 2033.

COMMENT:

Downstate Police Article

Currently, under P.A. 87-1265, which became effective on January 25, 1993, municipalities are required to make employer contributions to their respective police pension funds in an amount that is sufficient to amortize any unfunded liabilities by the year 2033. For pension funds formed after the effective date of the Act, the amortization period extends 40 years from the date of establishment of the fund. HB 5297 provides that for taxable years 2010 and 2011, the employer contribution to the police pension fund will be the lesser of the amount normally required under law, or the 2009 tax levy amount multiplied by 1.10. The bill contains a statement of legislative intent that the two-year employer contribution cap is intended to provide taxpayer relief and preserve municipal employment.

Downstate Firefighter Article

Currently, under P.A. 87-1265, which became effective on January 25, 1993, municipalities are required to make employer contributions to their respective fire pension funds in an amount that is sufficient to amortize any unfunded liabilities by the year 2033. For pension funds formed after the effective date of the Act, the amortization period extends 40 years from the date of establishment of the fund. HB 5297 provides that for taxable years 2010 and 2011, the employer contribution to the fire pension fund will be the lesser of the amount normally required under law, or the 2009 tax levy amount multiplied by 1.10. The bill contains a statement of legislative intent that the two-year employer contribution cap is intended to provide taxpayer relief and preserve municipal employment.

MDM:dkb

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