

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 1705, as amended by HA 1**

May 7, 2009

SPONSOR (S): Raoul – Sandoval (Lyons – D’Amico, et al.)

SYSTEM(S): Chicago Fire, Chicago Police, Chicago Municipal, Cook County, Downstate Fire

FISCAL IMPACT: The fiscal impact of the subrogation provisions contained in SB 1705, as amended by HA 1, cannot be calculated. If the pension fund successfully litigates cases where a third party is responsible for a firefighter’s disability, then there could be a positive impact to the pension fund.

Members of the Chicago Fire pension fund who will repay refunds upon re-entry to service will be required to pay interest at the actuarially assumed rate of return (8%), compounded annually, from the date of service to the date of payment. Thus, there should be no cost associated with this provision.

The provisions of SB 1705, as amended by HA 1, that allow members of the Chicago Police pension fund to transfer service credit from the Cook County pension fund should have little or no cost to the Chicago Police pension fund as the employee must make up the difference between the amounts transferred and the amounts that would have been contributed as a member of the Chicago Police fund, plus interest at the actuarially assumed rate.

The service credit transfer provisions allowing active members of the Chicago Fire pension fund who rendered service in the Chicago Municipal pension fund should have little or not cost to the Chicago Fire pension fund as these members must pay the full cost to establish the service credit.

SUBJECT MATTER: SB 1705, as amended by HA 1, amends the Chicago Firefighter, Chicago Police, Cook County, Chicago Municipal, and Downstate Fire articles of the Pension Code. The provisions of the bill are summarized in the Comments Section below:

FISCAL IMPACT: The fiscal impact of the subrogation provisions contained in SB 1705, as amended by HA 1, cannot be calculated. If the pension fund successfully litigates cases where a third party is responsible for a firefighter’s disability, then there could be a positive impact to the pension fund.

Members of the Chicago Fire pension fund who will repay refunds upon re-entry to service will be required to pay interest at the actuarially assumed rate of return (8%), compounded annually, from the date of service to the date of payment. Thus, there should be no cost associated with this provision.

The service credit transfer provisions allowing members of the Chicago Police pension fund to transfer service credit from the Cook County pension fund should have little or no cost to the Chicago Police pension fund as the employee must make up the difference between the amounts transferred and the amounts that would have been contributed as a member of the Chicago Police fund.

The service credit transfer provisions allowing active members of the Chicago Fire pension fund who rendered service in the Chicago Municipal pension fund should have little or not cost to the Chicago Fire pension fund as these members must pay the full cost to establish the service credit.

COMMENT:

Transfer of Service Credit from Downstate Fire to Chicago Fire

SB 1705, as amended by HA 1, provides that until January 1, 2010, any active member of the Chicago Fire pension fund may apply for transfer of up to 10 years of creditable service accumulated in a Downstate Fire pension fund upon payment to the Chicago Fire pension fund by the Downstate Fire pension fund of an amount equal to the employee contributions, employer contributions, plus any interest paid by the member to reinstate service in a Downstate Fire pension fund. The Chicago Fire article is amended to stipulate that the member must pay to the fund the difference between the amounts transferred from a Downstate Fire pension fund and the amounts that would have been contributed had such service been rendered in the Chicago Fire pension fund, plus interest at the actuarially assumed rate (8%, compounded annually), from the date of service to the date of payment. Furthermore, the bill states that in making this calculation, the Chicago Fire pension fund must calculate a payment amount which will not cause a significant increase in the fund's unfunded liability.

Transfer of Service Credit from Cook County to Chicago Police

SB 1705, as amended by HA 1, provides that an active Chicago police officer who has at least 10 years of creditable service in the Chicago Police pension fund may transfer to the fund up to 48 months of creditable service accumulated under the Cook County article of the Illinois Pension Code as a correctional officer prior to January 1, 1994. The bill specifies that this service credit transfer must occur within 6 months of the effective date of this Amendatory Act, and that the member must pay to the Chicago Police pension fund an amount equal to the difference between the amount of employee and employer contributions transferred to the Chicago police fund and the amounts that would have been contributed had such contributions been made at the rates applicable to Chicago police officers at the time the service was rendered, plus interest thereon at the actuarially assumed rate of return, compounded annually, from the date of service to the date of payment.

Credit for Former Employment with the Fire Department under the Chicago Municipal Article

SB 1705, as amended by HA 1, amends the Chicago Fire article of the Illinois Pension Code to allow a fireman who accumulated service credit in the Chicago Municipal pension fund as a firefighter and has terminated service in that fund to establish service credit in the Chicago Fire pension fund for all or any part of that service in the Chicago Municipal Fund. In order to establish this service credit, the member must make a written application to the fund by January 1, 2010, and pay to the fund the employee contributions based on the actual salary received and

the rates in effect for members of the Chicago Fire pension fund, plus the difference between the amount of employer contributions transferred to the Chicago Fire pension fund and the amounts equal to the employer's normal cost had such contributions been made at the rates applicable to the Chicago Fire pension fund when the service was rendered.

Credit for Former Employment with the Chicago Fire Department Not Covered by the Chicago Fire Pension Fund

SB 1705, as amended by HA 1, amends the Chicago Fire article of the Illinois Pension Code to allow a fireman who was an employee of the Chicago Fire Department between 1970 and 1983 but did not participate in the Chicago Fire pension fund to establish service credit in the fund for all or any part of that employment by making a written application to the board by January 1, 2010, and by paying to the fund employee contributions based upon the actual salary received at the rates in effect for members of the Chicago Fire pension fund at the time service was rendered, plus the employer's normal cost, plus interest at the actuarially assumed rate (8%, compounded annually) from the first date of employment for which credit is being established.

Proof of Duty Disability

Currently, the Chicago Fire article of the Illinois Pension Code requires that proof of disability be furnished to the board of directors of the pension fund by at least one licensed and practicing physician appointed by the board. Current law also requires that the disability annuitant submit to a physical examination at least once a year by one or more licensed physicians appointed by the board. SB 1705, as amended by HA 1, allows such medical examinations to occur yearly or at longer intervals as determined by the board.

Repayment of Refunds after Re-Entry to Service

Currently, a firefighter who re-enters service after receiving a refund of contributions is not entitled to any retirement annuity, nor shall his widow or dependent parents receive any annuity until the firefighter, his widow, or his dependent parents re-pay the refund within two years after the date of his re-entry into service or January 1, 2000, whichever is later. Inasmuch as this date has passed, SB 1705, as amended by HA 1, extends the repayment date to January 1, 2011. The bill also provides that firefighters who fail to repay refunds after re-entry into service shall be treated as a new employee and shall only receive service credit from the date that he has re-entered service as a new employee.

Action by the Fund Against a Third Party

SB 1705, as amended by HA 1, provides that when a disabled firefighter brings a lawsuit against a third party, the pension fund shall have a claim or lien upon any judgment or award out of which the disabled fireman or his personal representative might be entitled. The bill provides that from the amount received by the fireman there shall be paid to the Fund the amount of money representing the death or disability benefits paid or to be paid to the disabled firefighter.

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