

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2574, as amended by SA #1**

March 16, 2010

SPONSOR (S): Althoff – Garrett, et al.

SYSTEM(S): Downstate Police and Downstate Fire

FISCAL IMPACT: SB 2574, as amended, 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.

Additionally, SB 2574, as amended, may have a fiscal impact on those pension funds that would otherwise pay a pro-rata share in cases where there is not sufficient money in the fund to pay benefits. The Public Pension Division of the Department of Financial and Professional Regulation does not know how many pension funds may become subject to the current pro-rata payment requirement.

SUBJECT MATTER: SB 2574, as amended, 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 2008 annual contribution amount multiplied by 1.10.

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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. SB 2574, as amended, 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 2008 annual contribution amount, which is the actual amount contributed to the police pension fund by the municipality in 2008 from property taxes or from any other municipal revenue, multiplied by 1.10. In addition, SB 2574, as amended, states that beneficiaries are no longer to be paid pro-rata from the available funds if there is not sufficient money in the fund to pay the benefits they are entitled.

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. SB 2574, as amended, 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 2008 annual contribution amount, which is the actual amount contributed to the firefighters' pension fund by the municipality in 2008 from property taxes or from any other municipal revenue, multiplied by 1.10.

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