

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 97TH GENERAL ASSEMBLY

BILL NO: **HB 4503**

February 6, 2012

SPONSOR (S): Acevedo

SYSTEM(S): Downstate Fire, Chicago Fire

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**FISCAL IMPACT:** HB 4503 contains a provision stating that service credit transferred in either direction between Downstate Fire pension funds and the Chicago Fire pension fund should result in no significant increase to the unfunded liabilities to the Downstate Fire pension fund or the Chicago Fire pension fund. Hence, there should be no discernible fiscal impact associated with making the transfer provision of P.A. 96-0727 permanent.

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**SUBJECT MATTER:** HB 4503 amends the Downstate Fire and the Chicago Fire articles of the Illinois Pension Code to provide for the transfer of service (both ways) between the two respective articles. The bill makes permanent the Chicago-Downstate firefighter service credit transfer window that was first opened by P.A. 96-0727 (SB 1705).

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**COMMENT:** P.A. 96-0727 (SB 1705), which became effective on August 25, 2009, allowed any active member of the Chicago Fire pension fund to 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 Act also amended the Chicago Fire article 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 Act stated 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. The Act contained a window for transferring service credit from the effective date (Aug. 25, 2009) until January 1, 2010.

HB 4503 makes this Downstate-to-Chicago service credit transfer provision permanent. In addition, the bill provides for the transfer of service credit from the Chicago Fire pension fund to any Downstate Fire pension fund in a manner similar to the aforementioned Downstate-to-Chicago service credit transfer provision. The Chicago-to-Downstate service credit transfer must take place within 5 years after the date the member applies for the transfer of credits.

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