

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 2453**

March 31, 2008

SPONSOR (S): Jacobs

SYSTEM(S): Chicago Firefighters' Article

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**FISCAL IMPACT:** The fiscal impact of SB 2453 cannot be determined, but is expected to be positive as the City of Chicago would not be able to treat excess amounts in the prior service annuity reserve as a credit against regular contributions until the pension fund reaches a 70% funding ratio. The Chicago Firefighters' Pension Fund had a funding ratio of 40.4% as of December 31, 2006.

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**SUBJECT MATTER:** SB 2453 amends the Chicago Firefighters' Article of the Illinois Pension Code. The bill prohibits the City of Chicago from treating excess amounts in a special reserve fund as a credit against its annual required contributions until the pension fund attains a 70% funding ratio.

**FISCAL IMPACT:** The fiscal impact of SB 2453 cannot be determined, but is expected to be positive as the City of Chicago would not be able to treat excess amounts in the prior service annuity reserve as a credit against regular contributions until the pension fund reaches a 70% funding ratio. The Chicago Firefighters' Pension Fund had a funding ratio of 40.4% as of December 31, 2006.

**COMMENT:** Currently, members of the Chicago Firefighters' Pension Fund who terminate service prior to vesting are entitled to a refund of their contributions, without interest. When the fund pays a refund to a departing employee, the employer (city) contributions made on behalf of that member are transferred to a reserve fund called the prior service annuity reserve. The Pension Code stipulates that the Chicago Firefighters' pension fund is obligated to transfer the employer share of refunds into this special reserve account until the assets in the reserve account equal the accrued liabilities of the reserve account. Thereafter, any excess employer contribution amounts that would otherwise be paid into the prior service annuity reserve may be treated as a credit against the annual contributions that the City of Chicago makes to the pension fund.

SB 2453 stipulates that the City of Chicago may not treat excess amounts in the prior service annuity reserve as a credit against regular employer contributions to the Chicago Firefighters' Pension Fund in a fiscal year following a fiscal year in which the funded ratio of the pension fund is less than 70%.

SB 2453 amends the State Mandates Act to require implementation without reimbursement.

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