

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO: **HB 2906**

February 20, 2019

SPONSOR (S): Martwick

SYSTEM(S): Chicago Firefighters Pension Fund

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**FISCAL IMPACT:** HB 2906 would likely lead to an increase in the final average salaries Article 6 (Chicago Fire) pension funds use to determine monthly retirement benefits. The bill provides for a secondary method of calculating the final average salary using half the number of months in the same 120 month period compared to current law, thus likely increasing the final average salary used to determine the monthly benefit. This would likely lead to an increase in accrued actuarial liabilities. An actuarial study would be needed to assess the potential increase in accrued liabilities.

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**SUBJECT MATTER:** HB 2906 amends the Chicago Firefighters Article of the Pension Code by providing an additional option for determining the final average salary used to calculate the maximum pension a Tier 2 firefighter can receive. This second option would use half the number of months over the same 120 month period prior to retirement in determining the final average salary.

**COMMENT:** Current statute stipulates that for Tier 2 firefighters, final average salary for annuity purposes is determined by totaling the consecutive 96-month long period with the highest total salary received in the last 120 months of employment, and dividing that total by the number of months counted towards the total (96). HB 2906 would present a second option for determining pensionable salary. Option 2 would allow for the calculation of a retirement annuity based upon the highest salary in a consecutive 48-month period within the last 120 months of service. Under HB 2906, the fireman's pension would be based upon the greater of the two final average salary calculations.

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