

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 2908**

February 19, 2019

SPONSOR (S): Martwick

SYSTEM(S): Chicago Fire

FISCAL IMPACT: HB 2908 would have a significant fiscal impact on the Chicago Fire pension fund. An actuarial study would be needed to assess the long-term cost. According to the Chicago Fire pension fund's 2017 actuarial valuation, the fund had \$4.46 billion in unfunded liabilities, with a funding ratio of 20.12%.

SUBJECT MATTER: HB 2908 amends the Chicago Fire Article of the Illinois Pension Code to grant a 3% non-compounded annual cost of living adjustment to Tier 2 firefighters.

COMMENT: P.A. 96-1495 (SB 3538), which took effect on December 30, 2010, implemented a Tier 2 schedule of benefits for both the Downstate and Chicago police and fire pension funds. Tier 2 firefighters and police officers qualify for an annual cost of living adjustment (COLA) equal to 3% or one-half the increase in the consumer price index-u, whichever is less. This increase is not compounded. (COLA's for Tier 1 police and firefighters in Chicago are not compounded. Tier 1 annuities for Downstate police officers and firefighters are compounded).

HB 2908 would change the Tier 2 COLA for Chicago firefighters to 3% non-compounded. With this change, Tier 1 and Tier 2 firefighters in Chicago would receive the same COLA.

DH:bj

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