

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO:           **HB 3522, as amended by HA 1 and HA 2**           April 10, 2019  
SPONSOR (S):       Wehrli  
SYSTEM(S):         Downstate Fire

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**FISCAL IMPACT:** The fiscal impact of HB 3522, as amended by HA 1 and HA 2, cannot be determined as it is unknown how many fire chiefs would choose to pursue further employment and participation in a defined contribution plan after retirement. An actuarial study that contemplates various rates of participation would be required to gauge the potential fiscal impact, but it should be noted that the bill does not specify employer or employee contribution rates under the new DC plan. HB 3522, as amended by HA 1 and HA 2, only sets forth general guidelines for the formation of the DC plan as specified below in the comment section.

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**SUBJECT MATTER:** HB 3522, as amended by HA 1 and HA 2, amends the Downstate Fire article of the Illinois Pension Code to provide for the formation of defined contribution plans for retired fire chiefs who return to service in municipalities or fire protection districts that have an Article 4 fund.

**COMMENT:** HB 3522 originally provided that each municipality must establish a defined contribution (DC) plan that aggregates firefighter and employer contributions in individual accounts. The DC plans were intended for retired fire chiefs then in receipt of an annuity through a different Article 4 fund, and firefighters with 10 or more years of service with a different municipality who elected to participate in the DC plan of the new department/pension fund.

As amended by HA 1, municipalities must establish a DC plan only if they employ a fire chief who first re-entered service after January 1, 2020 with any municipality under Article 4 and is receiving pension payments from an Article 4 fund. The bill does not specify employer or employee contribution rates, but rather mandates that the plans must meet the safe harbor provisions of the IRS Code, and maintain IRS-qualified plan status. Contributions shall vest immediately upon deposit in the employee's account. Upon this bill taking effect, fire chiefs who meet the above requirements shall only be permitted to participate in a defined contribution plan with respect to that service.

As amended by HA 2, fire chiefs participating in the defined contribution plan would additionally receive a disability insurance benefit that is equivalent to the disability

benefit that would be provided if the fire chief participated in the defined benefit plan. Employer and employee contribution rates are not specified in the legislation.

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