

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO: **HB 3522**

February 27, 2019

SPONSOR (S): Wehrli

SYSTEM(S): Downstate Fire

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**FISCAL IMPACT:** The fiscal impact of HB 3522 cannot be determined as it is unknown how many firefighters would opt into the defined contribution (DC) plan that would be established under Article 4. 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 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 amends the Downstate Fire article of the Illinois Pension Code to provide for the formation of optional defined contribution plans. Employee and employer contribution rates are not specified, nor is the implementation date for the new DC plans specified in the legislation.

**COMMENT:** HB 3522 provides that each municipality must establish a defined contribution (DC) plan that aggregates firefighter and employer contributions in individual accounts. 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.

Firefighters may only participate in the defined contribution plan or the traditional Article 4 defined benefit plan offered by their employing municipality, but not both. A firefighter with more than 10 years of service with one municipality may enter into active service with another municipality and participate in their defined contribution plan. Additionally, fire chiefs who first re-enter service after January 1, 2020 with any municipality with an Article 4 pension fund and are receiving pension payments may continue to receive pension payments while in active service, but shall only be permitted to participate in a defined contribution plan with respect to that service.

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