



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

**BILL NO:** HB 3646

March 1, 2023

**SPONSOR (S):** Evans Jr.

**SYSTEM:** Chicago Municipal Employees' Fund

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#### **FISCAL IMPACT**

**HB 3646 would allow members of the Chicago Municipal Pension Fund to claim service credit for a second period of employment with the Chicago Transit Authority by making the employee contributions then in force with the Chicago Municipal Fund (currently 8.5%) at the salary rate attached to the job with which the employee re-entered municipal service. No employer normal cost payments or interest payments are required of the employee to establish service credit in the Chicago Municipal Fund for past CTA service. However, the bill should have a minor impact upon the Chicago Municipal Fund as this provision likely applies to very few employees. An updated note will be issued when the exact number of employees to whom this proposal applies is furnished to CGFA staff.**

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**SUBJECT MATTER:** HB 3646 amends the Chicago Municipal Employees' Article of the Pension Code. The bill establishes a mechanism by which a member of the fund can establish service credit for employment with the Chicago Transit Authority for a second period of employment with the CTA following municipal service. Current law already allows for the establishment of such service credit for one period of CTA service. HB 3646 would essentially establish a "re-entry" provision, as described below.

**COMMENT:** HB 3646 amends the Chicago Municipal Article of the Pension Code. Under current law, members of the Chicago Municipal Fund are able to make employee contributions to the pension fund for service rendered with the Chicago Transit Authority, so long as the last 5 years of their service prior to retirement were served as an employee of the city of Chicago, in a position covered under the Chicago Municipal Fund. Employees who claim such credit with the CTA must make the employee contribution that was in effect with the Chicago Municipal

Fund at the time the CTA service was rendered (currently 8.5 % of salary). Current law relies on the assumption the employee's salary for such contribution purposes is equal to the rate of the employee's salary at the date of their entrance into service as a municipal employee.

HB 3646 applies to an employee that entered municipal service after a period of time with the CTA, but then accumulated further service with the CTA after municipal employment, and then re-entered municipal employment for a second time. Current law would not permit such an employee to claim service credit for the second period of CTA service in the Chicago Municipal Fund, inasmuch as they would have already "entered" service once, i.e., during their first tenure as a municipal employee. Therefore, HB 3646 provides that such an employee can "re-enter" municipal service and establish service credit for the second period of employment with the CTA. The provision in current law with regard to the salary upon which the employee must make contributions to establish the second round of CTA service credit remains in force; such contributions would be based upon the employee's salary upon "re-entrance" with the municipal employer, at the employee contribution rates in force with the Chicago Municipal Fund. Neither employer normal cost nor interest payments are required of the employee to establish this service credit.

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