



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 1629, as amended by HA 1

May 10, 2023

SPONSOR (S): Martwick – Cervantes, et al. (Kifowit)

SYSTEM: Chicago Fire

FISCAL IMPACT

SB 1629, as amended by HA 1, 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 2021 actuarial valuation, the fund had \$5.6 billion in unfunded liabilities, with a funding ratio of 20.9%.

SUBJECT MATTER: SB 1629, as amended by HA 1, amends the Chicago Fire article of the Pension Code to introduce a second method for calculating pensionable salary for Tier 2 firefighters, such that pensionable salary would be based on the greater of the highest 48 consecutive months of earnings within the last 60 months of service, or the current method, which is based on the highest 96 consecutive months' earnings within the last 120 months of service.

COMMENT: Pursuant to P.A. 96-1495, The Police and Fire Tier 2 Act of 2010, Chicago Firefighters who begin service after January 1, 2011 have their retirement annuities calculated based upon a "final average salary" which is determined by taking the average of the eight highest consecutive years' earnings in the last 10 years of employment. SB 1629, as amended by HA 1, would introduce another option for calculating final average salary: the second option would calculate final average salary based upon the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest. If this bill takes effect, then Tier 2 final average salary would be calculated upon the greater of the two aforementioned options.

P.A. 101-0610, the Downstate Police and Fire Investment Consolidation Act of 2020, which took effect on January 1, 2020, granted Tier 2 Downstate police officers and firefighters a second final average salary calculation option in which the average monthly salary is obtained by dividing the total salary in the 48 consecutive months of service within the last 60 months of

service in which the total salary was the highest, divided by the number of months in that period, or the original Tier 2 final average salary period as previously enumerated, whichever is greater.

SB 1629, as amended by HA 1, would grant Tier 2 Chicago Firefighters the same two options as those previously mentioned for Tier 2 participants in Downstate Fire funds.

Impact of HA 001:

Tier 2 FAS calculation under the engrossed version of SB 1629:

- The 48 consecutive months of service within the last 120 months of service in which the total salary was the highest, divided by the number of months in that period, or the original Tier 2 final average salary calculation method mentioned previously.

Tier 2 FAS calculation under HA 1:

- The 48 consecutive months of service within the last 60 months of service in which the total salary was the highest, divided by the number of months in that period, or the original Tier 2 final average salary calculation method mentioned previously.

DH:bs

LRB103 27800 RPS 61437 a