



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 1630, as amended by HA 1

May 10, 2023

SPONSOR (S): Martwick – Cervantes (Kifowit)

SYSTEM: Chicago Fire

FISCAL IMPACT

By setting the rate of increase of the Chicago Fire Tier 2 pensionable salary cap to the lesser of 3% or the full annual unadjusted percentage increase in the CPI-U, SB 1630, as amended by HA 1, could grow the Tier 2 firefighter pensionable salary cap at a faster rate than current statute allows, depending on the rate of inflation from year to year. Since pensions are based on a firefighter's final average salary, any increases in pensionable salary would result in an increased accrued liability for the Chicago Fire pension fund. An updated impact note will be issued if an actuarial study is made available by the pension fund. According to the Chicago Fire Pension Fund's 2021 actuarial valuation, the fund had an unfunded liability of \$5.6 billion, with a funded ratio of 20.9%.

SUBJECT MATTER: SB 1630, as amended by HA 1, amends the Chicago Fire Article of the Pension Code by adjusting the Tier 2 pensionable salary cap based on the lesser of 3% of the current cap, or the full annual unadjusted percentage increase in the consumer price index-u (CPI-U), rather than the lesser of 3% or one-half of the increase in the CPI-U under current law.

COMMENT: P.A. 96-1495, the Police and Fire Tier 2 Pension Act of 2010, set the Tier 2 pensionable salary cap for members of Chicago Fire Pension Fund at \$106,800. The Act increases the cap by the lesser of 3% or half of the consumer price index-u, including all previous adjustments. The pension fund's actuarial valuation for 2021 lists the Tier 2 pensionable salary cap at \$119,829. Beginning in 2024, SB 1630, as amended by HA 1, would set the rate of increase in the Tier 2 pensionable salary cap to the lesser of 3% of the current amount, or the full annual unadjusted percentage increase in the CPI-U, including all previous adjustments.

Impact of HA 1

The engrossed version of SB 1630 provided that the Tier 2 pensionable salary cap for Chicago Firefighters would, beginning in 2024, be increased by the full annual unadjusted percentage increase in the CPI-U, including all previous adjustments. HA 1 sets the rate of increase as the lesser of 3% of the current pensionable salary cap or the full increase in the CPI-U.

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