



## Commission on Government Forecasting and Accountability

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

**BILL NO:** SB 1630

**February 8, 2023**

**SPONSOR (S):** Martwick

**SYSTEM:** Chicago Fire

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#### **FISCAL IMPACT**

By setting the rate of increase of the Tier 2 pensionable salary cap to the full annual unadjusted percentage increase in the CPI-U, SB 1630 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%.

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**SUBJECT MATTER:** SB 1630 amends the Chicago Fire Article of the Pension Code by adjusting the Tier 2 pensionable salary cap based on 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 would set the rate of increase in the pensionable salary cap to the full annual unadjusted percentage increase in the CPI-U, including all previous adjustments.

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