



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 1951

February 9, 2023

SPONSOR (S): Martwick

SYSTEM: Chicago Fire

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#### FISCAL IMPACT

**SB 1951 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%.**

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**SUBJECT MATTER:** SB 1951 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 average of the highest 48 consecutive months of earnings within the last 120 months of service, or the current method, which is based on the average of 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 1951 would introduce another option for calculating final average salary: the second option would calculate final average salary by dividing the total salary of the firefighter during the 48 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. 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, whichever is greater.

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