



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104TH General Assembly*

BILL NO: **HB 1246**

January 23, 2025

SPONSOR (S): Vella

SYSTEM: Downstate Police & Fire

FISCAL IMPACT

HB 1246 mirrors language from a provision of HB 5843 of the 103rd General Assembly. An actuarial study was performed by the Commission's actuary, Foster & Foster, on the provision of HB 5843 of the 103rd GA extending the amortization window from 2040 to 2050. Appendix I shows the first-year impact of this extension on the contributions of three Downstate Police funds, while Appendix II shows the first-year impact of this extension on the contributions of three Downstate Fire Funds. Generally speaking, the only difference between current law and the ten-year extension is the reduction in first-year employer cost. While costs would be reduced in the short term, long-term municipal contributions through 2050 would be increased. An expanded study would be required to determine the extent of the increased employer costs.

SUBJECT MATTER: HB 1246 amends the Downstate Police and Fire articles of the Illinois Pension Code. The bill extends the statutory amortization target date by which these funds must attain a 90% funding ratio from 2040 to 2050.

COMMENT: The Downstate Police and Downstate Fire pension funds (Articles 3 & 4, respectively) provide retirement benefits for police and fire personnel in municipalities outside of Chicago, as well as those with populations under 5,000 that choose to form such funds via voter referenda. P.A. 96-1495 (Police and Fire Tier 2 Act of 2011) mandates that these funds must attain a 90% funding ratio by municipal year 2040.

Current law dictates that the annual employer contribution amounts are determined by an actuary employed by the Illinois Department of Insurance, unless a third-party actuary is employed by either the fund or employing municipality.

HB 1246 amends the Downstate Police and Downstate Fire articles of the Illinois Pension Code to extend the amortization window by 10 years, such that employer contributions to Downstate Police and Fire pension funds must now be made in order to attain a 90% funding ratio by 2050, rather than 2040.

ZH:bs

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Appendix I

| Extending Amortization Window from 2040 to 2050 First Year Impact on Select Article 3 Funds | | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Aurora Police | | Crystal Lake Police | | Rock Falls Police | |
| | 2040 Amortization Window | 2050 Amortization Window | 2040 Amortization Window | 2050 Amortization Window | 2040 Amortization Window | 2050 Amortization Window |
| Total Actuarial Accrued Liability (AAL) | \$ 526.04 | \$ 526.04 | \$ 91.37 | \$ 91.37 | \$ 17.54 | \$ 17.54 |
| Actuarial Value of Assets (AVA) | \$ 310.85 | \$ 310.85 | \$ 52.41 | \$ 52.41 | \$ 8.95 | \$ 8.95 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 215.19 | \$ 215.19 | \$ 38.96 | \$ 38.96 | \$ 8.60 | \$ 8.60 |
| Funded Ratio (Actuarial) | 59.1% | 59.1% | 57.4% | 57.4% | 51.0% | 51.0% |
| Normal Cost* | \$ 10.29 | \$ 10.29 | \$ 1.91 | \$ 1.91 | \$ 0.35 | \$ 0.35 |
| UAAL Amortization | \$ 12.90 | \$ 9.69 | \$ 2.46 | \$ 1.82 | \$ 0.57 | \$ 0.42 |
| Recommended Contribution | \$ 23.18 | \$ 19.98 | \$ 4.37 | \$ 3.73 | \$ 0.92 | \$ 0.77 |
| Projected Member Contributions | \$ (3.94) | \$ (3.94) | \$ (0.72) | \$ (0.72) | \$ (0.15) | \$ (0.15) |
| Projected Muni Contribution | \$ 19.24 | \$ 16.04 | \$ 3.65 | \$ 3.00 | \$ 0.77 | \$ 0.62 |
| Fiscal Impact | | \$ (3.20) | | \$ (0.65) | | \$ (0.15) |

*Normal Cost includes expenses

Appendix II

| Extending Amortization Window from 2040 to 2050 First Year Impact on Select Article 4 Funds | | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Aurora Fire | | Crystal Lake Fire | | Rock Falls Fire | |
| | 2040 Amortization Window | 2050 Amortization Window | 2040 Amortization Window | 2050 Amortization Window | 2040 Amortization Window | 2050 Amortization Window |
| Total Actuarial Accrued Liability (AAL) | \$ 386.97 | \$ 386.97 | \$ 70.39 | \$ 70.39 | \$ 11.69 | \$ 11.69 |
| Actuarial Value of Assets (AVA) | \$ 234.45 | \$ 234.45 | \$ 54.16 | \$ 54.16 | \$ 8.88 | \$ 8.88 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 152.53 | \$ 152.53 | \$ 16.23 | \$ 16.23 | \$ 2.81 | \$ 2.81 |
| Funded Ratio (Actuarial) | 60.6% | 60.6% | 76.9% | 76.9% | 76.0% | 76.0% |
| Normal Cost* | \$ 7.68 | \$ 7.68 | \$ 2.02 | \$ 2.02 | \$ 0.24 | \$ 0.24 |
| UAAL Amortization | \$ 9.43 | \$ 7.23 | \$ 0.79 | \$ 0.60 | \$ 0.14 | \$ 0.11 |
| Recommended Contribution | \$ 17.12 | \$ 14.91 | \$ 2.82 | \$ 2.62 | \$ 0.38 | \$ 0.34 |
| Projected Member Contributions | \$ (2.84) | \$ (2.84) | \$ (0.67) | \$ (0.67) | \$ (0.09) | \$ (0.09) |
| Projected Muni Contribution | \$ 14.28 | \$ 12.07 | \$ 2.15 | \$ 1.95 | \$ 0.29 | \$ 0.25 |
| Fiscal Impact | | \$ (2.20) | | \$ (0.20) | | \$ (0.04) |

*Normal Cost includes expenses