



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104TH General Assembly*

BILL NO: **HB 1357**

January 25, 2025

SPONSOR (S): Faver Dias

SYSTEM: Downstate Police & Fire

FISCAL IMPACT

HB 1357 mirrors language from a provision of HB 5843 of the 103rd General Assembly. An actuarial study was performed by the Commission's actuary 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. Please note that in both appendices, the only material difference between current law and the 2050 scenario is the reduction in first-year contributions. There would be a long-term cost to employing municipalities resulting from extending the amortization window. A follow-up study would be required to determine the estimated long-term cost.

SUBJECT MATTER: HB 1357 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. P.A. 96-1495 (the Police and Fire Tier 2 Act of 2011) mandates that these funds must attain a 90% funding ratio by municipal fiscal year 2040.

Current law dictates that the annual employer contribution amount required of the employing municipalities shall be determined by the Illinois Department of Insurance, unless a third-party

actuary is employed by either the pension fund or the employing municipality, in which case the employing municipality or the pension fund may use that actuary's certified contribution amount.

HB 1357 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.

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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