

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2422, as amended by HA 1 & 2** March 31, 2009

SPONSOR (S): Zalewski

SYSTEM(S): Chicago Firemen's Pension Fund, Chicago Police Pension Fund, Cook
County Pension Fund

FISCAL IMPACT: The fiscal impact of HB 2422, as amended by House Amendments 1 and 2, cannot be determined as the number of firemen wanting to purchase service credit for past service is unknown. However, because these firemen will be paying the difference between the employer costs transferred in by an outside retirement system and the employer's normal cost under the Chicago Firemen's Pension Fund plus all the employees' contribution, and interest on both, compounded annually at the actuarially assumed rate, the fiscal impact on the Chicago Firemen's Pension Fund will be minimal.

The fiscal impact of HA 2 to HB 2422 cannot be determined as the number of Chicago Police officers who will transfer service credit from the Cook County pension fund is unknown. The amendment requires the Chicago police officers to make up the difference between the amounts transferred from the Cook County fund to the Chicago Police fund and the amounts that would have been required had the service been earned in the Chicago Police fund, plus interest at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment. Thus, the cost to the Chicago Police Pension Fund will be minimal.

SUBJECT MATTER: HB 2422, as amended by HA 1 & 2, amends the Chicago Firemen's and Chicago Policemen's Articles of the Illinois Pension Code to allow the purchase of service credit for prior service if: (1) The fireman or policeman had not been eligible to participate in the pension fund, or (2) The fireman's or policeman's service was terminated and all employee contributions were thereafter refunded to the individual. HB 2422, as amended by HA 1 & 2, also permits paramedics now in the Chicago Firemen's Pension Fund to transfer prior service credit as a paramedic in the Chicago Municipal Employees Pension Fund.

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COMMENTS: At the present time neither Chicago Firemen nor Chicago Policemen are eligible to purchase additional service credit for past service periods. HB 2422, as amended by HA 1 & 2, would permit the purchase of service credit for prior service in selected situations. First, if the fireman or policeman was not eligible to be in the pension fund at any time, HB 2422, as amended by HA 1 & 2, would permit the purchase of service credit for this period. Second, if the fireman's or policeman's service was terminated and all employee contributions were refunded to the individual, HB 2422, as amended by HA 1 & 2, would permit the repurchase of this service credit. In all cases, HB 2422, as amended by HA 1 & 2, requires that the fireman or policeman must pay the difference between the employer costs transferred in by an outside retirement system and the employer's normal cost under the Chicago Firemen's or Policemen's Pension Fund plus all the employees' contribution, and interest on both at the actuarially assumed rate, compounded annually.

If a paramedic was previously in the Chicago Municipal Employees Pension Fund and accepted a refund after termination, HB 2422, as amended by HA 1 & 2, will also allow municipality credits computed and credited for this service to transfer into the individuals account in the Chicago Firemen's Pension Fund. The Chicago Municipal Employees Pension Fund will transfer these funds, together with interest at the actuarially assumed rate, to the Chicago Firemen's Pension Fund. The city shall not be responsible for making any additional employer contributions.

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