

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2422**

February 27, 2009

SPONSOR (S): Zalewski

SYSTEM(S): Chicago Firemen's Pension Fund

FISCAL IMPACT: The fiscal impact of HB 2422 cannot be determined as the number of firemen wanting to purchase service credit for past service is unknown. However, because these firemen will not be paying the employers cost of this past service, and they will be charged only 4% annual interest on their payment of past employee contributions, the negative fiscal impact on the Chicago Firemen's Pension Fund may be substantial.

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

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COMMENTS: At the present time Chicago Firemen are not eligible to purchase additional service credit for past service periods. HB 2422 would permit the purchase of service credit for prior service in selected situations. First, if the fireman was not eligible to be in the pension fund at any time, HB 2422 would permit the purchase of service credit for this period. Second, if the fireman's service was terminated and all employee contributions were refunded to the individual, HB 2422 would permit the repurchase of this service credit. In all cases, HB 2422 requires that the fireman pays only the employee contribution, plus 4% annual interest. This interest rate is significantly below the rate required to cover the system's actual cost, and payment of the employer contribution is not required.

If a paramedic was previously in the Chicago Municipal Employees Pension Fund and accepted a refund after termination, HB 2422 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 11% annual interest, to the Chicago Firemen's Pension Fund.

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