

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2602, as amended by HA 1**

March 25, 2009

SPONSOR (S): McCarthy

SYSTEM(S): Chicago Fire

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**FISCAL IMPACT:** The fiscal impact of HB 2602, as amended by HA 1 cannot be calculated. If the pension fund successfully litigates cases where a third party is responsible for a firefighter's disability, then there could be a positive impact to the pension fund.

The amendment requires that firefighters who re-enter service must repay refunds at the actuarially assumed rate of return (8%), which should serve to mitigate any additional costs associated with the lower rate of interest (4%) that the Pension Code currently requires for such repayments.

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**SUBJECT MATTER:** HB 2602, as amended, amends the Chicago Firefighter article of the Pension Code. The bill makes changes with regard to proof of disability, administration of disability benefits, repayments of refunds upon re-entry into service, and subrogation rights of the Chicago fire pension fund where a third party is responsible for disability of a firefighter.

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**COMMENT:**

**Proof of Duty Disability**

Currently, the Chicago Fire article of the Illinois Pension Code requires that proof of disability be furnished to the board of directors of the pension fund by at least one

licensed and practicing physician appointed by the board. Current law also requires that the disability annuitant submit to a physical examination at least once a year by one or more licensed physicians appointed by the board. HB 2602, as amended, changes this requirement somewhat to allow for "periodic" examinations as determined by the board. Inasmuch as the bill does not define "periodic," it can be assumed that the bill is granting the board the power to order physical examinations of disability annuitants more frequently than once per year.

*Administration of Disability Benefits*

Under current law, if a fireman is granted a disability benefit and refuses to submit to a medical examination by a board-appointed physician, then the firefighter loses any right to receive further disability benefits. HB 2602, as amended, stipulates that if the firefighter refuses to submit to such medical, surgical, or hospital treatment as is reasonably essential to promote his recovery from disability, then the firefighter loses any right to receive any further disability benefits.

*Repayment of Refunds after Re-Entry to Service*

Currently, a firefighter who re-enters service after receiving a refund of contributions is not entitled to any retirement annuity, nor shall his widow or dependent parents receive any annuity until the firefighter, his widow, or his dependent parents re-pay the refund within two years after the date of his re-entry into service or January 1, 2000, whichever is later. Inasmuch as this date has passed, HB 2602, as amended, extends the repayment date to January 1, 2011. The bill also provides that firefighters who fail to repay refunds after re-entry into service shall be treated as a new employee and shall only receive service credit from the date that he has re-entered service as a new employee.

*Action by the Fund Against a Third Party*

HB 2602, as amended, provides that when a disabled firefighter brings a lawsuit against a third party, the pension fund shall have a claim or lien upon any judgment or award out of which the disabled fireman or his personal representative might be entitled. The bill provides that from the amount received by the fireman there shall be paid to the Fund the amount of money representing the death or disability benefits paid or to be paid to the disabled firefighter.

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