

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 2612**

February 24, 2015

SPONSOR (S): Nekritz

SYSTEM(S): Chicago Fire

FISCAL IMPACT: According to the Chicago Fire Pension Fund, the unfunded amount in the prior payment reserve is so substantial that the amounts attributable to members who receive refunds is of no consequence. The pension fund advises that when the new funding schedule under P.A. 96-1495 goes into effect, the balance of the prior service annuity reserve will not swing into positive territory anytime in the near future. Presumably, this means that there will likely be no imminent excess amounts in the prior service annuity reserve that would be re-directed towards reducing the unfunded liability of the pension fund. Hence, HB 2612 will have no discernible fiscal impact.

SUBJECT MATTER: HB 2612 amends the Chicago Fire article of the Illinois Pension Code. The bill specifies that any excess amounts in the “prior service annuity reserve” shall be used to reduce the unfunded liability of the pension fund, rather than reducing annual employer contributions to the pension fund.

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COMMENT: Under current law, whenever amounts are refunded by the pension fund, accumulated city contributions are transferred to a reserve fund called the “prior service annuity reserve.” These transfers are made until the assets equal the liabilities of the reserve fund. When assets exceed the liabilities in the prior service annuity reserve, any excess amounts are used to reduce the amount by which the city would otherwise be required to contribute during a succeeding year to the fund. HB 2612 re-directs any excesses from the prior service annuity reserve to reduce the unfunded liability of the pension fund.

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