

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 3629**

March 5, 2015

SPONSOR (S): Zalewski

SYSTEM(S): Chicago Fire

FISCAL IMPACT: The fiscal impact of HB 3629 has not been determined. An actuarial cost study would be required to ascertain the exact fiscal impact. The impact note for this bill will be updated when an actuarial study becomes available.

SUBJECT MATTER: HB 3629 amends the Chicago Fire article of the Illinois Pension Code to make changes to certain aspects of the Tier 2 benefit structure, particularly with regard to minimum widow's annuities; line of duty surviving spouse annuities, and children's and parents annuities. In general, the benefit levels extended to Tier 2 personnel in the foregoing categories mirror those available to Tier 1 personnel.

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COMMENT: P.A. 96-1495, the Tier 2 Act of 2010, changed benefits for members of the Chicago Fire Pension Fund hired on or after January 1, 2011. The Act raised the minimum retirement age to 55; the final average salary period is based on 96 consecutive months within the last 120 months of service; final average salary is capped at \$106,800, indexed annually at the lesser of 3.0 percent or half the increase in the CPI-U, and COLA's are capped in the same manner – the lesser of 3% or half the CPI-U of the originally granted annuity (non-compounded). Widow's benefits are 66 2/3% of the fireman's earned annuity at the date of death.

HB 3629 makes a number of changes to the Tier 2 benefit structure, as follows:

Minimum Widow's Annuities

P.A. 93-0654, which became effective on January 16, 2004, implemented a minimum widow's annuity of \$1,000 per month, which is only applicable to the widows of Tier 1 personnel. HB 3629 extends this minimum widow's annuity to the widows of deceased Tier 2 firefighters.

HB 3629 also provides that if the Tier 2 firefighter had completed at least 10 years of creditable service, the widow's annuity shall be the greater of 30% of the salary attached to the rank of first class firefighter, or 66 2/3% of the firemen's annuity at the date of death, based upon the actual service accrued through the day before the fireman's death and as if the fireman had attained age 55 on the day before his or her death and retired on that day.

Line of Duty Surviving Spouse Annuity

HB 3629 provides for a Tier 2 line-of-duty-death surviving spouse annuity equal to 75% of the salary attached to the position to which the fireman was certified at the time of his death. This benefit level is currently in effect for Tier 1 personnel, and was implemented via P.A. 92-0050, which became effective on July 12, 2001.

Children's and Parent's Annuities

Currently, for Tier 1 personnel, a child's annuity shall be paid for the benefit of any unmarried child under 18 if a fireman dies in an act of duty, dies in service from any cause, or a fireman who withdraws after age 50, or a fireman who has at least 20 years of service who withdraws and dies before collecting a pension. The benefit amount for child's annuities is 10% of the current annual maximum salary of a first class firefighter while a widow/widower survives, and 15% when no widow/widower survives.

HB 3629 extends this child's annuity benefit to the children of deceased Tier 2 personnel. Parent's annuities are provided for each surviving parent of a Tier 1 firefighter who dies prior to separation from service, or while out of service with at least 20 years. Parents annuities are paid only in cases where there is no widow/widower or child, and in cases where the deceased firefighter was contributing to the parent's support. The benefit amount is equal to 18% of the current annual salary attached to the classified position held by the firefighter at the time of his or her death. HB 3629 extends this parent's annuity benefit to the parents of deceased Tier 2 personnel.

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