

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 2907**

February 27, 2019

SPONSOR (S): Martwick

SYSTEM(S): Chicago Fire

FISCAL IMPACT: HB 2907 could grow the Tier 2 firefighter pensionable salary cap slightly faster than current statute allows, depending on the rate of inflation. Since pensions are based on a firefighter's final average salary, any increases in pensionable salary would result in an increased accrued liability for the Chicago Fire pension fund.

SUBJECT MATTER: HB 2907 amends the Chicago Firefighters Article of the Pension Code by adjusting the salary cap based on the annual unadjusted percentage increase in the consumer price index-u (CPI-U).

COMMENT: P.A. 96-1495, the Police and Fire Tier 2 Pension Act of 2010, set the Tier 2 pensionable salary cap for members of Chicago Fire pension funds at \$106,800. The act increases the cap by the lesser of 3% or half of the consumer price index-u, including all previous adjustments. As of 2018, the cap is up to \$113,645. Beginning in 2020, HB 2907 would set this rate of increase to the annual unadjusted percentage increase in the CPI-U, including all previous adjustments.

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