# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 1741** March 5, 2009

SPONSOR(S): DeLeo

SYSTEM(S): Chicago Police Pension Fund

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FISCAL IMPACT: According to an analysis prepared by the Fund's actuary (based on 12/31/02 membership data), the estimated increase in accrued liability due to SB 1741 is $138.9 million. The increase in normal cost is estimated to be $5.4 million and the payment needed to amortize the estimated increase in the accrued liability over 40 years is $7.1 million. Therefore, the estimated 1st year cost of SB 1741 is $12.5 million, or 1.44% of payroll. As payroll grows, the annual cost will increase with payroll.

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SUBJECT MATTER: SB 1741 amends the Chicago Police Article of the Pension Code to increase the retirement formula to 2.5% of salary for each year of service over 20. The maximum annuity is also increased from 75% to 80% of final average salary. These changes would apply to members who retire after the effective date of the Amendatory Act.

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COMMENT: Currently, Chicago police officers may retire with a maximum annuity of 75% of final average salary. SB 1741 would allow members who retire after the effective date of the Amendatory Act to receive a maximum annuity of 80% of final average salary for 32 years of service (50% for the 1st 20 years and 2.5% for each year after 20). At present, the following pension funds and retirement systems have maximum annuities of 80% of final average salary: the Metropolitan Water Reclamation District Employees' Fund; the Chicago Park District Employees' Fund; the Cook County Employees' Fund; the Chicago Laborers Pension Fund; the Chicago Municipal Employees Pension Fund; the State Universities Retirement System, and IMRF SLEP. In addition, members of SERS covered by the alternative formula may receive maximum annuities of 80% of final average salary.

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