COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2127** March 6, 2009

SPONSOR (S): Kotowski

SYSTEM(S): Cook County

FISCAL IMPACT: SB 2127 applies only to persons who first make an additional contribution under the alternative formula for elected county officers on or after the effective date of this amendatory Act. Therefore, the changes made by this bill will not impact the current accrued liabilities of the fund. As newly elected members opt in to the alternative formula after the effective date, there will be a slight positive impact on employer costs going forward.

SUBJECT MATTER: SB 2127 amends the Cook County article of the Illinois Pension Code to change the manner in which pensions are calculated for elected county officers who enter the system on or after the effective date of this Act. In addition, the bill stipulates that for newly elected county officials, service in the alternative formula will be based on the average of the four highest years of service within the last ten years, or the employee's total period of service, divided by the number of months in such period (rather than the salary on the final day, as is currently the case).

FISCAL IMPACT: SB 2127 applies only to persons who first make an additional contribution under the alternative formula for elected county officers. Therefore, the changes made by this bill will not impact the current accrued liabilities of the fund (The Cook County pension fund had a funding ratio of 85.9% as of December 31, 2007). As newly elected members opt in to the alternative formula after the effective date, there will be a slight positive impact on employer costs going forward.

COMMENT: Currently, elected Cook County officers who have elected to participate in the Cook County pension fund and have attained age 60 with at least 10 years of service, or age 65 with at least 8 years of service credit, may elect to participate in the alternative formula for county officers. Members of the regular Cook County formula currently contribute 8.5% of salary towards their pensions. Elected county officers contribute 11.5% of salary towards their pensions, and may elect to upgrade past service by contributing an additional 3% of the salary for the applicable period of service, plus interest at the effective rate from the date of service to the date of payment. Elected county officers have their retirement annuities calculated as follows: 3% of final salary for the first 8 years of service, plus 4% of final salary for each of the next 4 years of service, plus 5% of final salary for each year of service in excess of 12 years, up to 80% of final salary. “Final salary” means the salary on the last day of service.

SB 2127 applies only to elected county officers who elect to participate in the alternative formula on or after the effective date of this Amendatory Act. The bill stipulates that the alternative formula is available only for periods of service as an elected county officer. Furthermore, the elected county officer must have held and made the additional contributions with respect to the same elected county office for at least 8 years. SB 2127 provides that for newly elected county officers, the pension shall be based on the average of the highest 4 years within the last 10 years of service, or the employee’s total period of service, divided by the number of months in such period. The bill states that if the county officer qualifies to have the alternative formula applied to service in more that one elected county office, a separate final rate of earnings shall be calculated and applied with respect to each such office (rather than last day salary, as is the case under current law).

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