COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2359** February 10, 2010

SPONSOR (S): Dillard

SYSTEM(S): Downstate Police

FISCAL IMPACT: The Commission's actuary last performed a cost study of this proposal in 2006. The increase in total actuarial liability and first-year employer costs are shown below on a statewide aggregate basis. In addition, the first-year cost for five selected municipalities is also shown below. These costs would grow over time commensurate with payroll.

The increase in annual costs could vary significantly by fund, depending on the number of officers eligible to participate in the DROP plan. The actuary assumes that 100% of eligible police officers would participate in DROP one year after they first become eligible.

Increase in Total Actuarial Liability	$118,878,000.0
Increase in First-Year Employer contribution	$9,617,000.0
Increase in Employer Contribution as a Percentage of Payroll	1.24%
Estimated First-Year Costs for Selected Municipalities:	
Bellwood	$31,833.29
Arlington Heights	$108,106.24
Wilmette	$46,727.54
Springfield	$198,347.59
Champaign	$99,626.03

SUBJECT MATTER: SB 2359 amends the Downstate Police article of the Illinois Pension Code to create a Deferred Retirement Option Plan (DROP) for police officers who attain age 50 with 20 years of service credit.

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COMMENT: SB 2359 creates a Deferred Retirement Option Plan, or DROP, for police officers under the Downstate Police Article on January 1, 2010. To be eligible for the DROP, a police officer must (a) be in active service, (b) have attained age 50, and (c) have at least 20 years of service credit in the police pension fund. Officers must make an election to participate in DROP within 3 years of becoming eligible or by January 1, 2013, whichever is later. The officer's participation in the DROP plan will last no longer than 5 years, or until death or termination of service, whichever occurs first. A police officer will continue making contributions during the DROP period, and those contributions will be placed into his or her DROP account; the officer will not accumulate any additional service credit during the DROP period.

The police pension fund shall maintain a separate DROP account for the benefit of each police officer who elects to participate in DROP. The fund shall pay into the officer's account an amount equal to the monthly pension that the police officer would have received if he or she had retired on the date of participation in the DROP plan, plus employee contributions, plus interest on the balance in the DROP account at the rate of 7% per annum, paid and compounded monthly, throughout the period of the DROP plan. Upon retirement, the police officer shall receive a DROP benefit equal to the balance in the officer's DROP account at the time of retirement.

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