

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 3376**

March 1, 2011

SPONSOR (S): McCarthy

SYSTEM(S): Chicago Police

FISCAL IMPACT: The fiscal impact of HB 3376 has not yet been calculated, but it would be positive and would reduce the City of Chicago's contributions to the police pension fund. P.A. 96-1495 implemented a new funding plan for the Chicago Police Pension Fund under which the city must make contributions to the fund in an annual amount sufficient to amortize 90% of the total actuarial liabilities of the Fund by the end of Fiscal Year 2040.

SUBJECT MATTER: HB 3376 amends the Chicago Police article of the Pension Code to change the amount of the automatic annual increase for persons who first become police officers on or after the effective date of the Act. This bill changes the annual increase for new members of the Chicago Police Pension Fund to 3% or one-half the annual increase in the Consumer Price Index, whichever is less.

FISCAL IMPACT: The fiscal impact of HB 3376 has not yet been calculated, but it would be positive and would reduce the City's contributions to the police pension fund. P.A. 96-1495 implemented a new funding plan for the Chicago Police Pension Fund under which the city must make contributions to the fund in an annual amount sufficient to amortize 90% of the total actuarial liabilities of the Fund by the end of Fiscal Year 2040.

COMMENT: Currently, annuitants of the Chicago Police Pension Fund who were born before Jan. 1, 1955 receive automatic annual increases of 3% with no limit. These increases are not compounded. Those annuitants who were born after Jan. 1, 1955 receive non-compounded annual increases of 1.5%, subject to a 30% maximum (hence, after 15 years of retirement, no annual increase is payable).

P.A. 96-1495, the Downstate and Chicago police and fire pension reform bill, became effective on December 30th, 2010. The Act changed the annual increase for new members of Downstate police and fire pension funds to 3% or one-half the annual increase in the Consumer Price Index, whichever is less. Pursuant to the Act, the increases for Downstate police and fire members who begin service after Jan. 1, 2011 are not compounded. HB 3376 extends this same annual increase to members of the Chicago Police Pension Fund who begin service on or after the effective date of this Act.

DH:dkb

LRB097 08172 JDS 48296 b