

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 1605**

February 14, 2011

SPONSOR (S): Mulroe

SYSTEM(S): Chicago Police Pension Fund

FISCAL IMPACT: SB 1605 would not increase the current required retiree health insurance subsidy that the police pension fund pays to the City of Chicago. Therefore, the pension fund will not incur any additional costs as a result of SB 1605. The increase in the city's annual health insurance costs has not been calculated.

SUBJECT MATTER: SB 1605 amends the Chicago Police Article of the Pension Code to provide that retirees of the Chicago Police Pension Fund will pay no higher health insurance premium and receive no lower benefits than active employee participants who have the same Medicare status, beginning on the effective date of this Amendatory Act.

FISCAL IMPACT: SB 1605 would not increase the current required retiree health insurance subsidy that the police pension fund pays to the City of Chicago. Therefore, the pension fund will not incur any additional costs as a result of SB 1605. The increase in the city's annual health insurance costs has not been calculated.

COMMENT: Currently, the City of Chicago offers group health benefits to annuitants and their eligible dependants through the City's health care plans. Premiums are set by the City, and the City pays 50% of the claims or premiums, whichever are applicable, and the remaining amount is paid by all annuitants participating in the plans. For annuitants who do not receive Medicare, the police pension fund pays a set amount to the City on behalf of each annuitant who chooses to participate in the City's health care plan, up to a maximum of \$95 per month (by statute, this amount increased to \$95 per month from \$85 per month beginning July 1, 2010 for non-Medicare retirees). For Medicare retirees, the pension fund pays to the city a maximum reimbursement of \$55 per month. By statute, this amount increased to \$65 per month beginning July 1, 2010. The health insurance payments are financed with current contributions on a pay-as-you-go basis. The pension fund does not maintain a separate account to pay for health insurance costs.

SB 1605 amends the Chicago Police Article of the Pension Code to provide that retirees of the Chicago Police Pension Fund will pay no higher health insurance premium and receive no lower benefits than active employee participants who have the same Medicare status, beginning on the effective date of this Amendatory Act.

This bill specifies this provision is a limitation on the concurrent exercise of home rule power under the Illinois Constitution.