COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 2060** March 1, 2011

SPONSOR (S): Raoul

SYSTEM(S): Chicago Police

FISCAL IMPACT: The Chicago Police Pension Fund's actuary performed a cost study on extending the 3% annual increase to police officers born before Jan. 1, 1960. The cost study was performed in October of 2009, and the actuary assumed that those police officers born after Jan. 1, 1960 would receive a 1.5% simple COLA starting at age 60, with a maximum increase of 30%. The actuary did not assume that active police officers could elect to contribute an additional 1% of salary in exchange for the enhanced COLA, an option which SB 2060 does provide. The cost study also did not contemplate the decreased COLA amount for newly-hired police officers contained in this bill.

Fiscal Impact	Before Change	After Change	Effect of Change
Normal Cost	$180,490,000	$183,716,000	$3,226,000
Accrued Lability	$8,773,263,000	$8,876,585,000	$103,322,000
Payroll	$1,023,581,000	$1,023,581,000	$0

SUBJECT MATTER: SB 2060 amends the Chicago Police article of the Pension Code to extend the 3% annual increase in retirement annuities to police officers who elect to make a contribution of 1% of salary in order to receive the enhanced COLA. The bill also extends a non-compounded COLA of 3% or one-half the change in the Consumer Price Index, whichever is less, for police officer who begin service on or after the effective date of this amendatory Act. The bill also deletes the 66 2/3% survivor's annuity for policemen hired after Jan. 1, 2011 that was implemented by P.A. 96-1495, the Police and Fire Pension Reform Act of 2010.

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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). SB 2060 allows current employees who are not entitled to the 3% annual increase to elect to receive this increase by making a one-time, irrevocable election to contribute an additional 1% of salary beginning on Jan. 1, 2012.

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. SB 2060 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.

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