COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 3088, as amended by SA 2** May 28, 2013

SPONSOR (S): Evans (Martinez)

SYSTEM(S): Chicago Police, Chicago Fire

FISCAL IMPACT: The long-term fiscal impact upon the Chicago Police and Fire Pension Funds has not yet been calculated. Under current law, both funds are under a mandate to achieve a 90% funding ratio by 2040 (this change was implemented by the police & fire Tier 2 Act of 2010, P.A. 96-1495). HB 3088, as amended by SA 2, changes this funding goal such that both funds would now be required to attain a 90% funding ratio in 2061. An updated impact note will be issued when actuarial studies from both the Chicago Police and Chicago Fire pension funds become available.

<u>SUBJECT MATTER</u>: HB 3088, as amended by SA 2, changes the target date for both the Chicago Police and Fire Pension Funds to reach a 90% funding ratio (from 2040 to 2061). The bill also delays to 2025 the date by which the Comptroller is required to deduct from State grants to the City of Chicago the entire amount of any delinquent employer contributions to the police and fire pension funds.

FISCAL IMPACT: The long-term fiscal impact upon the Chicago Police and Fire Pension Funds has not yet been calculated. Under current law, both funds are under a mandate to achieve a 90% funding ratio by 2040 (this change was implemented by the police & fire Tier 2 Act of 2010, P.A. 96-1495). HB 3088, as amended by SA 2, changes this funding goal such that both funds would now be required to attain a 90% funding ratio in 2060. An updated impact note will be issued when actuarial studies from both the Chicago Police and Chicago Fire pension funds- become available.

<u>COMMENT</u>: P.A. 96-1495, which became effective on Jan. 1, 2011, implemented a second tier of benefits for police and fire pension funds in Illinois. The Act raised the retirement age for new hires after Jan. 1, 2011, and made changes to the method for calculating pensionable salary and the age at which the annual COLA begins, among other changes. In addition, for the Chicago Police and Fire Pension funds, the Act mandated a new amortization period under which both funds are to attain a 90%

funding ratio by FY 2040. The Act also specified that, beginning in 2016, if the city was late or delinquent in making the required contributions, the Comptroller would be required to deduct the amount of the delinquent payments from State grants to the city.

HB 3088, as amended by SA 2, changes the target date for the Chicago Police and Fire Pension Funds to attain a 90% funding ratio from 2040 to 2061. The bill also changes the date that the Comptroller can first begin to deduct delinquent City pension contributions from State grants from 2016 to 2023. Under this bill, 2025 would be the first year in which the Comptroller would be required to deduct the *entire amount* of delinquent City pension contributions from State grants.

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