COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 1523 HA 3&4 (P.A. 98-0622)**   January 22, 2014

SPONSOR(S):   Cullerton – Sandoval, et. al. (Madigan)

SYSTEM(S):   Chicago Park District

FISCAL IMPACT: SB 1523 as amended by SA 3 & 4 will have a significantly positive impact on the Chicago Park District Pension Fund. Please refer to appendix A for a full actuarial projection provided by the Park Employees' Annuity and Benefit Fund of Chicago's actuaries.

SUBJECT MATTER: SB 1523 as amended by SA 3 & 4 amends the Chicago Park District article of the Pension Code to increase employee and employer contributions. This bill changes COLA calculation and retirement age for Tier 2 employees. This bill also provides implementation procedure for new benefit increases.

FISCAL IMPACT: SB 1523 as amended by SA 3 & 4 will have a significantly positive impact on the Chicago Park District Pension Fund. Please refer to appendix A for a full actuarial projection provided by the Park Employees' Annuity and Benefit Fund of Chicago's actuaries.

COMMENT:

Reforms for Employees:
- COLA
    - Current Law: 3% COLA based on the originally-granted annuity for Tier 1 members
    - Proposed: Lesser of 3% or ½ the CPI-U (Same as Tier 2 COLA)
        - Additionally, the COLA will be suspended in FY 2015, FY 2017, and FY 2019

- Employee Contributions
    - Current Law: 9% of salary.
    - Proposed: Ramping schedule up to 12%
        - Beginning 1/1/15: 10% of salary.
        - Beginning 1/1/17: 11% of salary.
        - Beginning 1/1/19: 12% of salary.

- For any duration of time that the funded ratio is over 90%, employees will pay 10.5% of salary as contributions.
  - If under 90%, employee contribution will be 12%.

- Disability
  - Current Law: assuming all requirements are met, 75% of salary.
  - Proposed: Ramping schedule down to 72%
    - Beginning 1/1/15: 74% of salary.
    - Beginning 1/1/17: 73% of salary.
    - Beginning 1/1/19: 72% of salary.

- Tier 2 employees may receive full benefits at a retirement age of 65 with reduced-benefit pensions availabe at the age of 60.
  - Current law provides full Tier 2 retirement at 67 and reduced Tier 2 retirement at 62.

- Deferred-Withdrawal Pensions
  - Current law:
    - Prerequisites: Age of less than 60 years and at least 10 years service credit
    - Retirement Annuity awarded at employee's discretion at any time after withdrawal and attainment of age 50
  - Proposed law:
    - Must be at least 45 years of age by January 1, 2015 to follow current-law structure
    - If under age 45 by January 1, 2015, the current-law structure is amended to rewarding the benefit after withdrawal and attainment of age 58.

Reforms for the System:
- Employer Contributions
  - Current Law: Employer tax multiplier is 1.1 times the second year prior's employer contribution.
  - Proposed: Ramping schedule gradually increasing the employer tax levy multiplier to 2.9.
    - Beginning 1/1/15: multiplier of 1.7.
    - Beginning 1/1/17: multiplier of 2.3.
    - Beginning 1/1/19: multiplier of 2.9.
    - Additionally, there will be supplemental contributions of $12.5 million in FY 2015 & 2016, and $50 million in FY 2019.

Appendix A:

							Park Employees' Annuity and Benefit Fund of Chicago			
				Acuarial Valuation Projection Results as of December 31, 2012 with 7.5% investment return assumption						
				Actuarial Valuation Projection Results						
				($ in thousands)						
Fiscal Year	Employee Contributions	Employer Contributions	Payroll	Normal Cost	Benefit Payouts	Estimated Expenses	Total Actuarial Liability	Actuarial Value of Assets	Unfunded Actuarial Liability	Funded Ratio
2012							971,807.2	421,448.0	550,359.2	43.4%
2013	10,816.9	10,784.5	118,721.8	15,385.6	69,347.3	1,596.0	864,459.3	390,519.4	473,939.9	45.2%
2014	11,857.1	17,451.4	117,251.8	13,209.0	70,871.8	1,675.8	869,963.8	391,580.2	478,383.6	45.0%
2015	11,747.3	17,853.1	116,154.0	13,173.7	70,327.6	1,759.6	876,407.9	389,077.6	487,330.3	44.4%
2016	12,822.1	26,477.0	115,365.9	13,148.3	70,571.7	1,847.4	883,054.8	381,949.5	501,105.3	43.3%
2017	12,750.2	26,231.8	114,715.3	13,146.8	70,303.2	1,939.9	890,477.1	376,714.2	513,762.9	42.3%
2018	13,833.7	36,101.2	114,181.7	13,138.4	70,784.0	2,036.9	897,948.3	433,080.7	464,867.6	48.2%
2019	13,782.6	35,898.7	113,756.0	13,143.3	70,548.2	2,138.8	906,229.7	441,650.7	464,579.0	48.7%
2020	13,762.8	38,949.2	113,591.0	13,173.0	70,960.9	2,245.7	914,736.1	453,497.7	461,238.4	49.6%
2021	13,757.9	38,805.4	113,550.0	13,205.7	71,388.7	2,358.0	923,471.7	465,538.4	457,933.3	50.4%
2022	13,766.1	38,749.7	113,618.3	13,245.5	71,731.6	2,475.9	932,549.3	477,946.8	454,602.5	51.3%
2023	13,778.2	38,735.8	113,718.9	13,276.0	72,098.2	2,599.7	947,960.4	490,776.1	457,184.3	51.8%
2024	13,806.7	38,758.9	113,956.7	13,312.6	72,515.5	2,729.7	951,683.6	501,054.1	450,629.5	52.6%
2025	13,843.6	38,792.9	114,264.5	13,357.6	72,947.5	2,866.2	961,736.3	517,811.8	443,924.5	53.8%
2026	13,885.7	38,873.2	114,614.8	13,385.6	73,465.6	3,099.5	972,035.5	532,042.1	439,993.4	54.7%
2027	13,927.8	38,977.2	114,965.9	13,395.8	73,844.0	3,159.9	982,725.5	546,942.6	435,782.9	55.7%
2028	13,998.0	39,095.6	115,551.1	13,458.6	72,317.1	3,317.9	995,868.9	564,576.5	431,292.4	56.7%
2029	14,073.8	39,214.2	116,182.7	13,529.8	73,136.4	3,483.8	1,009,224.7	582,712.6	426,512.1	57.7%
2030	14,152.1	39,411.9	116,834.8	13,594.6	73,777.2	3,658.0	1,022,987.0	603,649.7	419,337.3	59.0%
2031	14,250.6	39,625.3	117,655.5	13,683.0	74,463.7	3,840.9	1,037,164.1	621,428.5	415,735.6	59.9%
2032	14,357.2	39,845.6	118,544.0	13,773.9	75,069.8	4,033.0	1,051,873.5	642,202.0	409,671.5	61.1%
2033	14,478.3	40,122.9	119,553.7	13,877.7	75,623.7	4,234.6	1,067,223.0	664,163.0	403,060.0	62.2%
2034	14,614.8	40,423.1	120,690.7	13,997.3	76,121.7	4,446.3	1,083,335.6	687,487.6	395,848.0	63.5%
2035	14,756.2	40,764.3	121,869.5	14,113.6	76,561.1	4,668.7	1,100,325.8	712,375.8	387,950.0	64.7%
2036	14,914.5	41,148.4	123,188.7	14,257.4	76,954.2	4,902.1	1,118,337.0	739,043.4	379,293.6	66.1%
2037	15,079.4	41,546.7	124,562.4	14,406.6	77,357.7	5,147.2	1,137,440.7	767,622.3	369,818.4	67.5%
2038	15,255.2	41992.4	126,027.7	14565.9	77,547.8	5,404.6	1,157,951.2	798,525.3	359,425.9	69.0%
2039	15,461.7	42,456.5	127,748.6	14,760.9	77,664.6	5,674.8	1,180,088.6	832,040.2	348,048.4	70.5%
2040	15,682.1	41,951.6	129,585.4	14,974.2	77,814.8	5,958.5	1,203,959.7	868,360.9	335,598.8	72.1%
2041	15,909.8	43,533.0	131,482.2	15,193.0	77,935.1	6,256.5	1,229,731.5	907,811.1	321,920.4	73.8%
2042	16,161.5	44,153.6	133,579.7	15,438.3	78,141.1	6,569.3	1,257,486.2	950,586.8	306,899.4	75.6%
2043	16,429.2	44,794.5	135,811.1	15,702.0	78,083.8	6,897.7	1,287,665.3	997,232.0	290,433.3	77.4%
2044	16,715.9	45,503.1	138,200.1	15,980.6	78,135.1	7,242.6	1,320,354.2	1,047,997.2	272,357.0	79.4%
2045	17,023.9	46,257.0	140,766.6	16,283.8	78,328.2	7,604.8	1,355,620.3	1,103,095.5	252,524.8	81.4%
2046	17,346.8	47,064.2	143,457.4	16,604.7	78,593.1	7,985.0	1,393,601.5	1,162,829.2	230,772.3	83.4%
2047	17,700.4	47,931.3	146,404.0	16,959.7	78,807.3	8,384.3	1,434,590.7	1,227,673.0	206,917.7	85.6%
2048	18,077.9	48,840.4	149,549.9	17,339.8	78,961.1	8,803.5	1,478,903.2	1,298,120.5	180,782.7	87.8%
2049	18,476.6	49,836.0	152,872.2	17,738.8	79,130.3	9,243.6	1,526,792.5	1,374,665.8	152,126.7	90.0%
2050	16,552.2	50,898.9	156,384.2	18,166.0	79,222.4	9,705.8	1,578,637.1	1,455,483.2	123,153.9	92.2%
2051	16,741.3	52,021.4	160,089.9	18,616.3	79,250.9	10,191.1	1,634,824.5	1,543,397.1	91,427.4	94.4%
2052	17,348.7	46,603.4	163,969.6	19,085.2	79,298.4	10,700.7	1,695,680.9	1,632,128.1	63,552.8	96.3%
2053	17,774.5	47,698.9	168,024.7	19,574.8	79,293.5	11,235.7	1,761,632.9	1,728,542.2	33,090.7	98.1%
2054	18,220.7	48,845.8	172,274.2	20,087.6	79,367.0	11,797.5	1,833,006.3	1,833,181.3	(175.0)	100.0%
2055	18,683.8	50,044.7	176,685.1	20,617.0	79,475.1	12,387.4	1,910,189.6	1,946,668.4	(36,478.8)	101.9%
2056	19,165.1	51,301.0	181,268.8	21,163.9	79,665.1	13,006.7	1,993,552.5	2,069,630.1	(76,077.6)	103.8%
2057	19,663.4	52,605.0	186,014.2	21,731.8	79,972.5	13,657.1	2,083,459.0	2,202,690.0	(119,231.0)	105.7%
2058	20,177.8	53,960.0	190,913.6	22,316.4	80,383.9	14,339.9	2,180,310.2	2,346,533.8	(166,223.6)	107.6%

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