

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 1771**

March 1, 2013

SPONSOR (S): Raoul

SYSTEM(S): Chicago Police

FISCAL IMPACT: According to a 2009 actuarial study performed by the pension fund's actuary, extending the annual 3% simple COLA to policemen born after Jan. 1, 1955 but before Jan. 1, 1960 would increase the normal cost of the pension fund by \$3.2 million and would also increase the accrued liability of the pension fund by \$103.3 million. SB 1771 extends the 3% COLA to all policemen born after Jan. 1, 1955, so these costs would be higher under SB 1771 than those reflected in the aforementioned actuarial study.

SUBJECT MATTER: SB 1771 amends the Chicago Police article of the Pension Code to grant 3% simple COLA's to policemen born after Jan 1. 1955. These members would also not be subjected to the current 30% limitation on post-retirement COLA's.

FISCAL IMPACT: According to a 2009 actuarial study performed by the pension fund's actuary, extending the annual 3% simple COLA to policemen born after Jan. 1, 1955 but before Jan. 1, 1960 would increase the normal cost of the pension fund by \$3.2 million and would also increase the accrued liability of the pension fund by \$103.3 million. SB 1771 extends the 3% COLA to all policemen born after Jan. 1, 1955, so these costs would be significantly higher under SB 1771 than those contained in the aforementioned actuarial study.

COMMENT: Under current law, members of the Chicago Police Pension Fund who were born prior to Jan. 1, 1955 are entitled to a 3.0% simple COLA starting at age 55. Those born after Jan. 1, 1955 are entitled to a 1.5% simple COLA starting at age 60 and limited to a maximum increase of 30%. SB 1771 allows all members born on or after January 1, 1955 to receive the 3% simple COLA without the 30% maximum.