COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 2067** March 9, 2008

SPONSOR (S): DeLeo

SYSTEM(S): Chicago Police

FISCAL IMPACT: According to the fund's actuary, SB 2067 would increase the unfunded liabilities of the Chicago Police pension fund by $651.8 million. The funded ratio would decline from 49.3% to 45.6%.

SUBJECT MATTER: SB 2067 amends the Chicago Police article of the Illinois Pension Code to provide for 3% compounded automatic annual increases in retirement annuities for police officers who retire with at least 20 years of service, regardless of age. In addition, the bill extends the 3% compounded automatic annual increases to those retirees who receive the minimum annuity, beginning at age 55.

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COMMENT: Currently, participants in the Chicago Police pension fund who were born prior to January 1, 1955, are entitled to a 3.0 percent non-compounded COLA starting at age 55. Those born after January 1, 1955, are entitled to a 1.5 percent non-compounded COLA starting at age 60 and are limited to a maximum increase of 30 percent. SB 2067 provides that, beginning January 1, 2009, all current and future retirement annuities would receive a 3.0 percent compound COLA, regardless of age. In addition, the bill extends the 3% compounded automatic annual increases to those retirees who receive the minimum annuity, beginning at age 55.

P.A. 94-0719 (HB 1009), which took effect on January 6, 2006, extended the 3% non-compounded annual COLAs for police officers born on or after January 1, 1950 but before January 1, 1955. The Act also removed the 30% COLA maximum for these retirees.

SB 2067 amends the State Mandates Act to require implementation without reimbursement.

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