



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 2337

February 17, 2023

SPONSOR (S): Cabello

SYSTEM: Downstate Police, Downstate Fire

FISCAL IMPACT

According to the Public Pension Division of the Department of Insurance, there are currently 9,296 active Downstate firefighters; 5,316 in Tier 1, and 3,980 in Tier 2. DOI claims there are 12,887 active Downstate police officers; 7,033 in Tier 1 and 5,854 in Tier 2. HB 2337 would have a significant fiscal impact upon Downstate Police and Pension Funds statewide. An actuarial cost study would be needed to assess the full impact of moving Tier 2 members into the Tier 1 schedule of benefits on a prospective basis.

SUBJECT MATTER: HB 2337 amends the Downstate Police and Fire Articles of the Pension Code. The bill would grant Tier 2 members the same schedule of benefits as Tier 1 members, but the changes would be granted prospectively. Tier 2 members who have already accrued service credit or retired would not be entitled to a retroactive benefit increase.

COMMENT: HB 2337 amends the Downstate Police and Downstate Fire Articles of the Pension Code. The bill contains a statement of legislative intent that those police officers and firefighters who are in Tier 2 should be provided with the same level of benefits as Tier 1 members. Tier 2 members would be brought under the Tier 1 schedule of benefits prospectively; Tier 2 members who have already accrued service credit would not be entitled to a retroactive benefit increase, but newly hired police officers and firefighters would fall under the Tier 1 schedule of benefits.

Downstate Police Officers contribute 9.91% of salary towards their pensions, while Downstate Firefighters contribute 9.455% of salary towards their pensions. Both police officers and firefighters accrue pensionable service at a rate of 2.5% of final average salary per year of service, with a maximum pension of 75% of final average salary.

Below is a comparison of the relevant benefits between Tier 1 and Tier 2 police officers and firefighters. The Tier 2 schedule of benefits was implemented via the enactment of P.A. 96-1495, the Police and Fire Tier 2 Act of 2010.

Retirement Age

- **Tier 1** – Age 50 with 20 years of service.
- **Tier 2** – Age 55 with 10 years of service, or age 50 with 10 years of service, reduced by 0.5% of pensionable salary per month younger than 55.

Pensionable Salary

- **Tier 1** – Salary on the final day of service. No pensionable salary cap.
- **Tier 2** – The greater of the average of the highest consecutive 8 out of the last 10 years' salary, or the average of the highest 4 out of the last 5 years' salary, capped at \$119,892 as of 2022.

Cost-of-Living Adjustment (COLA)

- **Tier 1** – 3% compounded.
- **Tier 2** – The lesser of ½ of the CPI-U or 3% of the original annuity (non-compounded).

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