



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 2821

February 17, 2023

SPONSOR (S): Hurley

SYSTEM: Chicago Police

FISCAL IMPACT

HB 2821 would grant a 3% non-compounded cost-of-living adjustment (COLA) to all Tier 1 Chicago Police retirees who reach age 55 with 20 years of service. This change would have a significant fiscal impact upon the pension fund. An actuarial study would be required to determine the precise fiscal impact. As of December 31, 2021, the pension fund had an unfunded liability of approximately \$12 billion, and a funded ratio of 24.9%.

SUBJECT MATTER: HB 2821 amends the Chicago Police Article of the Pension Code to grant a 3% non-compounded annuity to all Tier 1 Chicago Police officers who retire at age 55 with 20 years of service. The bill removes the current statutory framework in which the retired officer's birthdate determines whether or not they receive the 3% COLA.

COMMENT: Under current law, Tier 1 Chicago police officers born before January 1, 1966 with at least 20 years of service receive an annual non-compounded increase of 3% on or after the age of 55, not subject to a 30% increase maximum. Those Tier 1 members born after January 1, 1966 receive 1.5% increases on or after the age of 60 with at least 20 years of service, to a maximum of 30% (hence, after 15 years of retirement, no annual increases are payable). HB 2821 removes the birthdate restriction and 30% cap and sets the annual Tier 1 increase to 3% non-compounded for all retirees at least 55 years of age with 20 years of service. The COLA will be payable on the first of the month following the first anniversary of retirement.

P.A. 101-0673, which became effective on April 5th, 2021, implemented this same COLA change for Chicago Firefighters who reached age 55 with 20 years of service.

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