



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5211**

February 28, 2024

SPONSOR (S): Kifowit

SYSTEM (S): Downstate Police & Fire, Chicago Police & Fire, Illinois Municipal Retirement Fund (IMRF), Chicago Municipal, Cook County Employees, Cook County Forest Preserve, Chicago Laborers, Chicago Park Districts, and Metropolitan Water Reclamation District Retirement Fund (MWRDRF)

FISCAL IMPACT

The fiscal impact of the Tier 2 changes contained within HB 5211 with regard to retirement ages, pensionable salary cap, and cost-of-living adjustments (COLA's) have not yet been calculated. An updated impact note will be issued when actuarial data is received from the non-State systems that are impacted by this bill.

SUBJECT MATTER: HB 5211 brings the Tier 2 pensionable salary cap in line with the Social Security Wage Base, amends the age and service requirements as well as the formula used for calculating cost of living adjustments (COLAs) for members of various retirement funds within the Illinois Pension Code, as detailed below in the Comment section.

COMMENT: Currently, the Tier 2 pensionable salary cap is equal to \$125,773.73, of which members do not make contributions on wages above this amount. The Tier 2 cap is increased annually by the lesser of 3% or ½ the increase in CPI-U for the preceding 12 months, as long as the CPI-U does not equal zero. Beginning January 1, 2025, under HB 5211, the Tier 2 pensionable salary cap for the affected systems is brought into line with the Social Security Wage Base for the applicable plan year, which as of 2024 was \$168,600.

Under current law, a Tier 2 member of the above-mentioned systems is entitled to a retirement annuity if he or she has attained age 67 and has at least 10 years of service credit. Tier 2 members are also eligible to retire at age 62, with annuities reduced by ½ of 1% for each month

under age 67. HB 5211 amends the age and service requirements at which Tier 2 members in the affected systems may retire with an unreduced annuity, as follows:

- Age 62 with at least 35 years of service credit;
- Age 64 with at least 20 years of service credit;
- Age 67 with at least 10 years of service credit.

HB 5211 also amends the age and service requirements at which Tier 2 members in the above-mentioned systems may retire with a reduced annuity, as follows:

- Age 57 with at least 35 years of service credit;
 - Annuity reduced by $\frac{1}{2}$ of 1% for each full month that the member's age is under age 62;
- Age 59 with at least 20 years of service credit;
 - Annuity reduced by $\frac{1}{2}$ of 1% for each full month that the member's age is under age 64;
- Age 62 with at least 10 years of service credit;
 - Annuity reduced by $\frac{1}{2}$ of 1% for each full month that the member's age is under age 67.

Currently, amongst the systems affected, each Tier 2 automatic annual increase is calculated at the lesser of:

- A simple 3% increase; or
- $\frac{1}{2}$ the annual increase of the Consumer Price Index.

Beginning on January 1 following the member's first annuity payment date, HB 5211 would amend the Tier 2 COLA formula to an annual increase calculated at 3% of the originally granted annuity.

Note – It would appear that the Tier 2 benefit changes in HB 5211 are intended for non-public safety personnel in the pertinent systems. Although the Downstate Police, Downstate Fire, Chicago Police, and Chicago Fire articles are included in this bill, the revised Tier 2 retirement age as outlined above would be higher than the current Tier 2 retirement age in the police and fire systems. For example, under current law, the Tier 2 retirement age without reduction in the Downstate Police and Fire articles is age 55 with 10 years of service. The lowest non-reduced retirement age under HB 5211 is age 62 with 35 years of service, which is higher than the current Tier 2 public safety retirement ages. Presumably, this bill would be amended to address the public safety articles separately.

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