



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *103<sup>RD</sup> General Assembly*

BILL NO: **HB 5265**

February 27, 2024

SPONSOR (S): Kifowit

SYSTEM: Chicago Police and Chicago Fire

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#### FISCAL IMPACT

An actuarial study would be needed to assess the fiscal impact associated with changing the Tier 2 annual cost of living increase (COLA), the Tier 2 COLA eligibility standards, and the Tier 2 retirement age for members of the Chicago Police and Chicago Fire pension funds. The fiscal impact of these changes would be significant. An updated impact note will be issued when an actuarial study has been made available by either the Chicago Police or Chicago Fire pension funds.

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SUBJECT MATTER: HB 5265 amends the Chicago Police and Chicago Fire Articles of the Illinois Pension Code. The bill lowers the Tier 2 retirement age for police officers and firefighters to age 50 with 20 or more years of service, and sets the Tier 2 annual cost of living increase (COLA) for both funds at 3% non-compounded. HB 5265 also provides that the Tier 2 COLA will take effect on the latter of January 1 on or after the officer reaches age 55 or the first anniversary of the annuity start date. These changes are further detailed in the Comment section below.

#### COMMENT:

HB 5265 makes the following changes to the Tier 2 benefit levels of the Chicago Police and Fire Articles of the Pension Code:

Tier 2 Retirement Age Reduction**Current Law**

Currently, Tier 2 Chicago police officers and firefighters can retire with the following combinations of age and years of service:

- Age 55 with at least 10 years of service; or
- Age 50 or older with 10 or more years of service, reduced by 6% annually for each year under age 50.

**HB 5265**

HB 5265 allows Chicago police officers to retire at age 50 with 20 years of service, or at age 55 with 10 years of service. Tier 1 Chicago police officers and firefighters are able to retire at age 50 with at least 20 years of service without reduction.

Changes to Tier 2 Annual Cost of Living Increases (COLAs)**Current Law**

Tier 2 Chicago police officers and firefighters receive a non-compounded annual increase in annuity equal to the lesser of the following:

- 3%; or
- One-half the annual unadjusted percentage increase in the CPI.

The Tier 2 COLA is payable on the latter of the first anniversary of the annuity start date or the January 1st on or after the officer or firefighter reaches age 60.

**HB 5265**

HB 5265 would set the non-compounded annual increase in annuity to 3%, as well as make Chicago police officers and firefighters eligible for this increase on the latter of the following:

- January 1 on or after the officer reaches age 55; or
- A full year since the annuity start date.

This change essentially aligns the Tier 2 Chicago police and fire COLA amount and eligibility with that of Tier 1. Currently, Tier 1 Chicago police officers and firefighters receive a 3% non-compounded annual increase. For Tier 1 Chicago Police, the officers become eligible for the increase on the latter of:

- The first of the month following the first anniversary of retirement; or
- The first of the month following the attainment of age 55.

For Tier 1 Chicago firefighters, the first COLA is payable when both of the following conditions are met:

- The firefighter attained age 55; and
- The firefighter has been retired for at least 1 year and 1 month.

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