



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>TH</sup> General Assembly*

BILL NO: SB 1725

February 13, 2025

SPONSOR (S): Martwick

SYSTEM: Chicago Police, Chicago Fire

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#### FISCAL IMPACT

**An actuarial cost study would be needed to assess the fiscal impact of the changes made to the Tier 2 COLA rate, the COLA commencement date, and the early retirement provision in both the Chicago Police and Fire articles of the Illinois Pension Code. An updated note will be issued if actuarial data becomes available from the Chicago Police and Fire Pension Funds.**

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**SUBJECT MATTER:** SB 1725 amends the Chicago Police and Fire Articles of the Pension Code. The bill alters the Tier 2 COLA rate, COLA commencement date, and the early retirement provision, as detailed below.

**COMMENT:** SB 1725 amends the Chicago Police and Fire Articles of the Pension Code. The bill makes three changes to the Tier 2 benefit structure in both funds, as follows: 1) provides for an unreduced annuity at age 50 with 20 years of service; 2) provides for a 3% non-compounded COLA, and 3) provides that the Tier 2 COLA will begin at the latter of age 55 or the first anniversary of retirement.

The chart below highlights the changes to the Tier 2 COLA, COLA commencement and early retirement provision in the Chicago Police and Fire articles in contrast to current law:

Tier 2 Provision	Current Law	SB 1725
COLA Commencement	First increase at <b>60 or 1 year after retirement</b> , whichever is later	First increase at <b>55 or 1 year after retirement</b> , whichever is later
COLA Rate	Lower of <b>3% or half of CPI-U increase, non-compounded</b>	Fixed <b>3% annual increase, non-compounded</b>
Early Retirement Reduction	Retiring <b>before 55</b> results in a <b>6% per year reduction</b> for each year between 50-55.	No reduction if retiring at <b>50 with 20+ years of service</b>

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