

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

R E V I S E D

BILL NO: **SB 1625** March 10, 2009

SPONSOR (S): Viverito - Althoff

SYSTEM(S): Downstate Police, Fire Pension Funds

FISCAL IMPACT:

Downstate Police

The Commission's actuary has determined that for all Downstate police pension funds combined, SB 1625 will reduce average employer contributions for new hires by an estimated 3.36% of payroll. Total first-year savings is estimated to be \$1.8 million statewide. These savings will grow steadily each year as more new police officers are hired. This statewide savings is based upon an assumption of 1,313 new police officers hired each year statewide.

Downstate Fire

The Commission's actuary has determined that for all Downstate fire pension funds combined, SB 1625 will reduce average employer contributions for new hires by an estimated 2.71% of payroll. Total first-year savings is estimated to be \$938.5 thousand statewide. These savings will grow steadily each year as more new firefighters are hired. This statewide savings is based upon an assumption of 866 new firefighters hired each year statewide.

SUBJECT MATTER: SB 1625 amends the Downstate Police and Fire articles of the Illinois Pension Code. The bill changes the way pensions are calculated for police officers and firefighters who enter service on or after the effective date of the bill. Specifically, for new hires, the bill stipulates that pensions will be calculated based on the final average salary in the 4 highest consecutive years of salary within the last 10 years of service, rather than on the salary on the police officer or firefighter's last day of service. The bill does not affect current employees.

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COMMENT: Currently, Downstate police officers and firefighters are eligible to retire at age 50 with at least 20 years of service credit. The amount of the pension is equal to 50% of the police officer or firefighter's final salary, plus 2.5% of final salary for each additional year over 20 years, up to a maximum of 75% of final salary. For police officers, "final salary" means the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. For firefighters, "final salary" means the salary attached to the rank held by the firefighter at the date of retirement. SB 1625 proposes to change the way retirement annuities are calculated for police officers and firefighters who enter service on or after the effective date of this Amendatory Act (January 1, 2010). Specifically, the bill provides that police and fire pensions will be calculated based on an average of the highest 4 years of salary within the last 10 years of service.

Below is a summary of how other police and fire pensions are calculated within the Illinois Pension Code:

Chicago Fire: Average of 4 highest consecutive years within the final 10 years of service

Chicago Police: Average of the 4 highest consecutive years within the final 10 years of service.

IMRF SLEP: Average of the 4 highest consecutive years within the final 10 years of service.

State Police: Rate of pay on the last day of employment, or the average of the last 48 months of compensation, whichever is greater.

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