

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

BILL NO:           **HB 0933**

February 20, 2007

SPONSOR(S):       Joyce

SYSTEM(S):        Chicago Police Pension Fund

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**FISCAL IMPACT:** According to an analysis prepared by the Fund's actuary (based on 12/31/04 membership data), the estimated increase in accrued liability due to HB 0933 is \$614.0 million. The increase in normal cost is estimated to be \$27.7 million and the annual employer payment needed to amortize the estimated increase in the accrued liability over 40 years is \$31.5 million. Therefore, the estimated 1<sup>st</sup> year employer cost of HB 0933 is \$59.2 million, or 6.29% of payroll. As payroll grows, the annual cost will increase commensurate with payroll.

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**SUBJECT MATTER:** HB 0933 amends the Chicago Police Article of the Pension Code to grant 3% compounded automatic annual increases in retirement annuities and removes the 30% maximum increase limitation.

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**COMMENT:** Currently, retired Chicago Police born before January 1, 1950, with at least 20 years of service receive annual increases of 3% of the original amount of the annuity, beginning at age 55. Retirees born after January 1, 1950, with at least 20 years of service receive annual increases of 1 ½% of the original annuity, beginning at age 60, and a 30% maximum applies. Effective January 1, 2008, HB 0933 grants all retirees, regardless of date of birth, 3% compounded automatic annual increases, beginning at age 55. HB 0933 removes the 30% maximum, and applies to current and future retirees.

HB 0933 amends the State Mandates Act to require implementation without reimbursement.

DH:dkb

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