

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3074**

February 10, 2020

SPONSOR (S): Muñoz

SYSTEM(S): Chicago Police

FISCAL IMPACT: The fiscal impact of providing a 3% compounded COLA to retirees over age 70 in the Chicago Police Pension Fund is not known, as an actuarial study from the pension fund has not been made available. There would be an increase in accrued liabilities and, subsequently, an increase in City contributions as a result of this change.

SUBJECT MATTER: SB 3074 amends the Chicago Police article of the Pension Code to provide for compounding of any 3% COLA for all retirees who have attained age 70 prior to the effective date, and all retirees who attain age 70 with 20 years of service after the effective date, provided they are eligible for a 3% COLA based upon their date of birth.

COMMENT: Currently, a Chicago Police retiree born before January 1, 1966, with at least 20 years of service receives an increase of 3% of the original annuity (non-compounded), starting on the first of the month following the first anniversary of his or her retirement or the first of the month following attainment of age 55, whichever is later. For retirees born on and after January 1, 1966, automatic increases are 1.5% non-compounded, commencing at age 60, or the first anniversary of retirement, if later, subject to a maximum of 30% (in other words, COLA's are not payable after 15 years of retirement).

SB 3074 would compound any 3% simple COLA for retirees who attain age 70 with 20 years of service after the effective date of the bill. All retirees who already have attained age 70 and are already in receipt of a 3% simple COLA prior to the effective date would receive a compounded 3% COLA after the effective date. The new compounded COLA would be prospective only; the bill does not provide for recalculation of any annuity amounts already paid.

Inasmuch as police officers born after January 1, 1966 are not eligible to receive a 3% COLA, they would be ineligible for this new compounded COLA upon attainment of age 70 with 20 years of service.

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