

LEGISLATION FACT SHEET

Education and Advocacy Initiative

Senate Bill 1922: City of Chicago Pension Reform

April 9, 2014

**This bill does NOT impact the Chicago Teachers' Pension Fund.
CTPF has not taken a position on this legislation.**

SPONSORS: Senator Kwame Raoul, Speaker of the House Michael J. Madigan

SYSTEMS IMPACTED Chicago Municipal Employees' Annuity and Benefit Fund and the Chicago Laborers' Annuity and Benefit Fund

EFFECTIVE DATE: Effective immediately upon enactment of law.

SUMMARY



SB 1922 includes benefit changes for both Tier 1 and Tier 2 members, including a cut in COLA benefits, and increases in employee and employer contributions, and establishes an actuarially determined funding schedule for both funds.

BENEFIT REFORM

Cost-of-Living Adjustment (COLA)

Changes the COLA for Tier 1 members (including current retirees) to ½ of the Consumer Price Index-Urban (CPI) or 3%, whichever is less, not compounded (Tier 2 COLA).

Tier 1 retirees (current and future) will not receive COLAs in 2017, 2019, and 2025. Tier 2 retirees will not receive a COLA in 2025. Active members may not receive a COLA until 1 full year after retirement.

Retirees receiving less than \$22,000 a year in annuity payments will receive a minimum COLA of 1%, simple and are not subject to the COLA eliminations in 2017, 2019, and 2025. Instead these retirees will receive a 1% simple COLA in those years.

Employee Contribution Increase

Employee contributions are increased by 0.5% each year from 2015 to 2019 raising the contribution to 11% in 2019 and each year thereafter. When the funded ratio is 90%, employee contributions will decrease to 9.75% and remain at that amount as long as the fund maintains 90% funded.

Tier 2 Retirement Age

Decreases the retirement age for Tier 2 employees from 67 to 65, and from 62 to 60, for early retirement. There is no change in retirement age for Tier 1 employees.

FUNDING REFORM

Funding Schedule

The law requires actuarially determined funding schedules which require a 90% funding by 2055.

Employer Contribution Increase

The City's contribution is incrementally increased by \$50 million each year from FY 2016-FY 2020. Beginning FY 2021, the City must make contributions sufficient enough to provide for 90% funding by FY 2055.

Pension Contribution Levy

The City may establish a levy amount for each fund that may not exceed the City's required contributions.

Note, this summary is provided as educational information for CTPF members and is based on data available on April 8, 2014.

Visit www.ilga.gov for the full text.

This bill does not impact CTPF and the fund has not taken a position on this legislation.





FUNDING ENFORCEMENT

Funding Obligation

The City is required to make required statutory contributions by December 31st (last day of the City's fiscal year) of each fiscal year. Each fund may file suit if City fails to make its required contribution.

Comptroller Intercept

If the City fails to make its required contribution, each fund may certify delinquent payment amounts to the State Comptroller. The Comptroller must then deduct from State grants to the City the certified amount.

HEALTHCARE PAYMENTS

Each Fund is prohibited from using assets to pay retiree healthcare costs beginning December 31, 2016.

LEGISLATIVE FINDINGS

The General Assembly finds the financial condition of all of the City pension funds, including Chicago Municipal Employees' Annuity and Benefit Fund and the Chicago Laborers' Annuity and Benefit Fund, requires a combination of benefit modification and additional City funding to insure solvency. The language establishes that increased payments would result in substantial cuts to City personnel in key areas such as public safety, sanitation, and construction.

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