



Public Act 96-1495

DOWNSTATE POLICE AND FIRE PENSION CHANGES

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OVERVIEW OF KEY PROVISIONS



Effective January 1, 2011 – The following systems are impacted by this act

- ❖ Downstate Police
- ❖ Downstate Fire
- ❖ Chicago Police
- ❖ Chicago Fire
- ❖ IMRF - SLEP

KEY PROVISIONS



- ❖ Creation of a Two Tier System for Firefighters and Police Officers. Benefits for current police officers and firefighters have not changed.
- ❖ Changes only apply to firefighters and police officers who were hired on or after January 1, 2011.

KEY PROVISIONS OF TIER TWO

- ❖ *Normal Retirement: 55 years old with 10 years of service.*
- ❖ *Early Retirement: 50 years old with 10 years of service but, penalty of one half percent for each month that the police officer or firefighter is younger than 55 YOA.*
- ❖ *Retirement pension based upon 2.5% of Final Average for a maximum of 75%*

KEY PROVISIONS OF TIER TWO

- ❖ Annuity based on highest 8 years out of the last 10 years of service.
- ❖ Annual final average salary may not exceed \$106,800, as automatically increased by the lesser of 3% or one half of the annual increase in the CPI-U during the preceding 12 month calendar year.

KEY PROVISIONS OF TIER TWO

- ❖ **Changes in Annual Increases in Annuity**
- ❖ Increases begin at age 60 either on January 1st after police officer or firefighter retires, or the first anniversary of the pension starting date, whichever is later.
- ❖ **Increases equal to the lesser of 3% of one half the annual increase in the CPI-U during the preceding 12 month calendar year; if increase in CPI is zero or if there is a decrease in the CPI, then no COLA is payable.**
- ❖ Increase is not compounded.

KEY PROVISIONS OF TIER TWO

Survivor Benefits

- ❖ **66.7% of the earned retirement benefit at death.**
- ❖ Increased by the lesser of 3% or one half of the annual increase in the CPI-U during preceding 12 month calendar year.
- ❖ **Increases not compounded.**

CHANGES TO DOWNSTATE POLICE AND FIRE INVESTMENT AUTHORITY

- ❖ The increase investment authority only applies to funds over \$10 million in net assets
- ❖ All pension funds can invest in corporate bonds through an investment advisor (not a consultant)
- ❖ Corporate bonds must meet certain requirements
- ❖ Total amount of investment stock and mutual funds may not exceed >50% of funds net assets (effective July 1, 2011)
>55% of funds net assets (effective July 1, 2012)

MUNICIPAL FUNDING PROVISIONS

- ❖ Pension funds must be 90% funded by Fiscal Year 2040
- ❖ Annual Municipal contributions will be calculated as a level percentage of payroll under “Projected Unit Credit Actuarial Cost Method”.
- ❖ Comptroller is authorized to redirect municipal monies directly to pension funds, if municipal contributions are insufficient
- ❖ Future pension fund studies are authorized to review the condition of pension funds and the potential investment pooling.

ACTUARIAL ANALYSIS

- ❖ Based on funding projections, the Commissions actuary performed for SB3538 as amended by HA #3 the estimated normal cost as a percent of payroll for the benefits provided to current employees.
 - ❖ Downstate Police 20.35%
 - ❖ Downstate Fire 22.52%
 - ❖ Normal cost as a percentage of payroll

ACTUARIAL ANALYSIS



❖ This is the estimated normal cost as a percentage of payroll provided to newly hired employees under SB3538 as amended by HA #3

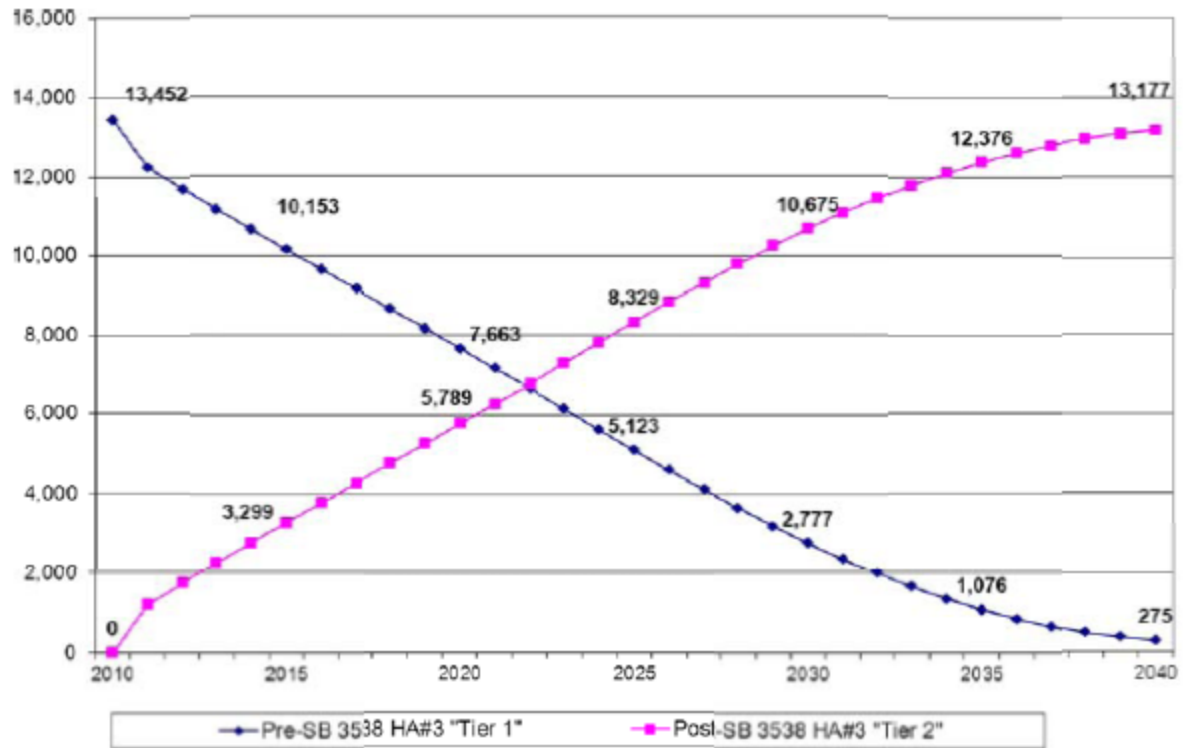
❖ Downstate Police	7.67%
❖ Downstate Fire	10.20%

COST SAVINGS

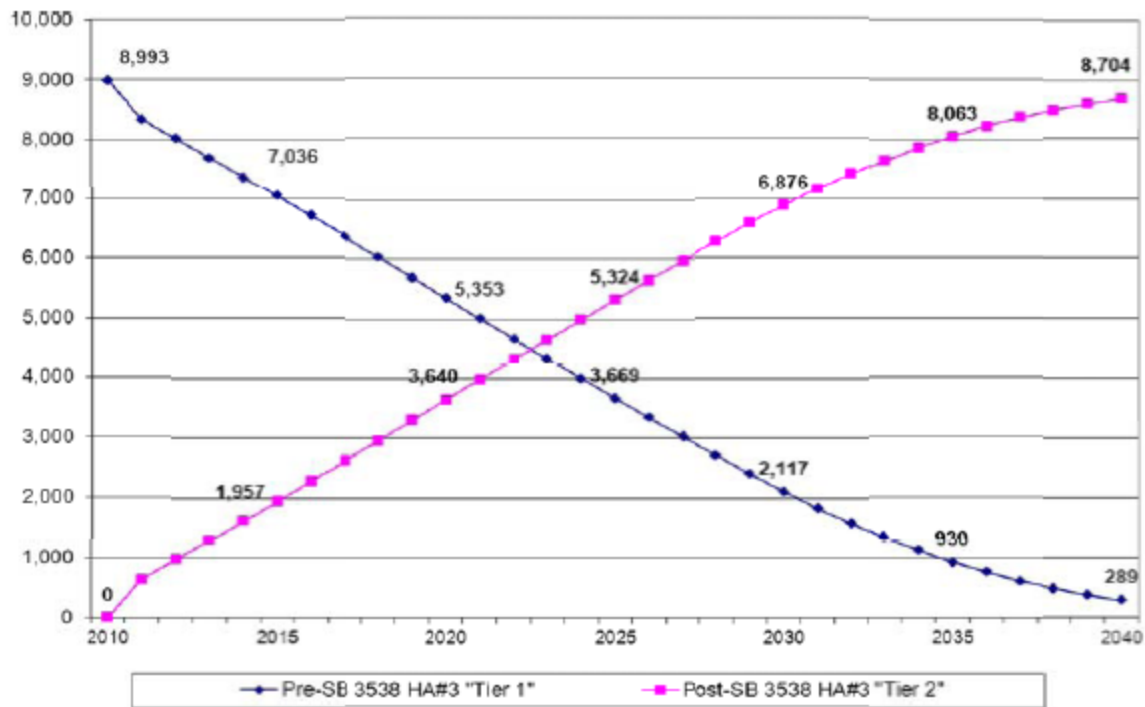


- ❖ In the early years under Public Act 96-1495, the newly hired employees will be a relatively small portion of the total number of employees, but over future periods an increasingly larger portion of employees will be those hired after January 1, 2011. Thus, the reduction in the employer's normal cost will apply to a much larger portion of employees.

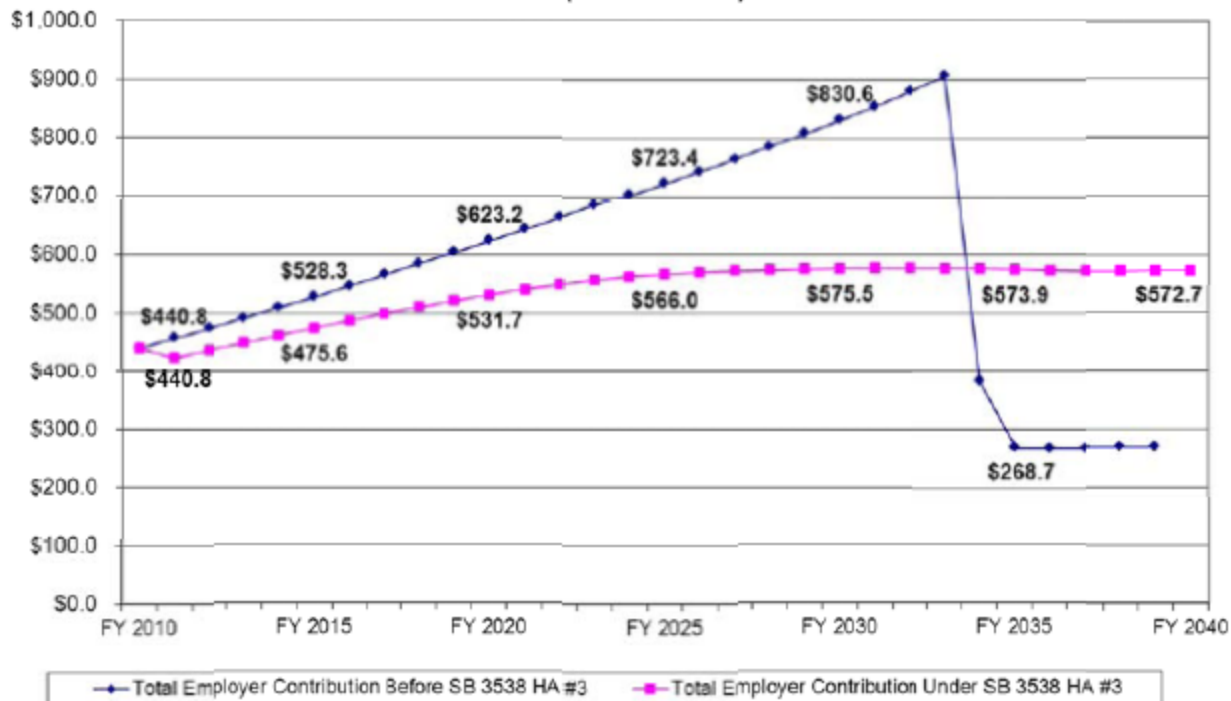
DOWNSTATE POLICE PENSION FUNDS (All Funds Combined)
Projected Active Membership
Comparison of Active Members Under SB 3538 HA #3 Tier 1 & Tier 2
FY 2010 - FY 2040



DOWNSTATE FIRE PENSION FUNDS (All Funds Combined)
Projected Active Membership
Comparison of Active Members Under SB 3835 HA #3, Tier 1 & Tier 2
FY 2010 - FY 2040



**Downstate Police Pension Funds (All Funds Combined)
 Projected Total Employer Contribution for FY 2010 - FY 2040
 Comparison of Employer Contributions Before & After SB 3538 HA #3
 (\$ in Millions)**



**Downstate Fire Pension Funds (All Funds Combined)
 Projected Total Employer Contribution for FY 2010 - FY 2040
 Comparison of Employer Contributions Before & After SB 3538 HA #3
 (\$ in Millions)**

