

# ILLINOIS PUBLIC PENSION FUND ASSOCIATION<sup>SM</sup>

## An Association of Public Pension Funds

455 Kehoe, Suite 106 • Carol Stream IL 60188  
630-784-0406 • Fax 630-784-0416 • www.ippfa.org

Today, an amendment was filed to Senate Bill 512. Here is description of the amendment. Pension Committee is scheduled for everyday this week, so it is possible that this bill can be called at anytime.

### PRESIDENT

**JAMES M. McNAMEE**  
BARRINGTON POLICE

Pension Reforms apply to the following pension funds:

- General Assembly Retirement System
- State Employees Retirement System
- State Universities Retirement System
- Teachers' Retirement System
- Cook County Pension Fund
- Cook County Forest Preserve Pension Fund
- Chicago Teachers' Pension Fund
- Chicago Municipal Pension Fund
- Chicago Laborers' Pension Fund
- Chicago Park District Pension Fund

### VICE PRESIDENT

DAVID W. NAGEL  
MATTESON POLICE

### 2ND VICE PRESIDENT

MARK B. POULOS  
ROCK ISLAND POLICE

### SECRETARY

JOEL TRUEMPER  
NAPERVILLE POLICE

Three Option Provisions:

### TREASURER

WILLIAM B. GALGAN  
CALUMET CITY FIRE

Beginning in FY 13, members must make an election on which of the following 3 retirement plans to participate moving forward:

### DIRECTORS

DAVID J. WALL  
ADDISON POLICE

DANIEL HOPKINS  
COLLINSVILLE POLICE

TIM MOSS  
OAK FOREST FIRE

ROBERT PODGORNÝ  
CHICAGO POLICE

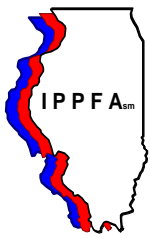
ROBERT BURRESS  
PEKIN POLICE

1. Traditional Defined Benefit Plan: Current Tier 1 employees may continue under their current defined benefit plan, but with higher employee contributions to match the true cost of the benefit. For such employees that are not covered under social security that choose the traditional defined benefit plan, they will be required to contribute an amount equal to "total normal cost of the traditional benefit plan", minus 6% of salary. For the State Employees Retirement System members that are covered by Social Security the state will pay half the normal cost, which is the true cost of the benefit earned in that year, of the Revised DB Plan and the employee will pay any additional cost of the Traditional DB Plan benefit. It is important to mention that for participants in the State Systems and Chicago Funds, the contribution rate for the first 3 years shall be fixed at a hard number as detailed below:

	Current Tier 1 Employee Contribution	Total Employee Contribution to remain in Tier 1	Increase in Employee Contribution to remain in Tier 1
SERS w/SS	4.00%	9.29%	<b>5.29%</b>
SERS Alt w/o SS	12.50%	18.91%	<b>6.41%</b>
SERS Alt w/SS	8.50%	16.65%	<b>8.15%</b>
TRS	9.40%	13.77%	<b>4.37%</b>
SURS	8%	15.31%	<b>7.31%</b>
GARS	11.50%	24.89%	<b>13.39%</b>
Cook County	8.50%	14.64%	<b>6.14%</b>
Cook County FP	8.50%	14.64%	<b>6.14%</b>
Chicago Parks	9.00%	12.75%	<b>3.75%</b>
Chicago Teachers	9.00%	12.75%	<b>3.75%</b>
Chicago Laborers	8.50%	12.75%	<b>4.25%</b>
Chicago Muni	8.50%	12.75%	<b>4.25%</b>

NICK ANASTOS  
ORLAND PARK FIRE

CHRIS LEE  
ROLLING MEADOWS FIRE



# ILLINOIS PUBLIC PENSION FUND ASSOCIATION

## *An Association of Public Pension Funds*

455 Kehoe, Suite 106 • Carol Stream IL 60188  
630-784-0406 • Fax 630-784-0416 • [www.ippfa.org](http://www.ippfa.org)

2. **REVISED DEFINED BENEFIT PLAN:** ALLOW CURRENT TIER 1 EMPLOYEES, AND TIER 2 EMPLOYEES TO PARTICIPATE IN THE REVISED DB PLAN. CURRENT EMPLOYEES WHO OPT INTO THE REVISED DB PLAN WILL BE CREDITED FOR ALL BENEFITS EARNED PRIOR, WITH LEVEL OF PAY FROZEN AT LEVEL THEY WERE RECEIVING AT THE TIME OF SUCH ELECTION. FOR EACH EMPLOYEE THE STATE/EMPLOYER WILL CONTRIBUTE 6% TOWARDS THE COST OF THE BENEFIT AND THE EMPLOYEE MUST PICK UP THE ADDITIONAL COST TO COVER NORMAL COST. FOR THE STATE EMPLOYEES RETIREMENT SYSTEM MEMBERS THAT ARE COVERED BY SOCIAL SECURITY, THE STATE AND EMPLOYEE WILL SPLIT THE NORMAL COST OF THE BENEFIT. THE BENEFIT LEVELS UNDER THIS PLAN WOULD BE THE SAME AS SB 1946, THE PENSION REFORM BILL THAT PASSED IN THE 96TH GENERAL ASSEMBLY. FOR CHICAGO AND COOK COUNTY FUND PARTICIPANTS THE EMPLOYEE CONTRIBUTION SHALL BE EQUAL TO 7% OF SALARY.
3. **SELF-MANAGED PLAN:** ALLOW CURRENT TIER 1 AND NEW TIER 2 EMPLOYEES TO OPT INTO A SELF-MANAGED PLAN. CURRENT EMPLOYEES WHO OPT INTO THE SELF-MANAGED PLAN WILL BE CREDITED FOR ALL BENEFITS EARNED PRIOR, WITH LEVEL OF PAY FROZEN AT THE LEVEL THEY WERE RECEIVING AT THE TIME OF SUCH ELECTION. FOR NON-SOCIAL SECURITY COORDINATED EMPLOYEES, THE EMPLOYER AND EMPLOYEE WOULD CONTRIBUTE 6% OF SALARY. FOR THOSE EMPLOYEES COVERED BY SOCIAL SECURITY, THE EMPLOYER AND THE EMPLOYEE WILL CONTRIBUTE A 50/50 SPLIT OF THE NORMAL COST OF THE REVISED BENEFIT PLAN BENEFIT. THE EMPLOYEE CAN CONTRIBUTE ADDITIONAL CONTRIBUTIONS ABOVE THE PRESCRIBED RATE. IT TAKES 5 YEARS TO VEST IN THE SELF-MANAGED PLAN, IF THE MEMBER DOES NOT ATTAIN 5 YEARS OF SERVICE THEY ARE ENTITLED TO A REFUND.

CURRENT TIER 1 MEMBERS CAN CHOOSE BETWEEN ALL 3, TIER 2 MEMBERS (HIRED AFTER JANUARY 1, 2011) CAN CHOOSE BETWEEN OPTIONS TWO AND THREE. IF A MEMBER DOES NOT MAKE AN ELECTION, HE OR SHE WILL BE AUTOMATICALLY ENROLLED IN THE OPTION TWO (REVISED DEFINED BENEFIT PLAN).

EVERY 3 YEARS, STARTING IN FY16, THE SYSTEM'S/FUND'S ACTUARIES SHALL REVIEW THE CONTRIBUTION RATES FOR EMPLOYEES FOR ACCURACY AND SET THE EMPLOYEE CONTRIBUTION RATE FOR THE NEXT THREE YEARS. ONCE THE SYSTEM REVIEWS THE CONTRIBUTIONS AND SETS THE NEW RATES, THE EMPLOYEES WILL HAVE THE OPPORTUNITY TO ELECT TO MOVE TO A DIFFERENT LEVEL OF BENEFITS. THE EMPLOYEE MAY MOVE TO A DIFFERENT, LOWER TIER OF BENEFITS BUT THEY MAY NOT MOVE UP.

### MINIMUM BENEFIT PROVISION

THE BILL CONTAINS A MINIMUM BENEFIT PROVISION FOR EMPLOYEES THAT ARE NOT COVERED BY SOCIAL SECURITY TO ENSURE THAT NO BENEFIT IS LESS THAN WHAT THE SOCIAL SECURITY BENEFIT WOULD BE IF THE MEMBER WAS ALSO ENROLLED IN SOCIAL SECURITY. THIS IS TO PREVENT THE SOCIAL SECURITY ADMINISTRATION AND THE IRS FROM IMPOSING A FICA TAX ON CURRENT SOCIAL SECURITY EXEMPT MEMBERS. FOR MEMBERS OF THE DB PLANS, THE MINIMUM BENEFIT IS WHAT THE MEMBER WOULD HAVE RECEIVED IF THEY WERE INSTEAD ENROLLED IN SOCIAL SECURITY. FOR MEMBERS OF THE SMP, THE MINIMUM BENEFIT PROVISION IS 7.5% OF COMPENSATION FOR SERVICE DURING THE PERIOD OF ENROLLMENT.

KEY HIGHLIGHTS ON CHICAGO AND COOK COUNTY PENSION FUNDS