

PENSION IMPACT NOTE

93RD GENERAL ASSEMBLY

Prepared by the

Illinois Pension Laws Commission

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BILL NO: HB 2957 **STATUS:** As Introduced

SPONSOR(S): Rita

SYSTEM(S): Cook County Employees' Pension Fund

DATE: March 11, 2003

Commission Recommendation: Pending

Date:

SYNOPSIS: HB 2957 amends the Cook County Article of the Pension Code to allow certain employees of the Cook County Department of Corrections and certain probation officers to be eligible for the retirement formula currently reserved for members of the county police department.

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary (based on the December 31, 1997 actuarial valuation), HB 2957 would increase the accrued liability of the Fund by an estimated \$34.0 million. The annual payment needed to amortize the estimated increase in unfunded liability over 40 years is \$2.8 million, and the estimated annual increase in normal cost is \$2.8 million. Therefore, the estimated increase in total annual cost is \$5.6 million, or 0.53% of payroll. The annual cost will increase commensurate with payroll.

DISCUSSION AND COMMENTS: Currently, employees of the Cook County Department of Corrections and probation officers receive an annuity based on the regular retirement formula of 2.4% of final average salary for each year of service credit, up to a maximum of 80% of final average salary. The annuity is reduced by 0.5% for each month the employee is under age 60 at retirement, unless he or she has 30 or more years of service credit, in which case there is no reduction for age.

HB 2957 allows correctional officers who have daily contact with prisoners and adult or juvenile probation officers who work for the chief judge of the circuit court of the County to be eligible for the retirement formula currently reserved for members of the County police department. Corrections officers and these probation officers who retire after December 31, 2003 at age 50 with 20 or more years of service could elect to receive an

annuity equal to 50% of final average salary (the 4 highest earning consecutive years within the last 10 years of service), and an additional 2% of average salary for each year of service in excess of 20 years. The main benefit to this formula is the ability to retire with an unreduced annuity at age 50 with 20 years of service.

Corrections officers (and probation officers) with at least 15 years of service would be allowed to convert prior service under the Cook County Article to correctional service by paying the difference in the contributions actually made and the contributions that would have been made at the rates applicable to corrections officers, plus interest (3% annually) from the date of service to the date of payment. HB 2957 requires corrections officers to contribute 7% of salary for the age and service annuity, or 0.5% more than they are currently required to contribute.

HB 2957 amends the State Mandates Act to require implementation without reimbursement.

Regarding only the State-funded retirement systems, the Principles of Pension Policy provides “public employee pension plans should add new groups of employees to the alternative formulas only if an Attorney General’s opinion has been requested and received indicating that the group has full police powers and is exempt from Social Security.” It should be noted that correctional officers covered by SERS are covered by the SERS alternative retirement formula.

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