

*Senate Bill 1922 - Summary

Senate Bill 1922, an initiative of the City of Chicago, makes several changes to the Municipal Employees' Annuity and Benefit Fund (MEABF) and Laborers' Annuity and Benefit Fund (LABF), which are 37.2% and 55.4% funded respectively as of December 31, 2012. The proposed legislation includes benefit changes for both Tier 1 and Tier 2 members, an increase in employer and employee contributions, and several other reform provisions.

BENEFIT CHANGES

Retirement Age: Decreases the retirement age for Tier 2 employees from 67 to 65, and from 62 to 60 for early retirement. No change for Tier 1 employees (currently, age 50 with 30 years of service, 55 with 25 years, and 60 with 10 years).

Annual Adjustment Calculation: Changes the annual adjustment (commonly referred to as a COLA) for Tier 1 members (including current retirees) to ½ of the Consumer Price Index-Urban (CPI) or 3%, whichever is less, simple. Currently the COLA is equal to 3% compounded (set in 1999). The Tier 1 COLA will now be equal to the Tier 2 COLA.

Skipped Annual Adjustments: All Tier 1 retirees (current and future) will skip COLAs in 2017, 2019, and 2025. A Tier 1 retiree with an annual annuity of less than \$22,000 will receive an adjustment of 1% in these years. Tier 2 retirees will skip a COLA in 2025. Further, all members will have a 1 year COLA delay after the date the member would otherwise receive his or her COLA.

Exception for Annuities Under \$22,000: Retirees with an annual annuity of less than \$22,000 will receive at least 1% COLA every year, including the skip years.

CONTRIBUTION INCREASES

Employer Contribution Increase: Chicago currently contributes an amount equal to 1.25 times the total contribution by employees 2 years earlier to the MEABF, and 1 times the total contribution by employees 2 years earlier to the LABF. Beginning in 2016, the multiplier for employer contributions will increase at the following schedule:

Year	Municipal	Laborers'
2016	1.85	1.6
2017	2.15	1.9
2018	2.45	2.2
2019	2.75	2.5
2020	3.05	2.8

From 2016-2020, the City will contribute based on the increased multiplier, or an actuarial schedule, whichever is less. Beginning in 2021, the City will make contributions based on an actuarial funding schedule to reach 90% funded by 2055.

Employee Contribution Increase: Currently, employee contributions are equal to 8.5% of salary. Under the proposal, all employee contributions would increase by 0.5% each year from 2015 to 2019. Contributions would increase to 9% in 2015, 9.5% in 2016, 10% in 2017, 10.5% in 2018 and finally 11% in 2019 and going forward. When the fund reaches 90% funded, employee contributions would decrease to 9.75% and remain 9.75% as long as the fund is 90% funded.

**SB1922 has passed both the House and Senate. It was sent to the Governor on April 10, 2014. The Governor has 60 days to take action on the bill.*