

## Public Act 98-0641 - Summary

Public Act 98-0641 (\*Senate Bill 1922), an initiative of the City of Chicago (Plan Sponsor), makes several changes to the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF), which was 36.9% funded as of December 31, 2013. The 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 annuity increase (AAI) for Tier 1 members (including current retirees) to ½ of the annual unadjusted percentage increase in the Consumer Price Index-Urban (CPI) or 3%, whichever is less, utilizing simple interest. Currently the AAI is equal to 3% compounded interest (set in 1999). The Tier 1 AAI will now be equal to the Tier 2 AAI.

**Skipped Annual Adjustments:** All Tier 1 retirees (current and future) will skip AAIs 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 an AAI in 2025. Further, all members will have a 1 year AAI delay after the date the member would otherwise receive his or her first AAI.

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

### CONTRIBUTION INCREASES

**Employer Contribution Increase:** The Plan Sponsor currently contributes an amount equal to 1.25 times the total contribution by employees 2 years earlier to the MEABF. Beginning in payment year 2016, the multiplier for employer contributions will increase at the following schedule:

<b>Year</b>	<b>Municipal</b>
2016	1.85
2017	2.15
2018	2.45
2019	2.75
2020	3.05

From 2016-2020, the Plan Sponsor will contribute based on the increased multiplier, or an actuarial schedule, whichever is less. Beginning in 2021, the Plan Sponsor 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 bill, 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 was signed by the Governor, effective date June 9, 2014.*