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The Civic Federation

10 North Dearborn Street, Suite 800, Chicago, IL 60602 | 312-201-9066 | civicfed.org



May 18, 2023

Dear Chairperson Martwick and Members of the Senate Special Committee on Pensions:

The Civic Federation is writing in opposition to House Floor Amendment 1 to Senate Bills 1629 and 1630, each of which would enhance pension benefits for Chicago firefighters hired since January 1, 2011 (Tier 2). SB1629 would change the calculation of final average salary and SB1630 would change the limitation on pensionable salary.

The legislative sponsors and supporters of these proposals bill them as a “fix” to preemptively address concerns about Tier 2 benefits failing to meet IRS Safe Harbor rules, which require government workers to receive a retirement benefit from their public pension plan that is at least equal to the benefit they would receive under Social Security.

The Civic Federation is extremely concerned that these proposals are moving forward without any actuarial analysis having first been completed to understand the extent to which Tier 2 benefit enhancements are necessary, what benefits specifically should be adjusted, and how much these changes would cost the responsible governments, and in effect, taxpayers. **The Federation calls on the Illinois General Assembly to first conduct a comprehensive, statewide evaluation to determine when Tier 2 benefits will violate Safe Harbor rules before moving forward on any binding legislative changes.** As you know, once pension benefits are provided, they become protected under the Illinois Constitution and cannot be reduced later.

Reinstating pension benefits without analysis showing they are sufficient to address potential issues with Tier 2 could **substantially reverse much of the work the State has done to reduce massive pension liability costs.** The State cannot afford to take a step backward by unnecessarily increasing Tier 2 pension benefits.

While these two bills in particular would only impact the Chicago firefighters' pension fund, one-off changes implemented individually like this are inefficient and *likely to be more expensive* than taking the time to find and implement a comprehensive change. The proposed benefit enhancements would significantly increase pension liabilities of the City of Chicago, which could potentially lead to property tax increases, further burdening homeowners and businesses as the nation may be entering a recession.

While the Civic Federation understands that some benefit changes are likely necessary to meet Safe Harbor requirements (for example, potentially increasing the final average salary cap to meet the current Social Security wage base), the solution should be thoroughly vetted, actuarially sound and the most cost effective of all possible options. Any pension benefits enhancements should be tied directly to Safe Harbor requirements. And until a complete analysis is done, there should be no urgency to pass these supposed Safe Harbor “fixes.”

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Thank you for your attention to our concerns. Please do not hesitate to contact me with any questions at (312) 201-9066 or at swetmore@civicfed.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah J. Wetmore". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Sarah J. Wetmore
Acting President
Civic Federation