

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 3051**

February 10, 2020

SPONSOR (S): Martwick

SYSTEM(S): Chicago Police Article

FISCAL IMPACT: SB 3051 removes a birthdate qualification in the Chicago Police article of the Pension Code regarding eligibility for a Tier 1 3% automatic annual increase in retirement annuity not subject to a maximum increase of 30%. The bill also changes the final average salary period used for calculation of Tier 2 pensions. In addition, SB 3051 enhances Tier 2 surviving spouse annuities.

According to the pension fund, removing the Tier 1 COLA birthdate restriction would impact 6,901 active officers and 229 retired officers. The pension fund reports that the increase in city contributions would be as follows: \$443,000 after 5 years, \$27.5 million after 10 years, \$158 million after 15 years, \$459 million after 20 years, \$990 million after 25 years, and \$1.7 billion after 30 years.

Further actuarial study would be needed to assess the impact of the Tier 2 final average salary and surviving spouse provisions of the bill.

SUBJECT MATTER: SB 3051 amends the Chicago Police article of the Pension Code. The bill removes a birthdate restriction regarding Tier 1 eligibility for an automatic annual increase in retirement annuity of 3% not subject to a maximum increase of 30%. The bill also adjusts the Tier 2 final average salary period and Tier 2 survivor benefits to match those benefits granted under the Downstate Police article as part of P.A. 101-0610, the Downstate Police and Fire Investment Consolidation Act of 2019.

COMMENT: Under current law, Tier 1 Chicago police officers retiring at 55 who were born after January 1, 1967 are entitled to receive a yearly 1 ½% non-compounded increase in retirement annuities subject to a 30% maximum increase (meaning a post-retirement COLA is not payable after 15 years). Those born before that date receive a 3% non-compounded automatic annual increase in retirement annuity that is not subject to a maximum increase of 30%. SB 3051 removes this birthdate restriction on eligibility for the Tier 1 3% increase with no 30% maximum.

SB 3051 also provides that any police officer born after January 1, 1966 who qualifies for a minimum annuity and has not received this increase is entitled to it on (1) January

1, 2020, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last.

P.A. 101-0610, signed into law December 18, 2019, established the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Funds. The Act also amended final average salary calculation for Tier 2 police officers, and changed the method of calculating survivor benefits for Tier 2 Downstate police officers. SB 3051 mirrors the aforementioned Tier 2 final average salary calculation method and survivor benefit changes made in P.A. 101-0610 for the Chicago Police Article, as explained below:

Matching Chicago Police Tier 2 Final Average Salary to P.A. 101-0610

Currently, pensions for Tier 2 police officers under the Chicago Police Article are calculated based upon the 96 consecutive months within the last 120 months of service in which the total salary was highest.

SB 3051 amends Chicago Police Article so that:

- Final average salary is calculated using the greater of: (i) the method stated above, or (ii) the 48 consecutive months within the last 60 months of service in which the total salary was highest.
- No provisions in this Act will cause any retroactive adjustment of employee contributions.

Matching Chicago Police Tier 2 Survivor Benefits to P.A. 101-0610

Current law entitles spouses, children, or parents of a Tier 2 Chicago police officer to survivor pensions equal to 66 2/3% of the police officer's earned pension at the date of death.

SB 3051 amends Chicago Police Article so that:

- The survivors are entitled to the greater of (i) the current survivor benefit, as mentioned above, or (ii) 54% of the police officer or firefighter's monthly salary at the date of death.
- If a survivor is a spouse, then the guardian of any minor children, including children not yet born, is entitled to 12% of such monthly salary for each child until they reach 18.
- A monthly pension of 20% of such monthly salary is granted upon the death of the surviving spouse, or upon the death of a police officer leaving one or more minor children but no surviving spouse, to an appointed guardian until the children reach 18

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