

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2105**

March 2, 2021

SPONSOR (S): Martwick

SYSTEM(S): Chicago Police

FISCAL IMPACT: An actuarial cost study would be needed to assess the fiscal impact of SB 2105. An updated impact note will be issued when such a study is made available by the pension fund. As of December 31, 2019, the pension fund had an unfunded liability of approximately \$11 billion, and a funded ratio of 22.2%.

SUBJECT MATTER: SB 2105 amends the Chicago Police article of the Pension Code. The bill makes changes with regard to Tier 1 annual annuity increases, Tier 2 final average salary calculations, and Tier 2 surviving spouse and children's annuities, as articulated in the Comment Section below.

COMMENT:

Tier 1 Annual Annuity Increases

Under current law, Tier 1 police officers born before January 1, 1966 with at least 20 years of service receive an annual non-compounded increase of 3% on or after the age of 55, not subject to a 30% increase maximum. Those born after January 1, 1966 receive 1.5% increases on or after the age of 60 with at least 20 years of service, to a maximum of 30% (hence, after 15 years of retirement, no annual increases are payable). SB 2105 removes the birthdate restriction and 30% cap and sets the annual Tier 1 increase to 3% non-compounded for all retirees at least 55 years of age with 20 years of service.

Changes in Tier 2 Final Average Salary Calculation

Currently, pensionable salary for Tier 2 police officers under the Chicago Police Article is calculated using the 96 consecutive months within the last 120 months of service in which the total salary was highest. SB 2105 amends the Chicago Police article so that final average salary is calculated using the greater of: (i) the current method mentioned above; or (ii) the 48 consecutive months within the last 60 months of service in which the total salary was highest. This change would match the Chicago Police Tier 2 final average salary calculation to that which was granted to Article 3 (Downstate Police) members as

a result of the enactment of P.A. 101-0610, which created the Illinois Police Officers' Pension Investment Fund.

Surviving Spouse and Children's Annuity Changes

Children's Death Benefits for Tier 2 Police Officers

Currently, if a Tier 2 police officer is receiving a retirement annuity at the date of his or her death, the Tier 2 surviving spouse's annuity shall be 66 2/3% of the police officer's earned annuity at the date of death. SB 2105 holds that if a deceased active police officer or retired police officer was a parent of children, including any children not yet born, 12% of the police officer's earned annuity or monthly salary (as the case may be) shall be granted to the guardian of any such minor children until the child reaches age 18. If the surviving spouse should die before the child reaches age 18, or upon the death of the active or retired police officer leaving one or more children under the age of 18, then a monthly pension of 20% of the police officer's monthly salary at the date of death will be granted to the child's guardian until the child reaches age 18.

Surviving Spouse Benefits for Active Tier 2 Police Officers

Currently, the surviving spouse of an active Tier 2 police officer with at least 10 years of service at the time of death receives the greater of: 1) 30% of the maximum salary attached to the position of a first class patrolman at the time of death, or 2) 66 2/3% of the pension that the Tier 2 officer would have received, determined as though the officer was at least age 55 on the day before his or her death and if he or she had retired on that day. Under SB 2105, a third option is introduced into the foregoing calculus: 54% of the police officer's monthly salary at the time of his or her death. Thus, the surviving spouse of a deceased Tier 2 police officer would receive the greatest of the three aforementioned amounts.

In the case where the deceased active Tier 2 police officer had at least 1.5 years of service but less than 10 years of service, current law dictates that the Tier 2 surviving spouse annuity should be 30% of the maximum salary attached to the position of a first class patrolman at the time of death. Under SB 2105, the surviving spouse annuity amount in such cases would be the greater of the foregoing amount, or 54% of the police officer's monthly salary at the time of his or her death.

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