



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: SB 1632

February 8, 2023

SPONSOR (S): Martwick

SYSTEM: Chicago Police

FISCAL IMPACT

An actuarial cost study would be needed to assess the fiscal impact of SB 1632. An updated impact note will be issued when such a study is made available by the pension fund. As of December 31, 2021, the pension fund had an unfunded liability of approximately \$12 billion, and a funded ratio of 24.9%.

SUBJECT MATTER: SB 1632 amends the Chicago Police article of the Pension Code to match the Tier 2 final average salary calculation for annuity purposes to that which was granted to Article 3 (Downstate Police) members as a result of the enactment of P.A. 101-0610, the Downstate Police and Fire Investment Consolidation Act of 2020. The bill also makes changes to surviving spouse and children's annuities as outlined below.

COMMENT: P.A. 101-0610, which took effect on January 1, 2020, established the Police Officers' Pension Investment Fund and the Firefighters' Pension Investment Fund. It also amended the final average salary calculation and survivor benefits for Tier 2 Downstate police officers. SB 1632 mirrors the changes for Tier 2 Downstate police officers from P.A. 101-0610 and applies them to the Chicago Police Article, as follows:

Tier 2 Pensionable Salary Change

Currently, final average 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 1632 amends the Chicago Police article so that final average salary is calculated using the greater of: (i) the current law method previously mentioned, or (ii) the 48 consecutive months within the last 60 months of service in which the total salary was highest. This second final average salary option was granted to Downstate Police Officers and Firefighters

via the enactment of P.A. 101-0610, the Downstate Police and Fire Pension Investment Consolidation Act of 2020.

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. The foregoing spousal survivor benefit was the only form of survivor benefit added by the Tier 2 Act of 2010.

SB 1632 adds two additional child annuities that are separate and distinct from the existing Tier 2 surviving spouse annuity, as follows:

- If an active or retired police officer was a parent of children, including any children not yet born, and there is a surviving spouse, 12% of the police officer's earned annuity shall be granted to the guardian of any such minor children until the child reaches age 18. This amount would be payable in addition to the current Tier 2 surviving spouse annuity of 66 2/3% of the police officer's earned annuity at the date of death.
- 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 with no surviving spouse, then a monthly pension of 20% of the police officer's monthly salary at the date of death will be granted to each such 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 1632, 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 1632, 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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