



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>th</sup> General Assembly*

BILL NO: **HB 3657, as amended by SA 002**

May 27, 2025

SPONSOR (S): Du Buclet (Martwick)

SYSTEM: Chicago Police, Chicago Fire

---

#### FISCAL IMPACT

**HB 3657, as amended by SA 002, changes how the final average salary (FAS) is calculated for Tier II pension benefits in the Chicago Police and Chicago Fire pension funds. These changes would increase the funds' respective actuarial liabilities, requiring an actuarial study to determine the full fiscal impact. An updated impact note will be issued if an actuarial study becomes available from either of the pension funds.**

---

#### Impact of SA 002:

SA 002 replaces HB 3657, as amended by SA 001, with language that is substantially similar to SB 1187, as introduced.

**SUBJECT MATTER:** HB 3657, as amended by SA 002, modifies the final average salary calculation used to determine pension benefits for Tier II members under the Chicago Police and Chicago Fire Articles of the Illinois Pension Code. It also revises the provisions governing annuities for eligible survivors of deceased police officers and firefighters. More detail is provided below.

#### COMMENT:

*Final Average Salary calculation changes for Chicago Police*

Under current law, the final average salary used to determine the retirement benefit of a Tier II member of the Chicago Police Pension Fund is the average monthly salary obtained by dividing the total salary for the 96 consecutive months within the last 120 months of service in which the salary was the highest by the number of months of service in that period. Whereas for Chicago Fire, the average monthly salary is obtained by whichever is greater: (1) the average monthly salary from the highest 96 consecutive months within the last 120 months of service, or (2) the highest 48 consecutive months within the last 60 months. (This 48-of-60 FAS option was granted to Tier 2 Chicago Firefighters via P.A. 103-0579, effective December 8, 2023, and also to Downstate Police and Fire via the Downstate Police and Fire Investment Consolidation Act of 2020, P.A. 101-0610).

HB 3657, as amended by SA 002, would codify a similar dual-method FAS calculation for Tier 2 members in the Chicago Police fund, allowing pensions to be based on the greater of the same two timeframes.

For the purposes of illustration, below are two sample cases that highlight the benefits of the different final average salary methods:

- Officer A (benefits from 96/120):
  - Served as lieutenant earning \$140K five to ten years ago.
  - Stepped down to sergeant at \$115K in final years.
  - 96/120 captures higher earlier salary, results in larger pension.
- Officer B (benefits from 48/60):
  - Promoted late in career, salary rose from \$95K to \$120K in final five years.
  - 48/60 captures recent high pay, produces better pension than 96/120.

#### Final Average Salary Cap increase

Under current law, the current Tier 2 salary cap of both the Chicago Police and Chicago Fire Fund (currently \$127,283.01) increases at the rate of either one-half of the CPI-U or 3%, whichever is lower. HB 3657, as amended by SA 002, would change the growth rate to the lesser of 3% or the full CPI-U. In addition, SA 002 establishes a new final average salary cap for both Chicago Police and Fire of \$141,407.74 that shall be effective July 1, 2025.

#### Survivor Benefits Changes

HB 3657, as amended by SA 002, also revises the provisions governing survivor annuities for deceased members in the Chicago Police and Fire pension funds. The following chart outlines the differences between current law and the proposed changes. A key update is the introduction of annuities for the children of deceased Tier II police officers and firefighters.

	Tier II Survivor's Annuity for Chicago Police (Article 5) and Chicago Fire (Article 6)					
	Current Law (Vesting Status of Deceased Member)			HB 3657 SA 002 (Vesting Status of Deceased Member)		
	Receiving Annuity	Not Receiving Annuity (10+ Years of Service)	Not Receiving Annuity (Less than 10 YOS)	Receiving Annuity	Not Receiving Annuity (10+ YOS)	Not Receiving Annuity (Less than 10 YOS)
Surviving Spouse Annuity	66 2/3% of earned annuity	The greater of: 30% of max salary attached to position held at time of death <u>or</u> 66 2/3% of the monthly annuity eligible to receive	30% of max salary attached to position held at time of death	66 2/3% of earned annuity	The greater of: 30% of max salary attached to positions <u>or</u> 54% of monthly salary at time of death <u>or</u> 66 2/3% of the monthly annuity eligible to receive	The greater of 30% salary attached to position <u>or</u> 54% of monthly salary at time of death
Offspring Annuity* (Surviving Spouse)	N/A			12% of earned annuity		
Offspring Annuity* (No Surviving Spouse)	N/A			20% of earned annuity		
*Offspring annuities are payable to the guardian of the minor child or children until attainment of age 18 and do not apply if						

RF:bs

LRB104 08622 RPS 26821 a