



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: SB 1187

March 19, 2025

SPONSOR (S): Martwick

SYSTEM: Chicago Police

FISCAL IMPACT

SB 1187 changes how the final average salary (FAS) is calculated for Tier II pension benefits in the Chicago Police Fund (PABF). These changes would increase the fund's 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 the pension fund.

SUBJECT MATTER: SB 1187 modifies the final average salary calculation used to determine pension benefits for Tier II members under the Chicago Police Article of the Illinois Pension Code. It also revises the provisions governing annuities for eligible survivors. More detail is provided below.

COMMENT: 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.

SB 1187 would amend the final average salary calculation to be the greater of the aforementioned amount or the average monthly salary derived by dividing the total salary for the 48 consecutive highest-earning months within the last 60 months of service by the number of months in that period. Additionally, the current Tier 2 salary cap in the Chicago Police Pension Fund (\$127,283) increases at the rate of either one-half of the CPI-U or 3%, whichever is lower. SB 1187 would change the growth rate to the lesser of 3% or the full CPI-U.

P.A. 101-0610, the Downstate Police and Fire Pension Investment Consolidation Act of 2020, which took effect on Jan. 1, 2020, implemented similar FAS changes to members of Downstate police and fire pension funds.

SB 1187 also revises the provisions governing survivor annuities for deceased members. 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.

| | Tier II Survivor's Annuity for Chicago Police (Article 5) | | | | | |
|---|--|---|--|--|---|---|
| | Current Law (Vesting Status of Deceased Member) | | | SB 1187 (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 -or- • 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 position -or- • 54% of monthly salary at time of death -or- • 66 2/3% of the monthly annuity eligible to receive | The greater of: • 30% of max salary attached to position -or- • 54% of monthly salary at time of death |
| Offspring Annuity* (Surviving Spouse) | N/A | N/A | N/A | 12% of earned annuity | 12% of earned annuity | 12% of earned annuity |
| Offspring Annuity* (No Surviving Spouse) | N/A | N/A | N/A | 20% of earned annuity | 20% of earned annuity | 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 the beneficiary is entitled to a greater benefit within the section.

ZH:bs
LRB104 07434 RPS 17475 b