COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 3518** February 26, 2019

SPONSOR (S): Batinick

SYSTEM(S): General Provisions Article (all systems, except Downstate Police

and Fire, and Chicago Police and Fire)

FISCAL IMPACT: This bill would allow Tier 1 members in all systems except for members in Articles 3, 4, 5, or 6 to elect to base their annual pension increases on the unadjusted consumer-price index-u. It is unclear how many members would elect this option. Therefore, the fiscal impact is undeterminable.

<u>SUBJECT MATTER</u>: HB 3518 provides that Tier 1 members in all systems under the Pension Code (except for police and fire pension funds) may elect to change the way their annual pension increases are calculated, as described in the Comment section below.

<u>COMMENT</u>: Current statute determines that Tier 1 employees in the articles of the Pension Code that would be impacted by HB 3518 are entitled to an automatic annual increase of their pension amounting to 3%, compounded. This bill would allow those members to elect to receive an annual compounded increase determined by the unadjusted consumer-price index-u. HB 3518 also stipulates that increases must amount to at least 1%, and cannot be more than 5%. Article 3 (Downstate Police), Article 4 (Downstate Fire), Article 5 (Chicago Police), and Article 6 (Chicago Fire) Tier 1 members are exempt from this bill.

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