

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 98TH GENERAL ASSEMBLY

**BILL NO:** HB 1165, as engrossed April 8, 2013  
**SPONSOR (S):** Madigan (Cullerton)  
**SYSTEM(S):** GARS, SERS, SURS, TRS

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**FISCAL IMPACT:** TRS' actuary estimates that HB 1165, as engrossed, will reduce State contributions by approximately \$67.3 billion between FY 2014 and FY 2045.

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**SUBJECT MATTER:** HB 1165, as engrossed, provides that for the General Assembly, State Employees, State Universities, and Downstate Teacher retirement systems, for a Tier I retiree, (i) the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act shall be the lesser of \$750 (\$600 if the annuity is based primarily upon service as a covered employee) or 3% of the total annuity payable at the time of the increase, including previous increases granted, and (ii) the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier.

**FISCAL IMPACT:** TRS' actuary estimates that HB 1165, as engrossed, will reduce State contributions by approximately \$67.3 billion between FY 2014 and FY 2045.

**COMMENT:** Currently, all of the systems impacted by HB 1165, as engrossed, pay Tier 1 annuitants an annual cost of living adjustment (COLA) of 3% of the amount currently being paid, which is to say, a compounded annuity. There is, at present, no limitation on the amount of the annuity upon which a Tier 1 COLA may be applied to. HB 1165, as engrossed, would implement a COLA limit similar to that contained in HB 3341(Cross-Nekritz) and SB 35 (Biss).

DH:dkb  
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