

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 1165, as amended by HA 6**

March 19, 2013

SPONSOR (S): Madigan

SYSTEM(S): GARS, SERS, SURS, TRS

---

**FISCAL IMPACT:** HB 1165, as amended by HA 6, will have a positive fiscal impact. An actuarial cost study would be required to determine the precise amount of the savings. An updated impact note will be issued when actuarial data becomes available.

---

**SUBJECT MATTER:** HB 1165, as amended by HA 6, 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:** HB 1165, as amended by HA 6, will have a positive fiscal impact. An actuarial cost study would be required to determine the precise amount of the savings. An updated impact note will be issued when actuarial data becomes available.

**COMMENT:** Currently, all of the systems impacted by HB 1165, as amended by HA 6, 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 amended by HA 6, would implement a COLA limit similar to that contained in HB 3341(Cross-Nekritz) and SB 35 (Biss). This change would produce a substantial savings.

DH:dkb

LRB098 08854 JDS 43588 a