

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98th GENERAL ASSEMBLY

BILL NO: **HB 2725**

March 12, 2013

SPONSOR(S): Rita

SYSTEM(S): Teachers Retirement System (TRS), State Employees Retirement System (SERS), State Universities Retirement System (SURS), Judges Retirement System (JRS), General Assembly Retirement system (GARS)

FISCAL IMPACT: CGFA's actuary conducted a cost study last year that examined the impact of applying the Tier 2 COLA to Tier 1 employees in TRS. This cost study showed a cumulative savings of \$28.5 billion for TRS through FY 2045.

SUBJECT MATTER: HB 2725 amends the TRS, SERS, SURS, JRS and GARS articles of the Illinois Pension Code to establish that future annual increases in pension amounts will be limited to 3% or ½ of the increase in the Consumer Price Index (CPI), whichever is less. In addition, all future annual increases in pension amounts will be calculated upon the originally granted annuity amount.

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COMMENT: The changes defined in HB 2725 apply to all: (a) Tier 1 and Tier 2 employees for GARS and JRS, and (b) Tier 1 employees for TRS, SERS and SURS. The changes therein also apply to all associated dependents and survivors collecting any annuity. HB 2725 limits all future annual pension increases to the lesser of 3% or ½ the increase for the CPI over the previous 12 months. All future pension amount increases shall be calculated using the originally granted annuity amount, i.e., there will be no compounding of increases.

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