

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **HB 2847**

March 16, 2021

SPONSOR (S): Wilhour

SYSTEM(S): General Provisions (All Systems)

FISCAL IMPACT: An actuarial study would be needed to assess the full impact of limiting the total amount of retirement annuities to \$132,900, indexed for inflation, as explained below. All of the systems governed under the Pension Code would expect to see some level of reduction in accrued liabilities, and accordingly, some reduction in employer contributions as a result of this change.

SUBJECT MATTER: HB 2847 amends the General Provisions Article of the Illinois Pension Code. This legislation sets an annual limit on the total maximum amount of pension benefits to \$132,900, which shall be annually increased by the percentage increase in the Consumer Price Index for all urban consumers (CPI-U).

COMMENT: HB 2847 sets an annual cap on the maximum amount of pension benefits that a person can receive from any pension fund or retirement system to \$132,900. This annual pension cap instituted by HB 2847 would apply to current and future retirees, regardless of tier status. The maximum amount shall be annually increased by the percentage increase (but not less than zero) in CPI-U.

Under current law, the amount of pension benefits are generally calculated based on this formula: a benefit multiplier, multiplied by a member's Final Average Salary (FAS), multiplied by years of service credits. Specific numbers used in calculation may vary among the pension funds and retirement systems. Then, the amount is capped at the maximum amount which is expressed as a percentage of a member's FAS in most cases, rather than a specified dollar amount. The maximum percentage of FAS varies among the pension funds and retirement systems governed under the Pension Code.

For example, while the current maximum amount for Teachers' Retirement System (TRS) members is 75% of FAS, it is 80% of FAS for State Universities Retirement System (SURS) members.

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