

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102ND GENERAL ASSEMBLY

BILL NO: **HB 2848**

March 16, 2021

SPONSOR (S): Wilhour

SYSTEM(S): General Provisions (All Systems)

FISCAL IMPACT: The changes made by HB 2848 to the Automatic Annual Increases (AAI) on retirement annuities and pension benefits that are tied to the CPI-U would apply regardless of a member's active status on or after the effective date of this legislation. An actuarial study would be required to assess the full impact of this change.

SUBJECT MATTER: HB 2848 amends the General Provisions Article of the Illinois Pension Code. This legislation provides that pension benefits for a member shall be increased by the annual unadjusted percentage increase in the Consumer Price Index for all urban consumers (CPI-U).

COMMENT: Under HB 2848, pension benefits for a member or annuitant in any pension funds or retirement systems under the Pension Code shall be increased by the annual unadjusted percentage increase (but not less than zero) in CPI-U.

The changes would apply without regard to whether a member is in active service or is retired. Currently, the automatic annual increase (AAI) on pension benefits may be different among pension funds or retirement systems. However, a Tier 1 plan generally provides a more favorable AAI than a Tier 2 plan. For example, while the Tier 1 AAI on pension benefits under Teachers' Retirement System is 3%, compounded annually, the Tier 2 AAI is the lesser of 3% or one-half the annual unadjusted percentage increase (but not less than zero) in CPI-U, not compounded.

JB:bs

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