



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 1644

February 8, 2023

SPONSOR (S): Wilhour

SYSTEM: General Provisions Article – (All Systems)

FISCAL IMPACT

By implementing a cost-of-living adjustment (COLA) equal to the 10-year moving average of the CPI-U for all members and annuitants regardless of Tier status, HB 1644 would produce significant savings across all pension funds governed under the Pension Code. The amount of savings would vary by fund, and the provisions of the bill would need to be subjected to actuarial review for a precise estimate. Those funds that currently do not offer a 3% compounded COLA to Tier 1 members (IMRF, Chicago Police and Chicago Fire) would see lesser savings than those that do, but the overall savings would still be substantial.

SUBJECT MATTER: HB 1644 amends the General Provisions article of the Pension Code. The bill provides that pension benefits for all annuitants in all funds governed under the Pension Code shall be increased at a rate equal to the 10-year moving average of the annual unadjusted percentage increase in the consumer price index-u (but not less than zero), regardless of Tier status. The new cost-of-living adjustment (COLA) would apply to all current retirees and future retirees, and to all annuitant classes (service annuities, widow's annuities, disability annuities, etc.)

COMMENT: Under current law, the Tier 1 automatic annual increase for most of the pension plans governed under the General Provisions Article is 3% compounded for Tier 1 employees, payable after one year of retirement. (Chicago Police, Chicago Fire, and IMRF offer a 3% non-compounded Tier 1 annuity; all other funds offer a 3% compounded annuity for Tier 1 members). The current Tier 2 COLA is equal to the lesser of 3% or one-half the increase in the CPI-U, and is payable after the latter of one year of retirement or attainment of age 67.

HB 1644 would change the automatic annual increase for all members in all funds governed under the Pension Code, regardless of Tier status, to an increase equal to the 10-year moving average of the annual unadjusted percentage increase in the consumer price index-u, but not less than zero. The new COLA would apply to all current retirees and future retirees, and to all annuitant classes (service annuities, widow's annuities, disability annuities, etc.)

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