



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

BILL NO: **HB 1645**

February 8, 2023

SPONSOR (S): Wilhour

SYSTEM: General Provisions Article (Article 1)

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#### **FISCAL IMPACT**

**HB 1645 caps the pension benefits a person may receive from any pension fund or retirement system governed under the Pension Code at \$132,900, annually increased by the Consumer Price Index. The legislation would supersede any existing statutory limits on total retirement annuity amounts. The impact note will be updated when the Big 3 State Systems (TRS, SURS, and SERS) furnish CGFA staff with the number of annuitants who earn over the cap, inasmuch as these members would be directly impacted upon the bill taking effect.**

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**SUBJECT MATTER:** HB 1645 amends the General Provision Article of the Illinois Pension Code. The bill provides that all retirement annuities for any Illinois pension fund or retirement system may not exceed \$132,900 annually. This limit would annually increase by the percent increase in the consumer price index (CPI-U). This limit also applies regardless of retirement status - active or inactive - or annuity type.

**COMMENT:** HB 1645 would apply to all members, participants, beneficiary, or annuitants across the 5 State Systems, IMRF, the Chicago and Cook County Funds, plus Downstate Police and Fire funds. The cap on retirement annuities applies regardless of whether a member is retired, or is in active service or has attained inactive vested status. The cap on annual annuities would apply to all annuities, whether retirement service annuities, disability annuities, spousal annuities, etc.

Currently, there is no cap on Tier 1 annuitants' pensionable salary. While there is no statutory cap on Tier II annuities, Tier II creditable earnings are limited by an amount based off the 2010 Social Security Wage Base of \$106,800. As of 2022, the pensionable salary limits for Tier II

members sits at \$119,892. This cap increases by the lessor of 3% or ½ the increase in the Consumer Price Index (CPI-U).

Currently for TRS, the average Tier 1 salary as of FY 2022 was \$80,598; The average Tier II salary was \$45,657. The total average monthly benefit in TRS was \$5,273, the vast majority of which are Tier 1 benefits. A request has been made of the Big 3 State Systems (TRS, SERS, and SURS) for the total number of Tier 1 annuitants who make over the pension payout cap of \$132,900 who would be directly impacted by this bill. This impact note will be updated when that information becomes available.

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