

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO:             **HB 5811**   March 31, 2016

SPONSOR (S):        Wheeler, Barbara

SYSTEM(S):          Downstate Police and Downstate Fire

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**FISCAL IMPACT:** According to the Department of Insurance, HB 5811 will help prevent losses to the Downstate Police and Fire Pension Funds by reducing the amount of incorrect payments made due to errors, which will result in a positive fiscal impact. However, it is difficult to calculate the amount of these savings, as the amount and severity of these potential errors cannot be predicted.

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**SUBJECT MATTER:** HB 5811 amends the Downstate Police and Fire articles of the Pension Code. The bill removes the definition of the word “mistake” in provisions concerning mistakes in benefit amounts.

**COMMENT:** Current law for the Downstate Police and Fire Pension Funds defines the term “mistake” as a clerical or administrative error executed by the Fund or participant as it relates to a benefit. However, a “mistake” shall not include any benefit as it relates to any factors significant to the calculation of the benefit that were reasonably understood or agreed to by the Fund at the time of retirement. HB 5811 would remove this definition of “mistake”.

According to the Department of Insurance, HB 5811 is intended to be a solution to an issue that arises when errors regarding benefits for members of the Funds occur. Current law only recognizes clerical errors as “mistakes”, which has limited to the ability to correct errors of different origin. The Department claims that there have been several instances in which members receive an incorrect amount of benefits as a result of errors that cannot be fixed under current law.

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