

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0725**

February 16, 2007

SPONSOR (S): McAuliffe - Saviano

SYSTEM(S): Downstate Police

FISCAL IMPACT: The fiscal impact of extending the automatic annual increase of 1/12 of 3% to annuitants who retired on or after January 1, 1998 (rather than January 1, 1999) has not been calculated, but could be substantial as the bill calls for paying lump sums to annuitants who have been retired for nine years.

SUBJECT MATTER: HB 0725 amends the Downstate Police Article of the Illinois Pension code to provide an automatic annual increase in monthly retirement annuities equal to 1/12 of 3% of the originally granted pension for each month that has elapsed since the annuity began. This change applies to all annuities that became payable on or after January 1, 1998 (currently January 1, 1999).

FISCAL IMPACT: The fiscal impact of extending the automatic annual increase of 1/12 of 3% to annuitants who retired on or after January 1, 1998 (rather than January 1, 1999) has not been calculated, but could be substantial as the bill calls for paying lump sums to annuitants who have been retired for nine years.

COMMENT: Prior to the enactment of P.A. 91-0393 on January 2, 2001, the initial automatic annual increase for Downstate Police officers was equal to 3% of the originally granted pension for each full year that had elapsed since the retirement annuity began. The initial increase occurred on the later of the 1st anniversary of the date of retirement, or the 1st day of the month following attainment of age 55. P.A. 91-0393 provided an initial automatic annual increase of 1/12 of 3% of the originally granted pension for every month that has elapsed since the annuity began, beginning January 1, 1999.

HB 0725 amends the Downstate Police article of the Pension Code to apply this automatic annual increase formula to all initial increases that became payable on or after January 1, 1998. The bill provides that all increases that became payable on or after January 1, 1998 and before the effective date of this Amending Act shall be

recalculated and the additional amount accruing for that period, if any, shall be payable to the annuitant in a lump sum.

HB 0725 amends the State Mandates Act to require implementation without reimbursement.

DH:dkb

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