



ISSUE BRIEF

House Bill 3518:

Optional Alternative Annual Retiree Increase

IMRF Position:

OPPOSE

Sponsor(s):

Representative Batinick

Proposed Change in the Law

The bill would allow Tier 1 participants to choose an alternative annual COLA. The amount would be variable each year and set at the CPI-u. The increase would be paid as of September 1st of the following year. The amount could not be less than 1% or more than 5%. The provision applies to all systems, except the downstate and Chicago police and fire pension funds.

The change would be optional by the member and the election would be irrevocable. If the member made no choice, his annual increase would remain the standard Tier 1 annual increase. The choice could be made at any time, regardless of whether the member is active, inactive, or retired.

Reasons for Position

Members who would continue to have their current COLA benefit, unless they affirmatively choose to make the change, so there are no constitutional issues. There are some concerns with the proposal, however, as drafted that would make it difficult to administer.

The proposal would change the timing of the annual increase from January 1 to September 1, which would require changing the administration of the annual increase for only a portion of the annuitants and only temporarily (annual increases for Tier 2 members are paid on January 1st, as are the annual increases for Tier 1 annuitants who do not choose this option). In addition, annual increases under the option would be compounded, while IMRF has never had compounded annual increases.

AN AMENDMENT HAS BEEN FILED TO REMOVE IMRF FROM THE BILL

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