IMRF Issue Brief

House Bill 2848:
Annual Increase Limitation

IMRF Position:	Sponsor:
OPPOSE	**Representative Wilhour**

Proposed Change in the Law

This bill would set annual increases on annuities to the annual consumer price index-u (CPI-u). This provision applies to current and future annuitants and applies to all Illinois public pension systems.

Reasons for Position

Because the proposal applies to both current and future annuitants, it would violate the Pension Protection Clause of the Illinois Constitution.

It is also unclear whether the proposal is intended to supersede provisions in the individual Articles of the Pension Code regarding whether the increase is simple or compounded (annual increases for Tier 1 members in IMRF are also not compounded). In addition, most systems pay their annual increase as of January 1st. Because the provision is effective upon signature, it is unclear if the amount for the first year should be prorated for the portion of the year prior to the change.

Because the proposal also applies to Tier 2 members, it would be a benefit increase for these members. Tier 2 annual increases are set at one-half of the CPI-u, as opposed to the full CPI-u under this bill. In addition, Tier 2 members have a maximum annual increase of 3%, whereas increases under this proposal have no such ceiling.

It could also be a benefit increase for Tier 1 members if the CPI-u is higher than 3%.

For More Information

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