

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 4588**

February 27, 2020

SPONSOR (S): McDermed

SYSTEM(S): Teachers Retirement System

FISCAL IMPACT: HB 4588 would allow TRS members with disabilities to earn up to \$20,000 before losing access to disability benefits (the cap is currently \$10,000). This income can be from any source. The increase in the earnings cap in HB 4588 could result in more members being allowed to receive disability benefits, but TRS does not know how the amount by which annuity payments would increase as a result of this change.

SUBJECT MATTER: HB 4588 amends the Downstate Teachers Article of the Illinois Pension Code. The bill would allow disabled members to earn a greater amount of income before they are considered to have attained “gainful employment” and lose their disability benefits because of such employment.

COMMENT: Under current law, a disabled TRS member is entitled to continue receiving a benefit until they are deemed to have attained “gainful employment.” The threshold for meeting the “gainful employment” standard is defined as earning more than \$10,000 per year or the proportional ratio if less than a calendar year while in receipt of a disability or occupational disability benefit. If a member exceeds this \$10,000 earning limitation, then disability benefits will be terminated.

HB 4588 would amend the definition of “gainful employment” to allow members with a disability to have more income without affecting their disability benefits. “Gainful employment” would be altered such that the member must realize income in excess of \$20,000 before disability benefits are terminated. The \$20,000 threshold would be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments would be cumulative and compounded. This would allow the \$20,000 limit to scale with inflation.

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