COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 5118** April 9, 2018

SPONSOR (S): Martwick

SYSTEM(S): Cook County Employees' and Cook County Forest Preserve

FISCAL IMPACT: HB 5118 would have a positive impact on both of the Cook County Pension Funds. As of FY 2017, the Cook County Employees' Pension Fund had a funding ratio of 56.7%. However, according to the most recent actuarial projections provided to COGFA by the pension fund's actuary, the fund is projected to become insolvent by 2038 if all future assumptions are met and no additional contributions are made beyond those required under the current tax multiplier.

As of FY 2017, the Cook County Forest Preserve Pension Fund had a funding ratio of 60%. Under current law, the most recent actuarial projections provided by the pension fund show that the fund is projected to become insolvent by 2043 if all future assumptions are met and no additional contributions are made beyond those required under the current tax multiplier.

SUBJECT MATTER: HB 5118 amends the Cook County Employees and Cook County Forest Preserve Article of the Pension Code. The bill changes the method by which the County of Cook makes employer contributions to both funds by eliminating the current "tax multiplier" approach and implementing a long-term actuarially based funding schedule with a goal of reaching a 100% funding ratio by the end of 2052.

COMMENT:

New Funding Regime for Cook County Employees' Pension Fund

Under current law, Cook County is obligated to make employer contributions to the Cook County Employees' Pension Fund via a "tax multiplier" that is tied to the total amount of employee contributions made 2 years prior to the year in which the annual applicable tax is levied. The current multiplier is 1.54.

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Under HB 5118, a new funding regime is put into place, by which the pension fund must attain a 100% funding ratio by the end of 2052. In payment years 2018 through 2022, the amounts that the county must contribute are delineated as follows:

- For payment year 2018, \$555 million;
- For payment year 2019, \$566 million;
- For payment year 2020, \$577 million;
- For payment year 2021, \$588 million;
- For payment year 2022, \$599 million.

For payment years 2023 through 2052, the county's required contribution for the pension fund shall be equal to the employer's normal cost, plus an amortization component necessary to attain the aforementioned 100% funding target by FY 2052.

New Funding Regime for Cook County Forest Preserve Pension Fund

Under current law, Cook County is obligated to make employer contributions to the Cook County Forest Preserve Pension Fund via a "tax multiplier" that is tied to the total amount of employee contributions made 2 years prior to the year in which the annual applicable tax is levied. The current multiplier is 1.30.

Under HB 5118, a new funding regime is put into place, by which the pension fund must attain a 100% funding ratio by the end of 2052. In payment years 2018 through 2022, the amounts that the county must contribute are delineated as follows:

- For payment year 2018, \$4.5 million;
- For payment year 2019, \$5.5 million;
- For payment year 2020, \$6.5 million;
- For payment year 2021, \$7.5 million;
- For payment year 2022, \$8.5 million.

For payment years 2023 through 2052, the county's required contribution for the pension fund shall be equal to the employer's normal cost, plus an amortization component necessary to attain the aforementioned 100% funding target by FY 2052.

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