COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 1178** April 8, 2009

SPONSOR (S): Zalewski

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: According to the Fund's actuary, based on June 30, 2007 actuarial date and an assumed 40% utilization rate amongst eligible employees (7,086 participants total), the ERI program contained in HB 1178 would result in a net increase in accrued liabilities of $420.7 million. If a ten-year, level-dollar amortization schedule is adopted, an annual payment of $60.1 million would be required over the next ten years.

SUBJECT MATTER: HB 1178 amends the Chicago Teachers' Article of the Illinois Pension Code to create an early retirement incentive program for teachers who terminate service on or after February 1, 2010 and on or before June 30, 2010 or on or after February 1, 2011 and on or before June 30, 2011. The bill allows teachers to purchase up to five years of age enhancement and creditable service.

FISCAL IMPACT: According to the Fund's actuary, based on June 30, 2007 actuarial date and an assumed 40% utilization rate amongst eligible employees (7,086 participants total), the ERI program contained in HB 1178 would result in a net increase in accrued liabilities of $420.7 million. If a ten-year, level-dollar amortization schedule is adopted, an annual payment of $60.1 million would be required over the next ten years.

COMMENT: To be eligible for the early retirement benefits outlined in HB 1178, an employee must:

- Be a member of the fund, who, on November 1, 2008 or on or after May 1, 2009 is in active payroll status, on layoff status with a right of recall, or on leave of absence for less than two years;
- Have not previously received a retirement pension from the fund;

- File a written application with the Board and a notice of resignation before March 1, 2010. This resignation must take place no earlier than February 1, 2010 and no later than June 30, 2010;
- Have attained age 50 by the effective date;
- Have at least five years of creditable service under the CTPF or a reciprocal fund by the effective date of the retirement pension.

HB 1178 stipulates that the employer must pay to the fund an employer contribution of 12% of the member's highest annual full-time rate of compensation for each year of creditable service established under the ERI program. In addition, the employee must make a contribution of 4% of the member's highest annual salary rate used in determination of the retirement pension for each year of service established under the ERI.

HB 1178 also specifies that if more than 30% of eligible employees choose to retire under the ERI, the employer may require that for any or all of the applicants in excess of the 30%, the starting date for the enhanced pension be no earlier than June 1, 2010 and no later than September 1, 2010. The right to have the enhanced pension begins before June 1, 2010 shall be allocated amongst the applicants on the basis of seniority.

HB 1178 amends the State Mandates Act to require implementation without reimbursement.

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