

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 4827**

January 22, 2010

SPONSOR (S): Davis

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: The Fund's consulting actuary estimates that HB 4827 will increase the total actuarial liability of the fund by \$664 million. The increase in total annual costs is estimated to be \$62.2 million, or 3.34% of payroll.

According to the CTPF's 2008 annual financial report, the fund's health insurance rebate was disbursed at 70% of covered premiums for FY 2008 and FY 2007. The Fund's consulting actuary certified the total actuarial liability of the CTPF Health Insurance Fund to be \$2.4 billion as of June 30, 2008.

SUBJECT MATTER: HB 4827 amends the Chicago Teachers Article of the Illinois Pension Code to set the fund's health insurance rebate percentage at 75% of the cost of the member's insurance coverage, without limitation.

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COMMENTS: Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. The total reimbursement amount is not to exceed \$65 million annually, plus any amount that was authorized to be paid in any preceding year that was not actually paid. (P.A. 93-0677, which became effective on June 28, 2004, raised the cap from \$40 million to \$65 million). The Pension Code further specifies that the total annual amount of payments made for retiree health insurance reimbursement may not exceed 75% of the total cost of the coverage for all recipients who receive payments in that year. HB 4827 strikes the \$65 million cap and sets the reimbursement rate at 75% of the cost of the member's health insurance coverage.