

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 4830**

January 19, 2010

SPONSOR (S): Rita

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: HB 4830 is estimated to increase accrued liabilities by \$124.7 million, according to an analysis prepared by the Fund's actuary. The increase in total annual costs is estimated to be \$12.2 million, or 0.65% of payroll. The growth in annual cost will be commensurate with payroll.

SUBJECT MATTER: HB 4830 amends the Chicago Teachers' Article of the Pension Code to raise the maximum allowable service retirement pension from 75% to 80% of average salary.

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COMMENT: Currently, the Chicago Teachers' Article provides an annuity at a formula of 2.2% final average salary per year of service credit up to a maximum of 75% of final average salary. The maximum annuity is reached after approximately 34.1 years of service credit. HB 4830 raises the maximum allowable annuity to 80% beginning July 1, 2010. The maximum annuity of 80% would be reached after approximately 36.4 years.

The following systems currently have maximum annuities of 80% or more: State Employees under the alternative formula, State Universities Retirement System, Judges Retirement System, General Assembly Retirement System, Chicago Laborers, Chicago Municipal Employees, Chicago Park Employees, Metropolitan Water Reclamation District, Cook County Employees, and Cook County Forest Preserve District.

The Teachers Retirement System maintains a maximum annuity of 75%, as do the Funds for Chicago and Downstate Firefighters and Police and the Illinois Municipal Retirement Fund.