

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 1635**

March 3, 2009

SPONSOR (S): Trotter

SYSTEM(S): Chicago Transit Authority Pension Fund

FISCAL IMPACT: The exact fiscal impact of SB 1635 cannot be determined because the number of employees choosing a total refund of all employee contributions to the Retiree Health Care Trust is unknown. In addition, the exact fiscal impact of providing a Health Maintenance Organization style health care plan to cover 100% of medical costs cannot be determined. The CTA Pension Fund is currently completing a comprehensive analysis to determine the exact fiscal impact of these and other changes.

SUBJECT MATTER: SB 1635 amends various provisions concerning retirement health care benefits for the Chicago Transit Authority in the Illinois Pension Code.

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COMMENTS: SB 1635 makes the Retiree Health Care Trust solely responsible for providing health care benefits to Chicago Transit Authority retirees, dependants and survivors upon the exhaustion of the account currently established for this purpose, but no earlier than January 1, 2009 and no later than July 1, 2009. SB 1635 also eliminates the requirement for a funding reserve, i.e., an amount that the Retiree Health Care Trust total assets must exceed its total liabilities. Under existing law this funding reserve shall not be less than the amount of incurred and unreported claims plus 12 months of expected claims and administrative expenses. Currently, the Chicago Transit Authority is not permitted to establish any type of retirement health care plan which pays more than 90% of the annuitant's medical costs. SB 1635 permits the implementation of a Health Maintenance Organization type plan which will cover 100% of these medical costs. SB 1635 also provides that any retiree hired on or before September 5, 2001 who retires with 25 years or more of continuous service shall be eligible for retiree health care benefits upon retirement in accordance with any rules and regulations adopted by the Board of Trustees. In addition, SB 1635 mandates a total refund of all employee contributions

to the Retiree Health Care Trust if the employee is ineligible for retiree health care benefits or elects to waive retirement health care benefits. Finally, SB 1635 makes a number of minor wording changes in several other sections of the code pertaining to retirement health care benefits for the Chicago Transit Authority.

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