

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1709**

March 6, 2009

SPONSOR (S): Raoul

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: SB 1709 increases the annual cost to the Chicago Teachers' Pension Fund (CTPF) by \$10 million. Additionally, as the increased amount paid as reimbursement for retiree health insurance costs will no longer be available for reinvestment by the Fund, the potential for lower investment earnings in future years exists.

SUBJECT MATTER: SB 1709 amends the Chicago Teachers' Article of the Pension Code to stipulate that the annual limit on the amount of reimbursement to annuitants for health insurance costs shall not exceed \$75,000,000 (currently \$65,000,000) plus any amount authorized to be paid in the preceding year that was not actually paid.

FISCAL IMPACT: SB 1709 increases the annual cost to the Chicago Teachers' Pension Fund (CTPF) by \$10 million. Additionally, as the increased amount paid as reimbursement for retiree health insurance costs will no longer be available for reinvestment by the Fund, the potential for lower investment earnings in future years exists.

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. SB 1709 raises the annual retiree health insurance reimbursement cap to \$75 million, plus any amount that was authorized to be paid in the preceding year that was not actually paid.

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