COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 4246, as amended by HA 1** May 3, 2012

SPONSOR(S): Currie

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: HB 4246, as amended by HA 1, would have a positive fiscal impact upon the Chicago Teachers' Pension Fund. The bill specifies a State contribution to CTPF in FY 2013 of $191.3 million, and a significant ongoing State commitment to CTPF beyond 2013 via the State Pension Funds Continuing Appropriations Act. The bill sets a goal of attaining a 100% funding ratio, whereas current law calls for CTPF to attain a 90% funding ratio in 2059 (as outlined in P.A. 96-0889).

SUBJECT MATTER: HB 4246, as amended by HA 1, amends the Chicago Teachers' Article of the Pension Code and the State Pension Funds Continuing Appropriation Act. This bill establishes the State as the primary "employer" of the Fund, whereas the Board of Education will only make supplemental employer contributions from here on. This bill appends the long-term, actuarially-based funding schedule to reach a funding goal of 100% by 2059, and makes appropriate corrections throughout the involved Sections.

FISCAL IMPACT: HB 4246, as amended by HA 1, would have a positive fiscal impact upon the Chicago Teachers' Pension Fund. The bill specifies a State contribution to CTPF in FY 2013 of $191.3 million, and a significant ongoing State commitment to CTPF beyond 2013 via the State Pension Funds Continuing Appropriations Act. The bill sets a goal of attaining a 100% funding ratio, whereas current law calls for CTPF to attain a 90% funding ratio in 2059 (as outlined in P.A. 96-0889).

COMMENT: Under current law, the Board of Education makes statutorily-required contributions to the Chicago Teachers' Pension Fund that may be offset by any applicable State contributions in compliance with a long-term, actuarially-based funding schedule to reach a goal of 90% funded by 2059. Effective April 14, 2010, PA 96-889 significantly reduced the employer contribution of the Board of Education for fiscal years 2011, 2012, and 2013, and allowed the Board of Education to accept any State contributions to the Fund as a deduction of their own contribution.

HB 4246, as amended by HA 1, amends the Chicago Teachers' Article of the Pension Code such that the State will make a $191,289,707 to the Fund for fiscal year 2013, and starting fiscal year 2014, the State will provide the employer's portion of the normal cost (excluding any amortization of unfunded liabilities) in addition to any positive or negative amounts *not* stemming from "lost investment earnings due to underfunding," but including, but not limited to, changes from actuarial assumptions. The State contributions will be paid in 12 substantially equal monthly vouchers, which shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the Fund. If, in any month, the vouchered amount is unavailable, the difference shall be appropriated from the General Revenue Fund. The State's employer contributions will adhere to a long-term, actuarially-based funding schedule with a goal of a 100% funded ratio by fiscal year 2059.

The bill defines "lost investment earnings due to underfunding" as "the additional earnings on investments, if any, that the Fund would have received during a particular fiscal year if the Fund had been 100% funded on July 1, 2012..." This bill proposes that the Board of Education's minimum payment shall adhere to a long-term, actuarially-based funding schedule such that, by fiscal year 2059, 100% of the unfunded liability (as of July 1, 2012) and the lost investment earnings due to underfunding will be contributed to the Fund. By fiscal year 2060 or as soon as the above-stated debts are paid in full, the Board of Education will make no further contributions to the Fund.

This bill amends the Chicago Teachers' section of the Pension Code by leaving blank the subsection that allows the Board of Education to hold State contributions to the fund as a credit against their own contributions. The bill also repeals the section that stipulates additional contributions by the employer.

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