

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 97TH GENERAL ASSEMBLY

BILL NO: **HB 5333**

February 15, 2012

SPONSOR (S): Colvin

SYSTEM(S): Chicago Teachers

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**FISCAL IMPACT:** HB 5333 would have a positive impact upon the Chicago Teachers Pension Fund. According to the pension fund's 2010 CAFR, CTPF had assets of \$10.9 billion (actuarial value) and liabilities of \$16.3 billion and a funding ratio of 66.9%. Under HB 5333, contributions by the State would be made in addition to Board of Education contributions until CTPF reaches a 90% funding ratio.

Increasing the Chicago Board of Ed FY 2013 contribution to CTPF to \$307.5 million would have a positive fiscal impact.

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**SUBJECT MATTER:** HB 5333 amends the Chicago Teacher article of the Pension Code to stipulate that Chicago Board of Education contributions to CTPF shall be treated as a credit against contributions by the State only if the CTPF board has certified a 90% funding ratio. In addition, the bill requires the Board of Education to make an FY 2013 contribution to CTPF in the amount of \$307.5 million rather than the current statutorily-mandated \$196.0 million.

**FISCAL IMPACT:** HB 5333 would have a positive impact upon the Chicago Teachers Pension Fund. According to the pension fund's 2010 CAFR, CTPF had assets of \$10.9 billion (actuarial value) and liabilities of \$16.3 billion and a funding ratio of 66.9%. Under HB 5333, contributions by the State would be made in addition to Board of Education contributions until CTPF reaches a 90% funding ratio.

Increasing the Chicago Board of Ed FY 2013 contribution to CTPF to \$307.5 million would have a positive fiscal impact.

**COMMENT:** P.A. 96-0889, which implemented a second tier of benefits for new employees in the State systems, also made significant changes to the funding plan for the Chicago Teachers Pension Fund. The Act set a new funding target for CTPF of 90% in the year 2059 (previously 2045). The Act also set in place the CTPF funding

requirements for the Chicago Board of Ed for Fiscal Years 2011-2013. For Fiscal Years 2014 through 2059, Board of Ed contributions are to be made as a level percentage of payroll in order to achieve a 90% funding target in FY 2059. HB 5333 requires the Board of Ed to contribute \$307.5 million in FY 2013 rather than the statutorily-mandated contribution amount of \$196 million.

P.A. 96-0889 also contained language stating that any contribution by the State to CTPF shall be treated as a credit against any contribution by the Board of Education. HB 5333 makes this provision contingent upon CTPF attaining a 90% funding ratio. Hence, under the current funding ratio of 66.9%, State contributions would be made in addition to Board of Ed contributions.

DH:dkb

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