

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 5520**

March 2, 2012

SPONSOR (S): Burke, Daniel

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: The Chicago Teacher's Pension Fund's assets are divided between the Pension Fund and the Health Insurance Fund. The Health Insurance Fund consists of assets set aside to subsidize healthcare premiums for members receiving pension benefits. According to the fund's 2010 CAFR, the health insurance rebate was disbursed at 70% of covered premiums in fiscal years 2009 and 2010. The fund had \$34.9 million in assets available for retiree health insurance benefits at the end of FY 2010. By comparison, the fund had \$47.4 million available for retiree health benefits at the end of FY 2007.

SUBJECT MATTER: HB 5520 amends the Chicago Teachers Article of the Illinois Pension Code to increase the base limitation amount for retiree health insurance costs. The base amount would be \$65 million for FY 2013, but would increase in future years in accordance with medical care services and commodities in the consumer price index.

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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. HB 5520 maintains the \$65 million cap for FY 2013 and provides for an annual increase in this “base limitation amount” equal to the unadjusted percentage increase of the weighted average of medical care services and medical care commodities in the consumer price index-u for the 12-months ending March 1 of the previous fiscal year.

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