COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 6157** April 20, 2012

SPONSOR(S): Senger

SYSTEM(S): Chicago Municipal, Chicago Laborers, Chicago Park District, and Chicago Teachers

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FISCAL IMPACT: The fiscal impact of HB 6157 will vary by fund. An actuarial cost study outlining the proposed amortization schedule with a goal of a 90% funding ratio by fiscal year 2046 would be needed to compare against current retirement system projections in order to assess the fiscal impact in the years to come.

SUBJECT MATTER: HB 6157 amends the Illinois Pension Code for Chicago Municipal, Chicago Laborers, Chicago Park District, and Chicago Teachers Pension Funds to establish minimum employer contributions substantial enough to bring each fund up to a minimum funded ratio of 90% by fiscal year 2046 and to maintain a 90% funded ratio for each fiscal year thereafter. In the Chicago Municipal and Chicago Laborers Articles, payments to the funds must be paid by the city, tax levies notwithstanding.

FISCAL IMPACT: The fiscal impact of HB 6157 will vary by fund. An actuarial cost study outlining the proposed amortization schedule with a goal of a 90% funding ratio by fiscal year 2046 would be needed to compare against current retirement system projections in order to assess the fiscal impact in the years to come.

COMMENT: Under current law, neither the Chicago Municipal, the Chicago Laborers, nor the Chicago Park District Pension Funds adhere to a long term, actuarially-based funding schedule. The Chicago Municipal Pension Fund stipulates an employer contribution derived from a tax levy of 1.25% of the employee contributions of 2 years prior. The Chicago Laborers Pension fund stipulates an employer contribution derived from a tax levy equal to the employee contributions of 2 years prior. Finally, the Chicago Park District Pension Fund stipulates an employer contribution derived from a tax levy of 1.1% of the employee contributions of 2 years prior.

HB 6157 amends the Articles of the Pension Code pertaining to the Chicago Laborers, Chicago Municipal, and Chicago Park District Pension Funds such that the board of each fund must make a minimum contribution in accordance with an actuarially-determined amortization schedule with a goal of 90% funding by fiscal year 2046. In addition, the Chicago Municipal and Chicago Laborers Funds would no longer be restricted to funds generated by the tax levy in order to pay their respective dues.

Finally, HB 6157 amends the Article of the Pension Code pertaining to the Chicago Teachers Pension Fund by effectively updating the changes made by PA 96-889. PA 96-889 established specific contribution guidelines for fiscal years 2011, 2012, and 2013, and for every year thereafter, the contribution would be in line with a 90%-funded-ratio plan by fiscal year 2060. HB 6157 nullifies the specified contribution set for fiscal year 2013, and adjusts the plan such that the fund shall have a 90% funded ratio by fiscal year 2046.

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