

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 449, as amended by SA 1**

March 6, 2014

SPONSOR(S): Raoul

SYSTEM(S): Chicago Teachers

FISCAL IMPACT: There is no discernible fiscal impact associated with SB 449, as amended by SA 1, on the Chicago Teachers' Pension Fund. This bill allows the Board of Education to levy a separate tax for its required contribution for teacher pensions. The long-term actuarial funding requirements under P.A. 96-0889 are unchanged by this bill. Under P.A. 96-0889, the CTPF is required to attain a 90% funding ratio by FY 2060. To the extent that granting new taxing authority to the Board of Education enhances their ability to make timely payments to CTPF in accordance with P.A. 96-0889, SB 0449, as amended by SA 1, will have a positive fiscal impact upon the pension fund.

SUBJECT MATTER: SB 449, as amended by SA 1, would require Board of Education to levy a tax in order to pay its required contribution to the Chicago Teachers' Pension Fund.

FISCAL IMPACT: There is no discernible fiscal impact associated with SB 449, as amended by SA 1, on the Chicago Teachers' Pension Fund. This bill allows the Board of Education to levy a separate tax for its required contribution for teacher pensions. The long-term actuarial funding requirements under P.A. 96-0889 are unchanged by this bill. Under P.A. 96-0889, the CTPF is required to attain a 90% funding ratio by FY 2060. To the extent that granting new taxing authority to the Board of Education enhances their ability to make timely payments to CTPF in accordance with P.A. 96-0889, SB 0449, as amended by SA 1, will have a positive fiscal impact upon the pension fund.

COMMENT: Beginning in 2015, SB 449, as amended by SA 1, would require the Board of Education to levy a tax on the assessed value of all taxable property in the city. This tax will be at a rate that will produce an amount that is sufficient to pay in full, the Board of Education's contributions for the portions of the fiscal years for which revenues from the levy are to be received. This amount will be determined and certified by the Board of the Chicago Teachers Pension Fund.

If the State makes a contribution to or for the benefit of the Fund, it shall count as a credit against any contribution required to be made by the Board of Education, if the Fund is at least 90% funded as of June 30 of the previous fiscal year.

The Board of Education's required contributions for the fiscal years 2015 and 2016 shall be paid in 12 equal monthly payments, in 2016 the payment shall be reduced proportionately by the amount anticipated by the receipt of the tax levied. Beginning with fiscal year 2017 the Board of Education's contribution shall be paid by the proceeds of the tax required to be levied, that are received by the Fund that fiscal year. If this tax amount is insufficient, the Board of Education remains liable and the amount remaining unpaid shall be added to the required contribution for the following fiscal year.

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