

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 1920, as amended by HA 2**

May 31, 2013

SPONSOR (S): Raoul (Nekritz)

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** Under current law, the required Chicago Board of Education contribution to the Chicago Teachers Pension Fund for FY 2014 is \$600 million. The FY 2015 contribution is estimated to be \$618.4 million. SB 1920, as amended by HA 2, mandates an FY 2014 Board of Ed contribution in the amount of \$350 million, and an FY 2014 contribution of \$500 million. This bill effectively gives the Chicago Board of Ed a two-year, \$368.4 million pension funding reprieve for the Chicago Teachers Pension Fund.

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**SUBJECT MATTER:** SB 1920, as amended by HA 2, provides the Chicago Board of Education with a two-year funding reprieve for the Chicago Teacher Pension Fund. The bill also pushes back by two years the date by which the fund must attain a 90% funding ratio from FY 2059 to FY 2061.

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**COMMENT:** P.A. 96-0889, the Two-Tier Pension Reform Act of 2010, implemented a new funding schedule for the Chicago Teachers' Pension Fund. Under the new funding schedule, CTPF is required to attain a 90% funding ratio by FY 2059. This new funding ratio is to be attained by funds contributed by the Chicago Board of Education; the annual employer contributions are required to be contributed as a level percentage of payroll each year until a 90% funding ratio is attained in 2059. P.A. 96-0889 set in statute the contribution levels for FY 2011 – 2013, and under the Act, FY 2014 will be the first year of the level-percent-of-payroll funding approach. Under current law, the certified FY 2014 Board of Education contribution is \$600 million. The FY 2015 Board of Education contribution is estimated to be \$618.4 million.

SB 1920, as amended by HA 2, sets the FY 2014 Board of Education contribution to CTPF at \$350 million and the FY 2014 contribution at \$500 million. In effect, the bill gives the Board of Education a two-year, \$368.4 million funding reprieve from the amortization schedule set forth under P.A. 96-1495. SB 1920, as amended by HA 2, also changes the date by which the CPTF must attain a 90% funding ratio from FY 2059 to FY 2061.

DH:dkb

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