

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 3148**

February 18, 2014

SPONSOR (S): Hunter

SYSTEM(S): Chicago Teachers Pension Fund

FISCAL IMPACT: SB 3148 will have a positive impact on the Chicago Teachers Pension Fund to the extent that it grants the Chicago Board of Education sufficient resources to make the annual pension payments to CTPF that are required under P.A. 96-0889. According to the Chicago Teacher Pension Fund's 2013 actuarial report, member contributions totaled \$190.8 million in FY 2013. This is the amount that would be available to the Board of Ed to make the required FY 2015 contribution, provided this amount did not exceed 0.26% of the equalized assessed value of all taxable property in the City of Chicago.

SUBJECT MATTER: SB 3148 amends the Chicago Teacher article of the Illinois Pension Code. The bill gives the Chicago Board of Education the ability to levy a property tax solely for the purpose of making the required annual Board of Ed pension payment to CTPF under P.A. 96-0889 (Two Tier Act of 2010). This tax will be known as the Public School Teachers' Pension and Retirement Fund Contribution Tax.

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COMMENT: P.A. 96-0889, which took effect on Jan. 1, 2011, established a second tier of benefits for members of the Chicago Teachers Pension Fund (CTPF) who began service on or after the effective date. The Act also implemented a new funding policy for the Chicago Teachers Pension Fund. Under this new funding policy, the Board of Education is required to make annual contributions to CTPF such that a 90% funding ratio is achieved in FY 2059. SB 3148 authorizes the Chicago Board of Education to levy a tax for the sole purpose of making its annual required contribution to the pension fund. The amount of the tax will be equal to member contributions during the fiscal and school year 2 years prior to the year for which the applicable tax is levied. The amount of the tax levy will be capped at 0.26% of the equalized assessed value of all taxable property in the City of Chicago. This tax will be known as the Public School Teachers' Pension and Retirement Fund Contribution Tax.

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