# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO: HB 0813, as amended by SA2

May 27, 2016

SPONSOR (S): Gabel - Flowers, et al. (Cullerton)

SYSTEM(S): Chicago Teachers

FISCAL IMPACT: HB 0813, as amended by SA2, sets in statute State contributions to CTPF for Fiscal Year 2017, and beginning in FY 2018, the State would make an annual contribution to CTPF equal to the fund's normal cost. This bill also introduces a property tax levy of no more than 0.26% on the City of Chicago, which would likely improve the funding ratio of CTPF. It not feasible to determine the extent of a fiscal impact without an actuarial analysis of HB 0813. An updated impact note will be issued when an actuarial cost study has been obtained from the pension fund.

<u>SUBJECT MATTER</u>: HB 0813, as amended by SA2, amends the CTPF article of the Illinois Pension Code. It states that the State shall contribute a defined amount to CTPF for fiscal year 2017. Starting in fiscal year 2018, the State's annual contribution to CTPF will be equal to the employer normal cost portion of the projected normal cost for that fiscal year. This bill also defines a system to be utilized by the Board of Education to determine the State Contributions for each fiscal year. In addition, the bill also introduces a property tax levy to help fund the CTPF in the form of employer contributions.

<u>COMMENT</u>: HB 0813, as amended by SA2, makes the following changes to the Chicago Teachers' Pension Fund:

#### Revised State Contributions to CTPF

The State shall contribute to \$205,404,986 to the Fund in FY 17, and beginning in FY18, and for every following State fiscal year the State shall contribute an amount to be determined by the Fund, equal to the employer normal cost portion of the projected normal cost for that fiscal year.

# State Actuary Review of Annual Certified Contributions

- The Board will determine the amount of State contributions required for each fiscal year via information provided by an actuary.
  - Beginning on November 1, 2016, the Board shall submit a proposed certification of the amount of required State contribution to the Fund for the next fiscal year to the State Actuary, the Governor, and the General Assembly no later than November 1 of each year.

- Beginning on or before January 1, 2017, the State Actuary must issue a preliminary report concerning the proposed certification no later than January 1 of each year. The Board must consider this report prior to submitting said certification.
- On or before January 15, 2017 and each January 15 thereafter, the Board shall certify to the Governor and General Assembly the required State contribution amount for the next fiscal year.
  - The Board's certification must list and justify any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not making said changes.
- Any proceeds paid directly to the Fund shall be deemed a contribution by the Board and shall be credited as such against the contribution required to be made by the Board for the fiscal year in which the proceeds are paid.

## Continuing Appropriaton of State Contributions for CTPF

HB 0813, as amended by SA2, amends the State Pensions Funds Continuing Appropriation Act: The amount by which the total available amount of all other State appropriations to CTPF (detailed in the "*Revised State Contributions to CTPF*" section of this note,) is less than the total amount of the vouchers for required State contributions, shall be appropriated from the Common School Fund to CTPF on a monthly basis. This authority is already present for the State pension systems.

## Tax Levy

For fiscal year 2017 and each succeeding year, the City of Chicago shall levy annually, upon all taxable property located within the city, a tax at a rate specified in the ordinance not to exceed 0.26%. The proceeds from this additional tax shall be paid directly to CTPF as an employer contribution.

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