

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 1406**

February 6, 2015

SPONSOR (S): Sims

SYSTEM(S): Chicago Teachers Pension Fund

FISCAL IMPACT: Current law provides that the Chicago Teacher Pension Fund retiree healthcare reimbursement amount is not to exceed \$65 million annually, plus any amount that was authorized in any preceding year that was not paid. According to the CTPF's Fiscal Year 2014 CAFR, previous years' amounts authorized but not expended as of June 30, 2014 are approximately \$36 million.

SUBJECT MATTER: HB 1406 amends the Chicago Teacher article of the Pension Code to raise the annual health insurance reimbursement amount from \$65 million to \$80 million.

FISCAL IMPACT: Current law provides that the Chicago Teacher Pension retiree healthcare reimbursement amount is not to exceed \$65 million annually, plus any amount that was authorized in any preceding year that was not paid. According to the CTPF's Fiscal Year 2014 CAFR, of the plan net position in the health insurance fund, previous years' amounts authorized but not expended as of June 30, 2014 are approximately \$36 million.

COMMENT: Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. Each year, the CTPF Board establishes a rebate percentage to defray the cost of health insurance for its retirees. The rebate percentage was 60% in FY's 2012, 2013, and 2014. In FY 2015, the subsidy is 50% of the total premium cost. By statute, the total reimbursement amount is not to exceed \$65 million annually, plus any amount that was authorized to be paid in any preceding year that was not actually paid. (P.A. 93-0677, which became effective on June 28, 2004, raised the cap from \$40 million to \$65 million). HB 1406 strikes the \$65 million cap and raises it to \$80 million.

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