

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO: **SB 0316, as amended by SA 1**

July 1, 2015

SPONSOR (S): J. Cullerton

SYSTEM(S): Chicago Teachers

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**FISCAL IMPACT:** SB 0316, as amended by SA 1, changes the funding goal for the Chicago Teachers Pension Fund such that the fund must attain a 90% funding ratio by FY 2063, as opposed to FY 2059 under current law. The bill sets in statute State contributions to the fund for Fiscal Years 2015 and 2016, and beginning in FY 2017, the State would make an annual contribution to CTPF equal to the fund's normal cost. Chicago Board of Education contributions for FY 2016 and FY 2017 are also specified in the bill, and starting in FY 2018, the Board of Ed's annual required contribution would be the amount necessary to attain a 90% funding ratio by FY 2063. An updated impact note will be issued when an actuarial cost study has been obtained from the pension fund.

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**SUBJECT MATTER:** SB 0316, as amended by SA 1, amends the Chicago Teachers article of the Illinois Pension Code. It states that the State shall contribute defined amounts to the fund for fiscal years 2015 and 2016, and the Board of Education shall contribute defined amounts for fiscal years 2016 and 2017. Starting in fiscal year 2017, the State's annual contribution to the Fund will be equal to the employer normal cost portion of the projected normal cost for that fiscal year. From fiscal year 2018 through fiscal year 2063, the Board of Education's contribution will be calculated each year in way that it will reach a 90% funding ratio by the end of fiscal year 2063. Beginning in fiscal year 2064, the Board's contribution will be calculated so that it maintains a 90% funding ratio.

**COMMENT:** SB 0316, as amended by SA 1, makes the following changes to the Chicago Teachers Pension Fund:

**Revised State Contributions to CTPF**

- The State shall contribute to the Fund the following amounts:
  - For FY 15: \$199.2 million
    - The Board shall present to the State Comptroller a single voucher for this amount no later than October 1, 2015.

- For FY 16: \$207 million
  - Beginning in FY 16, on the 15th of each month, the Board shall submit vouchers for payment of State contributions to the Fund, equal to one-twelfth of this amount. If there is any amount paid that is less than the required amount due, the difference shall be paid by the Common School Fund.
- Beginning in FY 17 and for every following State fiscal year: 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, 2015, 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, 2016, 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, 2016 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, and the fiscal impact of not making said changes.

Chicago Board of Ed Contributions – Revised Amortization Schedule for CTPF

Current law states that for fiscal years 2014 through 2059, the Board of Education's minimum contribution to the Fund shall be determined in such a way that the total assets of the Fund increases to 90% by the end of FY 59. SB 0316, as amended by SA 1, proposes that the time frame for this provision be fiscal years 2018 through 2063. The bill states that the Board of Education's minimum contribution for FY 16 and FY 17 shall be \$207 million and \$211 million respectively. Beginning in FY 64, the minimum Board of Education contribution for each fiscal year shall be the amount needed to maintain a 90% funding ratio of the total actuarial liabilities.

Continuing Appropriation of State Contributions for CTPF

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.