

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO: **SB 1587**

February 23, 2015

SPONSOR (S): Hunter

SYSTEM(S): Chicago Teachers

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**FISCAL IMPACT:** SB 1587 creates a separate tax levy for the benefit of the CTPF equal to the amount of member contributions to the fund during the fiscal year 2 years prior to the year for which the tax is levied, subject to a maximum rate of 0.26% of the EAV of all taxable property in the city. This bill does not change the funding schedule set forth by P.A. 96-0889, but to the extent it allows CPS to make the payments as required under the Act, it will have a positive fiscal impact. According to the Chicago Teachers Pension Fund, the tax levy implemented by SB 1587 would generate approximately \$195.8 million in FY 2016.

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**SUBJECT MATTER:** SB 1587 provides the Chicago Board of Education with the ability to levy a property tax for the purpose of making employer contributions to the Chicago Teacher Pension Fund.

**FISCAL IMPACT:** SB 1587 creates a separate tax levy for the benefit of the CTPF equal to the amount of member contributions to the fund during the fiscal year 2 years prior to the year for which the tax is levied, subject to a maximum rate of 0.26% of the EAV of all taxable property in the city. This bill does not change the funding schedule set forth by P.A. 96-0889, but to the extent it allows CPS to make the payments as required under the Act, it will have a positive fiscal impact. According to the Chicago Teachers Pension Fund, the tax levy implemented by SB 1587 would generate approximately \$195.8 million in FY 2016.

**COMMENT:** P.A. 89-0015, enacted on May 30, 1995, eliminated the Chicago Teachers' Pension Fund tax levy. The Act also established a funding plan for the Chicago Teachers' Pension Fund under which the Chicago Board of Education was given the responsibility for making annual contributions to the fund in order to achieve a 90% funding ratio by the end of Fiscal Year 2045. The funding plan for CTPF was changed again in 2010 with the enactment of the two-tier system under P.A. 96-0889, which requires CTPF to attain a 90% funding ratio by FY 2059. SB 1587 does not alter the funding schedule established by P.A. 96-0889, but rather it re-establishes a separate tax levy for the Board of Education known as the "Public School Teachers' Pension and Retirement Fund and Pension Contribution Tax."

DH:dkb

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