

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **SB 2584**

March 2, 2016

SPONSOR (S): Hutchinson

SYSTEM(S): Chicago Teachers' Pension Fund (CTPF)

FISCAL IMPACT: The precise fiscal impact of SB 2584 is not known, but CTPF said cost savings are expected to be significant by closing a loophole by SB 2584.

SUBJECT MATTER: For an employee who first becomes a member after the effective date of this bill, the benefit shall not commence more than one year prior to the date of the Fund's receipt of an application for the benefit.

COMMENT: Under the Chicago Teacher Article of the Illinois Pension Code, an employee's retirement pension shall begin on the effective date of resignation, retirement, the day following the close of payroll period for which service credit was validated, or the time the person attains age 55, or on a date elected by the teacher, whichever shall be latest. According to CTPF, if employees apply for pension benefits or lump-sum payments after resignation, the benefit would be paid retroactively back to the date of his or her resignation, which could result in substantial lump-sum payments for some retirees in some cases. This bill attempts to close a loophole in the current law whereby the Fund pays higher pension costs due to such substantial lump-sum payments.

JB:dkb

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