COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0431** January 30, 2007

SPONSOR (S): Bradley

SYSTETM(S): Chicago Teachers

FISCAL IMPACT: According to the System's actuary, based on June 30, 2005 actuarial data and an assumed 40% utilization rate amongst eligible employees (8,261 participants), the ERI program contained in HB 0431 would result in a net increase in accrued liabilities of $491 million. If a ten-year, level-dollar amortization schedule is adopted, an annual payment of $70.2 million would be required over the next ten years.

SUBJECT MATTER: HB 0431 amends the Chicago Teachers' Article of the Illinois Pension Code to create an early retirement incentive program for teachers who terminate service on or after February 1, 2008 and on or before June 30, 2008, or on or after February 1, 2009 and on or before June 30, 2009. The bill allows teachers to purchase up to five years of age enhancement and creditable service.

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COMMENT: To be eligible for the early retirement benefits outlined in HB 0431, an employee must:

- Be a member of the fund, who, on November 1, 2007 or November 1, 2008, or on or after May 1, 2007, or on or after May 1, 2008 is in active payroll status, on layoff status with a right of recall, or on leave of absence for less than two years;
- Have not previously received a retirement pension from the fund;
- File a written application with the Board and a notice of resignation before March 1, 2008 or March 1, 2009. For employees retiring in 2008,

resignation must take place no earlier than February 1, 2008 and no later than June 30, 2008. For employees retiring in 2009, resignation must take place no earlier than February 1, 2009 and no later than June 30, 2009;

- Have attained age 50 by the effective date;
- Have at least five years of creditable service under the CTPF or a reciprocal fund by the effective date of the retirement pension.

HB 0431 stipulates that the employer must pay to the fund an employer contribution of 12% of the member's highest annual full-time rate of compensation for each year of creditable service established under ERI program. In addition, the employee must make a contribution of 4% of the member's highest annual salary rate used in determination of the retirement pension for each year of service established under the ERI.

HB 0431 also specifies that if more than 30% of eligible employees choose to retire under the ERI, the employer may require that for any or all of the applicants in excess of the 30%, the starting date for the enhanced pension be no earlier than June 1, 2008 and no later than September 1, 2008, or no earlier than June 1, 2009 and no later than September 1, 2009. The right to have the enhanced pension begins before June 1, 2008 or June 1, 2009 shall be allocated amongst the applicants on the basis of seniority.

HB 0431 amends the State Mandates Act to require implementation without reimbursement.

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