

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

*Revised – October 2007*

## PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 1231**

October 10, 2007

SPONSOR (S): Bradley, R. – Hernandez et al (Martinez)

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** HB 1231 increases the annual cost to the Chicago Teachers' Pension Fund (CTPF) by \$10 million. Additionally, as the increased amount paid as reimbursement for retiree health insurance costs will no longer be available for reinvestment by the Fund, the potential for lower investment earnings in future years exists. *According to the CTPF, the rate at which the fund rebates retirees for their health insurance costs (currently 70%) would have to be lowered in FY 2009 unless the reimbursement cap is raised to \$75 million. The reimbursement rate for retiree health insurance is determined by the Chicago Teacher Pension Fund's board of trustees.*

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**SUBJECT MATTER:** HB 1231 amends the Chicago Teachers' Article of the Pension Code to stipulate that the annual limit on the amount of reimbursement to annuitants for health insurance costs shall not exceed \$75,000,000 (currently \$65,000,000) plus any amount authorized to be paid in the preceding year that was not actually paid.

**FISCAL IMPACT:** HB 1231 increases the annual cost to the Chicago Teachers' Pension Fund (CTPF) by \$10 million. Additionally, as the increased amount paid as reimbursement for retiree health insurance costs will no longer be available for reinvestment by the Fund, the potential for lower investment earnings in future years exists. *According to the CTPF, the rate at which the fund rebates retirees for their health insurance costs (currently 70%) would have to be lowered in FY 2009 unless the reimbursement cap is raised to \$75 million. The reimbursement rate for retiree health insurance is determined by the Chicago Teacher Pension Fund's board of trustees.*

**COMMENTS:** Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. 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). The Pension Code further specifies that the total annual amount of payments made for retiree health insurance reimbursement may not exceed 75% of the total cost of the coverage for all recipients who receive payments in that year. HB 1231 raises the annual retiree health insurance reimbursement cap to \$75 million, plus any amount that was authorized to be paid in the preceding year that was not actually paid.

HB 1231 amends the State Mandates Act to require implementation without reimbursement.

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