

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 4340**

January 30, 2008

SPONSOR (S): Bradley, R.

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, HB 4340 could increase total actuarial liability by \$128.6 million - \$642.9 million, depending on the increase in pensionable salary (as shown in the chart below).

SUBJECT MATTER: HB 4340 amends the Chicago Teachers' Article of the Pension Code to allow salary received for overtime, summer school, and other optional service to be included in the calculation of salary for pension purposes.

FISCAL IMPACT: According to an analysis prepared by the Fund's actuary, the impact of HB 4340 depends on the effect the bill would have on pensionable salary, as follows:

| Increase in Pensionable Salary | Increase in Accrued Liability | Increase in Annual Cost | Total Annual Cost as % of Pay |
|--------------------------------|-------------------------------|-------------------------|-------------------------------|
| 2.5% | \$128,588,000 | \$9,192,000 | 0.51% |
| 7.5% | \$385,768,000 | \$27,578,000 | 1.45% |
| 12.5% | \$642,953,000 | \$45,964,000 | 2.31% |

COMMENTS: Currently, employee contributions are not made to the Chicago Teachers' Pension Fund for overtime, summer school, or other optional service, and this salary is not included in the calculation of the members' final average salary for pension purposes. Effective July 1, 2008, HB 4340 requires members to make contributions for all salary paid. This would increase the amount of the retirement annuity for members of the Chicago Teachers' Pension Fund who receive compensation for optional service.

HB 4340 specifies that members who retire between July 1, 2008 and the effective date of this Act would receive a lump sum equal to the difference in the amount of pension actually received and the amount that would have been received in that period if the

salary for overtime, summer school, and other optional service had been included in the calculation of final average salary.

HB 4340 amends the State Mandates Act to require implementation without reimbursement.

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