

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 4376**

January 23, 2008

SPONSOR (S): Ford - Boland

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: According to the System's actuary, for the fiscal year ending June 30, 2005, Chicago teachers made employee contributions of \$175.7 million (9% of payroll). As total employee contributions grow in proportion to payroll, the amount of the tax levy will grow accordingly, subject to the limitations specified in the bill.

SUBJECT MATTER: HB 4376 amends the Chicago Teacher Article of the Pension Code to allow the Board of Education of the City of Chicago to levy a Public School Teachers' Pension and Retirement Fund and Pension Contribution Tax. For Fiscal Year 2008 and beyond, the amount of the tax will be equal to employee contributions during the fiscal and school year two years prior to the year in which the tax is levied. HB 4376 stipulates that the tax rate shall not exceed 0.26% of the equalized assessed value of all taxable property in the city.

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COMMENTS: 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. Essentially, HB 4376 re-inserts the pension fund tax levy provision that was eliminated by P.A. 89-0015. The bill also states that the proceeds from the tax levy may be used by the Board of Education for making contributions in accordance with the current funding plan.

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