COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: SB 0153, as amended by HA 001 May 30, 2007

SPONSOR (S): Sieben – Maloney (Froehlich – Boland)

SYSTEM(S): Teachers' Retirement System; Chicago Teachers' Pension Fund

FISCAL IMPACT: The fiscal impact to TRS as a result of SB 0153, as amended by House Amendment 001, cannot be determined as the number of teachers who may wish to purchase optional service credit for pregnancy leaves of absence is unknown. The bill requires the teacher to pay the employer's normal cost and the employee contribution, plus interest, from the date of service to the date of payment. Therefore, the cost should be minimal.

There will be no fiscal impact caused by replacing the current annual State appropriation for healthcare reimbursement with the continuing appropriation established by Senate Bill 0153, as amended by House Amendment 001, as the bill does not increase the amount of the annual appropriation.

<u>SUBJECT MATTER</u>: SB 0153, as amended by House Amendment 001, amends the Downstate Teachers' Article of the Illinois Pension Code to grant optional service credit to any teacher for a leave of absence during which a teacher ceases covered employment due to pregnancy. SB 0153, as amended by House Amendment 001, also provides for a continuing appropriation to the Chicago Teachers' Pension Fund equal to the greater of \$65,044,700 or the amount of the vouchers submitted by the pension fund pursuant to the School Code.

<u>FISCAL IMPACT</u>: The fiscal impact to TRS as a result of SB 0153, as amended by House Amendment 001, cannot be determined as the number of teachers who may wish to purchase optional service credit for pregnancy leaves of absence is unknown. The bill requires the teacher to pay the employer's normal cost and the employee contribution, plus interest, from the date of service to the date of payment. Therefore, the cost should be minimal.

There will be no fiscal impact caused by replacing the current annual State appropriation for healthcare reimbursement with the continuing appropriation established by Senate Bill 0153, as amended by House Amendment 001, as the bill does not increase the annual appropriation.

COMMENTS:

Optional Service Credit in TRS for Leaves of Absence

The Illinois Pension Code lists specific periods of service for which a member may purchase optional service credit. SB 0153, as amended by House Amendment 001, amends the Downstate

Teacher Article of the Pension Code to add pregnancy leaves of absence to this approved list. Members are required to provide satisfactory evidence for the leave and pay all contributions as of the date specified. The total optional service credit available for purchase due to pregnancies and other leaves of absence may not exceed 3 years. In addition, SB 0153, as amended by House Amendment 001, states that allowing teachers to establish service credit for a pregnancy leave of absence constitutes a new benefit increase and this increase shall be funded by the additional employee contributions.

Currently, the Pension Code 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 cannot 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 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. This retiree health insurance subsidy is made by the Chicago Teacher Pension Fund via State appropriation, and is not currently mandated by law.

Continuing Appropriation to Chicago Teachers' Pension Fund

SB 0153, as amended by House Amendment 001, would create a continuing monthly appropriation for the Chicago Teachers' Pension Fund equal to one-twelfth of \$65,044,700 (the amount of the State subsidy for retiree healthcare in FY 2007 as contained in P.A. 94-0798) or the amount of the vouchers for required State contributions lawfully submitted by the fund pursuant to the School Code.

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