COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

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January 12, 2009

SPONSOR (S): Raoul (Miller)

SYSTEM(S): CTA Healthcare Trust

FISCAL IMPACT: Commission staff has requested any actuarial cost studies that the CTA retiree health care trust's actuary might have performed pertaining to the changes outlined in SB 1383, as amended by HA #1. A revised note will be issued when the aforementioned data is obtained.

<u>SUBJECT MATTER</u>: SB 1383, as amended by HA #1, makes various changes to the Chicago Transit Authority Retiree Health Care Trust. The bill allows for 100% reimbursement for HMO plans, and allows members who were hired before September 5th, 2001 to retire with 25 years of service regardless of whether or not they have obtained age 55. The bill also clarifies actuarial reporting requirements pertaining to the amortization of unfunded healthcare liabilities.

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COMMENTS:

100% HMO Coverage for Retiree Health Care Trust

P.A. 95-0708, which became effective on January 18, 2008, charged the Board of Trustees of the CTA retiree health care trust fund with administering a health care program for eligible retirees and their dependents and survivors. The Act stipulated that no plan would provide for more than 90% coverage for in-network services or 70% coverage for out-of-network services after deductibles are paid. SB 1383, as amended by HA #1, adds a new provision for 100% coverage through health maintenance organizations.

Age and Service Requirements for Retiree Health Care Benefits

Prior to the passage of P.A. 95-0708, CTA retirees were eligible for health care benefits if they had 25 years of service credit, regardless of age. P.A. 95-0708 required CTA retirees to have reached 55 years of age with 10 years of continuous service in order to qualify for retiree health care benefits. P.A. 95-906, which became effective on August 26, 2008, was a technical cleanup bill that created a window for employees who had obtained 25 years of service credit but had not yet reached age 55. The Act allowed these individuals to qualify for retiree healthcare benefits regardless of age, however this window expired on January 1, 2009. SB 1383, as amended by HA #1, would remove the age and service credit requirements of P.A. 95-0708 for individuals hired prior to September 5, 2001, essentially repealing the 55/10 requirement for these individuals.

Actuarial Reporting on Health Care Liabilities

Under current law, the CTA retiree healthcare trust must issue a report to the Auditor General at least 90 days prior to the end of each fiscal year. As part of the reporting requirement, the trustees must propose a 10-year amortization schedule in the event that the present value of projected benefits exceeds the present value of projected contributions and trust income plus assets. SB 1383, as amended by HA #1, clarifies that this 10-year amortization period is an open amortization period that essentially restarts every fiscal year.

Refund of Health Care Contributions

SB 1383, as amended by HA #1, provides that the Board of Trustees of the CTA Retiree Health Care Trust may adopt rules and regulations providing for the refund of the total contributions made by employees who are not eligible for retiree health care benefits or who elect to waive retiree health care benefits. Current law is silent on this matter.

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