

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **HB 2948**

February 14, 2017

SPONSOR (S): Davis, Wm.

SYSTEM(S): Chicago Teacher Pension Fund (CTPF)

FISCAL IMPACT: The long-term fiscal impact of HB 2948 is not known, but would be positive for the Chicago Teacher Pension Fund. The bill does not alter the long-term amortization schedule set forth by SB 1946 (P.A. 96-0889), which extended the funding period for CTPF to 2059, by which time a 90% funding ratio must be obtained. The bill also does not alter the State's current commitment to contribute an amount equal to 0.544% of payroll to CTPF when the fund drops below a 90% funded ratio. An updated note will be issued when an actuarial study becomes available.

SUBJECT MATTER: HB 2948 amends the Chicago Teacher Article of the Pension Code to create a new annual State funding commitment to the Chicago Teacher Pension Fund as described below.

COMMENT: Under current law, the State is obligated to contribute to the Chicago Teacher Pension Fund on an annual basis an amount equal to 0.544% of the pension fund's payroll if the funding ratio drops below 90%. This State funding requirement was implemented with the enactment of P.A. 90-0582. At the end of FY 2015, CTPF had a funding ratio of 51.8%, with unfunded liabilities of \$9.6 billion. Pursuant to P.A. 96-0889, CTPF is required to attain a 90% funding ratio by 2059. This bill does not change this amortization period or funding attainment requirement.

HB 2948 provides that in addition to the foregoing State funding commitment, beginning in FY 2018, the State shall make annual contributions to the fund. The FY 2018 contribution would be \$456.5 million. For each year thereafter, the amount would be equal to 10% of the certified contribution to TRS for the ensuing fiscal year.

DH:dkb

LRB100 6807 RPS 16856 b