COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 1773** February 18, 2021

SPONSOR (S): Harper

SYSTEM(S): Chicago Municipal

FISCAL IMPACT: HB 1773 would reduce City of Chicago contributions to the Municipal pension fund by $99.8 million in 2021 and $57.6 million in 2022. The long-term fiscal impact of these funding reductions has not been calculated, as an actuarial study would be required to assess the long-term impact of these changes. According to the pension fund's 2019 actuarial report, the system had a funded ratio of 23.6% as of the end of 2019, based on the market value of assets.

SUBJECT MATTER: HB 1773 amends the Chicago Municipal article of the Pension Code. The bill reduces the required contributions by the employer (the City of Chicago) in 2021 and 2022, as described below.

COMMENT: Under current law, the City of Chicago is required to make contributions to the Municipal Employees' fund in specified amounts in each year from 2018 through 2022, after which a long-term amortization funding plan begins. Under the long-term plan, the fund must attain a 90% funding ratio by the end of 2058. Current law requires City contributions in the amounts of $499 million in 2021 and $576 million in 2022. HB 1773 would require City contributions of 80% of the specified amount for 2021 (or $399.2 million), and 90% of the specified amount for 2022 (or $518.4 million). Hence, municipal contributions to the pension fund would be reduced by $99.8 million in 2021 and $57.6 million in 2022.

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