COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 1859, as amended by HA 1** February 22, 2022

SPONSOR (S): Burke

SYSTEM(S): Cook County Forest Preserve Pension Fund

FISCAL IMPACT: A full actuarial impact study would be needed to assess the impact of HB 1859, as amended by HA 1. According to the Cook County Forest Preserve's 2020 actuarial valuation, the pension fund had unfunded liabilities of $145.4 million, with a funding ratio of 59%. The pension fund's actuary projects that the fund will be depleted of assets by the year 2042 under the current statutory "multiplier methodology" framework.

SUBJECT MATTER: HB 1859, as amended by HA 1, amends the Cook County Forest Preserve article of the Pension Code. The bill replaces the current "multiplier methodology" system of funding in favor of a layered-amortization of unfunded liabilities. The details of the new funding plan are described below in the Comment section.

COMMENT: Under current law, the Cook County Forest Preserve District makes annual contributions to the Cook County Forest Preserve pension fund using a "multiplier methodology." Under this methodology, the District's annual pension contribution is equal to the contributions made by Cook County Forest Preserve employees 2 years prior to the year in which the District's pension contribution is calculated, multiplied by 1.30.

HB 1859, as amended by HA 1, does away with the multiplier methodology funding and implements a new funding schedule for the pension fund, such that in payment years 2023-2025, the District shall contribute the following amounts to the pension fund:

Cook County Forest Preserve Fund	
2023	$6.1 million
2024	$8.1 million
2025	$10.2 million

The Forest Preserve District made a payment of $539.4 million in 2021, and projects a payment of $201.4 million in 2022 (the 2021 contribution included a supplemental contribution of $342 million). HB 1859, as amended by HA 1, permits the District to contribute an additional amount in the years 2023-2025, not to exceed $13 million over the three-year period.

Under this bill, for payment years 2026 through 2063, the Forest Preserve District's required minimum annual contribution to the pension fund will be equal to the pension fund's annual normal cost plus a layered 30-year amortization of unfunded liabilities, with the amortization component increasing at 2% per year.

According to CGFA's actuary, Segal Consulting, a "layered amortization" program is one in which any actuarial losses trigger a new amortization period. As an example, if an actuarial loss occurred in the Forest Preserve fund during 2022, a new 30-year amortization period would commence for paying down this loss, as opposed to adding the loss to the unfunded liability as of the end of 2021 and paying the loss down over 29 years. Another example: if by 2050 there have been no gains, losses, or assumption changes, and the 2021 unfunded liability would otherwise be expected to be fully amortized but for a large and unexpected investment loss in 2050, the layered approach would give the pension fund a new 30-year period in which to amortize the loss, as opposed to paying it off in one year (the "target" year), as is common under closed amortization payment programs. By way of reference, the State Retirement Systems operate under a "closed" amortization program under P.A. 88-0593.

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