

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **HB 4100**

January 26, 2022

SPONSOR (S): Burke

SYSTEM(S): Cook County, Cook County Forest Preserve

FISCAL IMPACT: As of December 30th, 2020, the Cook County Employees' Pension fund had an unfunded liability of \$6.7 billion, with a funding ratio of 63.9%. In the pension fund's 2020 actuarial valuation, the fund's actuary projects that the fund will be insolvent by 2043. The Cook County Forest Preserve District fund had an unfunded liability of \$145.2 million in the 2020 valuation, with a funding ratio of 59.05%. The Forest Preserve fund's actuary projects that the fund will be insolvent by 2041. A comprehensive actuarial cost study would be required to assess the long-term impact of the funding changes made by HB 4100. An updated impact note will be made available if an actuarial study is made available from the respective pension funds.

SUBJECT MATTER: HB 4100 amends the Cook County and Cook County Forest Preserve Articles of the Pension Code. The bill replaces the current "multiplier methodology" of funding for both pension funds, and implements a 40-year amortization schedule of unfunded liabilities, as articulated below.

COMMENT: Under current law, Cook County and the Cook County Forest Preserve District make annual employer contributions to their respective pension funds using what is known as the "multiplier" methodology. Under this methodology, the County and the Forest Preserve District contribute an amount equal to the amount of contributions made by employees of the pension fund in the calendar year 2 years prior to the year for which the annual applicable tax is levied. The Forest Preserve District's multiplier amount is 1.30, and Cook County's multiplier amount is 1.54.

HB 4100 would do away with the multiplier methodology after payment year 2022, in favor of the following funding formula. The two respective funds would be required to contribute the following amounts in the applicable payment years:

County Employees Pension Fund	
2023	\$540.9 million
2024	\$551.3 million
2025	\$545.7 million

Note - according to the pension fund’s 2020 actuarial valuation, under the current multiplier methodology funding formula, Cook County was scheduled to make contributions to the pension fund in the amount of \$539.4 million in 2021 and \$201 million in 2022. The 2021 contribution includes a \$342 million supplemental contribution.

Forest Preserve Pension Fund	
2023	\$5.7 million
2024	\$7.6 million
2025	\$9.5 million

Note - according to the pension fund’s 2020 actuarial valuation, under the current multiplier methodology funding formula, the Forest Preserve District was scheduled to make contributions to the pension fund in the amount of \$3.9 million in 2021 and \$3.8 million in 2022.

For fiscal years 2026 through 2063, both Cook County and the Cook County Forest Preserve District would be required to make contributions in the following amounts: 1) the normal cost for that fiscal year, plus 2) an amortization component necessary to attain a 90% funding ratio by the end of 2063. Contributions would be made by both the County and the Forest Preserve District on a level percentage of payroll basis, similar to the manner in which unfunded liabilities are amortized by the State systems under P.A. 88-0593 (the 1995 funding law).

The amortization component of the annual contribution required to be made by the respective funds in any given year shall be based on the entry age normal actuarial cost method, and shall incorporate 5-year asset smoothing. (5-year asset smoothing was implemented for the State systems in 2017 with the enactment of P.A. 100-0023).

For payment years after 2063, both Cook County and the Forest Preserve District will be required to make annual contributions, if necessary, to bring the total actuarial assets of their respective pension funds up to 90% of actuarial liabilities by the end of the applicable fiscal year.