Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE

103RD General Assembly

BILL NO: **SB 3346** February 29, 2024

SPONSOR: Martwick

SYSTEM: CTPF

FISCAL IMPACT

SB 3346 requires the Chicago Teachers' Pension Fund (CTPF) to withhold penalties for violations of the retiree return-to-work program on a "pro rata," or in proportion, basis. CTPF states that as of July 1, 2020, 59 annuitants have been penalized for violating the return-to-work program time restrictions. If SB 3346 were to become law, CTPF estimates that the cost of paying refunds to impacted retirees would be $370,000 plus interest as of February 21, 2024.

SUBJECT MATTER: SB 3346 amends the Chicago Teachers article of the Illinois Pension Code to change the way in which the pensions of annuitants who have violated return-to-work program time restrictions are withheld. This bill's changes are made retroactive to July 1, 2020, requiring the CTPF to pay any miscalculations back to annuitants with interest.

COMMENT: Under current law, CTPF annuitants may participate in the return-to-work program without impairing their retirement benefits, so long as they adhere to the following hourly and daily limits: up to 140 days before July 1, 2024 and up to 120 days on and after July 1, 2024. However, the annuitant's pension benefit package shall be suspended completely if the annuitant violates the aforementioned restrictions.

SB 3346 would change how retirement annuities are suspended by calculating the amount of time over the return-to-work program limitations "pro rata," or in proportion, to the number of hours or days in excess of the program limits. The bill also carves out a special exemption for annuitants who only teach drivers education courses after regular school hours. In such cases, the pro rata reduction will commence for each period of 7.5 hours in excess of 900 hours.

SB 3346 also makes the aforementioned changes retroactive to July 1, 2020, requiring CTPF to recalculate any pensions that were suspended on or after July 1, 2020 due to violations of the aforementioned return-to-work time limitations. After the recalculations are complete, the Fund shall refund to the annuitant the difference between any annuity payments that would have been made but for a violation of the return-to-work limits and the pro-rata share of the annuity attributable to the violation of the return-to-work limitations previously mentioned. The bill states that interest shall also be paid for such recalculations, but does not state the rate. CTPF's actuarial rate of return is 6.75%.

CTPF states that 59 annuitants have been impacted by violating the return-to-work program limitations since July 1, 2020. If SB 3346 were to become law, CTPF estimates the cost of member refunds to be $370,000 plus interest as of February 21, 2024.

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