



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: SB 3402

April 23, 2026

SPONSOR: Martwick

SYSTEM: Municipal Employees' Annuity and Benefit Fund of Chicago
(Chicago Municipal)

FISCAL IMPACT

SB 3402 would require the Chicago Board of Education (BOE) to pay a portion of employer contributions for its own employees under the current funding schedule. As the current funding goal of 90% by FY 2058 would be retained, and as the current contributions made by the City of Chicago would be reduced relative to those provided by the BOE under this bill, the overall fiscal impact of SB 3402 is anticipated to be neutral, in regard to the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF).

An actuarial study was conducted in 2022 by MEABF's actuary, Segal, based on the Fund's FY 2021 actuarial valuation used to calculate the FY 2023 statutorily required employer contribution. The study determined that 45.0% of the normal cost and 32.9% of the Fund's FY 2021 actuarial liabilities were attributable to BOE members. According to the study, \$272.2 million (27.9%) of the \$976 million FY 2023 statutory employer contribution would have been required to be paid by the BOE if it were responsible for paying its full share for its employees.

While the 2022 study was based on the FY 2021 actuarial valuation and assumed that the BOE would pay its full share, it could still provide a useful reference point. Based on the FY 2021 actuarial valuation, BOE active members made up 60.5% of total active MEABF membership, while total BOE members made up 58.5% of total MEABF membership.

According to MEABF's FY 2024 Actuarial Valuation, 24,385 active participants are employed by the BOE out of a total of 38,655 active

participants. This represents approximately 63% of total active participants in MEABF.

SUBJECT MATTER: SB 3402 amends the Chicago Municipal article of the Illinois Pension Code to mandate that, beginning February 1, 2027, the Chicago Board of Education (BOE) shall be responsible for paying a portion of employer contributions for its employees participating in the Municipal Employees' Annuity and Benefit Fund of Chicago (MEABF), instead of the City of Chicago. The current funding goal of 90% by FY 2058 would be retained, and the City's required contributions shall be reduced relative to those provided by the BOE.

COMMENT: The MEABF is the retirement system for the following members:

- Employees of the City of Chicago that do not contribute to another Chicago pension fund;
- Elected Officials of the City of Chicago who, while in office, file a written application for membership;
- Chicago Law Department and Board of Election employees;
- BOE employees who do not contribute to the Chicago Teachers' Pension Fund (CTPF);
- Employees of the Retirement Board of MEABF; and
- Employees of the Chicago Housing Authority or Public Buildings Commission

MEABF is one of the four pension funds for which the City of Chicago is currently responsible for making employer contributions. Under current law, the City's employer contributions to MEABF are to ensure 90% of the Fund's liabilities are funded by FY 2058. As noted above, Chicago Public Schools (CPS) non-teaching employees also participate in MEABF, since only teaching employees are eligible for CTPF. However, the BOE, the governing body for CPS, is not currently required by statute to make employer contributions to MEABF for its employees.

Starting in the City of Chicago's FY 2020 (the City's and MEABF's fiscal years correspond to the calendar year, running from January 1 through December 31), an intergovernmental agreement (IGA) was made between the City of Chicago and the BOE whereby the BOE agreed to reimburse the City for a portion of employer contributions to MEABF, with the initial payment being \$60 million in the City's FY 2020, and the latest agreed reimbursement being \$175 million in the City's FY 2026, contingent upon additional available revenue. These payments are not tied to a statutorily defined funding mechanism and are dependent on negotiations between the two parties. These reimbursement payments are intended to help offset the City of Chicago's statutorily required employer contribution to MEABF attributable to BOE (CPS) employees.

SB 3402 would amend the Chicago Municipal article of the Illinois Pension Code to instead mandate that the BOE is responsible for paying a portion of employer contributions for its employees instead of the City of Chicago. Such employer contributions consist of two parts:

- Normal cost for all active BOE employees on and after the effective date of this bill; and
- An apportioned contribution toward the unfunded liabilities, calculated as the portion of the Fund's current unfunded liabilities attributable to service credit earned by BOE employees prior to January 1, 1994.

Basically, the employer contributions would include the normal cost for active employees earning new service credit on or after the effective date of this bill and a share of the legacy pension debt tied to BOE employees' pre-1994 service.

As of the MEABF's FY 2024 actuarial valuation, the employer normal cost for FY 2024 and FY 2025 was \$140.4 million and \$146.4 million, respectively, while the statutory City contributions for FY 2024 and FY 2025 were \$941.0 million and \$955.7 million, respectively. Also, the City's total employer contributions are projected to increase annually from \$965.0 million in FY 2027 to \$1.25 billion in FY 2040 and \$1.80 billion in FY 2058 under the current funding schedule of 90% funded by FY 2058. According to the same source, 24,385 active participants are employed by the BOE, out of a total population of 38,655 active participants. These active participants cover non-teaching staff in CPS (such as paraprofessionals, janitors, cafeteria workers, and school bus drivers). Please refer to the following illustration for a breakdown of MEABF active participants by employer.

Table 1

Employer	Chicago Board of Education (BOE)	City of Chicago	Other	Total
Active Participants	24,385	14,209	61	38,655
% Of	63.08%	36.76%	.16%	100%

Under SB 3402, City of Chicago contributions would in turn be reduced relative to the BOE's contributions with the current funding goal of 90% funded by FY 2058 being retained. Thus, the total employer contributions to MEABF should be the same as under current law. The overall fiscal impact of SB 3402 is anticipated to be fiscally neutral in regard to MEABF.

RF:bs

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