

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0579**

March 18, 2009

SPONSOR (S): Saviano – McAuliffe, et al.

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** HB 0579 increases the annual cost to the Chicago Teachers' Pension Fund (CTPF) by \$35 million. Additionally, as the increased amount paid as reimbursement for retiree health insurance costs will no longer be available for reinvestment by the Fund, the potential for lower investment earnings in future years exists. The Chicago Teacher's Pension Fund reports that without the enactment of this bill, the retiree health insurance rebate will fall below the current 70% rate in the very near term.

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**SUBJECT MATTER:** HB 0579 amends the Chicago Teachers' Article of the Pension Code to stipulate that the annual limit on the amount of reimbursement to annuitants for health insurance costs shall not exceed \$100,000,000 (currently \$65,000,000) plus any amount authorized to be paid in the preceding year that was not actually paid.

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**COMMENTS:** Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. The total reimbursement amount is not to exceed \$65 million annually, plus any amount that was authorized to be paid in any preceding year that was not actually paid. (P.A. 93-0677, which became effective on June 28, 2004, raised the cap from \$40 million to \$65 million). The Pension Code further specifies that the total annual amount of payments made for retiree health insurance reimbursement may not exceed 75% of the total cost of the coverage for all recipients who receive payments in that year. HB 0579 raises the annual retiree health

insurance reimbursement cap to \$100 million, plus any amount that was authorized to be paid in the preceding year that was not actually paid.

The charts below show the amounts available for expenditure for retiree health insurance over the last two fiscal years:

Year Ended June 30, 2007	
July 1, 2006 Balance	\$41,057,585
Add Statutory Annual Limit	\$65,000,000
Add Interest	\$2,373,014
Add Other Adjustments	\$0
Less FY 2006 Expenditures	(\$61,028,841)
June 30, 2007 Balance	\$47,401,758

Year Ended June 30, 2006	
July 1, 2005 Balance	\$31,630,533
Add Statutory Annual Limit	\$65,000,000
Add Interest	\$2,420,040
Add Other Adjustments	\$286,912
Less FY 2006 Expenditures	(\$58,279,900)
June 30, 2006 Balance	\$41,057,585

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