

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 3401**

March 1, 2011

SPONSOR (S): Rita

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: HB 3401 would increase the annual cost of the pension fund by \$35 million. To the extent that these assets would not be available for reinvestment, the accrued liabilities of the fund would increase and greater employer contributions would be required in future years.

SUBJECT MATTER: HB 3401 amends the Chicago Teachers Article of the Illinois Pension Code to increase the maximum total payment for health insurance costs from \$65 million to \$100 million, plus any amount authorized to be paid in the preceding year that was not actually paid by the Board of Trustees.

FISCAL IMPACT: HB 3401 would increase the annual cost of the pension fund by \$35 million. To the extent that these assets would not be available for reinvestment, the accrued liabilities of the fund would increase and greater employer contributions would be required in future years.

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 3401 strikes the \$65 million cap and provides for annual payments not to exceed \$100 million, plus any amount that was authorized to be paid in the preceding year but was not actually paid.

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