

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: SB 1873

March 2, 2011

SPONSOR (S): Raoul

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** SB 1873 would increase the annual cost of the pension fund by \$10 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.

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**SUBJECT MATTER:** SB 1873 amends the Chicago Teachers Article of the Illinois Pension Code to increase the maximum total payment for health insurance costs from \$65 million to \$75 million, plus any amount authorized to be paid in the preceding year that was not actually paid by the Board of Trustees.

**FISCAL IMPACT:** SB 1873 would increase the annual cost of the pension fund by \$10 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. SB 1873 strikes the \$65 million cap and provides for annual payments not to exceed \$75 million, plus any amount that was authorized to be paid in the preceding year but was not actually paid.

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