

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **SB 3742**

March 2, 2012

SPONSOR (S): Raoul

SYSTEM(S): Chicago Teachers

FISCAL IMPACT: SB 3742 would have a positive fiscal impact upon the Chicago Teachers Pension Fund. According to the fund's FY 2011 actuarial valuation, CTPF had a funding ratio of 59.9% as of June 30, 2011.

SUBJECT MATTER: SB 3742 amends the Chicago Teachers Article of the Illinois Pension Code to require a Fiscal Year 2013 contribution of \$307.5 million from the Chicago Board of Education. The current statutorily-required Chicago Board of Education contribution amount for FY 2013 is \$196.0 million. In addition, SB 3742 will not allow the Board of Education to claim an offset against annual State contributions unless CTPF has attained a 90% funding ratio.

FISCAL IMPACT: SB 3742 would have a positive fiscal impact upon the Chicago Teachers Pension Fund. According to the fund's FY 2011 actuarial valuation, CTPF had a funding ratio of 59.9% as of June 30, 2011.

COMMENT: P.A. 96-0889 created a second tier of benefits for new hires in the Chicago Teachers Pension Fund. The Act also mandated a new funding schedule for CTPF such that the Board of Education must now make contributions to the CTPF so that the fund will attain a 90% funding ratio by FY 2050. The Act set in statute the required Board of Education contributions for Fiscal Years 2011 – 2013. Current law calls for the Board of Education to make an FY 2013 contribution of \$196.0 million to CTPF. SB 3742 strikes this amount and would require an FY 2013 contribution of \$307.5 million. SB 3742 also modifies the current provision of the Pension Code that states that annual Board of Education contributions will be reduced by the amount of State contributions; the bill makes this provision effective only if the pension fund has attained a 90% funding ratio. According to the fund's FY 2011 actuarial valuation, CTPF had a funding ratio of 59.9% as of June 30, 2011.

DH:dkb

LRB097 20391 EFG 65864 b