COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 1372** February 8, 2013

SPONSOR (S): Harris, David

SYSTEM(S): None

FISCAL IMPACT:

Chicago
According to the most recent actuarial forecast from the Chicago Police Pension Fund, the City's contribution to the fund is expected to increase from $196.7 million in FY 2015 to $602.1 million in FY 2016. Likewise, the Chicago Fire Pension Fund is expected to receive an FY 2015 contribution from the city in the amount of $82.4 million and $257.0 million in FY 2016. To the extent that the City is able to avoid making these contributions as scheduled under P.A. 96-1495, the Chicago Police and Fire pension funds would be negatively impacted.

Downstate
It is currently unknown how many Article 3 and 4 pension funds are scheduled to be impacted by the funding mechanism created by P.A. 96-1495, whereby the Comptroller is obligated to intercept State grants to cover delinquent pension payments. This mechanism takes effect in FY 2016, and the amounts that the Comptroller is empowered to intercept gradually increase until FY 2018, when the Comptroller is empowered to intercept 100% of State grants to cover delinquent pension payments.

SUBJECT MATTER: HB 1372 amends the Downstate and Chicago Police and Fire Articles of the Pension Code. The bill delays by one year the "funding hammer" put into place by P.A. 96-1495 wherein the State Comptroller is required to divert State grants to municipalities in order to cover delinquent or insufficient pension payments.

COMMENT: P.A. 96-1495, which became effective on January 1, 2011, implemented significant reforms for police and fire pension funds in Illinois. Specifically, the Act added a second tier of benefits for new hires, and the Act also mandated a new funding scheme under which municipalities are required to make annual contributions to their respective Article 3 and 4 pension funds such that a 90% funding ratio must be attained by FY 2040. In order to enforce these contributions, the Act provided for a mechanism whereby the State Comptroller would be empowered to intercept State grants to municipalities that fail to make contributions in accordance with the new funding schedule. Starting in FY 2016, the Comptroller must intercept one-third of State grants to delinquent municipalities; in FY 2017, two-thirds of State grants must be intercepted, and in FY 2018, the total amount of State grants must be intercepted.

HB 1372 delays the aforementioned process by one year. Hence, FY 2019 would now be the first year in which the Comptroller will be obligated to intercept the entire amount of State grants to satisfy delinquent municipal pension contributions. These changes also would apply to Chicago Police and Fire as P.A. 96-1495 added a similar funding "hammer" for Articles 5 and 6 of the Pension Code as well.

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