

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 2751**

February 26, 2013

SPONSOR (S): Turner

SYSTEM(S): Chicago Teachers

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**FISCAL IMPACT:** HB 2751 would have a positive impact upon the Chicago Teachers Pension Fund. According to the pension fund's 2012 actuarial valuation, CTPF had assets of \$9.4 billion (actuarial value) and liabilities of \$17.4 billion and a funding ratio of 54.1%. Under HB 2751, contributions by the State would be made in addition to Board of Education contributions until CTPF reaches a 90% funding ratio. On February 14<sup>th</sup>, 2013, CTPF certified a FY 2014 State contribution in the amount of \$11.9 million.

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**SUBJECT MATTER:** HB 2751 amends the Chicago Teacher article of the Pension Code to stipulate that Board of Education contributions will be reduced by the amount of required State contributions only if CTPF has attained a 90% funding ratio as of June 30<sup>th</sup> of the previous fiscal year. CTPF recently released its FY 2012 valuation, and the funding ratio as of June 30<sup>th</sup>, 2012 was 54.1%.

**FISCAL IMPACT:** HB 2751 would have a positive impact upon the Chicago Teachers Pension Fund. According to the pension fund's 2012 actuarial valuation, CTPF had assets of \$9.4 billion (actuarial value) and liabilities of \$17.4 billion and a funding ratio of 54.1%. Under HB 2751, contributions by the State would be made in addition to Board of Education contributions until CTPF reaches a 90% funding ratio. On February 14<sup>th</sup>, 2013, CTPF certified a FY 2014 State contribution in the amount of \$11.9 million.

**COMMENT:** P.A. 96-0889, which implemented a second tier of benefits for new employees in the State systems, also made significant changes to the funding plan for the Chicago Teachers Pension Fund. The Act set a new funding target for CTPF of 90% in the year 2059 (previously 2045). The Act also contained language stating that any contribution by the State to CTPF shall be treated as a credit against any contribution by the Board of Education. HB 2751 makes this provision contingent upon CTPF attaining a 90% funding ratio. Hence, under the current funding ratio of 54.1%, State contributions would be made in addition to Board of Ed contributions.

DH:dkb

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