

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **HB 2789**

March 5, 2013

SPONSOR (S): Sims

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** According to the pension fund's 2012 actuarial report, there were 17,091 retirees and beneficiaries receiving health insurance subsidies as of June 30, 2012. The report also showed that effective Jan. 1, 2011, CTPF provides a retiree health insurance reimbursement level equal to 60% of the cost of retiree health insurance coverage. CTPF claims that this bill would allow the Chicago Board of Ed to transfer \$32 million in a health reserve to CTPF to be utilized for retiree health insurance. CTPF would expect to spend \$68.7 million in FY 2014 on retiree health insurance subsidies, and that amount would ramp up to \$88.9 million by FY 2018. Upon enactment of this bill, the maximum rebate would decrease from the current 75% maximum as allowed by law to 50%.

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**SUBJECT MATTER:** HB 2789 amends the Chicago Teachers Article of the Illinois Pension Code to strike the \$65 million annual cap on retiree health insurance expenditures. The bill also provides that the total amount of payments made by CTPF in any year may not exceed 50% of the total cost of health insurance in a given year (currently 75%).

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**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 2789 strikes the \$65 million cap and limits total payments in any year to 50% of the total cost of health insurance. HB 2789 also specifies that a member shall not receive reimbursement for the cost of health insurance coverage in excess of 2.2% for each year of service. Hence, members will accrue retiree health insurance benefits at the same rate as pension benefits.

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