

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: **SB 1926** February 22, 2013
SPONSOR (S): Jones - Harris
SYSTEM(S): Chicago Teachers

FISCAL IMPACT: The Illinois Pension Code currently requires the State to make a contribution to the Chicago Teachers Pension Fund (CTPF) in the amount of 0.544% of payroll in years when the funding ratio drops below 90%. Based on the June 30, 2012 actuarial valuation, CTPF had a funding ratio of 54.1%. On February 14th, 2013, the Chicago Teachers Pension Fund certified an FY 2014 State contribution of \$11.9 million. SB 1926 requires an FY 2014 State contribution to CTPF in the amount of \$343.9 million. For each year thereafter, the State would be obligated to make an annual contribution to CTPF equal to 10% of the amount of the annual TRS appropriation.

SUBJECT MATTER: SB 1926 amends the Chicago Teacher Article of the Illinois Pension Code. The bill requires the State to make a FY 2014 contribution to CTPF in the amount of \$343.8 million, and 10% of the certified State contribution to TRS for each year thereafter.

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COMMENT: Public Act 89-0015 established a funding plan for the Chicago Teachers' Pension Fund under which the Chicago Board of Education was required to make a minimum annual contribution to the fund in an amount sufficient to achieve a 90% funding ratio by the end of Fiscal Year 2045. For fiscal years 1999 through 2010, the Board's contribution was to be increased in equal annual increments so that by Fiscal Year 2011, the Board of Education was making contributions as a level percentage of payroll each year through FY 2045.

Public Act 90-0548 revised the funding plan to stipulate that the Chicago Board of Education need not make pension contributions unless the funded ratio drops below 90%. P.A. 96-0889, which implemented a second tier of pension benefits for Chicago teachers hired after Jan. 1, 2011, repealed the funding provisions of P.A. 89-0015 and set in place a new funding requirement under which the Chicago Board of Education must make contributions to CTPF between FY 2014 and FY 2059 in order for CTPF to attain a 90% funding ratio by FY 2059. The Act set Board of Education contribution levels in statute for Fiscal Years 2011 – 2013.

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