

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

98TH GENERAL ASSEMBLY

BILL NO: SB 2933, as amended by HA 1

November 17, 2014

SPONSOR (S): Koehler (Madigan – Nekritz)

SYSTEM(S): Chicago Transit Authority Pension Fund

FISCAL IMPACT: Under the CTA Article of the Illinois Pension Code, the present value of projected benefits of the retiree health care trust must be exceeded by the present value of projected contributions and income plus assets. As of 1/1/13, the actuarial present value of projected benefits was \$645.7 Million, and the actuarial present value of projected income and assets was \$813.4 Million, including the estimated \$54.4 million present value cost of adding the HRA benefit as outlined in HA 1. The actuary's summary shows that income and assets will be 126% of projected benefits after the enactment of the HRA, and thus the CTA pension fund will continue to be in compliance with the requirement that income and assets must exceed 100% of projected benefits.

It should be noted that each year there is a placeholder in the Chicago Transit Authority's actuarial valuations that assumes that the HRA has been approved. Due to this already being accounted for in each annual valuation, there will not be an additional expense to the Healthcare Trust.

SUBJECT MATTER: SB 2933, as amended by HA 1, amends the Miscellaneous Administrative Provisions Article of the Illinois Pension Code by granting the CTA Board of Trustees authority to establish a health reimbursement arrangement for retirees and former employees and their survivors, with certain limitations.

FISCAL IMPACT: Under the CTA Article of the Illinois Pension Code, the present value of projected benefits of the retiree health care trust must be exceeded by the present value of projected contributions and income plus assets. As of 1/1/13, the actuarial present value of projected benefits was \$645.7 Million, and the actuarial present value of projected income and assets was \$813.4 Million, including the estimated \$54.4 million present value cost of adding the HRA benefit as outlined in HA 1. The actuary's summary shows that income and assets will be 126% of projected benefits after the enactment of the HRA, and thus the CTA pension fund will continue to be in compliance with the requirement that income and assets must exceed 100% of projected benefits.

It should be noted that each year there is a placeholder in the Chicago Transit Authority's actuarial valuations that assumes that the HRA has been approved. Due to this already being accounted for in each annual valuation, there will not be an additional expense to the fund Healthcare Trust.

COMMENT: Under current law, the Chicago Transit Authority Retirement Health Care Trust does not provide refunds or a Health Reimbursement Account, even to those who terminate employment prior to eligibility for benefits. SB 2933, as amended by HA 1, would establish and administer a health reimbursement arrangement plan for individuals that have contributed but do not satisfy the years of service requirement of the Retiree Health Care Trust, and for those that have declined coverage under the plan prior to retirement, among other limitations.

RSR: bj

LRB098 19649 RPS 62174 a