

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **HB 3846**

February 27, 2015

SPONSOR (S): Sims

SYSTEM(S): Chicago Teachers

FISCAL IMPACT: According to the Chicago Teachers Pension Fund, HB 3846 will not have a discernible fiscal impact upon the pension fund. The total healthcare expenditures would be the same as at the present time. Under the current uniform reimbursement percentage, retirees selecting the most expensive insurance option get the largest reimbursement, while those selecting the least expensive option get the lowest reimbursement. The fund claims that the Board of Trustees would like to be given the option of providing each retiree with the same dollar amount of reimbursement.

SUBJECT MATTER: HB 3846 amends the Chicago Teacher Article of the Illinois Pension Code. The bill allows the board of the pension fund to reimburse retirees for health insurance costs on a fixed dollar basis, or as a combination of a percentage *and* a fixed dollar basis based on what the board deems to be most equitable for all plan participants.

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COMMENT: Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. Each year, the CTPF Board establishes a rebate percentage to defray the cost of health insurance for its retirees. The rebate percentage was 60% in FY's 2012, 2013, and 2014. In FY 2015, the subsidy is 50% of the total premium cost. By statute, 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).

HB 3846 allows the CTPF Board to reimburse retirees for health insurance based on a fixed dollar amount, or as a combination of a percentage and fixed dollar amount based on what the Board deems most equitable for all plan participants.

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