

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

99TH GENERAL ASSEMBLY

BILL NO: **SB 0318, as engrossed** August 8, 2015

SPONSOR (S): J. Cullerton - Kotowski, et al. (Currie)

SYSTEM(S): Teachers' Retirement System, Chicago Teachers

FISCAL IMPACT: SB 0318, as engrossed, changes the funding goal for the Chicago Teachers Pension Fund such that the fund must attain a 90% funding ratio by FY 2063, as opposed to FY 2059 under current law. The bill sets in statute State contributions CTPF for Fiscal Year 2016, and beginning in FY 2017, the State would make an annual contribution to CTPF equal to the fund's normal cost. Chicago Board of Education contributions for FY 2016 and FY 2017 are also specified in the bill, and starting in FY 2018, the Board of Ed's annual required contribution would be the amount necessary to attain a 90% funding ratio by FY 2063. In addition, this bill will also provide stricter guidelines for State contributions to TRS, making it less likely for the State to make delayed or insufficient payments to the Fund. An updated impact note will be issued when an actuarial cost study has been obtained from the pension fund.

SUBJECT MATTER: SB 0318, as engrossed, amends the TRS and CTPF articles of the Illinois Pension Code. It provides a stricter funding obligation for TRS. It states that the State shall contribute defined amounts to CTPF for fiscal years 2015 and 2016, and the Board of Education shall contribute defined amounts for fiscal years 2016 and 2017. Starting in fiscal year 2017, the State's annual contribution to CTPF will be equal to the employer normal cost portion of the projected normal cost for that fiscal year. From fiscal year 2018 through fiscal year 2063, the Board of Education's contribution to CTPF will be calculated each year in way that it will reach a 90% funding ratio by the end of fiscal year 2063; beginning in fiscal year 2064, the Board's contribution will be calculated so that it maintains a 90% funding ratio.

COMMENT: SB 0318, as engrossed, makes the following changes to TRS and CTPF:

State Funding Obligations to TRS

Beginning July 1, 2015, the State shall contribute to the System in each State fiscal year an amount not less than the sum of the State's normal cost and the portion of the unfunded accrued liability assigned to it that year by law. If an acceptable payment is not made, it shall be the obligation of the Board to seek payment. If the efforts of the Board are unsuccessful, the Board may then take legal action to compel the State to make the required payment.

Revised State Contributions to CTPF

The State shall contribute to \$197 million to the Fund in FY 16, and beginning in FY, 17 and for every following State fiscal year the State shall contribute an amount to be determined by the Fund, equal to the employer normal cost portion of the projected normal cost for that fiscal year.

State Actuary Review of Annual Certified Contributions

- The Board will determine the amount of State contributions required for each fiscal year via information provided by an actuary.
 - Beginning on November 1, 2015, the Board shall submit a proposed certification of the amount of required State contribution to the Fund for the next fiscal year to the State Actuary, the Governor, and the General Assembly no later than November 1 of each year.
 - Beginning on or before January 1, 2016, the State Actuary must issue a preliminary report concerning the proposed certification no later than January 1 of each year. The Board must consider this report prior to submitting said certification.
- On or before January 15, 2016 and each January 15 thereafter, the Board shall certify to the Governor and General Assembly the required State contribution amount for the next fiscal year.
 - The Board's certification must list and justify any deviations from the State Actuary's recommended changes, and the fiscal impact of not making said changes.

Chicago Board of Ed Contributions – Revised Amortization Schedule for CTPF

Current law states that for fiscal years 2014 through 2059, the Board of Education's minimum contribution to the Fund shall be determined in such a way that the total assets of the Fund increases to 90% by the end of FY 59. SB 0318, as engrossed, proposes that the time frame for this provision be fiscal years 2018 through 2063. The bill states that the Board of Education's minimum contribution for FY 16 and FY 17 shall be \$207 million and \$211 million respectively. Under no circumstances shall the Boards of Education's total required contribution be reduced by the amount of any State contribution to the Fund. Beginning in FY 64, the minimum Board of Education contribution for each fiscal year shall be the amount needed to maintain a 90% funding ratio of the total actuarial liabilities.

Continuing Appropriation of State Contributions for CTPF

SB 0318, as engrossed, amends the State Pensions Funds Continuing Appropriation Act: The amount by which the total available amount of all other State appropriations to CTPF (detailed in the "Revised State Contributions to CTPF" section of this note,) is less than the total amount of the vouchers for required State contributions, shall be appropriated from the Common School Fund to CTPF on a monthly basis. This authority is already present for the State pension systems.

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