

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0602**

February 3, 2007

SPONSOR (S): Saviano

SYSTEM(S): Chicago Teachers' Pension Fund

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**FISCAL IMPACT:** An analysis prepared by the Fund's actuary estimates that HB 0602 would increase the accrued liabilities by \$18.9 million. The annual amount required to pay off the increase over 40 years as a level percent of payroll is estimated to be \$932 thousand, or 0.05% of payroll. The annual cost would grow at the same rate as payroll. As HB 0602 only affects current retirees, it would not increase the annual normal cost of the Fund.

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**SUBJECT MATTER:** HB 0602 amends the Chicago Teachers' Article of the Pension code to provide a one-time increase in certain retirement and survivor's annuities.

**FISCAL IMPACT:** An analysis prepared by the Fund's actuary estimates that HB 0602 would increase the accrued liabilities by \$18.9 million. The annual amount required to pay off the increase over 40 years as a level percent of payroll is estimated to be \$932 thousand, or 0.05% of payroll. The annual cost would grow at the same rate as payroll. As HB 0602 only affects current retirees, it would not increase the annual normal cost of the Fund.

**COMMENTS:** HB 0602 provides a one-time increase in certain retirement and survivor's annuities that have sustained a significant reduction in purchasing power due to inflation. The amount of increase for each retiree and survivor would depend on the retirement date of the retiree, as follows:

5% if the annuity began in 1979,  
10% if the annuity began in 1978,  
14% if the annuity began in 1977,  
14% if the annuity began in 1976,  
18% if the annuity began in 1975,  
23% if the annuity began in 1974,  
32% if the annuity began in 1973 or before.

The one-time increase would be based on annuities payable June 30, 2007, and the increase would occur on July 1, 2007.

HB 0602 declares that it is the public policy of the State and the intention of the General Assembly to protect annuitants against significant decreases in the purchasing power of retirement and survivor's annuities. The bill requires the Fund to regularly review changes that occur in the purchasing power of retirement and survivor's annuities and report to the General Assembly, Governor, and Commission on Government Forecasting and Accountability when it is determined that the purchasing power of any group of annuitants has been reduced by 20% or more.

HB 0602 amends the State Mandates Act to require implementation without reimbursement.

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