

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 1230**

February 21, 2007

SPONSOR (S): Bradley, R.

SYSTEM(S): Chicago Teachers' Pension Fund

FISCAL IMPACT: HB 1230 will have a cost to the Fund, as the increased amount paid as reimbursement for health insurance costs will no longer be available for reinvestment by the Fund. Therefore, the potential for lower investment earnings in future years exists.

SUBJECT MATTER: HB 1230 amends the Chicago Teachers' Article of the Pension Code to stipulate that the annual limit on the amount of reimbursement to annuitants for health insurance costs is 85% (currently 75%) of the cost of the recipient's health insurance coverage.

FISCAL IMPACT: HB 1230 will have a cost to the Fund, as the increased amount paid as reimbursement for health insurance costs will no longer be available for reinvestment by the Fund. Therefore, the potential for lower investment earnings in future years exists.

COMMENTS: Current law allows the Chicago Teachers' Pension Fund to reimburse retirees, survivors, and disability annuitants for a portion of their health insurance coverage. 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 raised the cap from \$40 million to \$65 million). The Pension Code further specifies that the total annual amount of payments made for retiree health insurance reimbursement may not exceed 75% of the total cost of the coverage for all recipients who receive payments in that year. HB 1230 raises the annual retiree health insurance reimbursement at 85% of the cost of the recipient's health insurance coverage. The bill does not change the current \$65 million cap on retiree healthcare reimbursement.

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