

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **HB 2884**

February 27, 2019

SPONSOR (S): Guzzardi

SYSTEM(S): Chicago Teachers' Pension Fund (CTPF)

FISCAL IMPACT: Under HB 2884, an employee who could have reduced his or her contributions to upgrade pension benefits associated with pre-1998 service with the 2.2 upgrade option would need to make such contribution without any reductions, as explained below. The number of Chicago teachers who have not upgraded pre-1998 service is not known, but this bill would presumably have a small yet positive impact upon the pension fund.

SUBJECT MATTER: HB 2884 amends the Chicago Teacher's Pension Fund (CTPF) Article of the Illinois Pension Code. This proposed legislation removes a provision concerning a reduction in an additional contribution for an optional increase in pension benefits for certain members (the 1998 2.2 formula upgrade). In addition, this legislation repeals obsolete provisions concerning early retirement incentives.

COMMENT: Currently, if a CTPF's member was an active contributor to CTPF on July 1, 1998, or contributed to CTPF for at least one year after July 1, 1998, the member may utilize the 2.2 upgrade program to increase the pension benefits for pre-1998 service.

For service credits earned prior to July 1, 1998, a graduated formula rate was used in the calculation retirement annuities. However, with the 2.2 upgrade option, an employee may be allowed to upgrade the pension formula rates to 2.2% for the member's service credits earned prior to July 1, 1998, by making an optional contribution. A member with at least 30 years of service credit is not required to make that optional contribution.

The amount of the member upgrade contribution should be equal to the member's highest salary rate in the 4 consecutive school years prior to the year of application for the upgrade, multiplied by 1.0% for each year of service credit earned before July 1, 1998, or 20, whichever is less (i.e. the number of years used in calculation is capped at

20 years). HB 2884 retains this provision as the only way to upgrade pre-1998 service.

Under current law, for service credits earned after June 30, 1998, the contribution for the upgrade may be reduced by 1.0% of that salary rate for every 3 full years of service credit earned after June 30, 1998 (i.e. the number of years used in calculation may be reduced by 1 year for every 3 full years). HB 2884 removes aforementioned reductions in such contribution for the 2.2 upgrade option.

JB:bj

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