COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1266** February 20, 2019

SPONSOR (S): Aquino

SYSTEM(S): Chicago Teachers

FISCAL IMPACT: The fiscal impact of SB 1266 cannot be determined as the board of the Chicago Teachers Pension Fund would have discretion as to the amount of reimbursement that would be paid to annuitants to defray their health insurance costs. According to the Chicago Teachers Pension Fund, the System currently reimburses 50% of enrolled participants premiums. The System does not spend the entire $65 million that it is allocated each year, and the remaining amount is held in a reserve account.

SUBJECT MATTER: SB 1266 amends the Chicago Teacher Article of the Illinois Pension Code. The proposed legislation would require the Board of Trustees to pay to each member a partial or complete reimbursement for the cost of the recipient's health insurance coverage. The current $65 million spending cap and the 75% maximum reimbursement rate would remain in force until 2020, after which no such maximums would be specified in statute.

COMMENT: Under current law, the pension fund may pay to each retiree an amount to be determined by the fund to reimburse retirees and disability and survivor's annuitants for their health insurance coverage. The language in statute is permissive, i.e., the fund is not required to make such payments. Current statute stipulates that total payments by the pension fund to defray retiree healthcare expenses may not exceed $65 million, plus any amount that was authorized to be paid in the preceding year but was not actually paid by the Board of the pension fund, plus interest. Current statute also stipulates that the total amount of payments by the pension fund for retiree health insurance may not exceed 75% of the total cost of health insurance coverage in a given year.

SB 1266 provides for mandatory payments for retiree health insurance, beginning on Sept. 1, 2020. Until 2020, the aforementioned $65 million reimbursement cap shall remain in place. Thereafter, no maximum is specified. Accordingly, until 2020, the 75% maximum spending cap shall remain in force, and thereafter, no maximum percentage is specified. The bill merely stipulates that the amount of the payment "shall represent partial or complete reimbursement for the cost of the recipient's health insurance coverage." Beginning in 2020, the payments by the pension fund would be mandatory.

SB 1266 is identical to HB 2240.

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