



## 100TH GENERAL ASSEMBLY

### State of Illinois

2017 and 2018

HB2966

by Rep. Jaime M. Andrade, Jr.

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-172  
40 ILCS 5/7-174

from Ch. 108 1/2, par. 7-172  
from Ch. 108 1/2, par. 7-174

Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. In a provision that requires an additional contribution from a participating municipality or participating instrumentality for certain increases in reported earnings, changes a reference from "salary" to "reported earnings" and provides that the change is a clarification of existing law and is intended to be retroactive to January 1, 2012 (the effective date of Public Act 97-609). In a provision establishing the board of trustees, provides that no person shall be eligible to become a trustee who does not have the minimum service credit in the Fund to qualify for a pension (instead of at least 8 years of creditable service). Effective immediately.

LRB100 09048 RPS 19197 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing  
5 Sections 7-172 and 7-174 as follows:

6 (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)

7 Sec. 7-172. Contributions by participating municipalities  
8 and participating instrumentalities.

9 (a) Each participating municipality and each participating  
10 instrumentality shall make payment to the fund as follows:

11 1. municipality contributions in an amount determined  
12 by applying the municipality contribution rate to each  
13 payment of earnings paid to each of its participating  
14 employees;

15 2. an amount equal to the employee contributions  
16 provided by paragraph (a) of Section 7-173, whether or not  
17 the employee contributions are withheld as permitted by  
18 that Section;

19 3. all accounts receivable, together with interest  
20 charged thereon, as provided in Section 7-209, and any  
21 amounts due under subsection (a-5) of Section 7-144;

22 4. if it has no participating employees with current  
23 earnings, an amount payable which, over a closed period of

1           20 years for participating municipalities and 10 years for  
2           participating instrumentalities, will amortize, at the  
3           effective rate for that year, any unfunded obligation. The  
4           unfunded obligation shall be computed as provided in  
5           paragraph 2 of subsection (b);

6           5. if it has fewer than 7 participating employees or a  
7           negative balance in its municipality reserve, the greater  
8           of (A) an amount payable that, over a period of 20 years,  
9           will amortize at the effective rate for that year any  
10          unfunded obligation, computed as provided in paragraph 2 of  
11          subsection (b) or (B) the amount required by paragraph 1 of  
12          this subsection (a).

13          (b) A separate municipality contribution rate shall be  
14          determined for each calendar year for all participating  
15          municipalities together with all instrumentalities thereof.  
16          The municipality contribution rate shall be determined for  
17          participating instrumentalities as if they were participating  
18          municipalities. The municipality contribution rate shall be  
19          the sum of the following percentages:

20          1. The percentage of earnings of all the participating  
21          employees of all participating municipalities and  
22          participating instrumentalities which, if paid over the  
23          entire period of their service, will be sufficient when  
24          combined with all employee contributions available for the  
25          payment of benefits, to provide all annuities for  
26          participating employees, and the \$3,000 death benefit

1 payable under Sections 7-158 and 7-164, such percentage to  
2 be known as the normal cost rate.

3 2. The percentage of earnings of the participating  
4 employees of each participating municipality and  
5 participating instrumentalities necessary to adjust for  
6 the difference between the present value of all benefits,  
7 excluding temporary and total and permanent disability and  
8 death benefits, to be provided for its participating  
9 employees and the sum of its accumulated municipality  
10 contributions and the accumulated employee contributions  
11 and the present value of expected future employee and  
12 municipality contributions pursuant to subparagraph 1 of  
13 this paragraph (b). This adjustment shall be spread over a  
14 period determined by the Board, not to exceed 30 years for  
15 participating municipalities or 10 years for participating  
16 instrumentalities.

17 3. The percentage of earnings of the participating  
18 employees of all municipalities and participating  
19 instrumentalities necessary to provide the present value  
20 of all temporary and total and permanent disability  
21 benefits granted during the most recent year for which  
22 information is available.

23 4. The percentage of earnings of the participating  
24 employees of all participating municipalities and  
25 participating instrumentalities necessary to provide the  
26 present value of the net single sum death benefits expected

1 to become payable from the reserve established under  
2 Section 7-206 during the year for which this rate is fixed.

3 5. The percentage of earnings necessary to meet any  
4 deficiency arising in the Terminated Municipality Reserve.

5 (c) A separate municipality contribution rate shall be  
6 computed for each participating municipality or participating  
7 instrumentality for its sheriff's law enforcement employees.

8 A separate municipality contribution rate shall be  
9 computed for the sheriff's law enforcement employees of each  
10 forest preserve district that elects to have such employees.  
11 For the period from January 1, 1986 to December 31, 1986, such  
12 rate shall be the forest preserve district's regular rate plus  
13 2%.

14 In the event that the Board determines that there is an  
15 actuarial deficiency in the account of any municipality with  
16 respect to a person who has elected to participate in the Fund  
17 under Section 3-109.1 of this Code, the Board may adjust the  
18 municipality's contribution rate so as to make up that  
19 deficiency over such reasonable period of time as the Board may  
20 determine.

21 (d) The Board may establish a separate municipality  
22 contribution rate for all employees who are program  
23 participants employed under the federal Comprehensive  
24 Employment Training Act by all of the participating  
25 municipalities and instrumentalities. The Board may also  
26 provide that, in lieu of a separate municipality rate for these

1 employees, a portion of the municipality contributions for such  
2 program participants shall be refunded or an extra charge  
3 assessed so that the amount of municipality contributions  
4 retained or received by the fund for all CETA program  
5 participants shall be an amount equal to that which would be  
6 provided by the separate municipality contribution rate for all  
7 such program participants. Refunds shall be made to prime  
8 sponsors of programs upon submission of a claim therefor and  
9 extra charges shall be assessed to participating  
10 municipalities and instrumentalities. In establishing the  
11 municipality contribution rate as provided in paragraph (b) of  
12 this Section, the use of a separate municipality contribution  
13 rate for program participants or the refund of a portion of the  
14 municipality contributions, as the case may be, may be  
15 considered.

16 (e) Computations of municipality contribution rates for  
17 the following calendar year shall be made prior to the  
18 beginning of each year, from the information available at the  
19 time the computations are made, and on the assumption that the  
20 employees in each participating municipality or participating  
21 instrumentality at such time will continue in service until the  
22 end of such calendar year at their respective rates of earnings  
23 at such time.

24 (f) Any municipality which is the recipient of State  
25 allocations representing that municipality's contributions for  
26 retirement annuity purposes on behalf of its employees as

1 provided in Section 12-21.16 of the Illinois Public Aid Code  
2 shall pay the allocations so received to the Board for such  
3 purpose. Estimates of State allocations to be received during  
4 any taxable year shall be considered in the determination of  
5 the municipality's tax rate for that year under Section 7-171.  
6 If a special tax is levied under Section 7-171, none of the  
7 proceeds may be used to reimburse the municipality for the  
8 amount of State allocations received and paid to the Board. Any  
9 multiple-county or consolidated health department which  
10 receives contributions from a county under Section 11.2 of "An  
11 Act in relation to establishment and maintenance of county and  
12 multiple-county health departments", approved July 9, 1943, as  
13 amended, or distributions under Section 3 of the Department of  
14 Public Health Act, shall use these only for municipality  
15 contributions by the health department.

16 (g) Municipality contributions for the several purposes  
17 specified shall, for township treasurers and employees in the  
18 offices of the township treasurers who meet the qualifying  
19 conditions for coverage hereunder, be allocated among the  
20 several school districts and parts of school districts serviced  
21 by such treasurers and employees in the proportion which the  
22 amount of school funds of each district or part of a district  
23 handled by the treasurer bears to the total amount of all  
24 school funds handled by the treasurer.

25 From the funds subject to allocation among districts and  
26 parts of districts pursuant to the School Code, the trustees

1 shall withhold the proportionate share of the liability for  
2 municipality contributions imposed upon such districts by this  
3 Section, in respect to such township treasurers and employees  
4 and remit the same to the Board.

5 The municipality contribution rate for an educational  
6 service center shall initially be the same rate for each year  
7 as the regional office of education or school district which  
8 serves as its administrative agent. When actuarial data become  
9 available, a separate rate shall be established as provided in  
10 subparagraph (i) of this Section.

11 The municipality contribution rate for a public agency,  
12 other than a vocational education cooperative, formed under the  
13 Intergovernmental Cooperation Act shall initially be the  
14 average rate for the municipalities which are parties to the  
15 intergovernmental agreement. When actuarial data become  
16 available, a separate rate shall be established as provided in  
17 subparagraph (i) of this Section.

18 (h) Each participating municipality and participating  
19 instrumentality shall make the contributions in the amounts  
20 provided in this Section in the manner prescribed from time to  
21 time by the Board and all such contributions shall be  
22 obligations of the respective participating municipalities and  
23 participating instrumentalities to this fund. The failure to  
24 deduct any employee contributions shall not relieve the  
25 participating municipality or participating instrumentality of  
26 its obligation to this fund. Delinquent payments of



1 contributions due under this Section may, with interest, be  
2 recovered by civil action against the participating  
3 municipalities or participating instrumentalities.  
4 Municipality contributions, other than the amount necessary  
5 for employee contributions, for periods of service by employees  
6 from whose earnings no deductions were made for employee  
7 contributions to the fund, may be charged to the municipality  
8 reserve for the municipality or participating instrumentality.

9 (i) Contributions by participating instrumentalities shall  
10 be determined as provided herein except that the percentage  
11 derived under subparagraph 2 of paragraph (b) of this Section,  
12 and the amount payable under subparagraph 4 of paragraph (a) of  
13 this Section, shall be based on an amortization period of 10  
14 years.

15 (j) Notwithstanding the other provisions of this Section,  
16 the additional unfunded liability accruing as a result of this  
17 amendatory Act of the 94th General Assembly shall be amortized  
18 over a period of 30 years beginning on January 1 of the second  
19 calendar year following the calendar year in which this  
20 amendatory Act takes effect, except that the employer may  
21 provide for a longer amortization period by adopting a  
22 resolution or ordinance specifying a 35-year or 40-year period  
23 and submitting a certified copy of the ordinance or resolution  
24 to the fund no later than June 1 of the calendar year following  
25 the calendar year in which this amendatory Act takes effect.

26 (k) If the amount of a participating employee's reported

1 earnings for any of the 12-month periods used to determine the  
2 final rate of earnings exceeds the employee's 12 month reported  
3 earnings with the same employer for the previous year by the  
4 greater of 6% or 1.5 times the annual increase in the Consumer  
5 Price Index-U, as established by the United States Department  
6 of Labor for the preceding September, the participating  
7 municipality or participating instrumentality that paid those  
8 earnings shall pay to the Fund, in addition to any other  
9 contributions required under this Article, the present value of  
10 the increase in the pension resulting from the portion of the  
11 increase in reported earnings ~~salary~~ that is in excess of the  
12 greater of 6% or 1.5 times the annual increase in the Consumer  
13 Price Index-U, as determined by the Fund. This present value  
14 shall be computed on the basis of the actuarial assumptions and  
15 tables used in the most recent actuarial valuation of the Fund  
16 that is available at the time of the computation.

17 Whenever it determines that a payment is or may be required  
18 under this subsection (k), the fund shall calculate the amount  
19 of the payment and bill the participating municipality or  
20 participating instrumentality for that amount. The bill shall  
21 specify the calculations used to determine the amount due. If  
22 the participating municipality or participating  
23 instrumentality disputes the amount of the bill, it may, within  
24 30 days after receipt of the bill, apply to the fund in writing  
25 for a recalculation. The application must specify in detail the  
26 grounds of the dispute. Upon receiving a timely application for

1 recalculation, the fund shall review the application and, if  
2 appropriate, recalculate the amount due. The participating  
3 municipality and participating instrumentality contributions  
4 required under this subsection (k) may be paid in the form of a  
5 lump sum within 90 days after receipt of the bill. If the  
6 participating municipality and participating instrumentality  
7 contributions are not paid within 90 days after receipt of the  
8 bill, then interest will be charged at a rate equal to the  
9 fund's annual actuarially assumed rate of return on investment  
10 compounded annually from the 91st day after receipt of the  
11 bill. Payments must be concluded within 3 years after receipt  
12 of the bill by the participating municipality or participating  
13 instrumentality.

14 When assessing payment for any amount due under this  
15 subsection (k), the fund shall exclude earnings increases  
16 resulting from overload or overtime earnings.

17 When assessing payment for any amount due under this  
18 subsection (k), the fund shall also exclude earnings increases  
19 attributable to standard employment promotions resulting in  
20 increased responsibility and workload.

21 This subsection (k) does not apply to earnings increases  
22 paid to individuals under contracts or collective bargaining  
23 agreements entered into, amended, or renewed before January 1,  
24 2012 (the effective date of Public Act 97-609), earnings  
25 increases paid to members who are 10 years or more from  
26 retirement eligibility, or earnings increases resulting from

1 an increase in the number of hours required to be worked.

2 When assessing payment for any amount due under this  
3 subsection (k), the fund shall also exclude earnings  
4 attributable to personnel policies adopted before January 1,  
5 2012 (the effective date of Public Act 97-609) as long as those  
6 policies are not applicable to employees who begin service on  
7 or after January 1, 2012 (the effective date of Public Act  
8 97-609).

9 The change made to this Section by this amendatory Act of  
10 the 100th General Assembly is a clarification of existing law  
11 and is intended to be retroactive to January 1, 2012 (the  
12 effective date of Public Act 97-609).

13 (Source: P.A. 98-218, eff. 8-9-13; 99-745, eff. 8-5-16.)

14 (40 ILCS 5/7-174) (from Ch. 108 1/2, par. 7-174)

15 Sec. 7-174. Board created.

16 (a) A board of 8 members shall constitute a board of  
17 trustees authorized to carry out the provisions of this  
18 Article. Each trustee shall be a participating employee of a  
19 participating municipality or participating instrumentality or  
20 an annuitant of the Fund and no person shall be eligible to  
21 become a trustee after January 1, 1979 who does not have the  
22 minimum service credit in this Fund to qualify for a pension at  
23 least 8 years of creditable service.

24 (b) The board shall consist of representatives of various  
25 groups as follows:

1           1. 4 trustees shall be a chief executive officer, chief  
2           finance officer, or other officer, executive or department  
3           head of a participating municipality or participating  
4           instrumentality, and each such trustee shall be designated  
5           as an executive trustee.

6           2. 3 trustees shall be employees of a participating  
7           municipality or participating instrumentality and each  
8           such trustee shall be designated as an employee trustee.

9           3. One trustee shall be an annuitant of the Fund, who  
10          shall be designated the annuitant trustee.

11          (c) A person elected as a trustee shall qualify as a  
12          trustee, after declaration by the board that he has been duly  
13          elected, upon taking and subscribing to the constitutional oath  
14          of office and filing same in the office of the Fund.

15          (d) The term of office of each trustee shall begin upon  
16          January 1 of the year following the year in which he is elected  
17          and shall continue for a period of 5 years and until a  
18          successor has been elected and qualified, or until prior  
19          resignation, death, incapacity or disqualification.

20          (e) Any elected trustee (other than the annuitant trustee)  
21          shall be disqualified immediately upon termination of  
22          employment with all participating municipalities and  
23          instrumentalities thereof or upon any change in status which  
24          removes any such trustee from all employments within the group  
25          he represents. The annuitant trustee shall be disqualified upon  
26          termination of his or her annuity.

1           (f) The trustees shall fill any vacancy in the board by  
2 appointment, for the period until the next election of  
3 trustees, or, if the remaining term is less than 2 years, for  
4 the remainder of the term, and until his successor has been  
5 elected and qualified.

6           (g) Trustees shall serve without compensation, but shall be  
7 reimbursed for any reasonable expenses incurred in attending  
8 meetings of the board and in performing duties on behalf of the  
9 Fund and for the amount of any earnings withheld by any  
10 employing municipality or participating instrumentality  
11 because of attendance at any board meeting.

12           (h) Each trustee shall be entitled to one vote on any and  
13 all actions before the board. At least 5 concurring votes shall  
14 be necessary for every decision or action by the board at any  
15 of its meetings. No decision or action shall become effective  
16 unless presented and so approved at a regular or duly called  
17 special meeting of the board.

18           (Source: P.A. 95-890, eff. 8-22-08.)

19           Section 99. Effective date. This Act takes effect upon  
20 becoming law.