



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB1572

by Rep. Ryan Spain

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-165.5 new	
40 ILCS 5/3-125	from Ch. 108 1/2, par. 3-125
40 ILCS 5/4-118	from Ch. 108 1/2, par. 4-118
30 ILCS 805/8.43 new	

Amends the Illinois Pension Code. In the Downstate Police and Downstate Firefighter Articles, provides that the annual employer contribution shall include an amount sufficient to bring the total assets of the pension fund up to 80% (instead of 90%) of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2050 (instead of 2040). Makes a conforming change. In the General Provisions Article, requires the Commission on Government Forecasting and Accountability to conduct a study on the costs and benefits of consolidating all downstate police and downstate firefighter pension funds into a single pension fund and to submit its report on its findings to the General Assembly on or before December 1, 2020. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB101 06713 RPS 51740 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

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 3-125 and 4-118 and by adding Section 1-165.5 as
6 follows:

7 (40 ILCS 5/1-165.5 new)

8 Sec. 1-165.5. Commission on Government Forecasting and
9 Accountability study on consolidation of pension funds. The
10 Commission on Government Forecasting and Accountability shall
11 conduct a study on the costs and benefits of consolidating all
12 Article 3 and Article 4 pension funds into a single pension
13 fund. The Commission shall submit its report to the General
14 Assembly on its findings on or before December 1, 2020.

15 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)

16 Sec. 3-125. Financing.

17 (a) The city council or the board of trustees of the
18 municipality shall annually levy a tax upon all the taxable
19 property of the municipality at the rate on the dollar which
20 will produce an amount which, when added to the deductions from
21 the salaries or wages of police officers, and revenues
22 available from other sources, will equal a sum sufficient to

1 meet the annual requirements of the police pension fund. The
2 annual requirements to be provided by such tax levy are equal
3 to (1) the normal cost of the pension fund for the year
4 involved, plus (2) an amount sufficient to bring the total
5 assets of the pension fund up to 80% ~~90%~~ of the total actuarial
6 liabilities of the pension fund by the end of municipal fiscal
7 year 2050 ~~2040~~, as annually updated and determined by an
8 enrolled actuary employed by the Illinois Department of
9 Insurance or by an enrolled actuary retained by the pension
10 fund or the municipality. In making these determinations, the
11 required minimum employer contribution shall be calculated
12 each year as a level percentage of payroll over the years
13 remaining up to and including fiscal year 2050 ~~2040~~ and shall
14 be determined under the projected unit credit actuarial cost
15 method. The tax shall be levied and collected in the same
16 manner as the general taxes of the municipality, and in
17 addition to all other taxes now or hereafter authorized to be
18 levied upon all property within the municipality, and shall be
19 in addition to the amount authorized to be levied for general
20 purposes as provided by Section 8-3-1 of the Illinois Municipal
21 Code, approved May 29, 1961, as amended. The tax shall be
22 forwarded directly to the treasurer of the board within 30
23 business days after receipt by the county.

24 (b) For purposes of determining the required employer
25 contribution to a pension fund, the value of the pension fund's
26 assets shall be equal to the actuarial value of the pension

1 fund's assets, which shall be calculated as follows:

2 (1) On March 30, 2011, the actuarial value of a pension
3 fund's assets shall be equal to the market value of the
4 assets as of that date.

5 (2) In determining the actuarial value of the System's
6 assets for fiscal years after March 30, 2011, any actuarial
7 gains or losses from investment return incurred in a fiscal
8 year shall be recognized in equal annual amounts over the
9 5-year period following that fiscal year.

10 (c) If a participating municipality fails to transmit to
11 the fund contributions required of it under this Article for
12 more than 90 days after the payment of those contributions is
13 due, the fund may, after giving notice to the municipality,
14 certify to the State Comptroller the amounts of the delinquent
15 payments in accordance with any applicable rules of the
16 Comptroller, and the Comptroller must, beginning in fiscal year
17 2016, deduct and remit to the fund the certified amounts or a
18 portion of those amounts from the following proportions of
19 payments of State funds to the municipality:

20 (1) in fiscal year 2016, one-third of the total amount
21 of any payments of State funds to the municipality;

22 (2) in fiscal year 2017, two-thirds of the total amount
23 of any payments of State funds to the municipality; and

24 (3) in fiscal year 2018 and each fiscal year
25 thereafter, the total amount of any payments of State funds
26 to the municipality.

1 The State Comptroller may not deduct from any payments of
2 State funds to the municipality more than the amount of
3 delinquent payments certified to the State Comptroller by the
4 fund.

5 (d) The police pension fund shall consist of the following
6 moneys which shall be set apart by the treasurer of the
7 municipality:

8 (1) All moneys derived from the taxes levied hereunder;

9 (2) Contributions by police officers under Section
10 3-125.1;

11 (3) All moneys accumulated by the municipality under
12 any previous legislation establishing a fund for the
13 benefit of disabled or retired police officers;

14 (4) Donations, gifts or other transfers authorized by
15 this Article.

16 (e) The Commission on Government Forecasting and
17 Accountability shall conduct a study of all funds established
18 under this Article and shall report its findings to the General
19 Assembly on or before January 1, 2013. To the fullest extent
20 possible, the study shall include, but not be limited to, the
21 following:

22 (1) fund balances;

23 (2) historical employer contribution rates for each
24 fund;

25 (3) the actuarial formulas used as a basis for employer
26 contributions, including the actual assumed rate of return

- 1 for each year, for each fund;
- 2 (4) available contribution funding sources;
- 3 (5) the impact of any revenue limitations caused by
- 4 PTELL and employer home rule or non-home rule status; and
- 5 (6) existing statutory funding compliance procedures
- 6 and funding enforcement mechanisms for all municipal
- 7 pension funds.

8 (Source: P.A. 99-8, eff. 7-9-15.)

9 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

10 Sec. 4-118. Financing.

11 (a) The city council or the board of trustees of the

12 municipality shall annually levy a tax upon all the taxable

13 property of the municipality at the rate on the dollar which

14 will produce an amount which, when added to the deductions from

15 the salaries or wages of firefighters and revenues available

16 from other sources, will equal a sum sufficient to meet the

17 annual actuarial requirements of the pension fund, as

18 determined by an enrolled actuary employed by the Illinois

19 Department of Insurance or by an enrolled actuary retained by

20 the pension fund or municipality. For the purposes of this

21 Section, the annual actuarial requirements of the pension fund

22 are equal to (1) the normal cost of the pension fund, or 17.5%

23 of the salaries and wages to be paid to firefighters for the

24 year involved, whichever is greater, plus (2) an annual amount

25 sufficient to bring the total assets of the pension fund up to

1 ~~90%~~ 80% of the total actuarial liabilities of the pension fund
2 by the end of municipal fiscal year 2050 ~~2040~~, as annually
3 updated and determined by an enrolled actuary employed by the
4 Illinois Department of Insurance or by an enrolled actuary
5 retained by the pension fund or the municipality. In making
6 these determinations, the required minimum employer
7 contribution shall be calculated each year as a level
8 percentage of payroll over the years remaining up to and
9 including fiscal year 2050 ~~2040~~ and shall be determined under
10 the projected unit credit actuarial cost method. The amount to
11 be applied towards the amortization of the unfunded accrued
12 liability in any year shall not be less than the annual amount
13 required to amortize the unfunded accrued liability, including
14 interest, as a level percentage of payroll over the number of
15 years remaining in the 40 year amortization period.

16 (a-5) For purposes of determining the required employer
17 contribution to a pension fund, the value of the pension fund's
18 assets shall be equal to the actuarial value of the pension
19 fund's assets, which shall be calculated as follows:

20 (1) On March 30, 2011, the actuarial value of a pension
21 fund's assets shall be equal to the market value of the
22 assets as of that date.

23 (2) In determining the actuarial value of the pension
24 fund's assets for fiscal years after March 30, 2011, any
25 actuarial gains or losses from investment return incurred
26 in a fiscal year shall be recognized in equal annual

1 amounts over the 5-year period following that fiscal year.

2 (b) The tax shall be levied and collected in the same
3 manner as the general taxes of the municipality, and shall be
4 in addition to all other taxes now or hereafter authorized to
5 be levied upon all property within the municipality, and in
6 addition to the amount authorized to be levied for general
7 purposes, under Section 8-3-1 of the Illinois Municipal Code or
8 under Section 14 of the Fire Protection District Act. The tax
9 shall be forwarded directly to the treasurer of the board
10 within 30 business days of receipt by the county (or, in the
11 case of amounts added to the tax levy under subsection (f),
12 used by the municipality to pay the employer contributions
13 required under subsection (b-1) of Section 15-155 of this
14 Code).

15 (b-5) If a participating municipality fails to transmit to
16 the fund contributions required of it under this Article for
17 more than 90 days after the payment of those contributions is
18 due, the fund may, after giving notice to the municipality,
19 certify to the State Comptroller the amounts of the delinquent
20 payments in accordance with any applicable rules of the
21 Comptroller, and the Comptroller must, beginning in fiscal year
22 2016, deduct and remit to the fund the certified amounts or a
23 portion of those amounts from the following proportions of
24 payments of State funds to the municipality:

25 (1) in fiscal year 2016, one-third of the total amount
26 of any payments of State funds to the municipality;

1 (2) in fiscal year 2017, two-thirds of the total amount
2 of any payments of State funds to the municipality; and

3 (3) in fiscal year 2018 and each fiscal year
4 thereafter, the total amount of any payments of State funds
5 to the municipality.

6 The State Comptroller may not deduct from any payments of
7 State funds to the municipality more than the amount of
8 delinquent payments certified to the State Comptroller by the
9 fund.

10 (c) The board shall make available to the membership and
11 the general public for inspection and copying at reasonable
12 times the most recent Actuarial Valuation Balance Sheet and Tax
13 Levy Requirement issued to the fund by the Department of
14 Insurance.

15 (d) The firefighters' pension fund shall consist of the
16 following moneys which shall be set apart by the treasurer of
17 the municipality: (1) all moneys derived from the taxes levied
18 hereunder; (2) contributions by firefighters as provided under
19 Section 4-118.1; (3) all rewards in money, fees, gifts, and
20 emoluments that may be paid or given for or on account of
21 extraordinary service by the fire department or any member
22 thereof, except when allowed to be retained by competitive
23 awards; and (4) any money, real estate or personal property
24 received by the board.

25 (e) For the purposes of this Section, "enrolled actuary"
26 means an actuary: (1) who is a member of the Society of

1 Actuaries or the American Academy of Actuaries; and (2) who is
2 enrolled under Subtitle C of Title III of the Employee
3 Retirement Income Security Act of 1974, or who has been engaged
4 in providing actuarial services to one or more public
5 retirement systems for a period of at least 3 years as of July
6 1, 1983.

7 (f) The corporate authorities of a municipality that
8 employs a person who is described in subdivision (d) of Section
9 4-106 may add to the tax levy otherwise provided for in this
10 Section an amount equal to the projected cost of the employer
11 contributions required to be paid by the municipality to the
12 State Universities Retirement System under subsection (b-1) of
13 Section 15-155 of this Code.

14 (g) The Commission on Government Forecasting and
15 Accountability shall conduct a study of all funds established
16 under this Article and shall report its findings to the General
17 Assembly on or before January 1, 2013. To the fullest extent
18 possible, the study shall include, but not be limited to, the
19 following:

20 (1) fund balances;

21 (2) historical employer contribution rates for each
22 fund;

23 (3) the actuarial formulas used as a basis for employer
24 contributions, including the actual assumed rate of return
25 for each year, for each fund;

26 (4) available contribution funding sources;

1 (5) the impact of any revenue limitations caused by
2 PTELL and employer home rule or non-home rule status; and

3 (6) existing statutory funding compliance procedures
4 and funding enforcement mechanisms for all municipal
5 pension funds.

6 (Source: P.A. 99-8, eff. 7-9-15.)

7 Section 90. The State Mandates Act is amended by adding
8 Section 8.43 as follows:

9 (30 ILCS 805/8.43 new)

10 Sec. 8.43. Exempt mandate. Notwithstanding Sections 6 and 8
11 of this Act, no reimbursement by the State is required for the
12 implementation of any mandate created by this amendatory Act of
13 the 101st General Assembly.

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.