HB6152

LRB09915452RPS39737b

99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB6152

Introduced 2/11/2016, by Rep. Sheri L Jesiel

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-105.3 new	
40 ILCS 5/2-124	from Ch. 108 1/2, par. 2-124
40 ILCS 5/2-134	from Ch. 108 1/2, par. 2-134
40 ILCS 5/2-167 new	
40 ILCS 5/2-105.1 rep.	

Amends the General Assembly Article of the Illinois Pension Code. Requires the General Assembly Retirement System to establish a self-directed retirement plan. Provides that for persons who become a participant on or after the effective date of the amendatory Act, participation in the System shall be limited to participation in the self-directed retirement plan. Allows a Tier 1 or Tier 2 participant to make an irrevocable election to participate in the self-directed retirement plan instead of the defined benefit plan. Makes changes to the pensionable salary for active participants. Provides that upon a participant's first day of participation in the self-directed retirement plan, the participant becomes vested in his or her contributions to the self-directed retirement plan, the employer's contributions to the self-directed retirement plan, and the investment returns attributable to those contributions credited to his or her account. Provides a new funding formula for State contributions, with a 100% funding goal through 2046 (determined using the entry age normal actuarial cost method) and a 100% funding goal thereafter.

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FISCAL NOTE ACT MAY APPLY

PENSION IMPACT NOTE ACT MAY APPLY

A BILL FOR

AN ACT concerning public employee benefits.

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

Section 5. The Illinois Pension Code is amended by changing Sections 2-124 and 2-134 and by adding Sections 2-167 and 2-105.3 as follows:

(40 ILCS 5/2-105.3 new)

Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier 3 participant.

"Tier 1 participant": A participant who first became a participant before January 1, 2011.

In the case of a Tier 1 participant who elects to participate in the self-directed retirement plan under Section 2-167, that participant shall be deemed a Tier 1 participant only with respect to service performed or established before the effective date of that election.

"Tier 2 participant": A participant who first became a participant on or after January 1, 2011 and before the effective date of this amendatory Act of the 99th General Assembly.

In the case of a Tier 2 participant who elects to participate in the self-directed retirement plan under Section 2-167, that participant shall be deemed a Tier 2 participant only with respect to service performed or established before the effective date of that election.

"Tier 3 participant": A participant who first becomes a participant on or after the effective date of this amendatory Act of the 99th General Assembly; or a Tier 1 or Tier 2 participant who elects to participate in the self-directed retirement under Section 2-167 of this Code, but only with respect to service performed or established on or after the effective date of that election.

(40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations.

(b) The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the prescribed rate of interest, using the formula in subsection (c).

(c) For State fiscal years 2017 through 2046, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2046. In making these determinations, the required State contribution shall be calculated each year as a level dollar amount over the years remaining to and including fiscal year 2046 and shall be determined under the entry age normal actuarial cost method. For State fiscal years 2012 through 2016 ~~2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is

$4,157,000.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2007 is $5,220,300.

For each of State fiscal years 2008 through 2009, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is $10,454,000 and shall be made from the proceeds of bonds sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2010, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section 2-134 and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Beginning in State fiscal year 2047, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total actuarial liabilities of the System.

~~Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.~~

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 90%. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(d) For purposes of determining the required State contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

(e) For purposes of determining the required State contribution to the system for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the system's actuarially assumed rate of return.

(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff. 7-13-12.)

(40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 2-134. To certify required State contributions and submit vouchers.

(a) The Board shall certify to the Governor on or before December 15 of each year until December 15, 2011 the amount of the required State contribution to the System for the next fiscal year and shall specifically identify the System's projected State normal cost for that fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year.

On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions. On or before January 15, 2013 and every January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

On or before July 1, 2005, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2006, taking into account the changes in required State contributions made by this amendatory Act of the 94th General Assembly.

On or before April 1, 2011, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2011, applying the changes made by Public Act 96-889 to the System's assets and liabilities as of June 30, 2009 as though Public Act 96-889 was approved on that date.

(a-5) As soon as practical after the effective date of this amendatory Act of the 99th General Assembly, the State Actuary and the Board shall recalculate and recertify to the Governor and the General Assembly the amount of the State contribution to the System for State fiscal year 2017, taking into account the changes in required State contributions made by this amendatory Act of the 99th General Assembly.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the

System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (d) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(c) The full amount of any annual appropriation for the System for State fiscal year 1995 shall be transferred and made available to the System at the beginning of that fiscal year at the request of the Board. Any excess funds remaining at the end of any fiscal year from appropriations shall be retained by the System as a general reserve to meet the System's accrued liabilities.

(Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 97-694, eff. 6-18-12.)

(40 ILCS 5/2-167 new)

Sec. 2-167. Self-directed retirement plan.

(a) For the purposes of this Section:

"Active participant" means a participant who is in active service in the System.

"Consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100.

"Defined benefit plan" means the retirement plan available under this Article to Tier 1 or Tier 2 participants who have not made the election authorized under this Section.

"Employer" means the State.

"Pensionable salary" means the amount of salary used by the System to calculate the amount of an individual's retirement annuity.

(b) On and after the effective date of this amendatory Act of the 99th General Assembly, a Tier 3 participant's participation in the System shall be limited to participation in the self-directed retirement plan established under subsection (d) of this Section.

An active Tier 1 or Tier 2 participant of this System may elect to cease accruing benefits in the defined benefit plan and begin accruing benefits for future service in the self-directed retirement plan established under subsection (d). The election to participate in the self-directed retirement plan is voluntary and irrevocable.

For an active Tier 1 or Tier 2 participant who elects to participate in the self-directed retirement plan, all service credit under the System (including service under any participating system if the participant elects to use the reciprocal provisions of Article 20) shall be considered for purposes of vesting in the benefits provided prior to the effective date of this Section, but only service earned and contributions made before that effective date shall be considered in determining the amount of those benefits. In lieu of receiving any such benefits, an active Tier 1 or Tier 2 participant who elects to participate in the self-directed retirement plan may elect to have an account balance established in his or her self-directed retirement plan account in an amount equal to the amount of the contribution refund that the participant would be eligible to receive if he or she withdrew from service on the effective date of this Section and elected a refund of contributions, except that this hypothetical refund shall include interest at the effective rate for the respective years. The System shall make these transfers of assets to the self-directed plan as tax-free transfers in accordance with Internal Revenue Service guidelines.

(c) The pensionable salary of an active participant shall be equal to the average final monthly salary of the participant. For a participant who first becomes a participant of this System on or after the effective date of this amendatory Act of the 99th General Assembly, the average final monthly salary determined by dividing the total salary of the participant during the 96 consecutive months of service within the last 120 months of service in which the total compensation was the highest by the number of months of service in that period; however, the highest salary for annuity purposes may not exceed $106,800, except that that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the Board by November 1 of each year.

(d) As soon as practicable after the effective date of this amendatory Act of the 99th General Assembly, the System shall establish a self-directed retirement plan that allows Tier 3 participants the opportunity to accumulate assets for retirement through a combination of employee and employer contributions that may be invested in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts, either fixed or variable or a combination thereof. The plan must be qualified under the Internal Revenue Code of 1986.

At any time after withdrawal from service, a participant in the self-directed plan shall be entitled to a benefit that is based on the account values attributable to his or her participant contributions and the employer contributions, as well as any investment returns attributable to those contributions. Upon a participant's first day of participation in the self-directed retirement plan, the participant becomes vested in his or her contributions to the self-directed retirement plan, the employer's contributions to the self-directed retirement plan, and the investment returns attributable to those contributions credited to his or her account.

(e) All persons who begin to participate in this System on or after the effective date of this amendatory Act of the 99th General Assembly and any active Tier 1 or Tier 2 participant who makes the election provided in subsection (b) shall participate in the self-directed retirement plan established under subsection (d) and, in lieu of the contributions otherwise provided for in this Article, shall contribute 8% of salary to the plan. The employer of each of those participants shall contribute 7% of salary to that plan on behalf of the participant.

(f) The provisions of this amendatory Act of the 99th General Assembly apply notwithstanding any other law, including Section 1-160 of this Code. If there is a conflict between the provisions of this amendatory Act of the 99th General Assembly and any other law, the provisions of this Section shall control.

(40 ILCS 5/2-105.1 rep.)

Section 10. The Illinois Pension Code is amended by repealing Section 2-105.1.