

SB0068



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB0068

Introduced 1/11/2017, by Sen. Michael E. Hastings

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-125
40 ILCS 5/4-118

from Ch. 108 1/2, par. 3-125
from Ch. 108 1/2, par. 4-118

Amends the Downstate Police and Downstate Firefighter Articles of the Illinois Pension Code. Beginning in fiscal year 2021, sets a separate Comptroller intercept schedule for payments of State funds to pension funds that have assets in trust that exceed 5 years of current liabilities. Effective immediately.

LRB100 05382 RPS 15393 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

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 as follows:

6 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)
7 Sec. 3-125. Financing.

8 (a) The city council or the board of trustees of the
9 municipality shall annually levy a tax upon all the taxable
10 property of the municipality at the rate on the dollar which
11 will produce an amount which, when added to the deductions from
12 the salaries or wages of police officers, and revenues
13 available from other sources, will equal a sum sufficient to
14 meet the annual requirements of the police pension fund. The
15 annual requirements to be provided by such tax levy are equal
16 to (1) the normal cost of the pension fund for the year
17 involved, plus (2) an amount sufficient to bring the total
18 assets of the pension fund up to 90% of the total actuarial
19 liabilities of the pension fund by the end of municipal fiscal
20 year 2040, as annually updated and determined by an enrolled
21 actuary employed by the Illinois Department of Insurance or by
22 an enrolled actuary retained by the pension fund or the
23 municipality. In making these determinations, the required

1 minimum employer contribution shall be calculated each year as
2 a level percentage of payroll over the years remaining up to
3 and including fiscal year 2040 and shall be determined under
4 the projected unit credit actuarial cost method. The tax shall
5 be levied and collected in the same manner as the general taxes
6 of the municipality, and in addition to all other taxes now or
7 hereafter authorized to be levied upon all property within the
8 municipality, and shall be in addition to the amount authorized
9 to be levied for general purposes as provided by Section 8-3-1
10 of the Illinois Municipal Code, approved May 29, 1961, as
11 amended. The tax shall be forwarded directly to the treasurer
12 of the board within 30 business days after receipt by the
13 county.

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

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

21 (2) In determining the actuarial value of the System's
22 assets for fiscal years after March 30, 2011, any actuarial
23 gains or losses from investment return incurred in a fiscal
24 year shall be recognized in equal annual amounts over the
25 5-year period following that fiscal year.

26 (c) Except as provided in subsection (c-5), if ~~if~~ a

1 participating municipality fails to transmit to the fund
2 contributions required of it under this Article for more than
3 90 days after the payment of those contributions is due, the
4 fund may, after giving notice to the municipality, certify to
5 the State Comptroller the amounts of the delinquent payments in
6 accordance with any applicable rules of the Comptroller, and
7 the Comptroller must, beginning in fiscal year 2016, deduct and
8 remit to the fund the certified amounts or a portion of those
9 amounts from the following proportions of payments of State
10 funds to the municipality:

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

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

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

18 The State Comptroller may not deduct from any payments of
19 State funds to the municipality more than the amount of
20 delinquent payments certified to the State Comptroller by the
21 fund.

22 (c-5) Notwithstanding subsection (c), if a participating
23 municipality fails to transmit to the fund contributions
24 required of it under this Article for more than 90 days after
25 the payment of those contributions is due and if the fund's
26 assets in trust exceed 5 years of current liabilities of the

1 pension fund, the fund may, after giving notice to the
2 municipality, certify to the State Comptroller the amounts of
3 the delinquent payments in accordance with any applicable rules
4 of the Comptroller, and the Comptroller must, beginning in
5 fiscal year 2021, deduct and remit to the fund the certified
6 amounts or a portion of those amounts from the following
7 proportions of payments of State funds to the municipality:

8 (1) in fiscal year 2021, one-tenth of the total amount
9 of any payments of State funds to the municipality;

10 (2) in fiscal year 2022, one-fifth of the total amount
11 of any payments of State funds to the municipality; and

12 (3) in fiscal year 2023, three-tenths of the total
13 amount of any payments of State funds to the municipality;
14 and

15 (4) in fiscal year 2024, two-fifths of the total amount
16 of any payments of State funds to the municipality; and

17 (5) in fiscal year 2025 and each fiscal year
18 thereafter, one-half the total amount of any payments of
19 State funds to the municipality.

20 The State Comptroller may not deduct from any payments of
21 State funds to the municipality more than the amount of
22 delinquent payments certified to the State Comptroller by the
23 fund.

24 (d) The police pension fund shall consist of the following
25 moneys which shall be set apart by the treasurer of the
26 municipality:

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

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

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

7 (4) Donations, gifts or other transfers authorized by
8 this Article.

9 (e) The Commission on Government Forecasting and
10 Accountability shall conduct a study of all funds established
11 under this Article and shall report its findings to the General
12 Assembly on or before January 1, 2013. To the fullest extent
13 possible, the study shall include, but not be limited to, the
14 following:

15 (1) fund balances;

16 (2) historical employer contribution rates for each
17 fund;

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

21 (4) available contribution funding sources;

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

24 (6) existing statutory funding compliance procedures
25 and funding enforcement mechanisms for all municipal
26 pension funds.

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

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

3 Sec. 4-118. Financing.

4 (a) The city council or the board of trustees of the
5 municipality shall annually levy a tax upon all the taxable
6 property of the municipality at the rate on the dollar which
7 will produce an amount which, when added to the deductions from
8 the salaries or wages of firefighters and revenues available
9 from other sources, will equal a sum sufficient to meet the
10 annual actuarial requirements of the pension fund, as
11 determined by an enrolled actuary employed by the Illinois
12 Department of Insurance or by an enrolled actuary retained by
13 the pension fund or municipality. For the purposes of this
14 Section, the annual actuarial requirements of the pension fund
15 are equal to (1) the normal cost of the pension fund, or 17.5%
16 of the salaries and wages to be paid to firefighters for the
17 year involved, whichever is greater, plus (2) an annual amount
18 sufficient to bring the total assets of the pension fund up to
19 90% of the total actuarial liabilities of the pension fund by
20 the end of municipal fiscal year 2040, as annually updated and
21 determined by an enrolled actuary employed by the Illinois
22 Department of Insurance or by an enrolled actuary retained by
23 the pension fund or the municipality. In making these
24 determinations, the required minimum employer contribution
25 shall be calculated each year as a level percentage of payroll

1 over the years remaining up to and including fiscal year 2040
2 and shall be determined under the projected unit credit
3 actuarial cost method. The amount to be applied towards the
4 amortization of the unfunded accrued liability in any year
5 shall not be less than the annual amount required to amortize
6 the unfunded accrued liability, including interest, as a level
7 percentage of payroll over the number of years remaining in the
8 40 year amortization period.

9 (a-5) For purposes of determining the required employer
10 contribution to a pension fund, the value of the pension fund's
11 assets shall be equal to the actuarial value of the pension
12 fund's assets, which shall be calculated as follows:

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

16 (2) In determining the actuarial value of the pension
17 fund's assets for fiscal years after March 30, 2011, any
18 actuarial gains or losses from investment return incurred
19 in a fiscal year shall be recognized in equal annual
20 amounts over the 5-year period following that fiscal year.

21 (b) The tax shall be levied and collected in the same
22 manner as the general taxes of the municipality, and shall be
23 in addition to all other taxes now or hereafter authorized to
24 be levied upon all property within the municipality, and in
25 addition to the amount authorized to be levied for general
26 purposes, under Section 8-3-1 of the Illinois Municipal Code or

1 under Section 14 of the Fire Protection District Act. The tax
2 shall be forwarded directly to the treasurer of the board
3 within 30 business days of receipt by the county (or, in the
4 case of amounts added to the tax levy under subsection (f),
5 used by the municipality to pay the employer contributions
6 required under subsection (b-1) of Section 15-155 of this
7 Code).

8 (b-5) Except as provided in subsection (b-10), if ~~if~~ a
9 participating municipality fails to transmit to the fund
10 contributions required of it under this Article for more than
11 90 days after the payment of those contributions is due, the
12 fund may, after giving notice to the municipality, certify to
13 the State Comptroller the amounts of the delinquent payments in
14 accordance with any applicable rules of the Comptroller, and
15 the Comptroller must, beginning in fiscal year 2016, deduct and
16 remit to the fund the certified amounts or a portion of those
17 amounts from the following proportions of payments of State
18 funds to the municipality:

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

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

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

26 The State Comptroller may not deduct from any payments of

1 State funds to the municipality more than the amount of
2 delinquent payments certified to the State Comptroller by the
3 fund.

4 (b-10) Notwithstanding subsection (b-5), if a
5 participating municipality fails to transmit to the fund
6 contributions required of it under this Article for more than
7 90 days after the payment of those contributions is due and if
8 the fund's assets in trust exceed 5 years of current
9 liabilities of the pension fund, the fund may, after giving
10 notice to the municipality, certify to the State Comptroller
11 the amounts of the delinquent payments in accordance with any
12 applicable rules of the Comptroller, and the Comptroller must,
13 beginning in fiscal year 2021, deduct and remit to the fund the
14 certified amounts or a portion of those amounts from the
15 following proportions of payments of State funds to the
16 municipality:

17 (1) in fiscal year 2021, one-tenth of the total amount
18 of any payments of State funds to the municipality;

19 (2) in fiscal year 2022, one-fifth of the total amount
20 of any payments of State funds to the municipality; and

21 (3) in fiscal year 2023, three-tenths of the total
22 amount of any payments of State funds to the municipality;
23 and

24 (4) in fiscal year 2024, two-fifths of the total amount
25 of any payments of State funds to the municipality; and

26 (5) in fiscal year 2025 and each fiscal year

1 thereafter, one-half the total amount of any payments of
2 State funds to the municipality.

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

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

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

22 (e) For the purposes of this Section, "enrolled actuary"
23 means an actuary: (1) who is a member of the Society of
24 Actuaries or the American Academy of Actuaries; and (2) who is
25 enrolled under Subtitle C of Title III of the Employee
26 Retirement Income Security Act of 1974, or who has been engaged

1 in providing actuarial services to one or more public
2 retirement systems for a period of at least 3 years as of July
3 1, 1983.

4 (f) The corporate authorities of a municipality that
5 employs a person who is described in subdivision (d) of Section
6 4-106 may add to the tax levy otherwise provided for in this
7 Section an amount equal to the projected cost of the employer
8 contributions required to be paid by the municipality to the
9 State Universities Retirement System under subsection (b-1) of
10 Section 15-155 of this Code.

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

17 (1) fund balances;

18 (2) historical employer contribution rates for each
19 fund;

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

23 (4) available contribution funding sources;

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

26 (6) existing statutory funding compliance procedures

1 and funding enforcement mechanisms for all municipal
2 pension funds.

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

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.