



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4166

Introduced 10/27/2005, by Rep. Dan Reitz - Naomi D. Jakobsson - Robert F. Flider - Elaine Nekritz - Kathleen A. Ryg, et al.

SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-155 from Ch. 108 1/2, par. 15-155
40 ILCS 5/16-158 from Ch. 108 1/2, par. 16-158

Amends the State Universities Article of the Illinois Pension Code. Provides that provisions concerning the employer's contribution for earnings increases in excess of 6% do not apply to any of the following: (i) earnings increases as a result of movement to a position of authority over others within the department or university; (ii) for part-time staff, earnings increases as a result of the participant increasing his or her workload; (iii) earnings increases as a result of a negotiated salary schedule; and (iv) earnings increases as a result of the System participant (A) accepting academic classes for which course credit is received in addition to the number of classes the employer requires under its policy or by contract and (B) teaching during the summer term. Amends the Downstate Teacher Article of the Illinois Pension Code. Provides that provisions concerning the employer's contribution for salary increases in excess of 6% do not apply to any of the following: (i) payments or stipends the teacher may receive for National Board certification; (ii) salary increases as a result of accepting school-sponsored, extra-curricular assignments; (iii) salary increases as a result of movement to a position of authority over others within the department, school, or district; (iv) for part-time staff, salary increases as a result of the teacher increasing his or her workload; (v) salary increases earned as a result of a negotiated salary schedule; and (vi) salary increases as a result of the teacher (A) accepting academic classes for which course credit is received in addition to the number of classes the employer requires under its policy or by contract, if the employer certifies the reason the teacher was asked to accept additional classes, and (B) accepting summer classes. Effective immediately.

LRB094 14928 AMC 50000 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 15-155 and 16-158 as follows:

6 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

7 Sec. 15-155. Employer contributions.

8 (a) The State of Illinois shall make contributions by
9 appropriations of amounts which, together with the other
10 employer contributions from trust, federal, and other funds,
11 employee contributions, income from investments, and other
12 income of this System, will be sufficient to meet the cost of
13 maintaining and administering the System on a 90% funded basis
14 in accordance with actuarial recommendations.

15 The Board shall determine the amount of State contributions
16 required for each fiscal year on the basis of the actuarial
17 tables and other assumptions adopted by the Board and the
18 recommendations of the actuary, using the formula in subsection
19 (a-1).

20 (a-1) For State fiscal years 2011 through 2045, the minimum
21 contribution to the System to be made by the State for each
22 fiscal year shall be an amount determined by the System to be
23 sufficient to bring the total assets of the System up to 90% of
24 the total actuarial liabilities of the System by the end of
25 State fiscal year 2045. In making these determinations, the
26 required State contribution shall be calculated each year as a
27 level percentage of payroll over the years remaining to and
28 including fiscal year 2045 and shall be determined under the
29 projected unit credit actuarial cost method.

30 For State fiscal years 1996 through 2005, the State
31 contribution to the System, as a percentage of the applicable
32 employee payroll, shall be increased in equal annual increments

1 so that by State fiscal year 2011, the State is contributing at
2 the rate required under this Section.

3 Notwithstanding any other provision of this Article, the
4 total required State contribution for State fiscal year 2006 is
5 \$166,641,900.

6 Notwithstanding any other provision of this Article, the
7 total required State contribution for State fiscal year 2007 is
8 \$252,064,100.

9 For each of State fiscal years 2008 through 2010, the State
10 contribution to the System, as a percentage of the applicable
11 employee payroll, shall be increased in equal annual increments
12 from the required State contribution for State fiscal year
13 2007, so that by State fiscal year 2011, the State is
14 contributing at the rate otherwise required under this Section.

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

19 Notwithstanding any other provision of this Section, the
20 required State contribution for State fiscal year 2005 and for
21 fiscal year 2008 and each fiscal year thereafter, as calculated
22 under this Section and certified under Section 15-165, shall
23 not exceed an amount equal to (i) the amount of the required
24 State contribution that would have been calculated under this
25 Section for that fiscal year if the System had not received any
26 payments under subsection (d) of Section 7.2 of the General
27 Obligation Bond Act, minus (ii) the portion of the State's
28 total debt service payments for that fiscal year on the bonds
29 issued for the purposes of that Section 7.2, as determined and
30 certified by the Comptroller, that is the same as the System's
31 portion of the total moneys distributed under subsection (d) of
32 Section 7.2 of the General Obligation Bond Act. In determining
33 this maximum for State fiscal years 2008 through 2010, however,
34 the amount referred to in item (i) shall be increased, as a
35 percentage of the applicable employee payroll, in equal
36 increments calculated from the sum of the required State

1 contribution for State fiscal year 2007 plus the applicable
2 portion of the State's total debt service payments for fiscal
3 year 2007 on the bonds issued for the purposes of Section 7.2
4 of the General Obligation Bond Act, so that, by State fiscal
5 year 2011, the State is contributing at the rate otherwise
6 required under this Section.

7 (b) If an employee is paid from trust or federal funds, the
8 employer shall pay to the Board contributions from those funds
9 which are sufficient to cover the accruing normal costs on
10 behalf of the employee. However, universities having employees
11 who are compensated out of local auxiliary funds, income funds,
12 or service enterprise funds are not required to pay such
13 contributions on behalf of those employees. The local auxiliary
14 funds, income funds, and service enterprise funds of
15 universities shall not be considered trust funds for the
16 purpose of this Article, but funds of alumni associations,
17 foundations, and athletic associations which are affiliated
18 with the universities included as employers under this Article
19 and other employers which do not receive State appropriations
20 are considered to be trust funds for the purpose of this
21 Article.

22 (b-1) The City of Urbana and the City of Champaign shall
23 each make employer contributions to this System for their
24 respective firefighter employees who participate in this
25 System pursuant to subsection (h) of Section 15-107. The rate
26 of contributions to be made by those municipalities shall be
27 determined annually by the Board on the basis of the actuarial
28 assumptions adopted by the Board and the recommendations of the
29 actuary, and shall be expressed as a percentage of salary for
30 each such employee. The Board shall certify the rate to the
31 affected municipalities as soon as may be practical. The
32 employer contributions required under this subsection shall be
33 remitted by the municipality to the System at the same time and
34 in the same manner as employee contributions.

35 (c) Through State fiscal year 1995: The total employer
36 contribution shall be apportioned among the various funds of

1 the State and other employers, whether trust, federal, or other
2 funds, in accordance with actuarial procedures approved by the
3 Board. State of Illinois contributions for employers receiving
4 State appropriations for personal services shall be payable
5 from appropriations made to the employers or to the System. The
6 contributions for Class I community colleges covering earnings
7 other than those paid from trust and federal funds, shall be
8 payable solely from appropriations to the Illinois Community
9 College Board or the System for employer contributions.

10 (d) Beginning in State fiscal year 1996, the required State
11 contributions to the System shall be appropriated directly to
12 the System and shall be payable through vouchers issued in
13 accordance with subsection (c) of Section 15-165, except as
14 provided in subsection (g).

15 (e) The State Comptroller shall draw warrants payable to
16 the System upon proper certification by the System or by the
17 employer in accordance with the appropriation laws and this
18 Code.

19 (f) Normal costs under this Section means liability for
20 pensions and other benefits which accrues to the System because
21 of the credits earned for service rendered by the participants
22 during the fiscal year and expenses of administering the
23 System, but shall not include the principal of or any
24 redemption premium or interest on any bonds issued by the Board
25 or any expenses incurred or deposits required in connection
26 therewith.

27 (g) If the amount of a participant's earnings for any
28 academic year used to determine the final rate of earnings
29 exceeds the amount of his or her earnings with the same
30 employer for the previous academic year by more than 6%, the
31 participant's employer shall pay to the System, in addition to
32 all other payments required under this Section and in
33 accordance with guidelines established by the System, the
34 present value of the increase in benefits resulting from the
35 portion of the increase in earnings that is in excess of 6%.
36 This present value shall be computed by the System on the basis

1 of the actuarial assumptions and tables used in the most recent
2 actuarial valuation of the System that is available at the time
3 of the computation. The employer contributions required under
4 this subsection (g) shall be paid in the form of a lump sum
5 within 30 days after receipt of the bill after the participant
6 begins receiving benefits under this Article.

7 The provisions of this subsection (g) do not apply to any
8 of the following:

9 (1) Earnings ~~earnings~~ increases paid to participants
10 under contracts or collective bargaining agreements
11 entered into, amended, or renewed before the effective date
12 of this amendatory Act of the 94th General Assembly.

13 (2) Earnings increases as a result of movement to a
14 position of authority over others within the department or
15 university.

16 (3) For part-time staff, as defined by a collective
17 bargaining agreement, earnings increases as a result of the
18 participant increasing his or her workload.

19 (4) Earnings increases earned as a result of a
20 negotiated salary schedule.

21 (5) Earnings increases as a result of the participant
22 (A) accepting academic classes for which course credit is
23 received in addition to the number of classes the employer
24 requires under its policy or by contract and (B) teaching
25 during the summer term.

26 (Source: P.A. 93-2, eff. 4-7-03; 94-4, eff. 6-1-05.)

27 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

28 Sec. 16-158. Contributions by State and other employing
29 units.

30 (a) The State shall make contributions to the System by
31 means of appropriations from the Common School Fund and other
32 State funds of amounts which, together with other employer
33 contributions, employee contributions, investment income, and
34 other income, will be sufficient to meet the cost of
35 maintaining and administering the System on a 90% funded basis

1 in accordance with actuarial recommendations.

2 The Board shall determine the amount of State contributions
3 required for each fiscal year on the basis of the actuarial
4 tables and other assumptions adopted by the Board and the
5 recommendations of the actuary, using the formula in subsection
6 (b-3).

7 (a-1) Annually, on or before November 15, the Board shall
8 certify to the Governor the amount of the required State
9 contribution for the coming fiscal year. The certification
10 shall include a copy of the actuarial recommendations upon
11 which it is based.

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

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

23 (b) Through State fiscal year 1995, the State contributions
24 shall be paid to the System in accordance with Section 18-7 of
25 the School Code.

26 (b-1) Beginning in State fiscal year 1996, on the 15th day
27 of each month, or as soon thereafter as may be practicable, the
28 Board shall submit vouchers for payment of State contributions
29 to the System, in a total monthly amount of one-twelfth of the
30 required annual State contribution certified under subsection
31 (a-1). From the effective date of this amendatory Act of the
32 93rd General Assembly through June 30, 2004, the Board shall
33 not submit vouchers for the remainder of fiscal year 2004 in
34 excess of the fiscal year 2004 certified contribution amount
35 determined under this Section after taking into consideration
36 the transfer to the System under subsection (a) of Section

1 6z-61 of the State Finance Act. These vouchers shall be paid by
2 the State Comptroller and Treasurer by warrants drawn on the
3 funds appropriated to the System for that fiscal year.

4 If in any month the amount remaining unexpended from all
5 other appropriations to the System for the applicable fiscal
6 year (including the appropriations to the System under Section
7 8.12 of the State Finance Act and Section 1 of the State
8 Pension Funds Continuing Appropriation Act) is less than the
9 amount lawfully vouchered under this subsection, the
10 difference shall be paid from the Common School Fund under the
11 continuing appropriation authority provided in Section 1.1 of
12 the State Pension Funds Continuing Appropriation Act.

13 (b-2) Allocations from the Common School Fund apportioned
14 to school districts not coming under this System shall not be
15 diminished or affected by the provisions of this Article.

16 (b-3) For State fiscal years 2011 through 2045, the minimum
17 contribution to the System to be made by the State for each
18 fiscal year shall be an amount determined by the System to be
19 sufficient to bring the total assets of the System up to 90% of
20 the total actuarial liabilities of the System by the end of
21 State fiscal year 2045. In making these determinations, the
22 required State contribution shall be calculated each year as a
23 level percentage of payroll over the years remaining to and
24 including fiscal year 2045 and shall be determined under the
25 projected unit credit actuarial cost method.

26 For State fiscal years 1996 through 2005, the State
27 contribution to the System, as a percentage of the applicable
28 employee payroll, shall be increased in equal annual increments
29 so that by State fiscal year 2011, the State is contributing at
30 the rate required under this Section; except that in the
31 following specified State fiscal years, the State contribution
32 to the System shall not be less than the following indicated
33 percentages of the applicable employee payroll, even if the
34 indicated percentage will produce a State contribution in
35 excess of the amount otherwise required under this subsection
36 and subsection (a), and notwithstanding any contrary

1 certification made under subsection (a-1) before the effective
2 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
3 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
4 2003; and 13.56% in FY 2004.

5 Notwithstanding any other provision of this Article, the
6 total required State contribution for State fiscal year 2006 is
7 \$534,627,700.

8 Notwithstanding any other provision of this Article, the
9 total required State contribution for State fiscal year 2007 is
10 \$738,014,500.

11 For each of State fiscal years 2008 through 2010, the State
12 contribution to the System, as a percentage of the applicable
13 employee payroll, shall be increased in equal annual increments
14 from the required State contribution for State fiscal year
15 2007, so that by State fiscal year 2011, the State is
16 contributing at the rate otherwise required under this Section.

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

21 Notwithstanding any other provision of this Section, the
22 required State contribution for State fiscal year 2005 and for
23 fiscal year 2008 and each fiscal year thereafter, as calculated
24 under this Section and certified under subsection (a-1), shall
25 not exceed an amount equal to (i) the amount of the required
26 State contribution that would have been calculated under this
27 Section for that fiscal year if the System had not received any
28 payments under subsection (d) of Section 7.2 of the General
29 Obligation Bond Act, minus (ii) the portion of the State's
30 total debt service payments for that fiscal year on the bonds
31 issued for the purposes of that Section 7.2, as determined and
32 certified by the Comptroller, that is the same as the System's
33 portion of the total moneys distributed under subsection (d) of
34 Section 7.2 of the General Obligation Bond Act. In determining
35 this maximum for State fiscal years 2008 through 2010, however,
36 the amount referred to in item (i) shall be increased, as a

1 percentage of the applicable employee payroll, in equal
2 increments calculated from the sum of the required State
3 contribution for State fiscal year 2007 plus the applicable
4 portion of the State's total debt service payments for fiscal
5 year 2007 on the bonds issued for the purposes of Section 7.2
6 of the General Obligation Bond Act, so that, by State fiscal
7 year 2011, the State is contributing at the rate otherwise
8 required under this Section.

9 (c) Payment of the required State contributions and of all
10 pensions, retirement annuities, death benefits, refunds, and
11 other benefits granted under or assumed by this System, and all
12 expenses in connection with the administration and operation
13 thereof, are obligations of the State.

14 If members are paid from special trust or federal funds
15 which are administered by the employing unit, whether school
16 district or other unit, the employing unit shall pay to the
17 System from such funds the full accruing retirement costs based
18 upon that service, as determined by the System. Employer
19 contributions, based on salary paid to members from federal
20 funds, may be forwarded by the distributing agency of the State
21 of Illinois to the System prior to allocation, in an amount
22 determined in accordance with guidelines established by such
23 agency and the System.

24 (d) Effective July 1, 1986, any employer of a teacher as
25 defined in paragraph (8) of Section 16-106 shall pay the
26 employer's normal cost of benefits based upon the teacher's
27 service, in addition to employee contributions, as determined
28 by the System. Such employer contributions shall be forwarded
29 monthly in accordance with guidelines established by the
30 System.

31 However, with respect to benefits granted under Section
32 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
33 of Section 16-106, the employer's contribution shall be 12%
34 (rather than 20%) of the member's highest annual salary rate
35 for each year of creditable service granted, and the employer
36 shall also pay the required employee contribution on behalf of

1 the teacher. For the purposes of Sections 16-133.4 and
2 16-133.5, a teacher as defined in paragraph (8) of Section
3 16-106 who is serving in that capacity while on leave of
4 absence from another employer under this Article shall not be
5 considered an employee of the employer from which the teacher
6 is on leave.

7 (e) Beginning July 1, 1998, every employer of a teacher
8 shall pay to the System an employer contribution computed as
9 follows:

10 (1) Beginning July 1, 1998 through June 30, 1999, the
11 employer contribution shall be equal to 0.3% of each
12 teacher's salary.

13 (2) Beginning July 1, 1999 and thereafter, the employer
14 contribution shall be equal to 0.58% of each teacher's
15 salary.

16 The school district or other employing unit may pay these
17 employer contributions out of any source of funding available
18 for that purpose and shall forward the contributions to the
19 System on the schedule established for the payment of member
20 contributions.

21 These employer contributions are intended to offset a
22 portion of the cost to the System of the increases in
23 retirement benefits resulting from this amendatory Act of 1998.

24 Each employer of teachers is entitled to a credit against
25 the contributions required under this subsection (e) with
26 respect to salaries paid to teachers for the period January 1,
27 2002 through June 30, 2003, equal to the amount paid by that
28 employer under subsection (a-5) of Section 6.6 of the State
29 Employees Group Insurance Act of 1971 with respect to salaries
30 paid to teachers for that period.

31 The additional 1% employee contribution required under
32 Section 16-152 by this amendatory Act of 1998 is the
33 responsibility of the teacher and not the teacher's employer,
34 unless the employer agrees, through collective bargaining or
35 otherwise, to make the contribution on behalf of the teacher.

36 If an employer is required by a contract in effect on May

1 1, 1998 between the employer and an employee organization to
2 pay, on behalf of all its full-time employees covered by this
3 Article, all mandatory employee contributions required under
4 this Article, then the employer shall be excused from paying
5 the employer contribution required under this subsection (e)
6 for the balance of the term of that contract. The employer and
7 the employee organization shall jointly certify to the System
8 the existence of the contractual requirement, in such form as
9 the System may prescribe. This exclusion shall cease upon the
10 termination, extension, or renewal of the contract at any time
11 after May 1, 1998.

12 (f) If the amount of a teacher's salary for any school year
13 used to determine final average salary exceeds the amount of
14 his or her salary with the same employer for the previous
15 school year by more than 6%, the teacher's employer shall pay
16 to the System, in addition to all other payments required under
17 this Section and in accordance with guidelines established by
18 the System, the present value of the increase in benefits
19 resulting from the portion of the increase in salary that is in
20 excess of 6%. This present value shall be computed by the
21 System on the basis of the actuarial assumptions and tables
22 used in the most recent actuarial valuation of the System that
23 is available at the time of the computation. The employer
24 contributions required under this subsection (f) shall be paid
25 in the form of a lump sum within 30 days after receipt of the
26 bill after the teacher begins receiving benefits under this
27 Article.

28 The provisions of this subsection (f) do not apply to any
29 of the following:

30 (1) Salary ~~salary~~ increases paid to teachers under
31 contracts or collective bargaining agreements entered
32 into, amended, or renewed before the effective date of this
33 amendatory Act of the 94th General Assembly.

34 (2) Payments or stipends the teacher may receive for
35 National Board certification.

36 (3) Salary increases as a result of accepting

1 school-sponsored, extra-curricular assignments.

2 (4) Salary increases as a result of movement to a
3 position of authority over others within the department,
4 school, or district.

5 (5) For part-time staff, as defined by a collective
6 bargaining agreement, earnings increases as a result of the
7 teacher increasing his or her workload.

8 (6) Salary increases earned as a result of a negotiated
9 salary schedule.

10 (7) Salary increases as a result of the teacher
11 accepting academic classes for which course credit is
12 received in addition to the number of classes the employer
13 requires under its policy or by contract, if the employer
14 certifies the reason the teacher was asked to accept
15 additional classes.

16 (8) Salary increases as a result of the teacher
17 accepting summer classes.

18 (Source: P.A. 93-2, eff. 4-7-03; 93-665, eff. 3-5-04; 94-4,
19 eff. 6-1-05.)

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