



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB4178

Introduced 11/2/2005, by Rep. Careen M Gordon - John E. Bradley  
- Lisa M. Dugan - Naomi D. Jakobsson - Frank J. Mautino

#### 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 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 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 14777 AMC 49758 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 the participant  
14 (A) accepting academic classes for which course credit is  
15 received in addition to the number of classes the employer  
16 requires under its policy or by contract and (B) teaching  
17 during the summer term.

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

19 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

20 Sec. 16-158. Contributions by State and other employing  
21 units.

22 (a) The State shall make contributions to the System by  
23 means of appropriations from the Common School Fund and other  
24 State funds of amounts which, together with other employer  
25 contributions, employee contributions, investment income, and  
26 other income, will be sufficient to meet the cost of  
27 maintaining and administering the System on a 90% funded basis  
28 in accordance with actuarial recommendations.

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

34 (a-1) Annually, on or before November 15, the Board shall  
35 certify to the Governor the amount of the required State

1 contribution for the coming fiscal year. The certification  
2 shall include a copy of the actuarial recommendations upon  
3 which it is based.

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

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

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

18 (b-1) Beginning in State fiscal year 1996, on the 15th day  
19 of each month, or as soon thereafter as may be practicable, the  
20 Board shall submit vouchers for payment of State contributions  
21 to the System, in a total monthly amount of one-twelfth of the  
22 required annual State contribution certified under subsection  
23 (a-1). From the effective date of this amendatory Act of the  
24 93rd General Assembly through June 30, 2004, the Board shall  
25 not submit vouchers for the remainder of fiscal year 2004 in  
26 excess of the fiscal year 2004 certified contribution amount  
27 determined under this Section after taking into consideration  
28 the transfer to the System under subsection (a) of Section  
29 6z-61 of the State Finance Act. These vouchers shall be paid by  
30 the State Comptroller and Treasurer by warrants drawn on the  
31 funds appropriated to the System for that fiscal year.

32 If in any month the amount remaining unexpended from all  
33 other appropriations to the System for the applicable fiscal  
34 year (including the appropriations to the System under Section  
35 8.12 of the State Finance Act and Section 1 of the State  
36 Pension Funds Continuing Appropriation Act) is less than the

1 amount lawfully vouchered under this subsection, the  
2 difference shall be paid from the Common School Fund under the  
3 continuing appropriation authority provided in Section 1.1 of  
4 the State Pension Funds Continuing Appropriation Act.

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

8 (b-3) For State fiscal years 2011 through 2045, the minimum  
9 contribution to the System to be made by the State for each  
10 fiscal year shall be an amount determined by the System to be  
11 sufficient to bring the total assets of the System up to 90% of  
12 the total actuarial liabilities of the System by the end of  
13 State fiscal year 2045. In making these determinations, the  
14 required State contribution shall be calculated each year as a  
15 level percentage of payroll over the years remaining to and  
16 including fiscal year 2045 and shall be determined under the  
17 projected unit credit actuarial cost method.

18 For State fiscal years 1996 through 2005, the State  
19 contribution to the System, as a percentage of the applicable  
20 employee payroll, shall be increased in equal annual increments  
21 so that by State fiscal year 2011, the State is contributing at  
22 the rate required under this Section; except that in the  
23 following specified State fiscal years, the State contribution  
24 to the System shall not be less than the following indicated  
25 percentages of the applicable employee payroll, even if the  
26 indicated percentage will produce a State contribution in  
27 excess of the amount otherwise required under this subsection  
28 and subsection (a), and notwithstanding any contrary  
29 certification made under subsection (a-1) before the effective  
30 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
31 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
32 2003; and 13.56% in FY 2004.

33 Notwithstanding any other provision of this Article, the  
34 total required State contribution for State fiscal year 2006 is  
35 \$534,627,700.

36 Notwithstanding any other provision of this Article, the



1 total required State contribution for State fiscal year 2007 is  
2 \$738,014,500.

3 For each of State fiscal years 2008 through 2010, the State  
4 contribution to the System, as a percentage of the applicable  
5 employee payroll, shall be increased in equal annual increments  
6 from the required State contribution for State fiscal year  
7 2007, so that by State fiscal year 2011, the State is  
8 contributing at the rate otherwise required under this Section.

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

13 Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under subsection (a-1), shall  
17 not exceed an amount equal to (i) the amount of the required  
18 State contribution that would have been calculated under this  
19 Section for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued for the purposes of that Section 7.2, as determined and  
24 certified by the Comptroller, that is the same as the System's  
25 portion of the total moneys distributed under subsection (d) of  
26 Section 7.2 of the General Obligation Bond Act. In determining  
27 this maximum for State fiscal years 2008 through 2010, however,  
28 the amount referred to in item (i) shall be increased, as a  
29 percentage of the applicable employee payroll, in equal  
30 increments calculated from the sum of the required State  
31 contribution for State fiscal year 2007 plus the applicable  
32 portion of the State's total debt service payments for fiscal  
33 year 2007 on the bonds issued for the purposes of Section 7.2  
34 of the General Obligation Bond Act, so that, by State fiscal  
35 year 2011, the State is contributing at the rate otherwise  
36 required under this Section.

1 (c) Payment of the required State contributions and of all  
2 pensions, retirement annuities, death benefits, refunds, and  
3 other benefits granted under or assumed by this System, and all  
4 expenses in connection with the administration and operation  
5 thereof, are obligations of the State.

6 If members are paid from special trust or federal funds  
7 which are administered by the employing unit, whether school  
8 district or other unit, the employing unit shall pay to the  
9 System from such funds the full accruing retirement costs based  
10 upon that service, as determined by the System. Employer  
11 contributions, based on salary paid to members from federal  
12 funds, may be forwarded by the distributing agency of the State  
13 of Illinois to the System prior to allocation, in an amount  
14 determined in accordance with guidelines established by such  
15 agency and the System.

16 (d) Effective July 1, 1986, any employer of a teacher as  
17 defined in paragraph (8) of Section 16-106 shall pay the  
18 employer's normal cost of benefits based upon the teacher's  
19 service, in addition to employee contributions, as determined  
20 by the System. Such employer contributions shall be forwarded  
21 monthly in accordance with guidelines established by the  
22 System.

23 However, with respect to benefits granted under Section  
24 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
25 of Section 16-106, the employer's contribution shall be 12%  
26 (rather than 20%) of the member's highest annual salary rate  
27 for each year of creditable service granted, and the employer  
28 shall also pay the required employee contribution on behalf of  
29 the teacher. For the purposes of Sections 16-133.4 and  
30 16-133.5, a teacher as defined in paragraph (8) of Section  
31 16-106 who is serving in that capacity while on leave of  
32 absence from another employer under this Article shall not be  
33 considered an employee of the employer from which the teacher  
34 is on leave.

35 (e) Beginning July 1, 1998, every employer of a teacher  
36 shall pay to the System an employer contribution computed as

1 follows:

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

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

8 The school district or other employing unit may pay these  
9 employer contributions out of any source of funding available  
10 for that purpose and shall forward the contributions to the  
11 System on the schedule established for the payment of member  
12 contributions.

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

16 Each employer of teachers is entitled to a credit against  
17 the contributions required under this subsection (e) with  
18 respect to salaries paid to teachers for the period January 1,  
19 2002 through June 30, 2003, equal to the amount paid by that  
20 employer under subsection (a-5) of Section 6.6 of the State  
21 Employees Group Insurance Act of 1971 with respect to salaries  
22 paid to teachers for that period.

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

28 If an employer is required by a contract in effect on May  
29 1, 1998 between the employer and an employee organization to  
30 pay, on behalf of all its full-time employees covered by this  
31 Article, all mandatory employee contributions required under  
32 this Article, then the employer shall be excused from paying  
33 the employer contribution required under this subsection (e)  
34 for the balance of the term of that contract. The employer and  
35 the employee organization shall jointly certify to the System  
36 the existence of the contractual requirement, in such form as

1 the System may prescribe. This exclusion shall cease upon the  
2 termination, extension, or renewal of the contract at any time  
3 after May 1, 1998.

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

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

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

26 (2) Salary increases as a result of the teacher  
27 accepting academic classes for which course credit is  
28 received in addition to the number of classes the employer  
29 requires under its policy or by contract, if the employer  
30 certifies the reason the teacher was asked to accept  
31 additional classes.

32 (3) Salary increases as a result of the teacher  
33 accepting summer classes.

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

1           Section 99. Effective date. This Act takes effect upon  
2    becoming law.