



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB4697

Introduced 1/12/2006, by Rep. Roger L. Eddy

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-158  
105 ILCS 5/18-8.2

from Ch. 108 1/2, par. 16-158  
from Ch. 122, par. 18-8.2

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 formation of a new school district. Amends the School Code to make a related change.

LRB094 17276 NHT 52568 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning education.

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 Section 16-158 as follows:

6 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

7 Sec. 16-158. Contributions by State and other employing  
8 units.

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

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

21 (a-1) Annually, on or before November 15, the Board shall  
22 certify to the Governor the amount of the required State  
23 contribution for the coming fiscal year. The certification  
24 shall include a copy of the actuarial recommendations upon  
25 which it is based.

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

32 On or before July 1, 2005, the Board shall recalculate and

1 recertify to the Governor the amount of the required State  
2 contribution to the System for State fiscal year 2006, taking  
3 into account the changes in required State contributions made  
4 by this amendatory Act of the 94th General Assembly.

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

8 (b-1) Beginning in State fiscal year 1996, on the 15th day  
9 of each month, or as soon thereafter as may be practicable, the  
10 Board shall submit vouchers for payment of State contributions  
11 to the System, in a total monthly amount of one-twelfth of the  
12 required annual State contribution certified under subsection  
13 (a-1). From the effective date of this amendatory Act of the  
14 93rd General Assembly through June 30, 2004, the Board shall  
15 not submit vouchers for the remainder of fiscal year 2004 in  
16 excess of the fiscal year 2004 certified contribution amount  
17 determined under this Section after taking into consideration  
18 the transfer to the System under subsection (a) of Section  
19 6z-61 of the State Finance Act. These vouchers shall be paid by  
20 the State Comptroller and Treasurer by warrants drawn on the  
21 funds appropriated to the System for that fiscal year.

22 If in any month the amount remaining unexpended from all  
23 other appropriations to the System for the applicable fiscal  
24 year (including the appropriations to the System under Section  
25 8.12 of the State Finance Act and Section 1 of the State  
26 Pension Funds Continuing Appropriation Act) is less than the  
27 amount lawfully vouchered under this subsection, the  
28 difference shall be paid from the Common School Fund under the  
29 continuing appropriation authority provided in Section 1.1 of  
30 the State Pension Funds Continuing Appropriation Act.

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

34 (b-3) For State fiscal years 2011 through 2045, the minimum  
35 contribution to the System to be made by the State for each  
36 fiscal year shall be an amount determined by the System to be

1 sufficient to bring the total assets of the System up to 90% of  
2 the total actuarial liabilities of the System by the end of  
3 State fiscal year 2045. In making these determinations, the  
4 required State contribution shall be calculated each year as a  
5 level percentage of payroll over the years remaining to and  
6 including fiscal year 2045 and shall be determined under the  
7 projected unit credit actuarial cost method.

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

23 Notwithstanding any other provision of this Article, the  
24 total required State contribution for State fiscal year 2006 is  
25 \$534,627,700.

26 Notwithstanding any other provision of this Article, the  
27 total required State contribution for State fiscal year 2007 is  
28 \$738,014,500.

29 For each of State fiscal years 2008 through 2010, the State  
30 contribution to the System, as a percentage of the applicable  
31 employee payroll, shall be increased in equal annual increments  
32 from the required State contribution for State fiscal year  
33 2007, so that by State fiscal year 2011, the State is  
34 contributing at the rate otherwise required under this Section.

35 Beginning in State fiscal year 2046, the minimum State  
36 contribution for each fiscal year shall be the amount needed to

1 maintain the total assets of the System at 90% of the total  
2 actuarial liabilities of the System.

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

27 (c) Payment of the required State contributions and of all  
28 pensions, retirement annuities, death benefits, refunds, and  
29 other benefits granted under or assumed by this System, and all  
30 expenses in connection with the administration and operation  
31 thereof, are obligations of the State.

32 If members are paid from special trust or federal funds  
33 which are administered by the employing unit, whether school  
34 district or other unit, the employing unit shall pay to the  
35 System from such funds the full accruing retirement costs based  
36 upon that service, as determined by the System. Employer

1 contributions, based on salary paid to members from federal  
2 funds, may be forwarded by the distributing agency of the State  
3 of Illinois to the System prior to allocation, in an amount  
4 determined in accordance with guidelines established by such  
5 agency and the System.

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

13 However, with respect to benefits granted under Section  
14 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
15 of Section 16-106, the employer's contribution shall be 12%  
16 (rather than 20%) of the member's highest annual salary rate  
17 for each year of creditable service granted, and the employer  
18 shall also pay the required employee contribution on behalf of  
19 the teacher. For the purposes of Sections 16-133.4 and  
20 16-133.5, a teacher as defined in paragraph (8) of Section  
21 16-106 who is serving in that capacity while on leave of  
22 absence from another employer under this Article shall not be  
23 considered an employee of the employer from which the teacher  
24 is on leave.

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

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

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

34 The school district or other employing unit may pay these  
35 employer contributions out of any source of funding available  
36 for that purpose and shall forward the contributions to the

1 System on the schedule established for the payment of member  
2 contributions.

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

6 Each employer of teachers is entitled to a credit against  
7 the contributions required under this subsection (e) with  
8 respect to salaries paid to teachers for the period January 1,  
9 2002 through June 30, 2003, equal to the amount paid by that  
10 employer under subsection (a-5) of Section 6.6 of the State  
11 Employees Group Insurance Act of 1971 with respect to salaries  
12 paid to teachers for that period.

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

18 If an employer is required by a contract in effect on May  
19 1, 1998 between the employer and an employee organization to  
20 pay, on behalf of all its full-time employees covered by this  
21 Article, all mandatory employee contributions required under  
22 this Article, then the employer shall be excused from paying  
23 the employer contribution required under this subsection (e)  
24 for the balance of the term of that contract. The employer and  
25 the employee organization shall jointly certify to the System  
26 the existence of the contractual requirement, in such form as  
27 the System may prescribe. This exclusion shall cease upon the  
28 termination, extension, or renewal of the contract at any time  
29 after May 1, 1998.

30 (f) If the amount of a teacher's salary for any school year  
31 used to determine final average salary exceeds the amount of  
32 his or her salary with the same employer for the previous  
33 school year by more than 6%, the teacher's employer shall pay  
34 to the System, in addition to all other payments required under  
35 this Section and in accordance with guidelines established by  
36 the System, the present value of the increase in benefits

1 resulting from the portion of the increase in salary that is in  
2 excess of 6%. This present value shall be computed by the  
3 System on the basis of the actuarial assumptions and tables  
4 used in the most recent actuarial valuation of the System that  
5 is available at the time of the computation. The employer  
6 contributions required under this subsection (f) shall be paid  
7 in the form of a lump sum within 30 days after receipt of the  
8 bill after the teacher begins receiving benefits under this  
9 Article.

10 The provisions of this subsection (f) do not apply to  
11 either of the following:

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

16 (2) Salary increases as a result of the formation of a  
17 new school district.

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 10. The School Code is amended by changing Section  
21 18-8.2 as follows:

22 (105 ILCS 5/18-8.2) (from Ch. 122, par. 18-8.2)

23 Sec. 18-8.2. Supplementary State aid for new and for  
24 certain annexing districts.

25 (a) After the formation of a new district, a computation  
26 shall be made to determine the difference between the salaries  
27 effective in each of the previously existing districts on June  
28 30, prior to the creation of the new district. For the first 4  
29 years after the formation of the new district or if the new  
30 district was formed after October 31, 1982 and prior to the  
31 effective date of this amendatory Act of 1985, for the 3 years  
32 immediately following such effective date, a supplementary  
33 State aid reimbursement shall be paid to the new district equal  
34 to the difference between the sum of the salaries earned by



1 each of the certificated members of the new district while  
2 employed in one of the previously existing districts during the  
3 year immediately preceding the formation of the new district  
4 and the sum of the salaries those certificated members would  
5 have been paid during the year immediately prior to the  
6 formation of the new district if placed on the salary schedule  
7 of the previously existing district with the highest salary  
8 schedule. In accordance with subsection (f) of Section 16-158  
9 of the Illinois Pension Code, a salary increase that is  
10 eligible for supplementary State aid under this subsection (a)  
11 is exempt from the provisions of subsection (f) of Section  
12 16-158 of the Illinois Pension Code.

13 (b) After the territory of one or more school districts is  
14 annexed by one or more other school districts, or after the  
15 division (pursuant to petition under Section 11A-2) of a unit  
16 school district or districts into 2 or more parts which all are  
17 included in 2 or more other community unit districts resulting  
18 upon that division, a computation shall be made to determine  
19 the difference between the salaries effective in each such  
20 annexed or divided district and in the annexing or resulting  
21 district or districts as they each were constituted on June 30  
22 preceding the date when the change of boundaries attributable  
23 to such annexation or division became effective for all  
24 purposes as determined under Section 7-9, 7A-8 or 11A-10. For  
25 the first 4 years after any such annexation or division, a  
26 supplementary State aid reimbursement shall be paid to each  
27 annexing or resulting district as constituted after the  
28 annexation or division equal to the difference between the sum  
29 of the salaries earned by each of the certificated members of  
30 such annexing or resulting district as constituted after the  
31 annexation or division while employed in an annexed or annexing  
32 district, or in a divided or resulting district, during the  
33 year immediately preceding the annexation or division, and the  
34 sum of the salaries those certificated members would have been  
35 paid during such immediately preceding year if placed on the  
36 salary schedule of whichever of such annexing or annexed

1 districts, or resulting or divided districts, had the highest  
2 salary schedule during such immediately preceding year.

3 (c) Such supplementary State aid reimbursement shall be  
4 treated as separate from all other payments made pursuant to  
5 Section 18-8 or 18-8.05. In the case of the formation of a new  
6 district, reimbursement shall begin during the first year of  
7 operation of the new district; and in the case of an annexation  
8 of the territory of one or more school districts by one or more  
9 other school districts, or the division (pursuant to petition  
10 under Section 11A-2) of a unit school district or districts  
11 into 2 or more parts which all are included in 2 or more other  
12 community unit districts resulting upon that division,  
13 reimbursement shall begin during the first year when the change  
14 in boundaries attributable to such annexation or division  
15 becomes effective for all purposes as determined pursuant to  
16 Section 7-9, 7A-8 or 11A-10. Each year any such new, annexing  
17 or resulting district, as the case may be, is entitled to  
18 receive reimbursement, the number of eligible certified  
19 members who are employed on October 1 in any such district  
20 shall be certified to the State Board of Education on  
21 prescribed forms by October 15 and payment shall be made on or  
22 before November 15 of that year.

23 (d) If a unit school district annexes all the territory of  
24 another unit school district effective for all purposes  
25 pursuant to Section 7-9 on July 1, 1988, and if part of the  
26 annexed territory is detached within 90 days after July 1,  
27 1988, then the detachment shall be disregarded in computing the  
28 supplementary State aid reimbursements under this Section for  
29 the entire 3 year period and the supplementary State aid  
30 reimbursements shall not be diminished because of the  
31 detachment.

32 (e) The changes made by this amendatory Act of 1989 are  
33 intended to be retroactive and applicable to any annexation  
34 taking effect after August 1, 1987.

35 (Source: P.A. 90-548, eff. 1-1-98.)