



94TH GENERAL ASSEMBLY
State of Illinois
2005 and 2006
SB2158

Introduced 11/3/2005, by Sen. Gary Forby

SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-155
40 ILCS 5/16-158

from Ch. 108 1/2, par. 15-155
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 a negotiated salary schedule. 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 earned as a result of a negotiated salary schedule. Effective immediately.

LRB094 14925 AMC 49997 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 earned as a result of a
14 negotiated salary schedule.

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

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

17 Sec. 16-158. Contributions by State and other employing
18 units.

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

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

31 (a-1) Annually, on or before November 15, the Board shall
32 certify to the Governor the amount of the required State
33 contribution for the coming fiscal year. The certification
34 shall include a copy of the actuarial recommendations upon
35 which it is based.

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

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

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

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

29 If in any month the amount remaining unexpended from all
30 other appropriations to the System for the applicable fiscal
31 year (including the appropriations to the System under Section
32 8.12 of the State Finance Act and Section 1 of the State
33 Pension Funds Continuing Appropriation Act) is less than the
34 amount lawfully vouchered under this subsection, the
35 difference shall be paid from the Common School Fund under the
36 continuing appropriation authority provided in Section 1.1 of

1 the State Pension Funds Continuing Appropriation Act.

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

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

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

30 Notwithstanding any other provision of this Article, the
31 total required State contribution for State fiscal year 2006 is
32 \$534,627,700.

33 Notwithstanding any other provision of this Article, the
34 total required State contribution for State fiscal year 2007 is
35 \$738,014,500.

36 For each of State fiscal years 2008 through 2010, the State

1 contribution to the System, as a percentage of the applicable
2 employee payroll, shall be increased in equal annual increments
3 from the required State contribution for State fiscal year
4 2007, so that by State fiscal year 2011, the State is
5 contributing at the rate otherwise required under this Section.

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

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

34 (c) Payment of the required State contributions and of all
35 pensions, retirement annuities, death benefits, refunds, and
36 other benefits granted under or assumed by this System, and all

1 expenses in connection with the administration and operation
2 thereof, are obligations of the State.

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

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

20 However, with respect to benefits granted under Section
21 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
22 of Section 16-106, the employer's contribution shall be 12%
23 (rather than 20%) of the member's highest annual salary rate
24 for each year of creditable service granted, and the employer
25 shall also pay the required employee contribution on behalf of
26 the teacher. For the purposes of Sections 16-133.4 and
27 16-133.5, a teacher as defined in paragraph (8) of Section
28 16-106 who is serving in that capacity while on leave of
29 absence from another employer under this Article shall not be
30 considered an employee of the employer from which the teacher
31 is on leave.

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

35 (1) Beginning July 1, 1998 through June 30, 1999, the
36 employer contribution shall be equal to 0.3% of each

1 teacher's salary.

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

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

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

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

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

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

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

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

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

23 (2) Salary increases earned as a result of a negotiated
24 salary schedule.

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

27 Section 99. Effective date. This Act takes effect upon
28 becoming law.