



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

HB1970

Introduced 2/23/2007, by Rep. Dan Reitz

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-158

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

Amends the Downstate Teachers Article of the Illinois Pension Code. Provides that, when assessing payment for any amount due for earnings increases in excess of 6%, the System shall exclude earnings increases as a result of accepting school-sponsored, extra-curricular assignments. Effective immediately.

LRB095 04166 AMC 24204 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 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

1 shall include a copy of the actuarial recommendations upon  
2 which it is based.

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

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

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

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

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

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

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

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

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

16           Notwithstanding any other provision of this Article, the  
17 total required State contribution for State fiscal year 2006 is  
18 \$534,627,700.

19           Notwithstanding any other provision of this Article, the  
20 total required State contribution for State fiscal year 2007 is  
21 \$738,014,500.

22           For each of State fiscal years 2008 through 2010, the State  
23 contribution to the System, as a percentage of the applicable  
24 employee payroll, shall be increased in equal annual increments  
25 from the required State contribution for State fiscal year  
26 2007, so that by State fiscal year 2011, the State is

1 contributing at the rate otherwise required under this Section.

2 Beginning in State fiscal year 2046, the minimum State  
3 contribution for each fiscal year shall be the amount needed to  
4 maintain the total assets of the System at 90% of the total  
5 actuarial liabilities of the System.

6 Amounts received by the System pursuant to Section 25 of  
7 the Budget Stabilization Act in any fiscal year do not reduce  
8 and do not constitute payment of any portion of the minimum  
9 State contribution required under this Article in that fiscal  
10 year. Such amounts shall not reduce, and shall not be included  
11 in the calculation of, the required State contributions under  
12 this Article in any future year until the System has reached a  
13 funding ratio of at least 90%. A reference in this Article to  
14 the "required State contribution" or any substantially similar  
15 term does not include or apply to any amounts payable to the  
16 System under Section 25 of the Budget Stabilization Act.

17 Notwithstanding any other provision of this Section, the  
18 required State contribution for State fiscal year 2005 and for  
19 fiscal year 2008 and each fiscal year thereafter, as calculated  
20 under this Section and certified under subsection (a-1), shall  
21 not exceed an amount equal to (i) the amount of the required  
22 State contribution that would have been calculated under this  
23 Section for that fiscal year if the System had not received any  
24 payments under subsection (d) of Section 7.2 of the General  
25 Obligation Bond Act, minus (ii) the portion of the State's  
26 total debt service payments for that fiscal year on the bonds

1 issued for the purposes of that Section 7.2, as determined and  
2 certified by the Comptroller, that is the same as the System's  
3 portion of the total moneys distributed under subsection (d) of  
4 Section 7.2 of the General Obligation Bond Act. In determining  
5 this maximum for State fiscal years 2008 through 2010, however,  
6 the amount referred to in item (i) shall be increased, as a  
7 percentage of the applicable employee payroll, in equal  
8 increments calculated from the sum of the required State  
9 contribution for State fiscal year 2007 plus the applicable  
10 portion of the State's total debt service payments for fiscal  
11 year 2007 on the bonds issued for the purposes of Section 7.2  
12 of the General Obligation Bond Act, so that, by State fiscal  
13 year 2011, the State is contributing at the rate otherwise  
14 required under this Section.

15 (c) Payment of the required State contributions and of all  
16 pensions, retirement annuities, death benefits, refunds, and  
17 other benefits granted under or assumed by this System, and all  
18 expenses in connection with the administration and operation  
19 thereof, are obligations of the State.

20 If members are paid from special trust or federal funds  
21 which are administered by the employing unit, whether school  
22 district or other unit, the employing unit shall pay to the  
23 System from such funds the full accruing retirement costs based  
24 upon that service, as determined by the System. Employer  
25 contributions, based on salary paid to members from federal  
26 funds, may be forwarded by the distributing agency of the State

1 of Illinois to the System prior to allocation, in an amount  
2 determined in accordance with guidelines established by such  
3 agency and the System.

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

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

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

26 (1) Beginning July 1, 1998 through June 30, 1999, the



1 employer contribution shall be equal to 0.3% of each  
2 teacher's salary.

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

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

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

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

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

26 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 member's  
14 annual full-time salary rate with the same employer for the  
15 previous school year by more than 6%, the teacher's employer  
16 shall pay to the System, in addition to all other payments  
17 required under this Section and in accordance with guidelines  
18 established by the System, the present value of the increase in  
19 benefits resulting from the portion of the increase in salary  
20 that is in excess of 6%. This present value shall be computed  
21 by the System on the basis of the actuarial assumptions and  
22 tables used in the most recent actuarial valuation of the  
23 System that is available at the time of the computation. For  
24 the purposes of this Section, change in employment under  
25 Section 10-21.12 of the School Code shall constitute a change  
26 in employer. The System may require the employer to provide any

1 pertinent information or documentation.

2 Whenever it determines that a payment is or may be required  
3 under this subsection, the System shall calculate the amount of  
4 the payment and bill the employer for that amount. The bill  
5 shall specify the calculations used to determine the amount  
6 due. If the employer disputes the amount of the bill, it may,  
7 within 30 days after receipt of the bill, apply to the System  
8 in writing for a recalculation. The application must specify in  
9 detail the grounds of the dispute and, if the employer asserts  
10 that the calculation is subject to subsection (g) or (h) of  
11 this Section, must include an affidavit setting forth and  
12 attesting to all facts within the employer's knowledge that are  
13 pertinent to the applicability of that subsection. Upon  
14 receiving a timely application for recalculation, the System  
15 shall review the application and, if appropriate, recalculate  
16 the amount due.

17 The employer contributions required under this subsection  
18 (f) may be paid in the form of a lump sum within 90 days after  
19 receipt of the bill. If the employer contributions are not paid  
20 within 90 days after receipt of the bill, then interest will be  
21 charged at a rate equal to the System's annual actuarially  
22 assumed rate of return on investment compounded annually from  
23 the 91st day after receipt of the bill. Payments must be  
24 concluded within 3 years after the employer's receipt of the  
25 bill.

26 (g) This subsection (g) applies only to payments made or

1 salary increases given on or after June 1, 2005 but before July  
2 1, 2011. The changes made by Public Act 94-1057 ~~this amendatory~~  
3 ~~Act of the 94th General Assembly~~ shall not require the System  
4 to refund any payments received before July 31, 2006 (the  
5 effective date of Public Act 94-1057) ~~this amendatory Act~~.

6 When assessing payment for any amount due under subsection  
7 (f), the System shall exclude salary increases paid to teachers  
8 under contracts or collective bargaining agreements entered  
9 into, amended, or renewed before June 1, 2005.

10 When assessing payment for any amount due under subsection  
11 (f), the System shall exclude salary increases paid to a  
12 teacher at a time when the teacher is 10 or more years from  
13 retirement eligibility under Section 16-132 or 16-133.2.

14 When assessing payment for any amount due under subsection  
15 (f), the System shall exclude salary increases resulting from  
16 overload work, including summer school, when the school  
17 district has certified to the System, and the System has  
18 approved the certification, that (i) the overload work is for  
19 the sole purpose of classroom instruction in excess of the  
20 standard number of classes for a full-time teacher in a school  
21 district during a school year and (ii) the salary increases are  
22 equal to or less than the rate of pay for classroom instruction  
23 computed on the teacher's current salary and work schedule.

24 When assessing payment for any amount due under subsection  
25 (f), the System shall exclude a salary increase resulting from  
26 a promotion (i) for which the employee is required to hold a

1 certificate or supervisory endorsement issued by the State  
2 Teacher Certification Board that is a different certification  
3 or supervisory endorsement than is required for the teacher's  
4 previous position and (ii) to a position that has existed and  
5 been filled by a member for no less than one complete academic  
6 year and the salary increase from the promotion is an increase  
7 that results in an amount no greater than the lesser of the  
8 average salary paid for other similar positions in the district  
9 requiring the same certification or the amount stipulated in  
10 the collective bargaining agreement for a similar position  
11 requiring the same certification.

12 When assessing payment for any amount due under subsection  
13 (f), the System shall exclude any payment to the teacher from  
14 the State of Illinois or the State Board of Education over  
15 which the employer does not have discretion, notwithstanding  
16 that the payment is included in the computation of final  
17 average salary.

18 When assessing payment for any amount due under subsection  
19 (f), the System shall exclude any salary increases earned as a  
20 result of accepting school-sponsored, extra-curricular  
21 assignments.

22 (h) When assessing payment for any amount due under  
23 subsection (f), the System shall exclude any salary increase  
24 described in subsection (g) of this Section given on or after  
25 July 1, 2011 but before July 1, 2014 under a contract or  
26 collective bargaining agreement entered into, amended, or

1 renewed on or after June 1, 2005 but before July 1, 2011.  
2 Notwithstanding any other provision of this Section, any  
3 payments made or salary increases given after June 30, 2014  
4 shall be used in assessing payment for any amount due under  
5 subsection (f) of this Section.

6 (i) The System shall prepare a report and file copies of  
7 the report with the Governor and the General Assembly by  
8 January 1, 2007 that contains all of the following information:

9 (1) The number of recalculations required by the  
10 changes made to this Section by Public Act 94-1057 ~~this~~  
11 ~~amendatory Act of the 94th General Assembly~~ for each  
12 employer.

13 (2) The dollar amount by which each employer's  
14 contribution to the System was changed due to  
15 recalculations required by Public Act 94-1057 ~~this~~  
16 ~~amendatory Act of the 94th General Assembly~~.

17 (3) The total amount the System received from each  
18 employer as a result of the changes made to this Section by  
19 Public Act 94-4.

20 (4) The increase in the required State contribution  
21 resulting from the changes made to this Section by Public  
22 Act 94-1057 ~~this amendatory Act of the 94th General~~  
23 ~~Assembly~~.

24 (Source: P.A. 93-2, eff. 4-7-03; 93-665, eff. 3-5-04; 94-4,  
25 eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057, eff. 7-31-06;  
26 revised 8-3-06.)

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