



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB1158

Introduced 2/8/2007, by Sen. Michael Bond

SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-172

from Ch. 108 1/2, par. 7-172

Amends the Illinois Municipal Retirement Fund Article of the Illinois Pension Code. Provides that specified unfunded liabilities of participating municipalities shall be spread over the remainder of the period that is allowable under generally accepted accounting principles, except that the employer may provide for a longer period by adopting a resolution or ordinance specifying a 40-year period and submitting a certified copy of the ordinance or resolution to the fund. Effective immediately.

LRB095 08382 AMC 28555 b

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

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 7-172 as follows:

6 (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)

7 Sec. 7-172. Contributions by participating municipalities
8 and participating instrumentalities.

9 (a) Each participating municipality and each participating
10 instrumentality shall make payment to the fund as follows:

11 1. municipality contributions in an amount determined
12 by applying the municipality contribution rate to each
13 payment of earnings paid to each of its participating
14 employees;

15 2. an amount equal to the employee contributions
16 provided by paragraphs (a) and (b) of Section 7-173,
17 whether or not the employee contributions are withheld as
18 permitted by that Section;

19 3. all accounts receivable, together with interest
20 charged thereon, as provided in Section 7-209;

21 4. if it has no participating employees with current
22 earnings, an amount payable which, over a period of 20
23 years beginning with the year following an award of

1 benefit, will amortize, at the effective rate for that
2 year, any negative balance in its municipality reserve
3 resulting from the award. This amount when established will
4 be payable as a separate contribution whether or not it
5 later has participating employees.

6 (b) A separate municipality contribution rate shall be
7 determined for each calendar year for all participating
8 municipalities together with all instrumentalities thereof.
9 The municipality contribution rate shall be determined for
10 participating instrumentalities as if they were participating
11 municipalities. The municipality contribution rate shall be
12 the sum of the following percentages:

13 1. The percentage of earnings of all the participating
14 employees of all participating municipalities and
15 participating instrumentalities which, if paid over the
16 entire period of their service, will be sufficient when
17 combined with all employee contributions available for the
18 payment of benefits, to provide all annuities for
19 participating employees, and the \$3,000 death benefit
20 payable under Sections 7-158 and 7-164, such percentage to
21 be known as the normal cost rate.

22 2. The percentage of earnings of the participating
23 employees of each participating municipality and
24 participating instrumentalities necessary to adjust for
25 the difference between the present value of all benefits,
26 excluding temporary and total and permanent disability and

1 death benefits, to be provided for its participating
2 employees and the sum of its accumulated municipality
3 contributions and the accumulated employee contributions
4 and the present value of expected future employee and
5 municipality contributions pursuant to subparagraph 1 of
6 this paragraph (b). This adjustment shall be spread over
7 the remainder of the period that is allowable under
8 generally accepted accounting principles.

9 3. The percentage of earnings of the participating
10 employees of all municipalities and participating
11 instrumentalities necessary to provide the present value
12 of all temporary and total and permanent disability
13 benefits granted during the most recent year for which
14 information is available.

15 4. The percentage of earnings of the participating
16 employees of all participating municipalities and
17 participating instrumentalities necessary to provide the
18 present value of the net single sum death benefits expected
19 to become payable from the reserve established under
20 Section 7-206 during the year for which this rate is fixed.

21 5. The percentage of earnings necessary to meet any
22 deficiency arising in the Terminated Municipality Reserve.

23 (c) A separate municipality contribution rate shall be
24 computed for each participating municipality or participating
25 instrumentality for its sheriff's law enforcement employees.

26 A separate municipality contribution rate shall be

1 computed for the sheriff's law enforcement employees of each
2 forest preserve district that elects to have such employees.
3 For the period from January 1, 1986 to December 31, 1986, such
4 rate shall be the forest preserve district's regular rate plus
5 2%.

6 In the event that the Board determines that there is an
7 actuarial deficiency in the account of any municipality with
8 respect to a person who has elected to participate in the Fund
9 under Section 3-109.1 of this Code, the Board may adjust the
10 municipality's contribution rate so as to make up that
11 deficiency over such reasonable period of time as the Board may
12 determine.

13 (d) The Board may establish a separate municipality
14 contribution rate for all employees who are program
15 participants employed under the federal Comprehensive
16 Employment Training Act by all of the participating
17 municipalities and instrumentalities. The Board may also
18 provide that, in lieu of a separate municipality rate for these
19 employees, a portion of the municipality contributions for such
20 program participants shall be refunded or an extra charge
21 assessed so that the amount of municipality contributions
22 retained or received by the fund for all CETA program
23 participants shall be an amount equal to that which would be
24 provided by the separate municipality contribution rate for all
25 such program participants. Refunds shall be made to prime
26 sponsors of programs upon submission of a claim therefor and

1 extra charges shall be assessed to participating
2 municipalities and instrumentalities. In establishing the
3 municipality contribution rate as provided in paragraph (b) of
4 this Section, the use of a separate municipality contribution
5 rate for program participants or the refund of a portion of the
6 municipality contributions, as the case may be, may be
7 considered.

8 (e) Computations of municipality contribution rates for
9 the following calendar year shall be made prior to the
10 beginning of each year, from the information available at the
11 time the computations are made, and on the assumption that the
12 employees in each participating municipality or participating
13 instrumentality at such time will continue in service until the
14 end of such calendar year at their respective rates of earnings
15 at such time.

16 (f) Any municipality which is the recipient of State
17 allocations representing that municipality's contributions for
18 retirement annuity purposes on behalf of its employees as
19 provided in Section 12-21.16 of the Illinois Public Aid Code
20 shall pay the allocations so received to the Board for such
21 purpose. Estimates of State allocations to be received during
22 any taxable year shall be considered in the determination of
23 the municipality's tax rate for that year under Section 7-171.
24 If a special tax is levied under Section 7-171, none of the
25 proceeds may be used to reimburse the municipality for the
26 amount of State allocations received and paid to the Board. Any

1 multiple-county or consolidated health department which
2 receives contributions from a county under Section 11.2 of "An
3 Act in relation to establishment and maintenance of county and
4 multiple-county health departments", approved July 9, 1943, as
5 amended, or distributions under Section 3 of the Department of
6 Public Health Act, shall use these only for municipality
7 contributions by the health department.

8 (g) Municipality contributions for the several purposes
9 specified shall, for township treasurers and employees in the
10 offices of the township treasurers who meet the qualifying
11 conditions for coverage hereunder, be allocated among the
12 several school districts and parts of school districts serviced
13 by such treasurers and employees in the proportion which the
14 amount of school funds of each district or part of a district
15 handled by the treasurer bears to the total amount of all
16 school funds handled by the treasurer.

17 From the funds subject to allocation among districts and
18 parts of districts pursuant to the School Code, the trustees
19 shall withhold the proportionate share of the liability for
20 municipality contributions imposed upon such districts by this
21 Section, in respect to such township treasurers and employees
22 and remit the same to the Board.

23 The municipality contribution rate for an educational
24 service center shall initially be the same rate for each year
25 as the regional office of education or school district which
26 serves as its administrative agent. When actuarial data become

1 available, a separate rate shall be established as provided in
2 subparagraph (i) of this Section.

3 The municipality contribution rate for a public agency,
4 other than a vocational education cooperative, formed under the
5 Intergovernmental Cooperation Act shall initially be the
6 average rate for the municipalities which are parties to the
7 intergovernmental agreement. When actuarial data become
8 available, a separate rate shall be established as provided in
9 subparagraph (i) of this Section.

10 (h) Each participating municipality and participating
11 instrumentality shall make the contributions in the amounts
12 provided in this Section in the manner prescribed from time to
13 time by the Board and all such contributions shall be
14 obligations of the respective participating municipalities and
15 participating instrumentalities to this fund. The failure to
16 deduct any employee contributions shall not relieve the
17 participating municipality or participating instrumentality of
18 its obligation to this fund. Delinquent payments of
19 contributions due under this Section may, with interest, be
20 recovered by civil action against the participating
21 municipalities or participating instrumentalities.
22 Municipality contributions, other than the amount necessary
23 for employee contributions and Social Security contributions,
24 for periods of service by employees from whose earnings no
25 deductions were made for employee contributions to the fund,
26 may be charged to the municipality reserve for the municipality

1 or participating instrumentality.

2 (i) Contributions by participating instrumentalities shall
3 be determined as provided herein except that the percentage
4 derived under subparagraph 2 of paragraph (b) of this Section,
5 and the amount payable under subparagraph 5 of paragraph (a) of
6 this Section, shall be based on an amortization period of 10
7 years.

8 (j) Notwithstanding the other provisions of this Section,
9 the additional unfunded liability accruing as a result of this
10 amendatory Act of the 94th General Assembly shall be amortized
11 over a period of 30 years beginning on January 1 of the second
12 calendar year following the calendar year in which this
13 amendatory Act takes effect, except that the employer may
14 provide for a longer amortization period by adopting a
15 resolution or ordinance specifying a 35-year or 40-year period
16 and submitting a certified copy of the ordinance or resolution
17 to the fund no later than June 1 of the calendar year following
18 the calendar year in which this amendatory Act takes effect.

19 (k) The percentage of contributions by participating
20 municipalities under subparagraph 2 of paragraph (b) of this
21 Section shall be spread over the remainder of the period that
22 is allowable under generally accepted accounting principles,
23 except that the employer may provide for a longer period by
24 adopting a resolution or ordinance specifying a 40-year period
25 and submitting a certified copy of the ordinance or resolution
26 to the Fund.

1 (Source: P.A. 94-712, eff. 6-1-06.)

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