



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

**HB4672**

Introduced 2/3/2012, by Rep. Norine Hammond

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-155

from Ch. 108 1/2, par. 15-155

Amends the State Universities Article of the Illinois Pension Code. Extends to July 1, 2016 certain exemptions from the requirement that an employer must pay to the System the present value of the increase in benefits resulting from the portion of any increase in earnings that exceeds 6%. Also includes a technical correction. Effective immediately.

LRB097 17845 EFG 63067 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 15-155 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 2012 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

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

7 For State fiscal years 1996 through 2005, the State  
8 contribution to the System, as a percentage of the applicable  
9 employee payroll, shall be increased in equal annual increments  
10 so that by State fiscal year 2011, the State is contributing at  
11 the rate required under this Section.

12 Notwithstanding any other provision of this Article, the  
13 total required State contribution for State fiscal year 2006 is  
14 \$166,641,900.

15 Notwithstanding any other provision of this Article, the  
16 total required State contribution for State fiscal year 2007 is  
17 \$252,064,100.

18 For each of State fiscal years 2008 through 2009, the State  
19 contribution to the System, as a percentage of the applicable  
20 employee payroll, shall be increased in equal annual increments  
21 from the required State contribution for State fiscal year  
22 2007, so that by State fiscal year 2011, the State is  
23 contributing at the rate otherwise required under this Section.

24 Notwithstanding any other provision of this Article, the  
25 total required State contribution for State fiscal year 2010 is  
26 \$702,514,000 and shall be made from the State Pensions Fund and

1 proceeds of bonds sold in fiscal year 2010 pursuant to Section  
2 7.2 of the General Obligation Bond Act, less (i) the pro rata  
3 share of bond sale expenses determined by the System's share of  
4 total bond proceeds, (ii) any amounts received from the General  
5 Revenue Fund in fiscal year 2010, (iii) any reduction in bond  
6 proceeds due to the issuance of discounted bonds, if  
7 applicable.

8 Notwithstanding any other provision of this Article, the  
9 total required State contribution for State fiscal year 2011 is  
10 the amount recertified by the System on or before April 1, 2011  
11 pursuant to Section 15-165 and shall be made from the State  
12 Pensions Fund and proceeds of bonds sold in fiscal year 2011  
13 pursuant to Section 7.2 of the General Obligation Bond Act,  
14 less (i) the pro rata share of bond sale expenses determined by  
15 the System's share of total bond proceeds, (ii) any amounts  
16 received from the General Revenue Fund in fiscal year 2011, and  
17 (iii) any reduction in bond proceeds due to the issuance of  
18 discounted bonds, if applicable.

19 Beginning in State fiscal year 2046, the minimum State  
20 contribution for each fiscal year shall be the amount needed to  
21 maintain the total assets of the System at 90% of the total  
22 actuarial liabilities of the System.

23 Amounts received by the System pursuant to Section 25 of  
24 the Budget Stabilization Act or Section 8.12 of the State  
25 Finance Act in any fiscal year do not reduce and do not  
26 constitute payment of any portion of the minimum State

1 contribution required under this Article in that fiscal year.  
2 Such amounts shall not reduce, and shall not be included in the  
3 calculation of, the required State contributions under this  
4 Article in any future year until the System has reached a  
5 funding ratio of at least 90%. A reference in this Article to  
6 the "required State contribution" or any substantially similar  
7 term does not include or apply to any amounts payable to the  
8 System under Section 25 of the Budget Stabilization Act.

9 Notwithstanding any other provision of this Section, the  
10 required State contribution for State fiscal year 2005 and for  
11 fiscal year 2008 and each fiscal year thereafter, as calculated  
12 under this Section and certified under Section 15-165, shall  
13 not exceed an amount equal to (i) the amount of the required  
14 State contribution that would have been calculated under this  
15 Section for that fiscal year if the System had not received any  
16 payments under subsection (d) of Section 7.2 of the General  
17 Obligation Bond Act, minus (ii) the portion of the State's  
18 total debt service payments for that fiscal year on the bonds  
19 issued in fiscal year 2003 for the purposes of that Section  
20 7.2, as determined and certified by the Comptroller, that is  
21 the same as the System's portion of the total moneys  
22 distributed under subsection (d) of Section 7.2 of the General  
23 Obligation Bond Act. In determining this maximum for State  
24 fiscal years 2008 through 2010, however, the amount referred to  
25 in item (i) shall be increased, as a percentage of the  
26 applicable employee payroll, in equal increments calculated

1 from the sum of the required State contribution for State  
2 fiscal year 2007 plus the applicable portion of the State's  
3 total debt service payments for fiscal year 2007 on the bonds  
4 issued in fiscal year 2003 for the purposes of Section 7.2 of  
5 the General Obligation Bond Act, so that, by State fiscal year  
6 2011, the State is contributing at the rate otherwise required  
7 under this Section.

8 (b) If an employee is paid from trust or federal funds, the  
9 employer shall pay to the Board contributions from those funds  
10 which are sufficient to cover the accruing normal costs on  
11 behalf of the employee. However, universities having employees  
12 who are compensated out of local auxiliary funds, income funds,  
13 or service enterprise funds are not required to pay such  
14 contributions on behalf of those employees. The local auxiliary  
15 funds, income funds, and service enterprise funds of  
16 universities shall not be considered trust funds for the  
17 purpose of this Article, but funds of alumni associations,  
18 foundations, and athletic associations which are affiliated  
19 with the universities included as employers under this Article  
20 and other employers which do not receive State appropriations  
21 are considered to be trust funds for the purpose of this  
22 Article.

23 (b-1) The City of Urbana and the City of Champaign shall  
24 each make employer contributions to this System for their  
25 respective firefighter employees who participate in this  
26 System pursuant to subsection (h) of Section 15-107. The rate

1 of contributions to be made by those municipalities shall be  
2 determined annually by the Board on the basis of the actuarial  
3 assumptions adopted by the Board and the recommendations of the  
4 actuary, and shall be expressed as a percentage of salary for  
5 each such employee. The Board shall certify the rate to the  
6 affected municipalities as soon as may be practical. The  
7 employer contributions required under this subsection shall be  
8 remitted by the municipality to the System at the same time and  
9 in the same manner as employee contributions.

10 (c) Through State fiscal year 1995: The total employer  
11 contribution shall be apportioned among the various funds of  
12 the State and other employers, whether trust, federal, or other  
13 funds, in accordance with actuarial procedures approved by the  
14 Board. State of Illinois contributions for employers receiving  
15 State appropriations for personal services shall be payable  
16 from appropriations made to the employers or to the System. The  
17 contributions for Class I community colleges covering earnings  
18 other than those paid from trust and federal funds, shall be  
19 payable solely from appropriations to the Illinois Community  
20 College Board or the System for employer contributions.

21 (d) Beginning in State fiscal year 1996, the required State  
22 contributions to the System shall be appropriated directly to  
23 the System and shall be payable through vouchers issued in  
24 accordance with subsection (c) of Section 15-165, except as  
25 provided in subsection (g).

26 (e) The State Comptroller shall draw warrants payable to

1 the System upon proper certification by the System or by the  
2 employer in accordance with the appropriation laws and this  
3 Code.

4 (f) Normal costs under this Section means liability for  
5 pensions and other benefits which accrues to the System because  
6 of the credits earned for service rendered by the participants  
7 during the fiscal year and expenses of administering the  
8 System, but shall not include the principal of or any  
9 redemption premium or interest on any bonds issued by the Board  
10 or any expenses incurred or deposits required in connection  
11 therewith.

12 (g) If the amount of a participant's earnings for any  
13 academic year used to determine the final rate of earnings,  
14 determined on a full-time equivalent basis, exceeds the amount  
15 of his or her earnings with the same employer for the previous  
16 academic year, determined on a full-time equivalent basis, by  
17 more than 6%, the participant's employer shall pay to the  
18 System, in addition to all other payments required under this  
19 Section and in accordance with guidelines established by the  
20 System, the present value of the increase in benefits resulting  
21 from the portion of the increase in earnings that is in excess  
22 of 6%. This present value shall be computed by the System on  
23 the basis of the actuarial assumptions and tables used in the  
24 most recent actuarial valuation of the System that is available  
25 at the time of the computation. The System may require the  
26 employer to provide any pertinent information or



1 documentation.

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

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

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

1 salary increases given on or after June 1, 2005 but before July  
2 1, 2016 ~~2011~~. The changes made by Public Act 94-1057 shall not  
3 require the System to refund any payments received before July  
4 31, 2006 (the effective date of Public Act 94-1057).

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

10 When assessing payment for any amount due under subsection  
11 (g), the System shall exclude earnings increases paid to a  
12 participant at a time when the participant is 10 or more years  
13 from retirement eligibility under Section 15-135.

14 When assessing payment for any amount due under subsection  
15 (g), the System shall exclude earnings increases resulting from  
16 overload work, including a contract for summer teaching, or  
17 overtime when the employer has certified to the System, and the  
18 System has approved the certification, that: (i) in the case of  
19 overloads (A) the overload work is for the sole purpose of  
20 academic instruction in excess of the standard number of  
21 instruction hours for a full-time employee occurring during the  
22 academic year that the overload is paid and (B) the earnings  
23 increases are equal to or less than the rate of pay for  
24 academic instruction computed using the participant's current  
25 salary rate and work schedule; and (ii) in the case of  
26 overtime, the overtime was necessary for the educational

1 mission.

2       When assessing payment for any amount due under subsection  
3 (g), the System shall exclude any earnings increase resulting  
4 from (i) a promotion for which the employee moves from one  
5 classification to a higher classification under the State  
6 Universities Civil Service System, (ii) a promotion in academic  
7 rank for a tenured or tenure-track faculty position, or (iii) a  
8 promotion that the Illinois Community College Board has  
9 recommended in accordance with subsection (k) of this Section.  
10 These earnings increases shall be excluded only if the  
11 promotion is to a position that has existed and been filled by  
12 a member for no less than one complete academic year and the  
13 earnings increase as a result of the promotion is an increase  
14 that results in an amount no greater than the average salary  
15 paid for other similar positions.

16       (i) When assessing payment for any amount due under  
17 subsection (g), the System shall exclude any salary increase  
18 described in subsection (h) of this Section given on or after  
19 July 1, 2011 but before July 1, 2014 under a contract or  
20 collective bargaining agreement entered into, amended, or  
21 renewed on or after June 1, 2005 but before July 1, 2011.  
22 Except as otherwise provided in subsection (h) ~~Notwithstanding~~  
23 ~~any other provision of this Section,~~ any payments made or  
24 salary increases given after June 30, 2014 shall be used in  
25 assessing payment for any amount due under subsection (g) of  
26 this Section.

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

4 (1) The number of recalculations required by the  
5 changes made to this Section by Public Act 94-1057 for each  
6 employer.

7 (2) The dollar amount by which each employer's  
8 contribution to the System was changed due to  
9 recalculations required by Public Act 94-1057.

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

13 (4) The increase in the required State contribution  
14 resulting from the changes made to this Section by Public  
15 Act 94-1057.

16 (k) The Illinois Community College Board shall adopt rules  
17 for recommending lists of promotional positions submitted to  
18 the Board by community colleges and for reviewing the  
19 promotional lists on an annual basis. When recommending  
20 promotional lists, the Board shall consider the similarity of  
21 the positions submitted to those positions recognized for State  
22 universities by the State Universities Civil Service System.  
23 The Illinois Community College Board shall file a copy of its  
24 findings with the System. The System shall consider the  
25 findings of the Illinois Community College Board when making  
26 determinations under this Section. The System shall not exclude

1 any earnings increases resulting from a promotion when the  
2 promotion was not submitted by a community college. Nothing in  
3 this subsection (k) shall require any community college to  
4 submit any information to the Community College Board.

5 (l) For purposes of determining the required State  
6 contribution to the System, the value of the System's assets  
7 shall be equal to the actuarial value of the System's assets,  
8 which shall be calculated as follows:

9 As of June 30, 2008, the actuarial value of the System's  
10 assets shall be equal to the market value of the assets as of  
11 that date. In determining the actuarial value of the System's  
12 assets for fiscal years after June 30, 2008, any actuarial  
13 gains or losses from investment return incurred in a fiscal  
14 year shall be recognized in equal annual amounts over the  
15 5-year period following that fiscal year.

16 (m) For purposes of determining the required State  
17 contribution to the system for a particular year, the actuarial  
18 value of assets shall be assumed to earn a rate of return equal  
19 to the system's actuarially assumed rate of return.

20 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;  
21 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.  
22 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.