Sen. Daniel Biss

Filed: 5/31/2013

AMENDMENT TO HOUSE BILL 1154

AMENDMENT NO. ______. Amend House Bill 1154 by replacing everything after the enacting clause with the following:

"Section 5. If and only if Senate Bill 1687 of the 98th General Assembly becomes law, the Illinois Pension Code is amended by changing Section 15-155 as follows:

(40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

Sec. 15-155. State and employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with contributions paid by employers, other employer contributions from trust, federal, and other funds, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System in accordance with actuarial recommendations.

The Board shall determine the amount of State and employer contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the System's actuary, using the formulas provided in this Section.

The System shall make all necessary assumptions to determine and allocate total demographic gains and losses for the purpose of determining State and employer contributions under this Section. Such assumptions shall include but not be limited to the rates of retirement, termination, disability, and mortality.

(a-1) For State fiscal years 2012 through 2014, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total actuarial assets of the System attributable to the State up to 100% of the total actuarial liabilities of the System attributable to the State by the end of State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the entry age normal actuarial cost method.

If at the end of State fiscal year 2044 the total actuarial assets of the System attributable to the State are less than 100% of the total actuarial liabilities of the System attributable to the State, the System shall determine the amount necessary to bring that those assets up to 100% of those liabilities and shall certify that amount as a required State contribution for State fiscal year 2046, and the State shall pay that amount to the System in State fiscal year 2046.

Beginning when the State has paid the contribution required under this subsection (a-1) for fiscal year 2046, or in State fiscal year 2045 if no such contribution for fiscal year 2046 is required, the State has no further obligation to make contributions to the System under this subsection (a-1).

For the purposes of this Article, "total actuarial liabilities of the System attributable to the State" means the total liabilities of the System less any notional liabilities assigned to employer accounts under Section 15-155.2.

For the purposes of this Article, "total actuarial assets of the System attributable to the State" means the total assets of the System less any notional assets assigned to employer accounts under Section 15-155.2.

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

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is $702,514,000 and shall be made from the State Pensions Fund and proceeds of bonds sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2010, (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 90%. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 through fiscal year 2014, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(a-5) In addition to the contributions that the State is otherwise required to make under this Article, beginning in fiscal year 2015 and in each fiscal year thereafter until the

State has no further obligation to make contributions to the System under subsection (a-1), the State shall be required to make an additional contribution to the System equal to the projected dollar amount of contributions to be made by employers pursuant to items (i) and (vi) of subsection (a-10) for that fiscal year. Contributions required to be made pursuant to this subsection do not reduce and do not constitute payment of any portion of the required State contribution made to the System pursuant to subsection (a-1) in that fiscal year. A contribution required to be made pursuant to this subsection shall not reduce, and shall not be included in the calculation of, the required contribution to be made by the State pursuant to subsection (a-1) in any future year, until the System has received the contribution pursuant to this subsection.

(a-10) Subject to the limitations provided in subsection (a-15) of this Section, beginning with State fiscal year 2015, each employer under this Article shall pay to the System a required contribution determined as a percentage of projected payroll and sufficient to produce an annual amount equal to:

(i) the employer normal cost for that fiscal year for participating employees of that employer (excluding costs attributable to any new benefit increases approved by that employer pursuant to Section 15-198), determined as a percentage of applicable payroll; plus

(ii) the amount required for that fiscal year to amortize any unfunded actuarial accrued liability associated with the present value of liabilities attributable to the employer's account under Section 15-155.2 (excluding costs attributable to any new benefit increases approved by that employer pursuant to Section 15-198), determined as a level percentage of payroll over a 30-year rolling amortization period; plus

(iii) that employer's normal cost for that fiscal year attributable to all new benefit increases approved by that employer pursuant to Section 15-198; plus

(iv) the amounts required for that fiscal year to amortize any unfunded actuarial accrued liability associated with the present value of each new benefit increase approved by that employer pursuant to Section 15-198, determined as a level percentage of payroll over a fixed 10-year amortization period; plus

(v) beginning when the State has no further obligation to make contributions to the System under subsection (a-1), the amount required for that fiscal year to amortize any unfunded actuarial accrued liability of the System not attributable to any employer's account under Section 15-155.2, determined as a level percentage of payroll over a 30-year rolling amortization period; plus

(vi) the amount of employer contributions for that fiscal year required for employees of that employer who participate in the self-managed plan under Section 15-158.2.

In determining contributions required under item (i) of this subsection, the System shall determine an aggregate rate for all employers, expressed as a percentage of projected payroll, exclusive of costs attributable to any new benefit increase approved pursuant to Section 15-198 and exclusive of employer contributions required for participating employees of the self-managed plan under Section 15-158.2.

In determining contributions required under item (ii) of this subsection, the System shall determine an individual rate determined as a percentage of projected payroll applicable to each employer based on that employer's individual account under Section 15-155.2, exclusive of (i) any liabilities attributable to the System as a whole rather than to the employer's account and (ii) costs attributable to any new benefit increase approved pursuant to Section 15-198.

In determining contributions required under items (iii) and (iv) of this subsection, the System shall determine an individual rate determined as a percentage of projected payroll applicable to each employer that approves a new benefit increase pursuant to Section 15-198.

In determining contributions required under item (v) of this subsection, the System shall determine an aggregate rate determined as a percentage of projected payroll applicable to all employers under the System.

The contributions required under this subsection (a-10) shall be paid by an employer concurrently with that employer's payroll payment period.

(a-15) For State fiscal year 2015, the required contribution of employers under item (i) of subsection (a-10) shall be reduced to an amount equal to 0.5% of applicable payroll. For each fiscal year thereafter, the required contribution of employers under item (i) of subsection (a-10) shall be the percentage of projected payroll required under this subsection (a-15) for the previous fiscal year, increased by 0.5% of payroll, except that when the percentage of projected payroll required under this subsection (a-15) first reaches the percentage of payroll required under item (i) of subsection (a-10), this subsection (a-15) shall cease to apply.

For State fiscal year 2015, the required contribution of employers under item (vi) of subsection (a-10) shall be reduced to an amount equal to 0.5% of applicable payroll. For each fiscal year thereafter, the required contribution of employers under item (vi) of subsection (a-10) shall be the percentage of projected payroll required under this subsection (a-15) for the previous fiscal year, increased by 0.5% of payroll, except that when the percentage of payroll required under this subsection (a-15) first reaches the percentage of payroll required under item (vi) of subsection (a-10), this subsection (a-15) shall cease to apply.

The limitations in this subsection (a-15) do not apply to (i) employer contributions required to be made under subsection (b) of this Section for employees who are compensated out of trust or federal funds, (ii) contributions required to be made by the City of Champaign or the City of Urbana for individuals described under subsection (h) of Section 15-107, (iii) contributions required to be made by a teacher organization for individuals described under subsection (i) of Section 15-107, or (iv) contributions required to be made by a teacher organization for individuals on special leave of absence under Section 15-113.2.

(b) If an employee is paid from trust or federal funds, the employer shall pay to the Board contributions from those funds which are sufficient to cover the accruing normal costs on behalf of the employee. However, universities having employees who are compensated out of local auxiliary funds, income funds, or service enterprise funds are not required to pay such contributions on behalf of those employees prior to July 1, 2014. Beginning July 1, 2014, universities having employees who are compensated out of local auxiliary funds, income funds, or service enterprise funds shall pay to the Board contributions from those funds that are sufficient to cover the accruing normal costs on behalf of those employees. The local auxiliary funds, income funds, and service enterprise funds of universities shall not be considered trust funds for the purpose of this Article, but funds of alumni associations, foundations, and athletic associations which are affiliated with the universities included as employers under this Article and other employers which do not receive State appropriations are considered to be trust funds for the purpose of this Article. Beginning July 1, 2014, the provisions of this subsection (b) apply to the payment of employer contributions required under subsection (a-10) of this Section and shall not be construed as a separate or additional contribution.

(b-1) The City of Urbana and the City of Champaign shall each make employer contributions to this System for their respective firefighter employees who participate in this System pursuant to subsection (h) of Section 15-107. The rate of contributions to be made by those municipalities shall be determined annually by the Board on the basis of the actuarial assumptions adopted by the Board and the recommendations of the actuary, and shall be expressed as a percentage of salary for each such employee. The Board shall certify the rate to the affected municipalities as soon as may be practical. The employer contributions required under this subsection shall be remitted by the municipality to the System at the same time and in the same manner as employee contributions.

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

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

(e) The State Comptroller shall draw warrants payable to the System upon proper certification by the System or by the employer in accordance with the appropriation laws and this Code.

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

(g) If the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 6%, the participant's employer shall pay to the

System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. The System may require the employer to provide any pertinent information or documentation.

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

The employer contributions required under this subsection

(g) may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill.

(h) This subsection (h) applies only to (1) payments made or salary increases given on or after June 1, 2005 but before July 1, 2011 and (2) payments made or salary increases given after the limitation on employer contributions under subsection (a-15) of Section 15-155 ceases to apply to contributions under item (i) of subsection (a-10) of that Section. The changes made by Public Act 94-1057 shall not require the System to refund any payments received before July 31, 2006 (the effective date of Public Act 94-1057).

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

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

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

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

(i) When assessing payment for any amount due under subsection (g), the System shall exclude any salary increase described in subsection (h) of this Section given on or after July 1, 2011 but before July 1, 2014 under a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005 but before July 1, 2011.

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

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

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

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

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

(k) The Illinois Community College Board shall adopt rules for recommending lists of promotional positions submitted to the Board by community colleges and for reviewing the promotional lists on an annual basis. When recommending promotional lists, the Board shall consider the similarity of the positions submitted to those positions recognized for State universities by the State Universities Civil Service System. The Illinois Community College Board shall file a copy of its findings with the System. The System shall consider the findings of the Illinois Community College Board when making determinations under this Section. The System shall not exclude any earnings increases resulting from a promotion when the promotion was not submitted by a community college. Nothing in this subsection (k) shall require any community college to submit any information to the Community College Board.

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

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

(m) For purposes of determining the required State contribution to the system for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal

to the system's actuarially assumed rate of return.
(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff. 7-13-12; 09800SB1687ham002.)

Section 99. Effective date. This Act takes effect upon becoming law, but no earlier than the effective date of Senate Bill 1687 of the 98th General Assembly.".