



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB1484

by Rep. Barbara Flynn Currie - Esther Golar

SYNOPSIS AS INTRODUCED:

40 ILCS 5/17-127	from Ch. 108 1/2, par. 17-127
40 ILCS 5/17-129	from Ch. 108 1/2, par. 17-129
40 ILCS 5/17-127.2 rep.	
40 ILCS 15/1.9 new	

Amends the Chicago Teacher Article of the Illinois Pension Code. Shifts future funding responsibility from the Chicago Board of Education to the State of Illinois. Specifies the amount of required State and Chicago Board of Education contributions for fiscal year 2014. Beginning in fiscal year 2015, changes the funding goal from 90% to 100% and specifies the manner of determining the required contributions from the State and the Board of Education. Defines terms. Provides for certification of contribution amounts and for payment of State contributions on a monthly basis pursuant to vouchers issued by the Board. Repeals a Section relating to additional employer contributions. Amends the State Pension Funds Continuing Appropriation Act. Provides a continuing appropriation to the Chicago Teachers' Pension Fund, on a continuing monthly basis, of the amount, if any, by which the total available amount of all other appropriations to that Fund for the payment of required State contributions is less than the total amount of the vouchers for required State contributions lawfully submitted by the Fund. Effective immediately.

LRB098 10432 EFG 40642 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 17-127 and 17-129 as follows:

6 (40 ILCS 5/17-127) (from Ch. 108 1/2, par. 17-127)

7 Sec. 17-127. Financing; State contributions;
8 certifications; vouchers ~~revenues for the Fund.~~

9 (a) The revenues for the Fund shall consist of: (1) amounts
10 paid into the Fund by contributors thereto and from employer
11 contributions and State appropriations in accordance with this
12 Article; (2) amounts contributed to the Fund by an Employer;
13 (3) amounts contributed to the Fund pursuant to any law now in
14 force or hereafter to be enacted; (4) contributions from any
15 other source; and (5) the earnings on investments.

16 (b) The General Assembly finds that for many years the
17 State has contributed to the Fund an annual amount that is
18 between 20% and 30% of the amount of the annual State
19 contribution to the Article 16 retirement system, and the
20 General Assembly declares that through fiscal year 2013, it is
21 its goal and intention to continue this level of contribution
22 to the Fund in the future.

23 Beginning in State fiscal year 1999 and through fiscal year

1 2013, the State shall include in its annual contribution to the
2 Fund an additional amount equal to 0.544% of the Fund's total
3 teacher payroll; except that this additional contribution need
4 not be made in a fiscal year if the Board has certified in the
5 previous fiscal year that the Fund is at least 90% funded,
6 based on actuarial determinations. These additional State
7 contributions are intended to offset a portion of the cost to
8 the Fund of the increases in retirement benefits resulting from
9 this amendatory Act of 1998.

10 (c) For fiscal year 2014, the State shall contribute
11 \$173,800,000 to the Fund.

12 (d) For fiscal year 2015 and each fiscal year thereafter,
13 the State shall contribute to the Fund an amount to be
14 determined by the Board in consultation with the Commission on
15 Government Forecasting and Accountability, equal to the sum of
16 the following:

17 (1) the State's share of the Fund's certified normal
18 cost for that fiscal year (excluding any amortization of
19 the unfunded accrued liability); and

20 (2) a positive or negative amount equal to the net
21 amount of any increases or decreases in the Fund's
22 supplemental annual cost for that fiscal year that are not
23 attributable to the effects of lost investment earnings due
24 to underfunding as defined in subsection (g). Such
25 increases or decreases may include, but are not limited to,
26 those resulting from changes in benefits, changes in

1 actuarial assumptions adopted by the Board, differences
2 between actuarial assumptions and actual experience, and
3 variations in investment earnings other than lost
4 investment earnings due to underfunding.

5 (e) Annually, on or before November 15, the Board shall
6 certify to the Governor the total annual amount of the required
7 State contribution under this Section for the next fiscal year.
8 The certification shall include a copy of the actuarial
9 recommendations upon which it is based. The certification shall
10 also specifically identify and certify for that next fiscal
11 year: (i) the Fund's predicted normal cost; (ii) the estimated
12 amount of participant contributions under Section 17-130; and
13 (iii) each of the amounts determined under subdivisions (1) and
14 (2) of subsection (d) and the methodology and facts relied upon
15 in determining those amounts.

16 The certification for fiscal year 2014, however, shall be
17 made within 30 days after the effective date of this amendatory
18 Act of the 98th General Assembly and shall consist only of the
19 amount specified in subsection (c).

20 (f) Beginning in State fiscal year 2014, the annual State
21 contribution required under this Section shall be payable to
22 the Fund in 12 substantially equal monthly installments.

23 On the 15th day of each month, or as soon thereafter as may
24 be practicable, the Board shall submit vouchers for payment of
25 State contributions to the Fund, in a total monthly amount of
26 one-twelfth of the annual amount of the required State

1 contribution certified under subsection (e). These vouchers
2 shall be paid by the State Comptroller and Treasurer by
3 warrants drawn on the funds appropriated to the Fund for that
4 fiscal year.

5 If in any month the amount remaining unexpended from all
6 other appropriations for State contributions to the Fund for
7 the applicable fiscal year is less than the amount lawfully
8 vouchered under this subsection, the difference shall be paid
9 from the General Revenue Fund under the continuing
10 appropriation authority provided in Section 1.9 of the State
11 Pension Funds Continuing Appropriation Act.

12 (g) For the purposes of this Article:

13 "Lost investment earnings due to underfunding" means the
14 additional earnings on investments, if any, that the Fund would
15 have received during a particular fiscal year if the Fund had
16 been 100% funded on July 1, 2013, taking into consideration the
17 reduction of the unfunded accrued liability in existence on
18 July 1, 2013 under subdivision (b) (iv) of Section 17-129 prior
19 to that fiscal year.

20 "Normal cost" means that part of the actuarial present
21 value of all future benefit payments and appropriate
22 administrative expenses assigned to a fiscal year under the
23 actuarial valuation method used by the Fund, excluding any
24 amortization of the unfunded accrued liability.

25 "The State's share of the Fund's certified normal cost"
26 means an amount equal to the Fund's certified normal cost for

1 the fiscal year minus the certified estimate for that fiscal
2 year of participant contributions required under Section
3 17-130.

4 "Supplemental annual cost" means that portion of the
5 unfunded accrued liability that is assigned to a fiscal year.
6 Unfunded accrued liability in existence on July 1, 2013 and
7 unfunded accrued liability accruing after that date that is
8 attributable to the effects of lost investment earnings due to
9 underfunding shall be assigned according to the schedule
10 adopted under subdivision (b)(iv) of Section 17-129. Unfunded
11 accrued liability that accrues on or after July 1, 2013 and is
12 not attributable to the effects of lost investment earnings due
13 to underfunding shall be assigned as the level annual amount
14 required to amortize that unfunded accrued liability over a
15 period not exceeding 30 years.

16 (h) It is declared to be the funding goal of the Fund to
17 achieve and maintain a funding ratio of 100%.

18 (Source: P.A. 90-548, eff. 12-4-97; 90-566, eff. 1-2-98;
19 90-582, eff. 5-27-98; 90-655, eff. 7-30-98.)

20 (40 ILCS 5/17-129) (from Ch. 108 1/2, par. 17-129)

21 Sec. 17-129. Board of Education ~~Employer~~ contributions;
22 certification; deficiency in Fund.

23 (a) If in any fiscal year of the Board of Education ending
24 prior to 1997 the total amounts paid to the Fund from the Board
25 of Education (other than under this subsection, and other than

1 amounts used for making or "picking up" contributions on behalf
2 of teachers) and from the State do not equal the total
3 contributions made by or on behalf of the teachers for such
4 year, or if the total income of the Fund in any such fiscal
5 year of the Board of Education from all sources is less than
6 the total such expenditures by the Fund for such year, the
7 Board of Education shall, in the next succeeding year, in
8 addition to any other payment to the Fund set apart and
9 appropriate from moneys from its tax levy for educational
10 purposes, a sum sufficient to remove such deficiency or
11 deficiencies, and promptly pay such sum into the Fund in order
12 to restore any of the reserves of the Fund that may have been
13 so temporarily applied. Any amounts received by the Fund after
14 December 4, 1997 from State appropriations, including under
15 Section 17-127, shall be a credit against and shall fully
16 satisfy any obligation that may have arisen, or be claimed to
17 have arisen, under this subsection (a) as a result of any
18 deficiency or deficiencies in the fiscal year of the Board of
19 Education ending in calendar year 1997.

20 (b) (i) Notwithstanding any other provision of this
21 Section, and notwithstanding any prior certification by the
22 Board under subsection (c) for fiscal year 2011, the Board of
23 Education's total required contribution to the Fund for fiscal
24 year 2011 under this Section is \$187,000,000.

25 (ii) Notwithstanding any other provision of this Section,
26 the Board of Education's total required contribution to the

1 Fund for fiscal year 2012 under this Section is \$192,000,000.

2 (iii) The Notwithstanding any other provision of this
3 Section, the Board of Education's total required contribution
4 to the Fund for fiscal year 2013 under this Section is
5 \$196,000,000, without any credit or offset of the amount
6 payable by the State under Section 17-127.

7 (iv) For fiscal years 2014 through 2059, the minimum
8 contribution to the Fund to be made by the Board of Education
9 in each fiscal year shall be an amount determined by the Fund
10 to be sufficient to amortize 100% of the unfunded accrued
11 liability of the Fund in existence on July 1, 2013, plus any
12 additional unfunded accrued liability accruing after that date
13 that is attributable to the effects of lost investment earnings
14 due to underfunding (as defined in Section 17-127) bring the
15 total assets of the Fund up to 90% of the total actuarial
16 liabilities of the Fund by the end of fiscal year 2059. In
17 making these determinations, the required Board of Education
18 contribution shall be calculated each year as a level
19 percentage of the applicable employee payrolls over the years
20 remaining to and including fiscal year 2059 and shall be
21 determined under the projected unit credit actuarial cost
22 method.

23 (v) Beginning in fiscal year 2060, or as soon as the
24 contributions under subdivision (iv) have paid off 100% of the
25 unfunded accrued liability of the Fund in existence on July 1,
26 2013 plus any additional unfunded accrued liability that has

1 accrued after that date and is attributable to the effects of
2 lost investment earnings due to underfunding, no further Board
3 of Education contribution shall be required. ~~the minimum Board~~
4 ~~of Education contribution for each fiscal year shall be the~~
5 ~~amount needed to maintain the total assets of the Fund at 90%~~
6 ~~of the total actuarial liabilities of the Fund.~~

7 (vi) (Blank). ~~Notwithstanding any other provision of this~~
8 ~~subsection (b), for any fiscal year, the contribution to the~~
9 ~~Fund from the Board of Education shall not be required to be in~~
10 ~~excess of the amount calculated as needed to maintain the~~
11 ~~assets (or cause the assets to be) at the 90% level by the end~~
12 ~~of the fiscal year.~~

13 (vii) (Blank). ~~Any contribution by the State to or for the~~
14 ~~benefit of the Fund, including, without limitation, as referred~~
15 ~~to under Section 17-127, shall be a credit against any~~
16 ~~contribution required to be made by the Board of Education~~
17 ~~under this subsection (b).~~

18 (c) The Board shall determine the amount of Board of
19 Education contributions required for each fiscal year on the
20 basis of the actuarial tables and other assumptions adopted by
21 the Board and the recommendations of the actuary, in order to
22 meet the minimum contribution requirements of subsections (a)
23 and (b). Annually, on or before February 28, the Board shall
24 certify to the Governor and the Board of Education the amount
25 of the required Board of Education contribution for the coming
26 fiscal year. The certification shall include a copy of the

1 actuarial recommendations upon which it is based. The Board
2 shall, if necessary, recertify the required contribution
3 amount under subdivision (b)(iii) for fiscal year 2014 in
4 accordance with this amendatory Act of the 98th General
5 Assembly.

6 (Source: P.A. 96-889, eff. 4-14-10.)

7 (40 ILCS 5/17-127.2 rep.)

8 Section 10. The Illinois Pension Code is amended by
9 repealing Section 17-127.2.

10 Section 15. The State Pension Funds Continuing
11 Appropriation Act is amended by adding Section 1.9 as follows:

12 (40 ILCS 15/1.9 new)

13 Sec. 1.9. Appropriation for Chicago Teachers' Pension
14 Fund. There is hereby appropriated from the General Revenue
15 Fund to the Public School Teachers' Pension and Retirement Fund
16 of Chicago, on a continuing monthly basis, the amount, if any,
17 by which the total available amount of all other appropriations
18 to that Fund for the payment of State contributions required
19 under Section 17-127 of the Illinois Pension Code is less than
20 the total amount of the vouchers for required State
21 contributions lawfully submitted by the Fund for that month
22 under that Section.

23 Section 99. Effective date. This Act takes effect upon

1 becoming law.