

SB2775



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB2775

Introduced 2/17/2016, by Sen. Pamela J. Althoff

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-125
40 ILCS 5/4-118

from Ch. 108 1/2, par. 3-125
from Ch. 108 1/2, par. 4-118

Amends the Downstate Police and Fire Articles of the Illinois Pension Code in relation to employer contributions. Changes the funding formula by: (1) reducing the target funding ratio from 90% to 85%; (2) extending the amortization period to 2055; (3) changing the actuarial method from projected unit credit to entry age normal; and (4) deleting the "level percentage of payroll" calculation from the funding requirement. Also delays by 4 years the enforcement of late payments by intercepting State funds. Effective immediately.

LRB099 18749 EFG 43133 b

FISCAL NOTE ACT
MAY APPLY

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 Sections 3-125 and 4-118 as follows:

6 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)
7 Sec. 3-125. Financing.

8 (a) The city council or the board of trustees of the
9 municipality shall annually levy a tax upon all the taxable
10 property of the municipality at the rate on the dollar which
11 will produce an amount which, when added to the deductions from
12 the salaries or wages of police officers, and revenues
13 available from other sources, will equal a sum sufficient to
14 meet the annual requirements of the police pension fund.

15 Through 2016, the ~~The~~ annual requirements to be provided by
16 such tax levy are equal to (1) the normal cost of the pension
17 fund for the year involved, plus (2) an amount sufficient to
18 bring the total assets of the pension fund up to 90% of the
19 total actuarial liabilities of the pension fund by the end of
20 municipal fiscal year 2040, as annually updated and determined
21 by an enrolled actuary employed by the Illinois Department of
22 Insurance or by an enrolled actuary retained by the pension
23 fund or the municipality. In making these determinations, the

1 required minimum employer contribution shall be calculated
2 each year as a level percentage of payroll over the years
3 remaining up to and including fiscal year 2040 and shall be
4 determined under the projected unit credit actuarial cost
5 method.

6 Beginning in 2017, the annual requirements to be provided
7 by the tax levy under this subsection shall be an amount equal
8 to (1) the normal cost of the pension fund for the year
9 involved, plus (2) an amount sufficient to amortize 85% of the
10 unfunded accrued liability of the pension fund by 2055, as
11 annually updated and determined by an enrolled actuary employed
12 by the Illinois Department of Insurance or by an enrolled
13 actuary retained by the pension fund or the municipality. In
14 making these determinations, the required minimum employer
15 contribution shall be determined under the entry age normal
16 actuarial cost method.

17 The tax shall be levied and collected in the same manner as
18 the general taxes of the municipality, and in addition to all
19 other taxes now or hereafter authorized to be levied upon all
20 property within the municipality, and shall be in addition to
21 the amount authorized to be levied for general purposes as
22 provided by Section 8-3-1 of the Illinois Municipal Code,
23 approved May 29, 1961, as amended. The tax shall be forwarded
24 directly to the treasurer of the board within 30 business days
25 after receipt by the county.

26 (b) For purposes of determining the required employer

1 contribution to a pension fund, the value of the pension fund's
2 assets shall be equal to the actuarial value of the pension
3 fund's assets, which shall be calculated as follows:

4 (1) On March 30, 2011, the actuarial value of a pension
5 fund's assets shall be equal to the market value of the
6 assets as of that date.

7 (2) In determining the actuarial value of the System's
8 assets for fiscal years after March 30, 2011, any actuarial
9 gains or losses from investment return incurred in a fiscal
10 year shall be recognized in equal annual amounts over the
11 5-year period following that fiscal year.

12 (c) If a participating municipality fails to transmit to
13 the fund contributions required of it under this Article for
14 more than 90 days after the payment of those contributions is
15 due, the fund may, after giving notice to the municipality,
16 certify to the State Comptroller the amounts of the delinquent
17 payments in accordance with any applicable rules of the
18 Comptroller, and the Comptroller must, beginning in fiscal year
19 2020 ~~2016~~, deduct and remit to the fund the certified amounts
20 or a portion of those amounts from the following proportions of
21 payments of State funds to the municipality:

22 (1) in fiscal year 2020 ~~2016~~, one-third of the total
23 amount of any payments of State funds to the municipality;

24 (2) in fiscal year 2021 ~~2017~~, two-thirds of the total
25 amount of any payments of State funds to the municipality;

26 and

1 (3) in fiscal year 2022 ~~2018~~ and each fiscal year
2 thereafter, the total amount of any payments of State funds
3 to the municipality.

4 The State Comptroller may not deduct from any payments of
5 State funds to the municipality more than the amount of
6 delinquent payments certified to the State Comptroller by the
7 fund.

8 (d) The police pension fund shall consist of the following
9 moneys which shall be set apart by the treasurer of the
10 municipality:

11 (1) All moneys derived from the taxes levied hereunder;

12 (2) Contributions by police officers under Section
13 3-125.1;

14 (3) All moneys accumulated by the municipality under
15 any previous legislation establishing a fund for the
16 benefit of disabled or retired police officers;

17 (4) Donations, gifts or other transfers authorized by
18 this Article.

19 (e) The Commission on Government Forecasting and
20 Accountability shall conduct a study of all funds established
21 under this Article and shall report its findings to the General
22 Assembly on or before January 1, 2013. To the fullest extent
23 possible, the study shall include, but not be limited to, the
24 following:

25 (1) fund balances;

26 (2) historical employer contribution rates for each

1 fund;

2 (3) the actuarial formulas used as a basis for employer
3 contributions, including the actual assumed rate of return
4 for each year, for each fund;

5 (4) available contribution funding sources;

6 (5) the impact of any revenue limitations caused by
7 PTELL and employer home rule or non-home rule status; and

8 (6) existing statutory funding compliance procedures
9 and funding enforcement mechanisms for all municipal
10 pension funds.

11 (Source: P.A. 99-8, eff. 7-9-15.)

12 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

13 Sec. 4-118. Financing.

14 (a) The city council or the board of trustees of the
15 municipality shall annually levy a tax upon all the taxable
16 property of the municipality at the rate on the dollar which
17 will produce an amount which, when added to the deductions from
18 the salaries or wages of firefighters and revenues available
19 from other sources, will equal a sum sufficient to meet the
20 annual actuarial requirements of the pension fund, as
21 determined by an enrolled actuary employed by the Illinois
22 Department of Insurance or by an enrolled actuary retained by
23 the pension fund or municipality.

24 Through 2016, for ~~For~~ the purposes of this Section, the
25 annual actuarial requirements of the pension fund are equal to

1 (1) the normal cost of the pension fund, or 17.5% of the
2 salaries and wages to be paid to firefighters for the year
3 involved, whichever is greater, plus (2) an annual amount
4 sufficient to bring the total assets of the pension fund up to
5 90% of the total actuarial liabilities of the pension fund by
6 the end of municipal fiscal year 2040, as annually updated and
7 determined by an enrolled actuary employed by the Illinois
8 Department of Insurance or by an enrolled actuary retained by
9 the pension fund or the municipality. In making these
10 determinations, the required minimum employer contribution
11 shall be calculated each year as a level percentage of payroll
12 over the years remaining up to and including fiscal year 2040
13 and shall be determined under the projected unit credit
14 actuarial cost method.

15 Beginning in 2017, for the purposes of this Section, the
16 annual actuarial requirements of the pension fund are equal to
17 (1) the normal cost of the pension fund, or 17.5% of the
18 salaries and wages to be paid to firefighters for the year
19 involved, whichever is greater, plus (2) an amount sufficient
20 to amortize 85% of the unfunded accrued liability of the
21 pension fund by 2055, as annually updated and determined by an
22 enrolled actuary employed by the Illinois Department of
23 Insurance or by an enrolled actuary retained by the pension
24 fund or the municipality. In making these determinations, the
25 required minimum employer contribution shall be determined
26 under the entry age normal actuarial cost method.

1 The amount to be applied towards the amortization of the
2 unfunded accrued liability in any year shall not be less than
3 the annual amount required to amortize the unfunded accrued
4 liability, including interest, as a level percentage of payroll
5 over the number of years remaining in the 40 year amortization
6 period.

7 (a-5) For purposes of determining the required employer
8 contribution to a pension fund, the value of the pension fund's
9 assets shall be equal to the actuarial value of the pension
10 fund's assets, which shall be calculated as follows:

11 (1) On March 30, 2011, the actuarial value of a pension
12 fund's assets shall be equal to the market value of the
13 assets as of that date.

14 (2) In determining the actuarial value of the pension
15 fund's assets for fiscal years after March 30, 2011, any
16 actuarial gains or losses from investment return incurred
17 in a fiscal year shall be recognized in equal annual
18 amounts over the 5-year period following that fiscal year.

19 (b) The tax shall be levied and collected in the same
20 manner as the general taxes of the municipality, and shall be
21 in addition to all other taxes now or hereafter authorized to
22 be levied upon all property within the municipality, and in
23 addition to the amount authorized to be levied for general
24 purposes, under Section 8-3-1 of the Illinois Municipal Code or
25 under Section 14 of the Fire Protection District Act. The tax
26 shall be forwarded directly to the treasurer of the board

1 within 30 business days of receipt by the county (or, in the
2 case of amounts added to the tax levy under subsection (f),
3 used by the municipality to pay the employer contributions
4 required under subsection (b-1) of Section 15-155 of this
5 Code).

6 (b-5) If a participating municipality fails to transmit to
7 the fund contributions required of it under this Article for
8 more than 90 days after the payment of those contributions is
9 due, the fund may, after giving notice to the municipality,
10 certify to the State Comptroller the amounts of the delinquent
11 payments in accordance with any applicable rules of the
12 Comptroller, and the Comptroller must, beginning in fiscal year
13 2020 ~~2016~~, deduct and remit to the fund the certified amounts
14 or a portion of those amounts from the following proportions of
15 payments of State funds to the municipality:

16 (1) in fiscal year 2020 ~~2016~~, one-third of the total
17 amount of any payments of State funds to the municipality;

18 (2) in fiscal year 2021 ~~2017~~, two-thirds of the total
19 amount of any payments of State funds to the municipality;

20 and

21 (3) in fiscal year 2022 ~~2018~~ and each fiscal year
22 thereafter, the total amount of any payments of State funds
23 to the municipality.

24 The State Comptroller may not deduct from any payments of
25 State funds to the municipality more than the amount of
26 delinquent payments certified to the State Comptroller by the

1 fund.

2 (c) The board shall make available to the membership and
3 the general public for inspection and copying at reasonable
4 times the most recent Actuarial Valuation Balance Sheet and Tax
5 Levy Requirement issued to the fund by the Department of
6 Insurance.

7 (d) The firefighters' pension fund shall consist of the
8 following moneys which shall be set apart by the treasurer of
9 the municipality: (1) all moneys derived from the taxes levied
10 hereunder; (2) contributions by firefighters as provided under
11 Section 4-118.1; (3) all rewards in money, fees, gifts, and
12 emoluments that may be paid or given for or on account of
13 extraordinary service by the fire department or any member
14 thereof, except when allowed to be retained by competitive
15 awards; and (4) any money, real estate or personal property
16 received by the board.

17 (e) For the purposes of this Section, "enrolled actuary"
18 means an actuary: (1) who is a member of the Society of
19 Actuaries or the American Academy of Actuaries; and (2) who is
20 enrolled under Subtitle C of Title III of the Employee
21 Retirement Income Security Act of 1974, or who has been engaged
22 in providing actuarial services to one or more public
23 retirement systems for a period of at least 3 years as of July
24 1, 1983.

25 (f) The corporate authorities of a municipality that
26 employs a person who is described in subdivision (d) of Section

1 4-106 may add to the tax levy otherwise provided for in this
2 Section an amount equal to the projected cost of the employer
3 contributions required to be paid by the municipality to the
4 State Universities Retirement System under subsection (b-1) of
5 Section 15-155 of this Code.

6 (g) The Commission on Government Forecasting and
7 Accountability shall conduct a study of all funds established
8 under this Article and shall report its findings to the General
9 Assembly on or before January 1, 2013. To the fullest extent
10 possible, the study shall include, but not be limited to, the
11 following:

12 (1) fund balances;

13 (2) historical employer contribution rates for each
14 fund;

15 (3) the actuarial formulas used as a basis for employer
16 contributions, including the actual assumed rate of return
17 for each year, for each fund;

18 (4) available contribution funding sources;

19 (5) the impact of any revenue limitations caused by
20 PTELL and employer home rule or non-home rule status; and

21 (6) existing statutory funding compliance procedures
22 and funding enforcement mechanisms for all municipal
23 pension funds.

24 (Source: P.A. 99-8, eff. 7-9-15.)

25 Section 99. Effective date. This Act takes effect upon
26 becoming law.