HB3345

LRB09710913JDS51465b

97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB3345

Introduced 2/24/2011, by Rep. Kevin A. McCarthy

SYNOPSIS AS INTRODUCED:

See Index

Amends the Chicago Firefighter Article of the Illinois Pension Code. Provides that the minimum widow's annuity for the surviving spouse of a fireman who first became a participant before January 1, 2011 is 50% of the fireman's earned annuity on the date of death. Provides that act of duty annuities are not payable to the spouse of a fireman if the fireman was receiving disability benefits when he or she died but died of an intervening illness or injury unrelated to the injury or illness that prevented him or her from returning to service. Requires the city council to levy a tax annually at a rate on the dollar of the assessed valuation of all taxable property that will produce when extended an annual amount that is equal to (1) the normal cost to the Fund, plus (2) an annual amount sufficient to bring the total assets of the Fund up to 60% of the total actuarial liabilities of the Fund by the end of fiscal year 2035, 80% by the end of fiscal year 2055, and 90% by the end of 2065 (instead of 90% by the end of 2040). Provides that firemen who first became participants before January 1, 2011 are eligible for 3% automatic annual increases. Requires additional employee contributions. Authorizes automatic annual increases in the annuities of widows of firemen who first became participants before January 1, 2011. Reduces the amount of annuities awarded to spouses, children, and parents of firemen who first became or become participants after January 1, 2011. Amends the State Mandates Act to require implementation without reimbursement.

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FISCAL NOTE ACT MAY APPLY	PENSION IMPACT NOTE ACT MAY APPLY	STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Illinois Pension Code is amended by changing Sections 6-140, 6-164, 6-165, 6-205, and 6-229 and by adding Sections 6-128.5 and 6-164A as follows:

(40 ILCS 5/6-128.5 new)

Sec. 6-128.5. Minimum widow's annuity-participants before January 1, 2011.

(a) For the purposes of this Section, "eligible surviving spouse" means a surviving spouse of a fireman, provided that the fireman (i) first became a participant under this Article before January 1, 2011 and (ii) qualified for a minimum annuity under this Article on the date of death.

(b) Notwithstanding any other provision of this Article, for an eligible surviving spouse, the minimum widow's annuity that must be paid under this Article is 50% of the fireman's earned annuity on the date of death.

(c) This Section applies to all eligible surviving spouses who are receiving a widow's annuity under this Article, without regard to whether the death or retirement of the fireman occurred before the effective date of this amendatory Act of the 97th General Assembly.

(40 ILCS 5/6-140) (from Ch. 108 1/2, par. 6-140)

Sec. 6-140. Death in the line of duty.

(a) The annuity for the widow of a fireman whose death results from the performance of an act or acts of duty shall be an amount equal to 50% of the current annual salary attached to the classified position to which the fireman was certified at the time of his death and 75% thereof after December 31, 1972.

Unless the performance of an act or acts of duty results directly in the death of the fireman, or prevents him from subsequently resuming active service in the fire department, the annuity herein provided shall not be paid; nor shall such annuities be paid unless the widow was the wife of the fireman at the time of the act or acts of duty which resulted in his death<u>; nor shall such annuities be paid to the spouse of a fireman if the fireman was receiving disability benefits when he or she died but his or her death was caused by an intervening illness or injury unrelated to the illness or injury that prevented him or her from resuming active service with the fire department</u>.

(b) The changes made to this Section by this amendatory Act of the 92nd General Assembly apply without regard to whether the deceased fireman was in service on or after the effective date of this amendatory Act. In the case of a widow receiving an annuity under this Section that has been reduced to 40% of current salary because the fireman, had he lived, would have

attained the age prescribed for compulsory retirement, the annuity shall be restored to the amount provided in subsection (a), with the increase beginning to accrue on the later of January 1, 2001 or the day the annuity first became payable.
(Source: P.A. 92-50, eff. 7-12-01.)

(40 ILCS 5/6-164) (from Ch. 108 1/2, par. 6-164)

Sec. 6-164. Automatic annual increase; retirement after September 1, 1959.

(a) A fireman qualifying for a minimum annuity who retires from service after September 1, 1959 shall, upon either the first of the month following the first anniversary of his date of retirement if he is age 60 (age 55 if born before January 1, 1955) or over on that anniversary date, or upon the first of the month following his attainment of age 60 (age 55 if born before January 1, 1955) if that occurs after the first anniversary of his retirement date, have his then fixed and payable monthly annuity increased by 1 1/2%, and such first fixed annuity as granted at retirement increased by an additional 1 1/2% in January of each year thereafter up to a maximum increase of 30%. Beginning July 1, 1982 for firemen born before January 1, 1930, and beginning January 1, 1990 for firemen born after December 31, 1929 and before January 1, 1940, and beginning January 1, 1996 for firemen born after December 31, 1939 but before January 1, 1945, and beginning January 1, 2004, for firemen born after December 31, 1944 but before January 1, 1955, and beginning January 1, 2012, for firemen who first became participants under this Article before January 1, 2011 and who qualify for a minimum annuity, such increases shall be 3% and such firemen shall not be subject to the 30% maximum increase.

Any fireman born before January 1, 1945 who qualifies for a minimum annuity and retires after September 1, 1967 but has not received the initial increase under this subsection before January 1, 1996 is entitled to receive the initial increase under this subsection on (1) January 1, 1996, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last. The changes to this Section made by this amendatory Act of 1995 apply beginning January 1, 1996 and apply without regard to whether the fireman or annuitant terminated service before the effective date of this amendatory Act of 1995.

Any fireman born before January 1, 1955 who qualifies for a minimum annuity and retires after September 1, 1967 but has not received the initial increase under this subsection before January 1, 2004 is entitled to receive the initial increase under this subsection on (1) January 1, 2004, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last. The changes to this Section made by this amendatory Act of the 93rd General Assembly apply without regard to whether the fireman or annuitant terminated service before the effective date of this amendatory Act.

Any fireman who first became a participant under this Article before January 1, 2011 and qualifies for a minimum annuity but has not received the initial increase under this subsection (a) before January 1, 2012 is entitled to receive the initial increase under this subsection (a) on the later of (1) January 1, 2012, (2) the first day in the month following the month of his or her first anniversary from retirement, or (3) one month after attainment of age 55.

(b) Subsection (a) of this Section is not applicable to an employee receiving a term annuity.

(c) To help defray the cost of such increases in annuity, there shall be deducted, beginning September 1, 1959, from each payment of salary to a fireman, 1/8 of 1% of each such salary payment and an additional 1/8 of 1% beginning on September 1, 1961, and September 1, 1963, respectively, concurrently with and in addition to the salary deductions otherwise made for annuity purposes.

Each such additional 1/8 of 1% deduction from salary which shall, on September 1, 1963, result in a total increase of 3/8 of 1% of salary, shall be credited to the Automatic Increase Reserve, to be used, together with city contributions as provided in this Article, to defray the cost of the 1 1/2% annuity increments herein specified. Any balance in such reserve as of the beginning of each calendar year shall be credited with interest at the rate of 3% per annum.

To help defray the increase in costs incurred as a result of this amendatory Act of the 97th General Assembly, there shall be deducted, concurrently with and in addition to the deductions otherwise made, an additional 0.875% of salary, beginning January 1, 2016, provided that a Fund actuary has certified, not later than one year before the imposition of the additional deduction, that the deduction is necessary and adequate to cover the additional costs imposed by this amendatory Act of the 97th General Assembly. These additional deductions shall also be credited to the Automatic Increase Reserve, and the balance in that reserve on the beginning of each calendar year shall be credited with interest at the rate of 3% per annum.

The salary deductions provided in this Section are not subject to refund, except to the fireman himself, in any case in which a fireman withdraws prior to qualification for minimum annuity and applies for refund, or applies for annuity, and also where a term annuity becomes payable. In such cases, the total of such salary deductions shall be refunded to the fireman, without interest, and charged to the aforementioned reserve.

(d) Notwithstanding any other provision of this Article, the monthly annuity of a person who first becomes a fireman under this Article on or after January 1, 2011 shall be increased on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the annuity shall not be increased.

For the purposes of this subsection (d), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the pension funds.

(Source: P.A. 96-1495, eff. 1-1-11.)

(40 ILCS 5/6-164A new)

Sec. 6-164A. Automatic increase in widow's annuity-participants before January 1, 2011.

(a) For the purposes of this Section, "eligible surviving spouse" means a surviving spouse of a fireman, provided that the fireman (i) first became a participant under this Article before January 1, 2011 and (ii) qualified for a minimum annuity under this Article on the date of death.

(b) The widow's annuity of an eligible surviving spouse shall be increased on the January 1 after attainment of age 60 by the recipient of the widow's annuity and each January 1 thereafter by 3% or one-half the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for a 12 month period ending in September is zero or, when compared with the preceding period, decreases, then the annuity shall not be increased.

(c) An eligible surviving spouse who has not received an increase under this subsection (a) before January 1, 2012 is entitled to receive the initial increase on January 1, 2012.

(d) This Section applies to all eligible surviving spouses who are receiving a widow's annuity under this Article, without regard to whether the death or retirement of the fireman occurred prior to the effective date of this amendatory Act of the 97th General Assembly.

(40 ILCS 5/6-165) (from Ch. 108 1/2, par. 6-165)

Sec. 6-165. Financing; tax.

(a) Except as expressly provided in this Section, each city shall levy a tax annually upon all taxable property therein for the purpose of providing revenue for the fund. For the years prior to the year 1960, the tax rate shall be as provided for in the "Firemen's Annuity and Benefit Fund of the Illinois Municipal Code". The tax, from and after January 1, 1968 to and including the year 1971, shall not exceed .0863% of the value, as equalized or assessed by the Department of Revenue, of all taxable property in the city. Beginning with the year 1972 and through 2014, the city shall levy a tax annually at a rate on the dollar of the value, as equalized or assessed by the Department of Revenue of all taxable property within such city that will produce, when extended, not to exceed an amount equal to the total amount of contributions by the employees to the fund made in the calendar year 2 years prior to the year for which the annual applicable tax is levied, multiplied by 2.23 through the calendar year 1981, and by 2.26 for the year 1982 and for each year through 2014. Beginning in 2015, the city council shall levy a tax annually at a rate on the dollar of the assessed valuation of all taxable property that will produce when extended an annual amount that is equal to (1) the normal cost to the Fund, plus (2) an annual amount sufficient to bring the total assets of the Fund up to 60% of the total actuarial liabilities of the Fund by the end of fiscal year 2035, 80% of the total actuarial liabilities of the Fund by the end of fiscal year 2055, and 90% of the total actuarial liabilities of the Fund by the end of fiscal year 2065 ~~2040~~, as annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the Fund or the city. In making these determinations, the required minimum employer contribution shall be calculated each year as a level percentage of payroll over the years remaining up to and including the fiscal benchmark years 2035, 2055, and 2065 ~~year 2040~~ and shall be determined under the projected unit credit actuarial cost method.

To provide revenue for the ordinary death benefit established by Section 6-150 of this Article, in addition to the contributions by the firemen for this purpose, the city council shall for the year 1962 and each year thereafter annually levy a tax, which shall be in addition to and exclusive of the taxes authorized to be levied under the foregoing provisions of this Section, upon all taxable property in the city, as equalized or assessed by the Department of Revenue, at such rate per cent of the value of such property as shall be sufficient to produce for each year the sum of $142,000.

The amounts produced by the taxes levied annually, together with the deposit expressly authorized in this Section, shall be sufficient, when added to the amounts deducted from the salaries of firemen and applied to the fund, to provide for the purposes of the fund.

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

(1) On March 30, 2011, the actuarial value of the Fund's assets shall be equal to the market value of the assets as of that date.

(2) In determining the actuarial value of the Fund's assets for fiscal years after March 30, 2011, 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.

(a-7) If the city fails to transmit to the Fund contributions required of it under this Article for more than 90 days after the payment of those contributions is due, the Fund may, after giving notice to the city, certify to the State Comptroller the amounts of the delinquent payments, and the Comptroller must, beginning in fiscal year 2016, deduct and deposit into the Fund the certified amounts or a portion of those amounts from the following proportions of grants of State funds to the city:

(1) in fiscal year 2016, one-third of the total amount of any grants of State funds to the city;

(2) in fiscal year 2017, two-thirds of the total amount of any grants of State funds to the city; and

(3) in fiscal year 2018 and each fiscal year thereafter, the total amount of any grants of State funds to the city.

The State Comptroller may not deduct from any grants of

State funds to the city more than the amount of delinquent payments certified to the State Comptroller by the Fund.

(b) The taxes shall be levied and collected in like manner with the general taxes of the city, and shall be in addition to all other taxes which the city may levy upon all taxable property therein and shall be exclusive of and in addition to the amount of tax the city may levy for general purposes under Section 8-3-1 of the Illinois Municipal Code, approved May 29, 1961, as amended, or under any other law or laws which may limit the amount of tax which the city may levy for general purposes.

(c) The amounts of the taxes to be levied in each year shall be certified to the city council by the board.

(d) As soon as any revenue derived from such taxes is collected, it shall be paid to the city treasurer and held for the benefit of the fund, and all such revenue shall be paid into the fund in accordance with the provisions of this Article.

(e) If the funds available are insufficient during any year to meet the requirements of this Article, the city may issue tax anticipation warrants, against the tax levies herein authorized for the current fiscal year.

(f) The various sums, hereinafter stated, including interest, to be contributed by the city, shall be taken from the revenue derived from the taxes or otherwise as expressly provided in this Section. Except for defraying the cost of administration of the fund during the calendar year in which a city first attains a population of 500,000 and comes under the provisions of this Article and the first calendar year thereafter, any money of the city derived from any source other than these taxes or the sale of tax anticipation warrants shall not be used to provide revenue for the fund, nor to pay any part of the cost of administration thereof, unless applied to make the deposit expressly authorized in this Section or the additional city contributions required under subsection (h).

(g) In lieu of levying all or a portion of the tax required under this Section in any year, the city may deposit with the city treasurer no later than March 1 of that year for the benefit of the fund, to be held in accordance with this Article, an amount that, together with the taxes levied under this Section for that year, is not less than the amount of the city contributions for that year as certified by the board to the city council. The deposit may be derived from any source legally available for that purpose, including, but not limited to, the proceeds of city borrowings. The making of a deposit shall satisfy fully the requirements of this Section for that year to the extent of the amounts so deposited. Amounts deposited under this subsection may be used by the fund for any of the purposes for which the proceeds of the taxes levied under this Section may be used, including the payment of any amount that is otherwise required by this Article to be paid from the proceeds of those taxes.

(h) In addition to the contributions required under the other provisions of this Article, by November 1 of the following specified years, the city shall deposit with the city treasurer for the benefit of the fund, to be held and used in accordance with this Article, the following specified amounts: $6,300,000 in 1999; $5,880,000 in 2000; $5,460,000 in 2001; $5,040,000 in 2002; and $4,620,000 in 2003.

The additional city contributions required under this subsection are intended to decrease the unfunded liability of the fund and shall not decrease the amount of the city contributions required under the other provisions of this Article. The additional city contributions made under this subsection may be used by the fund for any of its lawful purposes.

(Source: P.A. 96-1495, eff. 1-1-11.)

(40 ILCS 5/6-205) (from Ch. 108 1/2, par. 6-205)

Sec. 6-205. Automatic increase reserve. Amounts contributed by firemen and the city to provide the 3% ~~1 1/2%~~ retirement annuity increments as provided in Section 6-164, together with interest allocations, shall be credited to this reserve, and all payments for annuity increments shall be charged to this reserve.

(Source: P.A. 81-1536.)

(40 ILCS 5/6-229)

Sec. 6-229. Provisions applicable to new hires.

(a) Notwithstanding any other provision of this Article, the provisions of this Section apply to a person who first becomes a fireman under this Article on or after January 1, 2011.

(b) A fireman age 55 or more who has 10 or more years of service in that capacity shall be entitled at his option to receive a monthly retirement annuity for his service as a fireman computed by multiplying 2.5% for each year of such service by his or her final average salary.

The retirement annuity of a fireman who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by one-half of 1% for each month that the fireman's age is under age 55.

The maximum retirement annuity under this subsection (b) shall be 75% of final average salary.

For the purposes of this subsection (b), "final average salary" means the average monthly salary obtained by dividing the total salary of the fireman during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual salary based on the plan year of a member or participant to whom this Section applies shall not exceed $106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

(c) Notwithstanding any other provision of this Article, for a person who first becomes a fireman under this Article on or after January 1, 2011, the annuity to which the surviving spouse, children, or parents are entitled under this subsection (c) shall be in the amount of 50% ~~66 2/3%~~ of the fireman's earned pension at the date of death.

Notwithstanding any other provision of this Article, the monthly annuity of a survivor of a person who first becomes a fireman under this Article on or after January 1, 2011 shall be increased on the January 1 after attainment of age 60 by the recipient of the survivor's pension and each January 1 thereafter by 3% or one-half the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the annuity shall not be increased.

(Source: P.A. 96-1495, eff. 1-1-11.)

Section 90. The State Mandates Act is amended by adding Section 8.35 as follows:

(30 ILCS 805/8.35 new)

Sec. 8.35. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 97th General Assembly.

INDEX

Statutes amended in order of appearance