



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3402

Introduced 2/4/2026, by Sen. Robert F. Martwick

SYNOPSIS AS INTRODUCED:

40 ILCS 5/8-173 from Ch. 108 1/2, par. 8-173
40 ILCS 5/8-173.2 new
30 ILCS 805/8.50 new

Amends the Chicago Municipal Article of the Illinois Pension Code. Beginning February 1, 2027, requires the Board of Education of the City of Chicago to make an annual contribution equal to the normal cost for all the employees of the Board of Education under the Article on and after the effective date of the amendatory Act and an apportioned contribution toward the unfunded actuarial accrued liability of the fund equal to the percentage of the Fund's total current unfunded liability that is attributable to service credit earned by employees of the Board of Education of the city prior to January 1, 1994. Provides that the amount of the liability shall be determined by the Fund's actuary and amortized in a manner consistent with the statutory funding schedule applicable to the Fund, including the requirement to achieve a funded ratio of not less than 90% by the applicable target year. Makes a conforming change. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB104 18509 RPS 31951 b

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

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
5 changing Section 8-173 and by adding Section 8-173.2 as
6 follows:

7 (40 ILCS 5/8-173) (from Ch. 108 1/2, par. 8-173)

8 Sec. 8-173. Financing; tax levy.

9 (a) Except as provided in subsection (f) of this Section,
10 the city council of the city shall levy a tax annually upon all
11 taxable property in the city at a rate that will produce a sum
12 which, when added to the amounts deducted from the salaries of
13 the employees or otherwise contributed by them and the amounts
14 deposited under subsection (f), will be sufficient for the
15 requirements of this Article, but which when extended will
16 produce an amount not to exceed the greater of the following:

17 (a) the sum obtained by the levy of a tax of .1093% of the
18 value, as equalized or assessed by the Department of Revenue,
19 of all taxable property within such city, or (b) the sum of
20 \$12,000,000. However any city in which a Fund has been
21 established and in operation under this Article for more than
22 3 years prior to 1970 shall levy for the year 1970 a tax at a
23 rate on the dollar of assessed valuation of all taxable

1 property that will produce, when extended, an amount not to
2 exceed 1.2 times the total amount of contributions made by
3 employees to the Fund for annuity purposes in the calendar
4 year 1968, and, for the year 1971 and 1972 such levy that will
5 produce, when extended, an amount not to exceed 1.3 times the
6 total amount of contributions made by employees to the Fund
7 for annuity purposes in the calendar years 1969 and 1970,
8 respectively; and for the year 1973 an amount not to exceed
9 1.365 times such total amount of contributions made by
10 employees for annuity purposes in the calendar year 1971; and
11 for the year 1974 an amount not to exceed 1.430 times such
12 total amount of contributions made by employees for annuity
13 purposes in the calendar year 1972; and for the year 1975 an
14 amount not to exceed 1.495 times such total amount of
15 contributions made by employees for annuity purposes in the
16 calendar year 1973; and for the year 1976 an amount not to
17 exceed 1.560 times such total amount of contributions made by
18 employees for annuity purposes in the calendar year 1974; and
19 for the year 1977 an amount not to exceed 1.625 times such
20 total amount of contributions made by employees for annuity
21 purposes in the calendar year 1975; and for the year 1978 and
22 each year thereafter through levy year 2016, such levy as will
23 produce, when extended, an amount not to exceed the total
24 amount of contributions made by or on behalf of employees to
25 the Fund for annuity purposes in the calendar year 2 years
26 prior to the year for which the annual applicable tax is

1 levied, multiplied by 1.690 for the years 1978 through 1998
2 and by 1.250 for the year 1999 and for each year thereafter
3 through levy year 2016. Beginning in levy year 2017, and in
4 each year thereafter, the levy shall not exceed the amount of
5 the city's total required contribution to the Fund for the
6 next payment year, as determined under subsection (a-5). For
7 the purposes of this Section, the payment year is the year
8 immediately following the levy year.

9 The tax shall be levied and collected in like manner with
10 the general taxes of the city, and shall be exclusive of and in
11 addition to the amount of tax the city is now or may hereafter
12 be authorized to levy for general purposes under any laws
13 which may limit the amount of tax which the city may levy for
14 general purposes. The county clerk of the county in which the
15 city is located, in reducing tax levies under the provisions
16 of any Act concerning the levy and extension of taxes, shall
17 not consider the tax herein provided for as a part of the
18 general tax levy for city purposes, and shall not include the
19 same within any limitation of the percent of the assessed
20 valuation upon which taxes are required to be extended for
21 such city.

22 Revenues derived from such tax shall be paid to the city
23 treasurer of the city as collected and held by the city
24 treasurer for the benefit of the fund.

25 If the payments on account of taxes are insufficient
26 during any year to meet the requirements of this Article, the

1 city may issue tax anticipation warrants against the current
2 tax levy.

3 The city may continue to use other lawfully available
4 funds in lieu of all or part of the levy, as provided under
5 subsection (f) of this Section.

6 (a-5) (1) Beginning in payment year 2018, the city's
7 required annual contribution to the Fund for payment years
8 2018 through 2022 shall be: for 2018, \$266,000,000; for 2019,
9 \$344,000,000; for 2020, \$421,000,000; for 2021, \$499,000,000;
10 and for 2022, \$576,000,000.

11 (2) For payment years 2023 through 2058, the city's
12 required annual contribution to the Fund shall be the amount
13 determined by the Fund to be equal to the sum of (i) the city's
14 portion of the projected normal cost for that fiscal year,
15 plus (ii) an amount determined on a level percentage of
16 applicable employee payroll basis (reflecting any limits on
17 individual participants' pay that apply for benefit and
18 contribution purposes under this plan) that is sufficient to
19 bring the total actuarial assets of the Fund up to 90% of the
20 total actuarial liabilities of the Fund by the end of 2058,
21 minus (iii) the amount required to be contributed by the Board
22 of Education of the city under Section 8-173.2.

23 (3) For payment years after 2058, the city's required
24 annual contribution to the Fund shall be equal to the amount,
25 if any, needed to bring the total actuarial assets of the Fund
26 up to 90% of the total actuarial liabilities of the Fund as of

1 the end of the year. In making the determinations under
2 paragraphs (2) and (3) of this subsection, the actuarial
3 calculations shall be determined under the entry age normal
4 actuarial cost method, and any actuarial gains or losses from
5 investment return incurred in a fiscal year shall be
6 recognized in equal annual amounts over the 5-year period
7 following the fiscal year.

8 To the extent that the city's contribution for any of the
9 payment years referenced in this subsection is made with
10 property taxes, those property taxes shall be levied,
11 collected, and paid to the Fund in a like manner with the
12 general taxes of the city.

13 (a-10) If the city fails to transmit to the Fund
14 contributions required of it under this Article by December 31
15 of the year in which such contributions are due, the Fund may,
16 after giving notice to the city, certify to the State
17 Comptroller the amounts of the delinquent payments, and the
18 Comptroller must, beginning in payment year 2018, deduct and
19 deposit into the Fund the certified amounts or a portion of
20 those amounts from the following proportions of grants of
21 State funds to the city:

22 (1) in payment year 2018, one-third of the total
23 amount of any grants of State funds to the city;

24 (2) in payment year 2019, two-thirds of the total
25 amount of any grants of State funds to the city; and

26 (3) in payment year 2020 and each payment year

1 thereafter, the total amount of any grants of State funds
2 to the city.

3 The State Comptroller may not deduct from any grants of
4 State funds to the city more than the amount of delinquent
5 payments certified to the State Comptroller by the Fund.

6 (b) On or before July 1, 2017, and each July 1 thereafter,
7 the board shall certify to the city council the annual amounts
8 required under this Article, for which the tax herein provided
9 shall be levied for the following year. The board shall
10 compute the amounts necessary to be credited to the reserves
11 established and maintained as herein provided, and shall make
12 an annual determination of the amount of the required city
13 contributions, and certify the results thereof to the city
14 council.

15 (c) In respect to employees of the city who are
16 transferred to the employment of a park district by virtue of
17 the "Exchange of Functions Act of 1957", the corporate
18 authorities of the park district shall annually levy a tax
19 upon all the taxable property in the park district at such rate
20 per cent of the value of such property, as equalized or
21 assessed by the Department of Revenue, as shall be sufficient,
22 when added to the amounts deducted from their salaries and
23 otherwise contributed by them to provide the benefits to which
24 they and their dependents and beneficiaries are entitled under
25 this Article. The city shall not levy a tax hereunder in
26 respect to such employees.

1 The tax so levied by the park district shall be in addition
2 to and exclusive of all other taxes authorized to be levied by
3 the park district for corporate, annuity fund, or other
4 purposes. The county clerk of the county in which the park
5 district is located, in reducing any tax levied under the
6 provisions of any act concerning the levy and extension of
7 taxes shall not consider such tax as part of the general tax
8 levy for park purposes, and shall not include the same in any
9 limitation of the per cent of the assessed valuation upon
10 which taxes are required to be extended for the park district.
11 The proceeds of the tax levied by the park district, upon
12 receipt by the district, shall be immediately paid over to the
13 city treasurer of the city for the uses and purposes of the
14 fund.

15 The various sums to be contributed by the city and park
16 district and allocated for the purposes of this Article, and
17 any interest to be contributed by the city, shall be derived
18 from the revenue from the taxes authorized in this Section or
19 otherwise as expressly provided in this Section.

20 If it is not possible or practicable for the city to make
21 contributions for age and service annuity and widow's annuity
22 at the same time that employee contributions are made for such
23 purposes, such city contributions shall be construed to be due
24 and payable as of the end of the fiscal year for which the tax
25 is levied and shall accrue thereafter with interest at the
26 effective rate until paid.

1 (d) With respect to employees whose wages are funded as
2 participants under the Comprehensive Employment and Training
3 Act of 1973, as amended (P.L. 93-203, 87 Stat. 839, P.L.
4 93-567, 88 Stat. 1845), hereinafter referred to as CETA,
5 subsequent to October 1, 1978, and in instances where the
6 board has elected to establish a manpower program reserve, the
7 board shall compute the amounts necessary to be credited to
8 the manpower program reserves established and maintained as
9 herein provided, and shall make a periodic determination of
10 the amount of required contributions from the City to the
11 reserve to be reimbursed by the federal government in
12 accordance with rules and regulations established by the
13 Secretary of the United States Department of Labor or his
14 designee, and certify the results thereof to the City Council.
15 Any such amounts shall become a credit to the City and will be
16 used to reduce the amount which the City would otherwise
17 contribute during succeeding years for all employees.

18 (e) In lieu of establishing a manpower program reserve
19 with respect to employees whose wages are funded as
20 participants under the Comprehensive Employment and Training
21 Act of 1973, as authorized by subsection (d), the board may
22 elect to establish a special municipality contribution rate
23 for all such employees. If this option is elected, the City
24 shall contribute to the Fund from federal funds provided under
25 the Comprehensive Employment and Training Act program at the
26 special rate so established and such contributions shall

1 become a credit to the City and be used to reduce the amount
2 which the City would otherwise contribute during succeeding
3 years for all employees.

4 (f) In lieu of levying all or a portion of the tax required
5 under this Section in any year, the city may deposit with the
6 city treasurer for the benefit of the fund, to be held in
7 accordance with this Article, an amount that, together with
8 the taxes levied under this Section for that year, is not less
9 than the amount of the city contributions for that year as
10 certified by the board to the city council. The deposit may be
11 derived from any source legally available for that purpose,
12 including, but not limited to, the proceeds of city
13 borrowings. The making of a deposit shall satisfy fully the
14 requirements of this Section for that year to the extent of the
15 amounts so deposited. Amounts deposited under this subsection
16 may be used by the fund for any of the purposes for which the
17 proceeds of the tax levied by the city under this Section may
18 be used, including the payment of any amount that is otherwise
19 required by this Article to be paid from the proceeds of that
20 tax.

21 (Source: P.A. 100-23, eff. 7-6-17.)

22 (40 ILCS 5/8-173.2 new)

23 Sec. 8-173.2. Required employer contributions by the Board
24 of Education of the city. Beginning February 1, 2027, the
25 Board of Education of the city, rather than the city, is

1 required to make the following annual contributions to the
2 pension fund:

3 (1) a contribution equal to the normal cost for all
4 the employees of the Board of Education of the city under
5 this Article who are employed by the Board of Education of
6 the city on and after the effective date of this
7 amendatory Act of the 104th General Assembly; and

8 (2) notwithstanding any other provision of law, an
9 apportioned contribution toward the unfunded actuarial
10 accrued liability of the Fund, as calculated under
11 paragraph (2) of subsection (a-5) of Section 8-173, equal
12 to the percentage of the Fund's total current unfunded
13 liability that is attributable to service credit earned by
14 employees of the Board of Education of the city prior to
15 January 1, 1994. The amount of such liability shall be
16 determined by the Fund's actuary and amortized in a manner
17 consistent with the statutory funding schedule applicable
18 to the Fund, including the requirement to achieve a funded
19 ratio of not less than 90% by the applicable target year.
20 Contributions required under this paragraph (2) shall
21 constitute employer contributions of the Board of
22 Education of the city and shall be in addition to any
23 required normal cost contributions for service rendered on
24 and after the effective date of this amendatory Act of the
25 104th General Assembly.

1 Section 90. The State Mandates Act is amended by adding
2 Section 8.50 as follows:

3 (30 ILCS 805/8.50 new)

4 Sec. 8.50. Exempt mandate. Notwithstanding Sections 6 and
5 8 of this Act, no reimbursement by the State is required for
6 the implementation of any mandate created by this amendatory
7 Act of the 104th General Assembly.

8 Section 99. Effective date. This Act takes effect upon
9 becoming law.