



Rep. Carole Pankau

Filed: 3/31/2004

09300HB5940ham001

LRB093 17742 LRD 49196 a

1 AMENDMENT TO HOUSE BILL 5940

2 AMENDMENT NO. _____. Amend House Bill 5940 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by
5 changing Sections 7-172, 7-173.2, and 7-204 and by adding
6 7-199.4 as follows:

7 (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)

8 Sec. 7-172. Contributions by participating municipalities
9 and participating instrumentalities.

10 (a) Each participating municipality and each participating
11 instrumentality shall make payment to the fund as follows:

12 1. municipality contributions in an amount determined
13 by applying the municipality contribution rate to each
14 payment of earnings paid to each of its participating
15 employees;

16 2. an amount equal to the employee contributions
17 provided by paragraphs (a) and (b) of Section 7-173,
18 whether or not the employee contributions are withheld as
19 permitted by that Section;

20 3. all accounts receivable, together with interest
21 charged thereon, as provided in Section 7-209;

22 4. if it has no participating employees with current
23 earnings, an amount payable which, over a period of 20
24 years beginning with the year following an award of

1 benefit, will amortize, at the effective rate for that
2 year, any negative balance in its municipality reserve
3 resulting from the award. This amount when established will
4 be payable as a separate contribution whether or not it
5 later has participating employees.

6 (b) A separate municipality contribution rate shall be
7 determined for each calendar year for all participating
8 municipalities together with all instrumentalities thereof.
9 The municipality contribution rate shall be determined for
10 participating instrumentalities as if they were participating
11 municipalities. The municipality contribution rate shall be
12 the sum of the following percentages:

13 1. The percentage of earnings of all the participating
14 employees of all participating municipalities and
15 participating instrumentalities which, if paid over the
16 entire period of their service, will be sufficient when
17 combined with all employee contributions available for the
18 payment of benefits, to provide all annuities for
19 participating employees, and the \$3,000 death benefit
20 payable under Sections 7-158 and 7-164, such percentage to
21 be known as the normal cost rate.

22 2. The percentage of earnings of the participating
23 employees of each participating municipality and
24 participating instrumentalities necessary to adjust for
25 the difference between the present value of all benefits,
26 excluding temporary and total and permanent disability and
27 death benefits, to be provided for its participating
28 employees and the sum of its accumulated municipality
29 contributions and the accumulated employee contributions
30 and the present value of expected future employee and
31 municipality contributions pursuant to subparagraph 1 of
32 this paragraph (b). This adjustment shall be spread over
33 the remainder of the period that is allowable under
34 generally accepted accounting principles.

1 3. The percentage of earnings of the participating
2 employees of all municipalities and participating
3 instrumentalities necessary to provide the present value
4 of all temporary and total and permanent disability
5 benefits granted during the most recent year for which
6 information is available.

7 4. The percentage of earnings of the participating
8 employees of all participating municipalities and
9 participating instrumentalities necessary to provide the
10 present value of the net single sum death benefits expected
11 to become payable from the reserve established under
12 Section 7-206 during the year for which this rate is fixed.

13 5. The percentage of earnings necessary to meet any
14 deficiency arising in the Terminated Municipality Reserve.

15 (c) A separate municipality contribution rate shall be
16 computed for each participating municipality or participating
17 instrumentality for its sheriff's law enforcement employees.

18 A separate municipality contribution rate shall be
19 computed for the sheriff's law enforcement employees of each
20 forest preserve district that elects to have such employees.
21 For the period from January 1, 1986 to December 31, 1986, such
22 rate shall be the forest preserve district's regular rate plus
23 2%.

24 In the event that the Board determines that there is an
25 actuarial deficiency in the account of any municipality with
26 respect to a person who has elected to participate in the Fund
27 under Section 3-109.1 of this Code, the Board may adjust the
28 municipality's contribution rate so as to make up that
29 deficiency over such reasonable period of time as the Board may
30 determine.

31 (d) The Board may establish a separate municipality
32 contribution rate for all employees who are program
33 participants employed under the federal Comprehensive
34 Employment Training Act by all of the participating

1 municipalities and instrumentalities. The Board may also
2 provide that, in lieu of a separate municipality rate for these
3 employees, a portion of the municipality contributions for such
4 program participants shall be refunded or an extra charge
5 assessed so that the amount of municipality contributions
6 retained or received by the fund for all CETA program
7 participants shall be an amount equal to that which would be
8 provided by the separate municipality contribution rate for all
9 such program participants. Refunds shall be made to prime
10 sponsors of programs upon submission of a claim therefor and
11 extra charges shall be assessed to participating
12 municipalities and instrumentalities. In establishing the
13 municipality contribution rate as provided in paragraph (b) of
14 this Section, the use of a separate municipality contribution
15 rate for program participants or the refund of a portion of the
16 municipality contributions, as the case may be, may be
17 considered.

18 (e) Computations of municipality contribution rates for
19 the following calendar year shall be made prior to the
20 beginning of each year, from the information available at the
21 time the computations are made, and on the assumption that the
22 employees in each participating municipality or participating
23 instrumentality at such time will continue in service until the
24 end of such calendar year at their respective rates of earnings
25 at such time.

26 (f) Any municipality which is the recipient of State
27 allocations representing that municipality's contributions for
28 retirement annuity purposes on behalf of its employees as
29 provided in Section 12-21.16 of the Illinois Public Aid Code
30 shall pay the allocations so received to the Board for such
31 purpose. Estimates of State allocations to be received during
32 any taxable year shall be considered in the determination of
33 the municipality's tax rate for that year under Section 7-171.
34 If a special tax is levied under Section 7-171, none of the

1 proceeds may be used to reimburse the municipality for the
2 amount of State allocations received and paid to the Board. Any
3 multiple-county or consolidated health department which
4 receives contributions from a county under Section 11.2 of "An
5 Act in relation to establishment and maintenance of county and
6 multiple-county health departments", approved July 9, 1943, as
7 amended, or distributions under Section 3 of the Department of
8 Public Health Act, shall use these only for municipality
9 contributions by the health department.

10 (g) Municipality contributions for the several purposes
11 specified shall, for township treasurers and employees in the
12 offices of the township treasurers who meet the qualifying
13 conditions for coverage hereunder, be allocated among the
14 several school districts and parts of school districts serviced
15 by such treasurers and employees in the proportion which the
16 amount of school funds of each district or part of a district
17 handled by the treasurer bears to the total amount of all
18 school funds handled by the treasurer.

19 From the funds subject to allocation among districts and
20 parts of districts pursuant to the School Code, the trustees
21 shall withhold the proportionate share of the liability for
22 municipality contributions imposed upon such districts by this
23 Section, in respect to such township treasurers and employees
24 and remit the same to the Board.

25 The municipality contribution rate for an educational
26 service center shall initially be the same rate for each year
27 as the regional office of education or school district which
28 serves as its administrative agent. When actuarial data become
29 available, a separate rate shall be established as provided in
30 subparagraph (i) of this Section.

31 The municipality contribution rate for a public agency,
32 other than a vocational education cooperative, formed under the
33 Intergovernmental Cooperation Act shall initially be the
34 average rate for the municipalities which are parties to the

1 intergovernmental agreement. When actuarial data become
2 available, a separate rate shall be established as provided in
3 subparagraph (i) of this Section.

4 (h) Each participating municipality and participating
5 instrumentality shall make the contributions in the amounts
6 provided in this Section in the manner prescribed from time to
7 time by the Board and all such contributions shall be
8 obligations of the respective participating municipalities and
9 participating instrumentalities to this fund. The failure to
10 deduct any employee contributions shall not relieve the
11 participating municipality or participating instrumentality of
12 its obligation to this fund. Delinquent payments of
13 contributions due under this Section may, with interest, be
14 recovered by civil action against the participating
15 municipalities or participating instrumentalities.
16 Municipality contributions, other than the amount necessary
17 for employee contributions and Social Security contributions,
18 for periods of service by employees from whose earnings no
19 deductions were made for employee contributions to the fund,
20 may be charged to the municipality reserve for the municipality
21 or participating instrumentality.

22 (i) Contributions by participating instrumentalities shall
23 be determined as provided herein except that the percentage
24 derived under subparagraph 2 of paragraph (b) of this Section,
25 and the amount payable under subparagraph 5 of paragraph (a) of
26 this Section, shall be based on an amortization period of 10
27 years.

28 (j) Each county with current or former elected county
29 officers, as defined in Section 7-145.1, participating in the
30 alternative annuity program established under that Section
31 shall have a separate municipality contribution rate computed
32 for those elected county officers.

33 (Source: P.A. 92-424, eff. 8-17-01.)

1 (40 ILCS 5/7-173.2) (from Ch. 108 1/2, par. 7-173.2)

2 Sec. 7-173.2. Pickup of employee contributions.

3 (a) Until July 1, 1984, each participating municipality and
4 each participating instrumentality may elect, for all of its
5 employees, to pick up the employee contributions required by
6 subparagraphs 1 and 3 of subsection (a) of Section 7-173 and,
7 in the case of sheriff's law enforcement employees, required by
8 Section 7-173.1. The pick up may be for employee contributions
9 on earnings received by employees after December 31, 1981 and
10 shall be applicable to the contributions on total earnings paid
11 in any month. The decision to pick up contributions shall be
12 made by the governing body.

13 Beginning July 1, 1984, the pick up of employee
14 contributions shall cease to be optional. Each participating
15 municipality and participating instrumentality shall pick up
16 the employee contributions required by subparagraphs 1 and 3 of
17 subsection (a) of Section 7-173 and, in the case of sheriff's
18 law enforcement employees, contributions required by Section
19 7-173.1, for all compensation earned after such date. Each
20 participating municipality shall also pick up any employee
21 contributions made by its employees under the alternative
22 program for elected county officers under Section 7-145.1.

23 (b) Contributions that are picked up shall be treated as
24 employer contributions in determining tax treatment under the
25 United States Internal Revenue Code. The employee contribution
26 shall be paid from the same source of funds as is used in
27 payment of earnings to the employee and may not be paid from
28 funds raised by the tax levy authorized by Section 7-171. The
29 contributions shall be picked up by a reduction in earnings
30 payment to employees. Employee contributions that are picked up
31 shall be considered as earnings under Section 7-114. If a
32 participating municipality or participating instrumentality
33 fails to report participating employee earnings which should
34 have been reported to the fund and pays the employee the full

1 amount of earnings including employee contributions which
2 should have been picked up and forwarded to the fund, then the
3 employee shall make payment of the employee contributions to
4 the fund on behalf of employer and such contributions shall be
5 considered as picked up contributions if paid in the year the
6 earnings were received, or by January 31st of the following
7 year, and are reflected as picked up on reports to the Internal
8 Revenue Service. If they cannot be so reflected, or if received
9 after that date, they shall not be treated as picked up
10 contributions. Picked up employee contributions shall be
11 considered as employee contributions in computing benefits
12 paid under this Article 7.

13 (c) Subject to the requirements of federal law, an employee
14 may elect to have the employer pick up optional contributions
15 that the employee has elected to pay to the Fund, and the
16 contributions so picked up shall be treated as employer
17 contributions for the purposes of determining federal tax
18 treatment. The employer shall pick up the contributions by a
19 reduction in the cash salary of the employee and shall pay the
20 contributions from the same source of funds that is used to pay
21 earnings to the employee. The employee's election to have the
22 optional contributions picked up is irrevocable and the
23 optional contributions may not thereafter be prepaid, by direct
24 payment or otherwise.

25 (Source: P.A. 90-766, eff. 8-14-98.)

26 (40 ILCS 5/7-199.4 new)

27 Sec. 7-199.4. To Transfer Reserves. Whenever any one of
28 the municipality reserves established under Section 7-204(a)
29 for a participating municipality exceeds 100% of the
30 actuarially determined liability, the excess may be
31 transferred to any of that municipality's other reserves with a
32 balance of less than 100% of the actuarially determined
33 liability. Upon request of the municipality, the Board shall

1 prepare an impact note to determine how the transfer will
2 affect the reserves and employer contribution rates for that
3 municipality. Only after receipt of the impact note may the
4 governing body of the municipality, by resolution, request the
5 transfer. No such transfer may lower any reserve balance to
6 less than 100% or increase any reserve balance to more than
7 100% of the actuarially determined liability.

8 (40 ILCS 5/7-204) (from Ch. 108 1/2, par. 7-204)

9 Sec. 7-204. Municipality reserves.

10 (a) Except as provided in paragraph (b) of this Section,
11 each participating municipality and its instrumentalities, and
12 each participating instrumentality, shall be treated as an
13 independent unit within the fund, except that if it has any
14 sheriff's law enforcement employees or any elected county
15 officers (as defined in Section 7-154.1) participating in the
16 alternative annuity program, it shall be treated as multiple ~~2~~
17 independent units, one for its sheriff's law enforcement
18 employees, one for its elected county officers participating in
19 the alternative retirement program, and one ~~the second~~ for its
20 other employees. Separate municipality reserves shall be
21 maintained in such form and detail as is necessary to show the
22 net accumulated balances of each municipality, created or
23 arising under this Article.

24 (b) In the event of termination and dissolution of any
25 participating municipality or participating instrumentality,
26 if and its obligations are not assumed or transferred by law to
27 another municipality, any net debit or credit balance remaining
28 in the reserve account of such municipality, or participating
29 instrumentality, shall be transferred to a Terminated
30 Municipality Reserve Account which shall be used to fund any
31 future benefits of its employees arising out of service with
32 the terminated municipality or participating instrumentality.

33 Any deficiency arising in the Terminated Municipality

1 Reserve Account shall be eliminated by a contribution by all
2 remaining municipalities and participating instrumentalities
3 at a uniform percent of payroll, to be determined, collected
4 with other contributions required under Section 7-172.

5 (c) The municipality reserve for each municipality or
6 participating instrumentality that has any sheriff's law
7 enforcement employees shall be divided into 2 reserves. A
8 reserve for the sheriff's law enforcement employees shall be
9 allocated an amount in the same proportion to the total amount
10 in reserve as the total number of sheriff's law enforcement
11 employees is to the total participating employees of the
12 municipality or participating instrumentality at that date.
13 The remainder shall be allocated to the reserve for other
14 employees.

15 (d) The Fund shall determine what amounts shall be
16 transferred or credited to the reserve for elected county
17 officers participating in the alternative retirement program.

18 (Source: P.A. 87-740.)

19 Section 90. The State Mandates Act is amended by adding
20 Section 8.28 as follows:

21 (30 ILCS 805/8.28 new)

22 Sec. 8.28. Exempt mandate. Notwithstanding Sections 6 and 8
23 of this Act, no reimbursement by the State is required for the
24 implementation of any mandate created by this amendatory Act of
25 the 93rd General Assembly.

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