



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB3682

Introduced 2/24/2005, by Rep. Renee Kosel

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-133	from Ch. 108 1/2, par. 16-133
40 ILCS 5/16-158	from Ch. 108 1/2, par. 16-158
30 ILCS 805/8.29 new	

Amends the Downstate Teachers Article of the Illinois Pension Code. Provides that if a superintendent's salary for a school year is more than 7% greater than his or her salary with the same employer for the previous school year, the superintendent's employer shall pay to the System the actuarial value of the increase in benefits resulting from the portion of the increase in salary that is in excess of 7%. Provides that if a superintendent's salary exceeds the salary of the Governor, the superintendent's employer shall pay to the System the actuarial value of the benefits resulting from the portion of the salary that is in excess of the salary of the Governor. Applies to contracts entered into, amended, or extended after January 1, 2005. Provides that a superintendent may elect to have all or a portion of a salary increase not included as salary for the purpose of determining final average salary. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 04210 AMC 34234 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT in relation to 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 16-133 and 16-158 as follows:

6 (40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

7 Sec. 16-133. Retirement annuity; amount.

8 (a) The amount of the retirement annuity shall be the  
9 larger of the amounts determined under paragraphs (A) and (B)  
10 below:

11 (A) An amount consisting of the sum of the following:

12 (1) An amount that can be provided on an  
13 actuarially equivalent basis by the member's  
14 accumulated contributions at the time of retirement;  
15 and

16 (2) The sum of (i) the amount that can be provided  
17 on an actuarially equivalent basis by the member's  
18 accumulated contributions representing service prior  
19 to July 1, 1947, and (ii) the amount that can be  
20 provided on an actuarially equivalent basis by the  
21 amount obtained by multiplying 1.4 times the member's  
22 accumulated contributions covering service subsequent  
23 to June 30, 1947; and

24 (3) If there is prior service, 2 times the amount  
25 that would have been determined under subparagraph (2)  
26 of paragraph (A) above on account of contributions  
27 which would have been made during the period of prior  
28 service creditable to the member had the System been in  
29 operation and had the member made contributions at the  
30 contribution rate in effect prior to July 1, 1947.

31 (B) An amount consisting of the greater of the  
32 following:

1           (1) For creditable service earned before July 1,  
2           1998 that has not been augmented under Section  
3           16-129.1: 1.67% of final average salary for each of the  
4           first 10 years of creditable service, 1.90% of final  
5           average salary for each year in excess of 10 but not  
6           exceeding 20, 2.10% of final average salary for each  
7           year in excess of 20 but not exceeding 30, and 2.30% of  
8           final average salary for each year in excess of 30; and

9           For creditable service earned on or after July 1,  
10          1998 by a member who has at least 24 years of  
11          creditable service on July 1, 1998 and who does not  
12          elect to augment service under Section 16-129.1: 2.2%  
13          of final average salary for each year of creditable  
14          service earned on or after July 1, 1998 but before the  
15          member reaches a total of 30 years of creditable  
16          service and 2.3% of final average salary for each year  
17          of creditable service earned on or after July 1, 1998  
18          and after the member reaches a total of 30 years of  
19          creditable service; and

20          For all other creditable service: 2.2% of final  
21          average salary for each year of creditable service; or

22          (2) 1.5% of final average salary for each year of  
23          creditable service plus the sum \$7.50 for each of the  
24          first 20 years of creditable service.

25          The amount of the retirement annuity determined under this  
26          paragraph (B) shall be reduced by 1/2 of 1% for each month  
27          that the member is less than age 60 at the time the  
28          retirement annuity begins. However, this reduction shall  
29          not apply (i) if the member has at least 35 years of  
30          creditable service, or (ii) if the member retires on  
31          account of disability under Section 16-149.2 of this  
32          Article with at least 20 years of creditable service, or  
33          (iii) if the member (1) has earned during the period  
34          immediately preceding the last day of service at least one  
35          year of contributing creditable service as an employee of a  
36          department as defined in Section 14-103.04, (2) has earned

1 at least 5 years of contributing creditable service as an  
2 employee of a department as defined in Section 14-103.04,  
3 (3) retires on or after January 1, 2001, and (4) retires  
4 having attained an age which, when added to the number of  
5 years of his or her total creditable service, equals at  
6 least 85. Portions of years shall be counted as decimal  
7 equivalents.

8 (b) For purposes of this Section, final average salary  
9 shall be the average salary for the highest 4 consecutive years  
10 within the last 10 years of creditable service as determined  
11 under rules of the board. The minimum final average salary  
12 shall be considered to be \$2,400 per year.

13 In the determination of final average salary for members  
14 other than elected officials and their appointees when such  
15 appointees are allowed by statute, that part of a member's  
16 salary for any year beginning after June 30, 1979 which exceeds  
17 the member's annual full-time salary rate with the same  
18 employer for the preceding year by more than 20% shall be  
19 excluded. The exclusion shall not apply in any year in which  
20 the member's creditable earnings are less than 50% of the  
21 preceding year's mean salary for downstate teachers as  
22 determined by the survey of school district salaries provided  
23 in Section 2-3.103 of the School Code.

24 If a superintendent receives a salary increase on or after  
25 the effective date of this amendatory Act of the 94th General  
26 Assembly, the superintendent may choose to have some or all of  
27 that increase in salary not included as a part of his or her  
28 salary for the purpose of determining final average salary by  
29 filing a written election with the System within 30 days after  
30 receiving the salary increase.

31 (c) In determining the amount of the retirement annuity  
32 under paragraph (B) of this Section, a fractional year shall be  
33 granted proportional credit.

34 (d) The retirement annuity determined under paragraph (B)  
35 of this Section shall be available only to members who render  
36 teaching service after July 1, 1947 for which member

1 contributions are required, and to annuitants who re-enter  
2 under the provisions of Section 16-150.

3 (e) The maximum retirement annuity provided under  
4 paragraph (B) of this Section shall be 75% of final average  
5 salary.

6 (f) A member retiring after the effective date of this  
7 amendatory Act of 1998 shall receive a pension equal to 75% of  
8 final average salary if the member is qualified to receive a  
9 retirement annuity equal to at least 74.6% of final average  
10 salary under this Article or as proportional annuities under  
11 Article 20 of this Code.

12 (Source: P.A. 90-582, eff. 5-27-98; 91-17, eff. 6-4-99; 91-887,  
13 eff. 7-6-00; 91-927, eff. 12-14-00.)

14 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

15 Sec. 16-158. Contributions by State and other employing  
16 units.

17 (a) The State shall make contributions to the System by  
18 means of appropriations from the Common School Fund and other  
19 State funds of amounts which, together with other employer  
20 contributions, employee contributions, investment income, and  
21 other income, will be sufficient to meet the cost of  
22 maintaining and administering the System on a 90% funded basis  
23 in accordance with actuarial recommendations.

24 The Board shall determine the amount of State contributions  
25 required for each fiscal year on the basis of the actuarial  
26 tables and other assumptions adopted by the Board and the  
27 recommendations of the actuary, using the formula in subsection  
28 (b-3).

29 (a-1) Annually, on or before November 15, the Board shall  
30 certify to the Governor the amount of the required State  
31 contribution for the coming fiscal year. The certification  
32 shall include a copy of the actuarial recommendations upon  
33 which it is based.

34 On or before May 1, 2004, the Board shall recalculate and  
35 recertify to the Governor the amount of the required State

1 contribution to the System for State fiscal year 2005, taking  
2 into account the amounts appropriated to and received by the  
3 System under subsection (d) of Section 7.2 of the General  
4 Obligation Bond Act.

5 (b) Through State fiscal year 1995, the State contributions  
6 shall be paid to the System in accordance with Section 18-7 of  
7 the School Code.

8 (b-1) Beginning in State fiscal year 1996, on the 15th day  
9 of each month, or as soon thereafter as may be practicable, the  
10 Board shall submit vouchers for payment of State contributions  
11 to the System, in a total monthly amount of one-twelfth of the  
12 required annual State contribution certified under subsection  
13 (a-1). From the effective date of this amendatory Act of the  
14 93rd General Assembly through June 30, 2004, the Board shall  
15 not submit vouchers for the remainder of fiscal year 2004 in  
16 excess of the fiscal year 2004 certified contribution amount  
17 determined under this Section after taking into consideration  
18 the transfer to the System under subsection (a) of Section  
19 6z-61 of the State Finance Act. These vouchers shall be paid by  
20 the State Comptroller and Treasurer by warrants drawn on the  
21 funds appropriated to the System for that fiscal year.

22 If in any month the amount remaining unexpended from all  
23 other appropriations to the System for the applicable fiscal  
24 year (including the appropriations to the System under Section  
25 8.12 of the State Finance Act and Section 1 of the State  
26 Pension Funds Continuing Appropriation Act) is less than the  
27 amount lawfully vouchered under this subsection, the  
28 difference shall be paid from the Common School Fund under the  
29 continuing appropriation authority provided in Section 1.1 of  
30 the State Pension Funds Continuing Appropriation Act.

31 (b-2) Allocations from the Common School Fund apportioned  
32 to school districts not coming under this System shall not be  
33 diminished or affected by the provisions of this Article.

34 (b-3) For State fiscal years 2011 through 2045, the minimum  
35 contribution to the System to be made by the State for each  
36 fiscal year shall be an amount determined by the System to be

1 sufficient to bring the total assets of the System up to 90% of  
2 the total actuarial liabilities of the System by the end of  
3 State fiscal year 2045. In making these determinations, the  
4 required State contribution shall be calculated each year as a  
5 level percentage of payroll over the years remaining to and  
6 including fiscal year 2045 and shall be determined under the  
7 projected unit credit actuarial cost method.

8 For State fiscal years 1996 through 2010, the State  
9 contribution to the System, as a percentage of the applicable  
10 employee payroll, shall be increased in equal annual increments  
11 so that by State fiscal year 2011, the State is contributing at  
12 the rate required under this Section; except that in the  
13 following specified State fiscal years, the State contribution  
14 to the System shall not be less than the following indicated  
15 percentages of the applicable employee payroll, even if the  
16 indicated percentage will produce a State contribution in  
17 excess of the amount otherwise required under this subsection  
18 and subsection (a), and notwithstanding any contrary  
19 certification made under subsection (a-1) before the effective  
20 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
21 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
22 2003; and 13.56% in FY 2004.

23 Beginning in State fiscal year 2046, the minimum State  
24 contribution for each fiscal year shall be the amount needed to  
25 maintain the total assets of the System at 90% of the total  
26 actuarial liabilities of the System.

27 Notwithstanding any other provision of this Section, the  
28 required State contribution for State fiscal year 2005 and each  
29 fiscal year thereafter, as calculated under this Section and  
30 certified under subsection (a-1), shall not exceed an amount  
31 equal to (i) the amount of the required State contribution that  
32 would have been calculated under this Section for that fiscal  
33 year if the System had not received any payments under  
34 subsection (d) of Section 7.2 of the General Obligation Bond  
35 Act, minus (ii) the portion of the State's total debt service  
36 payments for that fiscal year on the bonds issued for the

1 purposes of that Section 7.2, as determined and certified by  
2 the Comptroller, that is the same as the System's portion of  
3 the total moneys distributed under subsection (d) of Section  
4 7.2 of the General Obligation Bond Act.

5 (b-4) If a superintendent's salary for a school year is  
6 more than 7% greater than his or her salary with the same  
7 employer for the previous school year, the superintendent's  
8 employer shall pay to the System, in addition to all other  
9 payments required under this Section and in accordance with  
10 guidelines established by the System, the actuarial value of  
11 the increase in benefits resulting from the portion of the  
12 increase in salary that is in excess of 7%.

13 If, during any calendar year, a superintendent's salary  
14 exceeds the salary of the Governor during that calendar year,  
15 the superintendent's employer shall pay to the System, in  
16 addition to all other payments required under this Section and  
17 in accordance with guidelines established by the System, the  
18 actuarial value of the benefits resulting from the portion of  
19 the salary that is in excess of the Governor's salary.

20 For the purposes of this subsection (b-4) the term  
21 "superintendent" means a superintendent who is employed  
22 pursuant to Section 10-21.4 of the School Code.

23 The provisions of this subsection (b-4) apply to salaries  
24 paid to general superintendents under employment contracts  
25 entered into, amended, or extended after January 1, 2005 (other  
26 than any portion of a salary that a superintendent elects to  
27 have not included as a part of his or her salary for the  
28 purpose of determining final average salary under subsection  
29 (b) of Section 16-133).

30 (c) Payment of the required State contributions and of all  
31 pensions, retirement annuities, death benefits, refunds, and  
32 other benefits granted under or assumed by this System, and all  
33 expenses in connection with the administration and operation  
34 thereof, are obligations of the State.

35 If members are paid from special trust or federal funds  
36 which are administered by the employing unit, whether school



1 district or other unit, the employing unit shall pay to the  
2 System from such funds the full accruing retirement costs based  
3 upon that service, as determined by the System. Employer  
4 contributions, based on salary paid to members from federal  
5 funds, may be forwarded by the distributing agency of the State  
6 of Illinois to the System prior to allocation, in an amount  
7 determined in accordance with guidelines established by such  
8 agency and the System.

9 (d) Effective July 1, 1986, any employer of a teacher as  
10 defined in paragraph (8) of Section 16-106 shall pay the  
11 employer's normal cost of benefits based upon the teacher's  
12 service, in addition to employee contributions, as determined  
13 by the System. Such employer contributions shall be forwarded  
14 monthly in accordance with guidelines established by the  
15 System.

16 However, with respect to benefits granted under Section  
17 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
18 of Section 16-106, the employer's contribution shall be 12%  
19 (rather than 20%) of the member's highest annual salary rate  
20 for each year of creditable service granted, and the employer  
21 shall also pay the required employee contribution on behalf of  
22 the teacher. For the purposes of Sections 16-133.4 and  
23 16-133.5, a teacher as defined in paragraph (8) of Section  
24 16-106 who is serving in that capacity while on leave of  
25 absence from another employer under this Article shall not be  
26 considered an employee of the employer from which the teacher  
27 is on leave.

28 (e) Beginning July 1, 1998, every employer of a teacher  
29 shall pay to the System an employer contribution computed as  
30 follows:

31 (1) Beginning July 1, 1998 through June 30, 1999, the  
32 employer contribution shall be equal to 0.3% of each  
33 teacher's salary.

34 (2) Beginning July 1, 1999 and thereafter, the employer  
35 contribution shall be equal to 0.58% of each teacher's  
36 salary.

1 The school district or other employing unit may pay these  
2 employer contributions out of any source of funding available  
3 for that purpose and shall forward the contributions to the  
4 System on the schedule established for the payment of member  
5 contributions.

6 These employer contributions are intended to offset a  
7 portion of the cost to the System of the increases in  
8 retirement benefits resulting from this amendatory Act of 1998.

9 Each employer of teachers is entitled to a credit against  
10 the contributions required under this subsection (e) with  
11 respect to salaries paid to teachers for the period January 1,  
12 2002 through June 30, 2003, equal to the amount paid by that  
13 employer under subsection (a-5) of Section 6.6 of the State  
14 Employees Group Insurance Act of 1971 with respect to salaries  
15 paid to teachers for that period.

16 The additional 1% employee contribution required under  
17 Section 16-152 by this amendatory Act of 1998 is the  
18 responsibility of the teacher and not the teacher's employer,  
19 unless the employer agrees, through collective bargaining or  
20 otherwise, to make the contribution on behalf of the teacher.

21 If an employer is required by a contract in effect on May  
22 1, 1998 between the employer and an employee organization to  
23 pay, on behalf of all its full-time employees covered by this  
24 Article, all mandatory employee contributions required under  
25 this Article, then the employer shall be excused from paying  
26 the employer contribution required under this subsection (e)  
27 for the balance of the term of that contract. The employer and  
28 the employee organization shall jointly certify to the System  
29 the existence of the contractual requirement, in such form as  
30 the System may prescribe. This exclusion shall cease upon the  
31 termination, extension, or renewal of the contract at any time  
32 after May 1, 1998.

33 (Source: P.A. 92-505, eff. 12-20-01; 93-2, eff. 4-7-03; 93-665,  
34 eff. 3-5-04.)

35 Section 90. The State Mandates Act is amended by adding

1 Section 8.29 as follows:

2 (30 ILCS 805/8.29 new)

3 Sec. 8.29. Exempt mandate. Notwithstanding Sections 6 and 8  
4 of this Act, no reimbursement by the State is required for the  
5 implementation of any mandate created by this amendatory Act of  
6 the 94th General Assembly.

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