

HB0465



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB0465

Introduced 2/4/2009, by Rep. Brandon W. Phelps

SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-158

from Ch. 108 1/2, par. 16-158

Amends the Downstate Teachers Article of the Illinois Pension Code. Provides that, when assessing payment for any amount due for earnings increases in excess of 6%, the System shall exclude earnings increases as a result of a negotiated salary schedule. Effective immediately.

LRB096 04363 AMC 14410 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 Section 16-158 as follows:

6 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

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

9 (a) The State shall make contributions to the System by
10 means of appropriations from the Common School Fund and other
11 State funds of amounts which, together with other employer
12 contributions, employee contributions, investment income, and
13 other income, will be sufficient to meet the cost of
14 maintaining and administering the System on a 90% funded basis
15 in accordance with actuarial recommendations.

16 The Board shall determine the amount of State contributions
17 required for each fiscal year on the basis of the actuarial
18 tables and other assumptions adopted by the Board and the
19 recommendations of the actuary, using the formula in subsection
20 (b-3).

21 (a-1) Annually, on or before November 15, the Board shall
22 certify to the Governor the amount of the required State
23 contribution for the coming fiscal year. The certification

1 shall include a copy of the actuarial recommendations upon
2 which it is based.

3 On or before May 1, 2004, the Board shall recalculate and
4 recertify to the Governor the amount of the required State
5 contribution to the System for State fiscal year 2005, taking
6 into account the amounts appropriated to and received by the
7 System under subsection (d) of Section 7.2 of the General
8 Obligation Bond Act.

9 On or before July 1, 2005, the Board shall recalculate and
10 recertify to the Governor the amount of the required State
11 contribution to the System for State fiscal year 2006, taking
12 into account the changes in required State contributions made
13 by this amendatory Act of the 94th General Assembly.

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

17 (b-1) Beginning in State fiscal year 1996, on the 15th day
18 of each month, or as soon thereafter as may be practicable, the
19 Board shall submit vouchers for payment of State contributions
20 to the System, in a total monthly amount of one-twelfth of the
21 required annual State contribution certified under subsection
22 (a-1). From the effective date of this amendatory Act of the
23 93rd General Assembly through June 30, 2004, the Board shall
24 not submit vouchers for the remainder of fiscal year 2004 in
25 excess of the fiscal year 2004 certified contribution amount
26 determined under this Section after taking into consideration

1 the transfer to the System under subsection (a) of Section
2 6z-61 of the State Finance Act. These vouchers shall be paid by
3 the State Comptroller and Treasurer by warrants drawn on the
4 funds appropriated to the System for that fiscal year.

5 If in any month the amount remaining unexpended from all
6 other appropriations to the System for the applicable fiscal
7 year (including the appropriations to the System under Section
8 8.12 of the State Finance Act and Section 1 of the State
9 Pension Funds Continuing Appropriation Act) is less than the
10 amount lawfully vouchered under this subsection, the
11 difference shall be paid from the Common School Fund under the
12 continuing appropriation authority provided in Section 1.1 of
13 the State Pension Funds Continuing Appropriation Act.

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

17 (b-3) For State fiscal years 2011 through 2045, the minimum
18 contribution to the System to be made by the State for each
19 fiscal year shall be an amount determined by the System to be
20 sufficient to bring the total assets of the System up to 90% of
21 the total actuarial liabilities of the System by the end of
22 State fiscal year 2045. In making these determinations, the
23 required State contribution shall be calculated each year as a
24 level percentage of payroll over the years remaining to and
25 including fiscal year 2045 and shall be determined under the
26 projected unit credit actuarial cost method.

1 For State fiscal years 1996 through 2005, the State
2 contribution to the System, as a percentage of the applicable
3 employee payroll, shall be increased in equal annual increments
4 so that by State fiscal year 2011, the State is contributing at
5 the rate required under this Section; except that in the
6 following specified State fiscal years, the State contribution
7 to the System shall not be less than the following indicated
8 percentages of the applicable employee payroll, even if the
9 indicated percentage will produce a State contribution in
10 excess of the amount otherwise required under this subsection
11 and subsection (a), and notwithstanding any contrary
12 certification made under subsection (a-1) before the effective
13 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
14 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
15 2003; and 13.56% in FY 2004.

16 Notwithstanding any other provision of this Article, the
17 total required State contribution for State fiscal year 2006 is
18 \$534,627,700.

19 Notwithstanding any other provision of this Article, the
20 total required State contribution for State fiscal year 2007 is
21 \$738,014,500.

22 For each of State fiscal years 2008 through 2010, the State
23 contribution to the System, as a percentage of the applicable
24 employee payroll, shall be increased in equal annual increments
25 from the required State contribution for State fiscal year
26 2007, so that by State fiscal year 2011, the State is

1 contributing at the rate otherwise required under this Section.

2 Beginning in State fiscal year 2046, the minimum State
3 contribution for each fiscal year shall be the amount needed to
4 maintain the total assets of the System at 90% of the total
5 actuarial liabilities of the System.

6 Amounts received by the System pursuant to Section 25 of
7 the Budget Stabilization Act or Section 8.12 of the State
8 Finance Act in any fiscal year do not reduce and do not
9 constitute payment of any portion of the minimum State
10 contribution required under this Article in that fiscal year.
11 Such amounts shall not reduce, and shall not be included in the
12 calculation of, the required State contributions under this
13 Article in any future year until the System has reached a
14 funding ratio of at least 90%. A reference in this Article to
15 the "required State contribution" or any substantially similar
16 term does not include or apply to any amounts payable to the
17 System under Section 25 of the Budget Stabilization Act.

18 Notwithstanding any other provision of this Section, the
19 required State contribution for State fiscal year 2005 and for
20 fiscal year 2008 and each fiscal year thereafter, as calculated
21 under this Section and certified under subsection (a-1), shall
22 not exceed an amount equal to (i) the amount of the required
23 State contribution that would have been calculated under this
24 Section for that fiscal year if the System had not received any
25 payments under subsection (d) of Section 7.2 of the General
26 Obligation Bond Act, minus (ii) the portion of the State's

1 total debt service payments for that fiscal year on the bonds
2 issued for the purposes of that Section 7.2, as determined and
3 certified by the Comptroller, that is the same as the System's
4 portion of the total moneys distributed under subsection (d) of
5 Section 7.2 of the General Obligation Bond Act. In determining
6 this maximum for State fiscal years 2008 through 2010, however,
7 the amount referred to in item (i) shall be increased, as a
8 percentage of the applicable employee payroll, in equal
9 increments calculated from the sum of the required State
10 contribution for State fiscal year 2007 plus the applicable
11 portion of the State's total debt service payments for fiscal
12 year 2007 on the bonds issued for the purposes of Section 7.2
13 of the General Obligation Bond Act, so that, by State fiscal
14 year 2011, the State is contributing at the rate otherwise
15 required under this Section.

16 (c) Payment of the required State contributions and of all
17 pensions, retirement annuities, death benefits, refunds, and
18 other benefits granted under or assumed by this System, and all
19 expenses in connection with the administration and operation
20 thereof, are obligations of the State.

21 If members are paid from special trust or federal funds
22 which are administered by the employing unit, whether school
23 district or other unit, the employing unit shall pay to the
24 System from such funds the full accruing retirement costs based
25 upon that service, as determined by the System. Employer
26 contributions, based on salary paid to members from federal

1 funds, may be forwarded by the distributing agency of the State
2 of Illinois to the System prior to allocation, in an amount
3 determined in accordance with guidelines established by such
4 agency and the System.

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

12 However, with respect to benefits granted under Section
13 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
14 of Section 16-106, the employer's contribution shall be 12%
15 (rather than 20%) of the member's highest annual salary rate
16 for each year of creditable service granted, and the employer
17 shall also pay the required employee contribution on behalf of
18 the teacher. For the purposes of Sections 16-133.4 and
19 16-133.5, a teacher as defined in paragraph (8) of Section
20 16-106 who is serving in that capacity while on leave of
21 absence from another employer under this Article shall not be
22 considered an employee of the employer from which the teacher
23 is on leave.

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

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

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

7 The school district or other employing unit may pay these
8 employer contributions out of any source of funding available
9 for that purpose and shall forward the contributions to the
10 System on the schedule established for the payment of member
11 contributions.

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

15 Each employer of teachers is entitled to a credit against
16 the contributions required under this subsection (e) with
17 respect to salaries paid to teachers for the period January 1,
18 2002 through June 30, 2003, equal to the amount paid by that
19 employer under subsection (a-5) of Section 6.6 of the State
20 Employees Group Insurance Act of 1971 with respect to salaries
21 paid to teachers for that period.

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

1 If an employer is required by a contract in effect on May
2 1, 1998 between the employer and an employee organization to
3 pay, on behalf of all its full-time employees covered by this
4 Article, all mandatory employee contributions required under
5 this Article, then the employer shall be excused from paying
6 the employer contribution required under this subsection (e)
7 for the balance of the term of that contract. The employer and
8 the employee organization shall jointly certify to the System
9 the existence of the contractual requirement, in such form as
10 the System may prescribe. This exclusion shall cease upon the
11 termination, extension, or renewal of the contract at any time
12 after May 1, 1998.

13 (f) If the amount of a teacher's salary for any school year
14 used to determine final average salary exceeds the member's
15 annual full-time salary rate with the same employer for the
16 previous school year by more than 6%, the teacher's employer
17 shall pay to the System, in addition to all other payments
18 required under this Section and in accordance with guidelines
19 established by the System, the present value of the increase in
20 benefits resulting from the portion of the increase in salary
21 that is in excess of 6%. This present value shall be computed
22 by the System on the basis of the actuarial assumptions and
23 tables used in the most recent actuarial valuation of the
24 System that is available at the time of the computation. If a
25 teacher's salary for the 2005-2006 school year is used to
26 determine final average salary under this subsection (f), then

1 the changes made to this subsection (f) by Public Act 94-1057
2 shall apply in calculating whether the increase in his or her
3 salary is in excess of 6%. For the purposes of this Section,
4 change in employment under Section 10-21.12 of the School Code
5 on or after June 1, 2005 shall constitute a change in employer.
6 The System may require the employer to provide any pertinent
7 information or documentation. The changes made to this
8 subsection (f) by this amendatory Act of the 94th General
9 Assembly apply without regard to whether the teacher was in
10 service on or after its effective date.

11 Whenever it determines that a payment is or may be required
12 under this subsection, the System shall calculate the amount of
13 the payment and bill the employer for that amount. The bill
14 shall specify the calculations used to determine the amount
15 due. If the employer disputes the amount of the bill, it may,
16 within 30 days after receipt of the bill, apply to the System
17 in writing for a recalculation. The application must specify in
18 detail the grounds of the dispute and, if the employer asserts
19 that the calculation is subject to subsection (g) or (h) of
20 this Section, must include an affidavit setting forth and
21 attesting to all facts within the employer's knowledge that are
22 pertinent to the applicability of that subsection. Upon
23 receiving a timely application for recalculation, the System
24 shall review the application and, if appropriate, recalculate
25 the amount due.

26 The employer contributions required under this subsection

1 (f) may be paid in the form of a lump sum within 90 days after
2 receipt of the bill. If the employer contributions are not paid
3 within 90 days after receipt of the bill, then interest will be
4 charged at a rate equal to the System's annual actuarially
5 assumed rate of return on investment compounded annually from
6 the 91st day after receipt of the bill. Payments must be
7 concluded within 3 years after the employer's receipt of the
8 bill.

9 (g) This subsection (g) applies only to payments made or
10 salary increases given on or after June 1, 2005 but before July
11 1, 2011. The changes made by Public Act 94-1057 shall not
12 require the System to refund any payments received before July
13 31, 2006 (the effective date of Public Act 94-1057).

14 When assessing payment for any amount due under subsection
15 (f), the System shall exclude salary increases paid to teachers
16 under contracts or collective bargaining agreements entered
17 into, amended, or renewed before June 1, 2005.

18 When assessing payment for any amount due under subsection
19 (f), the System shall exclude salary increases paid to a
20 teacher at a time when the teacher is 10 or more years from
21 retirement eligibility under Section 16-132 or 16-133.2.

22 When assessing payment for any amount due under subsection
23 (f), the System shall exclude salary increases resulting from
24 overload work, including summer school, when the school
25 district has certified to the System, and the System has
26 approved the certification, that (i) the overload work is for

1 the sole purpose of classroom instruction in excess of the
2 standard number of classes for a full-time teacher in a school
3 district during a school year and (ii) the salary increases are
4 equal to or less than the rate of pay for classroom instruction
5 computed on the teacher's current salary and work schedule.

6 When assessing payment for any amount due under subsection
7 (f), the System shall exclude a salary increase resulting from
8 a promotion (i) for which the employee is required to hold a
9 certificate or supervisory endorsement issued by the State
10 Teacher Certification Board that is a different certification
11 or supervisory endorsement than is required for the teacher's
12 previous position and (ii) to a position that has existed and
13 been filled by a member for no less than one complete academic
14 year and the salary increase from the promotion is an increase
15 that results in an amount no greater than the lesser of the
16 average salary paid for other similar positions in the district
17 requiring the same certification or the amount stipulated in
18 the collective bargaining agreement for a similar position
19 requiring the same certification.

20 When assessing payment for any amount due under subsection
21 (f), the System shall exclude any payment to the teacher from
22 the State of Illinois or the State Board of Education over
23 which the employer does not have discretion, notwithstanding
24 that the payment is included in the computation of final
25 average salary.

26 When assessing payment for any amount due under subsection

1 (f), the System shall exclude any salary increases earned as a
2 result of a negotiated salary schedule.

3 (h) When assessing payment for any amount due under
4 subsection (f), the System shall exclude any salary increase
5 described in subsection (g) of this Section given on or after
6 July 1, 2011 but before July 1, 2014 under a contract or
7 collective bargaining agreement entered into, amended, or
8 renewed on or after June 1, 2005 but before July 1, 2011.
9 Notwithstanding any other provision of this Section, any
10 payments made or salary increases given after June 30, 2014
11 shall be used in assessing payment for any amount due under
12 subsection (f) of this Section.

13 (i) The System shall prepare a report and file copies of
14 the report with the Governor and the General Assembly by
15 January 1, 2007 that contains all of the following information:

16 (1) The number of recalculations required by the
17 changes made to this Section by Public Act 94-1057 for each
18 employer.

19 (2) The dollar amount by which each employer's
20 contribution to the System was changed due to
21 recalculations required by Public Act 94-1057.

22 (3) The total amount the System received from each
23 employer as a result of the changes made to this Section by
24 Public Act 94-4.

25 (4) The increase in the required State contribution
26 resulting from the changes made to this Section by Public

1 Act 94-1057.

2 (Source: P.A. 94-4, eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057,
3 eff. 7-31-06; 94-1111, eff. 2-27-07; 95-331, eff. 8-21-07;
4 95-950, eff. 8-29-08.)

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.