

# HB0529



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

HB0529

Introduced 01/31/11, by Rep. Michael J. Madigan

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-158

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

Amends the Downstate Teacher Article of the Illinois Pension Code. Makes a technical change in a Section concerning contributions by the State and other employing units.

LRB097 03356 JDS 43393 b

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 ~~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 2009, 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 Notwithstanding any other provision of this Article, the  
3 total required State contribution for State fiscal year 2010 is  
4 \$2,089,268,000 and shall be made from the proceeds of bonds  
5 sold in fiscal year 2010 pursuant to Section 7.2 of the General  
6 Obligation Bond Act, less (i) the pro rata share of bond sale  
7 expenses determined by the System's share of total bond  
8 proceeds, (ii) any amounts received from the Common School Fund  
9 in fiscal year 2010, and (iii) any reduction in bond proceeds  
10 due to the issuance of discounted bonds, if applicable.

11 Beginning in State fiscal year 2046, the minimum State  
12 contribution for each fiscal year shall be the amount needed to  
13 maintain the total assets of the System at 90% of the total  
14 actuarial liabilities of the System.

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

1           Notwithstanding any other provision of this Section, the  
2           required State contribution for State fiscal year 2005 and for  
3           fiscal year 2008 and each fiscal year thereafter, as calculated  
4           under this Section and certified under subsection (a-1), shall  
5           not exceed an amount equal to (i) the amount of the required  
6           State contribution that would have been calculated under this  
7           Section for that fiscal year if the System had not received any  
8           payments under subsection (d) of Section 7.2 of the General  
9           Obligation Bond Act, minus (ii) the portion of the State's  
10          total debt service payments for that fiscal year on the bonds  
11          issued for the purposes of that Section 7.2, as determined and  
12          certified by the Comptroller, that is the same as the System's  
13          portion of the total moneys distributed under subsection (d) of  
14          Section 7.2 of the General Obligation Bond Act. In determining  
15          this maximum for State fiscal years 2008 through 2010, however,  
16          the amount referred to in item (i) shall be increased, as a  
17          percentage of the applicable employee payroll, in equal  
18          increments calculated from the sum of the required State  
19          contribution for State fiscal year 2007 plus the applicable  
20          portion of the State's total debt service payments for fiscal  
21          year 2007 on the bonds issued for the purposes of Section 7.2  
22          of the General Obligation Bond Act, so that, by State fiscal  
23          year 2011, the State is contributing at the rate otherwise  
24          required under this Section.

25           (c) Payment of the required State contributions and of all  
26          pensions, retirement annuities, death benefits, refunds, and

1 other benefits granted under or assumed by this System, and all  
2 expenses in connection with the administration and operation  
3 thereof, are obligations of the State.

4 If members are paid from special trust or federal funds  
5 which are administered by the employing unit, whether school  
6 district or other unit, the employing unit shall pay to the  
7 System from such funds the full accruing retirement costs based  
8 upon that service, as determined by the System. Employer  
9 contributions, based on salary paid to members from federal  
10 funds, may be forwarded by the distributing agency of the State  
11 of Illinois to the System prior to allocation, in an amount  
12 determined in accordance with guidelines established by such  
13 agency and the System.

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

21 However, with respect to benefits granted under Section  
22 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
23 of Section 16-106, the employer's contribution shall be 12%  
24 (rather than 20%) of the member's highest annual salary rate  
25 for each year of creditable service granted, and the employer  
26 shall also pay the required employee contribution on behalf of



1 the teacher. For the purposes of Sections 16-133.4 and  
2 16-133.5, a teacher as defined in paragraph (8) of Section  
3 16-106 who is serving in that capacity while on leave of  
4 absence from another employer under this Article shall not be  
5 considered an employee of the employer from which the teacher  
6 is on leave.

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

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

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

16 The school district or other employing unit may pay these  
17 employer contributions out of any source of funding available  
18 for that purpose and shall forward the contributions to the  
19 System on the schedule established for the payment of member  
20 contributions.

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

24 Each employer of teachers is entitled to a credit against  
25 the contributions required under this subsection (e) with  
26 respect to salaries paid to teachers for the period January 1,

1 2002 through June 30, 2003, equal to the amount paid by that  
2 employer under subsection (a-5) of Section 6.6 of the State  
3 Employees Group Insurance Act of 1971 with respect to salaries  
4 paid to teachers for that period.

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

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

22 (f) If the amount of a teacher's salary for any school year  
23 used to determine final average salary exceeds the member's  
24 annual full-time salary rate with the same employer for the  
25 previous school year by more than 6%, the teacher's employer  
26 shall pay to the System, in addition to all other payments

1 required under this Section and in accordance with guidelines  
2 established by the System, the present value of the increase in  
3 benefits resulting from the portion of the increase in salary  
4 that is in excess of 6%. This present value shall be computed  
5 by the System on the basis of the actuarial assumptions and  
6 tables used in the most recent actuarial valuation of the  
7 System that is available at the time of the computation. If a  
8 teacher's salary for the 2005-2006 school year is used to  
9 determine final average salary under this subsection (f), then  
10 the changes made to this subsection (f) by Public Act 94-1057  
11 shall apply in calculating whether the increase in his or her  
12 salary is in excess of 6%. For the purposes of this Section,  
13 change in employment under Section 10-21.12 of the School Code  
14 on or after June 1, 2005 shall constitute a change in employer.  
15 The System may require the employer to provide any pertinent  
16 information or documentation. The changes made to this  
17 subsection (f) by this amendatory Act of the 94th General  
18 Assembly apply without regard to whether the teacher was in  
19 service on or after its effective date.

20 Whenever it determines that a payment is or may be required  
21 under this subsection, the System shall calculate the amount of  
22 the payment and bill the employer for that amount. The bill  
23 shall specify the calculations used to determine the amount  
24 due. If the employer disputes the amount of the bill, it may,  
25 within 30 days after receipt of the bill, apply to the System  
26 in writing for a recalculation. The application must specify in

1 detail the grounds of the dispute and, if the employer asserts  
2 that the calculation is subject to subsection (g) or (h) of  
3 this Section, must include an affidavit setting forth and  
4 attesting to all facts within the employer's knowledge that are  
5 pertinent to the applicability of that subsection. Upon  
6 receiving a timely application for recalculation, the System  
7 shall review the application and, if appropriate, recalculate  
8 the amount due.

9 The employer contributions required under this subsection  
10 (f) may be paid in the form of a lump sum within 90 days after  
11 receipt of the bill. If the employer contributions are not paid  
12 within 90 days after receipt of the bill, then interest will be  
13 charged at a rate equal to the System's annual actuarially  
14 assumed rate of return on investment compounded annually from  
15 the 91st day after receipt of the bill. Payments must be  
16 concluded within 3 years after the employer's receipt of the  
17 bill.

18 (g) This subsection (g) applies only to payments made or  
19 salary increases given on or after June 1, 2005 but before July  
20 1, 2011. The changes made by Public Act 94-1057 shall not  
21 require the System to refund any payments received before July  
22 31, 2006 (the effective date of Public Act 94-1057).

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

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

5           When assessing payment for any amount due under subsection  
6 (f), the System shall exclude salary increases resulting from  
7 overload work, including summer school, when the school  
8 district has certified to the System, and the System has  
9 approved the certification, that (i) the overload work is for  
10 the sole purpose of classroom instruction in excess of the  
11 standard number of classes for a full-time teacher in a school  
12 district during a school year and (ii) the salary increases are  
13 equal to or less than the rate of pay for classroom instruction  
14 computed on the teacher's current salary and work schedule.

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

1 the collective bargaining agreement for a similar position  
2 requiring the same certification.

3 When assessing payment for any amount due under subsection  
4 (f), the System shall exclude any payment to the teacher from  
5 the State of Illinois or the State Board of Education over  
6 which the employer does not have discretion, notwithstanding  
7 that the payment is included in the computation of final  
8 average salary.

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

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

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

25 (2) The dollar amount by which each employer's  
26 contribution to the System was changed due to

1           recalculations required by Public Act 94-1057.

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

5           (4) The increase in the required State contribution  
6           resulting from the changes made to this Section by Public  
7           Act 94-1057.

8           (j) For purposes of determining the required State  
9           contribution to the System, the value of the System's assets  
10          shall be equal to the actuarial value of the System's assets,  
11          which shall be calculated as follows:

12          As of June 30, 2008, the actuarial value of the System's  
13          assets shall be equal to the market value of the assets as of  
14          that date. In determining the actuarial value of the System's  
15          assets for fiscal years after June 30, 2008, any actuarial  
16          gains or losses from investment return incurred in a fiscal  
17          year shall be recognized in equal annual amounts over the  
18          5-year period following that fiscal year.

19          (k) For purposes of determining the required State  
20          contribution to the system for a particular year, the actuarial  
21          value of assets shall be assumed to earn a rate of return equal  
22          to the system's actuarially assumed rate of return.

23          (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;  
24          96-43, eff. 7-15-09.)