



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB1371

Introduced 2/6/2013, by Rep. David Harris

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-125
40 ILCS 5/4-118

from Ch. 108 1/2, par. 3-125
from Ch. 108 1/2, par. 4-118

Amends the Downstate Police and Firefighter Articles of the Illinois Pension Code. Delays by one year a procedure under which the Comptroller is required to divert certain State payments from the intended recipient to a pension fund when the intended recipient is more than 90 days overdue in making a required contribution to the pension fund. Effective immediately.

LRB098 09348 EFG 39489 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 Sections 3-125 and 4-118 as follows:

6 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)
7 Sec. 3-125. Financing.

8 (a) The city council or the board of trustees of the
9 municipality shall annually levy a tax upon all the taxable
10 property of the municipality at the rate on the dollar which
11 will produce an amount which, when added to the deductions from
12 the salaries or wages of police officers, and revenues
13 available from other sources, will equal a sum sufficient to
14 meet the annual requirements of the police pension fund. The
15 annual requirements to be provided by such tax levy are equal
16 to (1) the normal cost of the pension fund for the year
17 involved, plus (2) an amount sufficient to bring the total
18 assets of the pension fund up to 90% of the total actuarial
19 liabilities of the pension fund by the end of municipal fiscal
20 year 2040, as annually updated and determined by an enrolled
21 actuary employed by the Illinois Department of Insurance or by
22 an enrolled actuary retained by the pension fund or the
23 municipality. In making these determinations, the required

1 minimum employer contribution shall be calculated each year as
2 a level percentage of payroll over the years remaining up to
3 and including fiscal year 2040 and shall be determined under
4 the projected unit credit actuarial cost method. The tax shall
5 be levied and collected in the same manner as the general taxes
6 of the municipality, and in addition to all other taxes now or
7 hereafter authorized to be levied upon all property within the
8 municipality, and shall be in addition to the amount authorized
9 to be levied for general purposes as provided by Section 8-3-1
10 of the Illinois Municipal Code, approved May 29, 1961, as
11 amended. The tax shall be forwarded directly to the treasurer
12 of the board within 30 business days after receipt by the
13 county.

14 (b) For purposes of determining the required employer
15 contribution to a pension fund, the value of the pension fund's
16 assets shall be equal to the actuarial value of the pension
17 fund's assets, which shall be calculated as follows:

18 (1) On March 30, 2011, the actuarial value of a pension
19 fund's assets shall be equal to the market value of the
20 assets as of that date.

21 (2) In determining the actuarial value of the System's
22 assets for fiscal years after March 30, 2011, any actuarial
23 gains or losses from investment return incurred in a fiscal
24 year shall be recognized in equal annual amounts over the
25 5-year period following that fiscal year.

26 (c) If a participating municipality fails to transmit to

1 the fund contributions required of it under this Article for
2 more than 90 days after the payment of those contributions is
3 due, the fund may, after giving notice to the municipality,
4 certify to the State Comptroller the amounts of the delinquent
5 payments, and the Comptroller must, beginning in fiscal year
6 2017 ~~2016~~, deduct and deposit into the fund the certified
7 amounts or a portion of those amounts from the following
8 proportions of grants of State funds to the municipality:

9 (1) in fiscal year 2017 ~~2016~~, one-third of the total
10 amount of any grants of State funds to the municipality;

11 (2) in fiscal year 2018 ~~2017~~, two-thirds of the total
12 amount of any grants of State funds to the municipality;
13 and

14 (3) in fiscal year 2019 ~~2018~~ and each fiscal year
15 thereafter, the total amount of any grants of State funds
16 to the municipality.

17 The State Comptroller may not deduct from any grants of
18 State funds to the municipality more than the amount of
19 delinquent payments certified to the State Comptroller by the
20 fund.

21 (d) The police pension fund shall consist of the following
22 moneys which shall be set apart by the treasurer of the
23 municipality:

24 (1) All moneys derived from the taxes levied hereunder;

25 (2) Contributions by police officers under Section
26 3-125.1;

1 (3) All moneys accumulated by the municipality under
2 any previous legislation establishing a fund for the
3 benefit of disabled or retired police officers;

4 (4) Donations, gifts or other transfers authorized by
5 this Article.

6 (e) The Commission on Government Forecasting and
7 Accountability shall conduct a study of all funds established
8 under this Article and shall report its findings to the General
9 Assembly on or before January 1, 2013. To the fullest extent
10 possible, the study shall include, but not be limited to, the
11 following:

12 (1) fund balances;

13 (2) historical employer contribution rates for each
14 fund;

15 (3) the actuarial formulas used as a basis for employer
16 contributions, including the actual assumed rate of return
17 for each year, for each fund;

18 (4) available contribution funding sources;

19 (5) the impact of any revenue limitations caused by
20 PTELL and employer home rule or non-home rule status; and

21 (6) existing statutory funding compliance procedures
22 and funding enforcement mechanisms for all municipal
23 pension funds.

24 (Source: P.A. 95-530, eff. 8-28-07; 96-1495, eff. 1-1-11.)

25 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

1 Sec. 4-118. Financing.

2 (a) The city council or the board of trustees of the
3 municipality shall annually levy a tax upon all the taxable
4 property of the municipality at the rate on the dollar which
5 will produce an amount which, when added to the deductions from
6 the salaries or wages of firefighters and revenues available
7 from other sources, will equal a sum sufficient to meet the
8 annual actuarial requirements of the pension fund, as
9 determined by an enrolled actuary employed by the Illinois
10 Department of Insurance or by an enrolled actuary retained by
11 the pension fund or municipality. For the purposes of this
12 Section, the annual actuarial requirements of the pension fund
13 are equal to (1) the normal cost of the pension fund, or 17.5%
14 of the salaries and wages to be paid to firefighters for the
15 year involved, whichever is greater, plus (2) an annual amount
16 sufficient to bring the total assets of the pension fund up to
17 90% of the total actuarial liabilities of the pension fund by
18 the end of municipal fiscal year 2040, as annually updated and
19 determined by an enrolled actuary employed by the Illinois
20 Department of Insurance or by an enrolled actuary retained by
21 the pension fund or the municipality. In making these
22 determinations, the required minimum employer contribution
23 shall be calculated each year as a level percentage of payroll
24 over the years remaining up to and including fiscal year 2040
25 and shall be determined under the projected unit credit
26 actuarial cost method. The amount to be applied towards the

1 amortization of the unfunded accrued liability in any year
2 shall not be less than the annual amount required to amortize
3 the unfunded accrued liability, including interest, as a level
4 percentage of payroll over the number of years remaining in the
5 40 year amortization period.

6 (a-5) For purposes of determining the required employer
7 contribution to a pension fund, the value of the pension fund's
8 assets shall be equal to the actuarial value of the pension
9 fund's assets, which shall be calculated as follows:

10 (1) On March 30, 2011, the actuarial value of a pension
11 fund's assets shall be equal to the market value of the
12 assets as of that date.

13 (2) In determining the actuarial value of the pension
14 fund's assets for fiscal years after March 30, 2011, any
15 actuarial gains or losses from investment return incurred
16 in a fiscal year shall be recognized in equal annual
17 amounts over the 5-year period following that fiscal year.

18 (b) The tax shall be levied and collected in the same
19 manner as the general taxes of the municipality, and shall be
20 in addition to all other taxes now or hereafter authorized to
21 be levied upon all property within the municipality, and in
22 addition to the amount authorized to be levied for general
23 purposes, under Section 8-3-1 of the Illinois Municipal Code or
24 under Section 14 of the Fire Protection District Act. The tax
25 shall be forwarded directly to the treasurer of the board
26 within 30 business days of receipt by the county (or, in the

1 case of amounts added to the tax levy under subsection (f),
2 used by the municipality to pay the employer contributions
3 required under subsection (b-1) of Section 15-155 of this
4 Code).

5 (b-5) If a participating municipality fails to transmit to
6 the fund contributions required of it under this Article for
7 more than 90 days after the payment of those contributions is
8 due, the fund may, after giving notice to the municipality,
9 certify to the State Comptroller the amounts of the delinquent
10 payments, and the Comptroller must, beginning in fiscal year
11 2017 ~~2016~~, deduct and deposit into the fund the certified
12 amounts or a portion of those amounts from the following
13 proportions of grants of State funds to the municipality:

14 (1) in fiscal year 2017 ~~2016~~, one-third of the total
15 amount of any grants of State funds to the municipality;

16 (2) in fiscal year 2018 ~~2017~~, two-thirds of the total
17 amount of any grants of State funds to the municipality;
18 and

19 (3) in fiscal year 2019 ~~2018~~ and each fiscal year
20 thereafter, the total amount of any grants of State funds
21 to the municipality.

22 The State Comptroller may not deduct from any grants of
23 State funds to the municipality more than the amount of
24 delinquent payments certified to the State Comptroller by the
25 fund.

26 (c) The board shall make available to the membership and

1 the general public for inspection and copying at reasonable
2 times the most recent Actuarial Valuation Balance Sheet and Tax
3 Levy Requirement issued to the fund by the Department of
4 Insurance.

5 (d) The firefighters' pension fund shall consist of the
6 following moneys which shall be set apart by the treasurer of
7 the municipality: (1) all moneys derived from the taxes levied
8 hereunder; (2) contributions by firefighters as provided under
9 Section 4-118.1; (3) all rewards in money, fees, gifts, and
10 emoluments that may be paid or given for or on account of
11 extraordinary service by the fire department or any member
12 thereof, except when allowed to be retained by competitive
13 awards; and (4) any money, real estate or personal property
14 received by the board.

15 (e) For the purposes of this Section, "enrolled actuary"
16 means an actuary: (1) who is a member of the Society of
17 Actuaries or the American Academy of Actuaries; and (2) who is
18 enrolled under Subtitle C of Title III of the Employee
19 Retirement Income Security Act of 1974, or who has been engaged
20 in providing actuarial services to one or more public
21 retirement systems for a period of at least 3 years as of July
22 1, 1983.

23 (f) The corporate authorities of a municipality that
24 employs a person who is described in subdivision (d) of Section
25 4-106 may add to the tax levy otherwise provided for in this
26 Section an amount equal to the projected cost of the employer

1 contributions required to be paid by the municipality to the
2 State Universities Retirement System under subsection (b-1) of
3 Section 15-155 of this Code.

4 (g) The Commission on Government Forecasting and
5 Accountability shall conduct a study of all funds established
6 under this Article and shall report its findings to the General
7 Assembly on or before January 1, 2013. To the fullest extent
8 possible, the study shall include, but not be limited to, the
9 following:

10 (1) fund balances;

11 (2) historical employer contribution rates for each
12 fund;

13 (3) the actuarial formulas used as a basis for employer
14 contributions, including the actual assumed rate of return
15 for each year, for each fund;

16 (4) available contribution funding sources;

17 (5) the impact of any revenue limitations caused by
18 PTELL and employer home rule or non-home rule status; and

19 (6) existing statutory funding compliance procedures
20 and funding enforcement mechanisms for all municipal
21 pension funds.

22 (Source: P.A. 96-1495, eff. 1-1-11.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.