SB3669

LRB101 20600 RPS 70237 b

101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB3669

Introduced 2/14/2020, by Sen. Chuck Weaver

SYNOPSIS AS INTRODUCED:

See Index

Amends the Downstate Police and Downstate Firefighter Articles of the Illinois Pension Code. Beginning municipal fiscal year 2022, provides that the annual levy and contribution to the fund are equal to (1) the normal cost of the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 30-year rolling amortization period. Provides that each municipal fiscal year through 2031, the rolling amortization period shall be reduced by one year for each municipal fiscal year after 2022. Provides a 20-year rolling amortization period for municipal fiscal year 2032 and each year thereafter. Provides that in making these determinations, the required minimum employer contribution shall be calculated each year as a level dollar amount over the amortization period, shall be determined under the entry age normal actuarial cost method, and shall be calculated using the most recent public retirement plans mortality table published by the Society of Actuaries. Provides that a municipality may not deviate from the amount of the contribution determined by the enrolled actuary and must use the actuarial rate of return recommended by the enrolled actuary. Provides that if a participating municipality fails to transmit to the fund contributions required of it for more than 90 days after the payment of those contributions is due, the fund shall (instead of may) certify to the State Comptroller the amounts of the delinquent payments, and the Comptroller must deduct and remit to the fund the certified amounts from payments of State funds to the municipality. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

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FISCAL NOTE ACT MAY APPLY	PENSION IMPACT NOTE ACT MAY APPLY	STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 5. The Illinois Pension Code is amended by changing Sections 3-125 and 4-118 as follows:

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

Sec. 3-125. Financing.

(a) The city council or the board of trustees of the municipality shall annually levy a tax upon all the taxable property of the municipality at the rate on the dollar which will produce an amount which, when added to the deductions from the salaries or wages of police officers, and revenues available from other sources, will equal a sum sufficient to meet the annual requirements of the police pension fund. Until municipal fiscal year 2022, the ~~The~~ annual requirements to be provided by such tax levy are equal to (1) the normal cost of the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level percentage of payroll over the years remaining up to and including fiscal year 2040 and shall be determined under the projected unit credit actuarial cost method. The tax shall be levied and collected in the same manner as the general taxes of the municipality, and in addition to all other taxes now or hereafter authorized to be levied upon all property within the municipality, and shall be in addition to the amount authorized to be levied for general purposes as provided by Section 8-3-1 of the Illinois Municipal Code, approved May 29, 1961, as amended. The tax shall be forwarded directly to the treasurer of the board within 30 business days after receipt by the county.

For municipal fiscal years 2022 through 2031, the annual requirements to be provided by such tax levy are equal to (1) the normal cost of the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 30-year rolling amortization period, as annually updated and determined by an enrolled actuary employed by the Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. However, for each municipal fiscal year until municipal fiscal year 2032, the rolling amortization period specified in this paragraph shall be reduced by one year for each municipal fiscal year after 2022. In making these determinations, the required minimum employer contribution shall be calculated each year as a level dollar amount over the amortization period, shall be determined under the entry age normal actuarial cost method, and shall be calculated using the most recent public retirement plans mortality table published by the Society of Actuaries. A municipality may not deviate from the amount determined in accordance with this paragraph by the enrolled actuary and must use the actuarial rate of return recommended by the enrolled actuary.

For municipal fiscal year 2032 and each year thereafter, the annual requirements to be provided by such tax levy are equal to (1) the normal cost of the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 20-year rolling amortization period, as annually updated and determined by an enrolled actuary employed by the Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level dollar amount over the amortization period, shall be determined under the entry age normal actuarial cost method, and shall be calculated using the most recent public retirement plans mortality table published by the Society of Actuaries. A municipality may not deviate from the amount determined in accordance with this paragraph by the enrolled actuary and must use the actuarial rate of return recommended by the enrolled actuary.

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

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

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

(c) If a participating municipality fails to transmit to the fund contributions required of it under this Article for more than 90 days after the payment of those contributions is due, the fund shall ~~may~~, after giving notice to the municipality, certify to the State Comptroller the amounts of the delinquent payments in accordance with any applicable rules of the Comptroller, and the Comptroller must, beginning in fiscal year 2016, deduct and remit to the fund the certified amounts or a portion of those amounts from the following proportions of payments of State funds to the municipality:

(1) in fiscal year 2016, one-third of the total amount of any payments of State funds to the municipality;

(2) in fiscal year 2017, two-thirds of the total amount of any payments of State funds to the municipality; and

(3) in fiscal year 2018 and each fiscal year thereafter, the total amount of any payments of State funds to the municipality.

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

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

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

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

(2.5) All moneys received from the Police Officers' Pension Investment Fund as provided in Article 22B of this Code;

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

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

(e) The Commission on Government Forecasting and Accountability shall conduct a study of all funds established under this Article and shall report its findings to the General

Assembly on or before January 1, 2013. To the fullest extent possible, the study shall include, but not be limited to, the following:

(1) fund balances;

(2) historical employer contribution rates for each fund;

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

(4) available contribution funding sources;

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

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

(Source: P.A. 101-610, eff. 1-1-20.)

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

Sec. 4-118. Financing.

(a) The city council or the board of trustees of the municipality shall annually levy a tax upon all the taxable property of the municipality at the rate on the dollar which will produce an amount which, when added to the deductions from the salaries or wages of firefighters and revenues available from other sources, will equal a sum sufficient to meet the annual actuarial requirements of the pension fund, as determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or municipality. For the purposes of this Section, until municipal fiscal year 2022, the annual actuarial requirements of the pension fund are equal to (1) the normal cost of the pension fund, or 17.5% of the salaries and wages to be paid to firefighters for the year involved, whichever is greater, plus (2) an annual amount sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities of the pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary employed by the Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level percentage of payroll over the years remaining up to and including fiscal year 2040 and shall be determined under the projected unit credit actuarial cost method. The amount to be applied towards the amortization of the unfunded accrued liability in any year shall not be less than the annual amount required to amortize the unfunded accrued liability, including interest, as a level percentage of payroll over the number of years remaining in the 40 year amortization period.

For the purposes of this Section, for municipal fiscal years 2022 through 2031, the annual actuarial requirements of the pension fund are equal to (1) the normal cost of the pension fund, or 17.5% of the salaries and wages to be paid to firefighters for the year involved, whichever is greater, plus (2) an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 30-year rolling amortization period, as annually updated and determined by an enrolled actuary employed by the Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. However, for each municipal fiscal year until municipal fiscal year 2032, the rolling amortization period specified in this paragraph shall be reduced by one year for each municipal fiscal year after 2022. In making these determinations, the required minimum employer contribution shall be calculated each year as a level dollar amount over the amortization period, shall be determined under the entry age normal actuarial cost method, and shall be calculated using the most recent public retirement plans mortality table published by the Society of Actuaries. A municipality may not deviate from the amount determined in accordance with this paragraph by the enrolled actuary and must use the actuarial rate of return recommended by the enrolled actuary.

For the purposes of this Section, beginning municipal fiscal year 2032 and each municipal fiscal year thereafter, the annual actuarial requirements of the pension fund are equal to (1) the normal cost of the pension fund, or 17.5% of the salaries and wages to be paid to firefighters for the year involved, whichever is greater, plus (2) an amount sufficient to bring the total assets of the pension fund up to 100% of the total actuarial liabilities of the pension fund over a 20-year rolling amortization period, as annually updated and determined by an enrolled actuary employed by the Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level dollar amount over the amortization period, shall be determined under the entry age normal actuarial cost method, and shall be calculated using the most recent public retirement plans mortality table published by the Society of Actuaries. A municipality may not deviate from the amount determined in accordance with this paragraph by the enrolled actuary and must use the actuarial rate of return recommended by the enrolled actuary.

(a-2) A municipality that has established a pension fund under this Article and who employs a full-time firefighter, as defined in Section 4-106, shall be deemed a primary employer with respect to that full-time firefighter. Any municipality of 5,000 or more inhabitants that employs or enrolls a firefighter while that firefighter continues to earn service credit as a participant in a primary employer's pension fund under this Article shall be deemed a secondary employer and such employees shall be deemed to be secondary employee firefighters. To ensure that the primary employer's pension fund under this Article is aware of additional liabilities and risks to which firefighters are exposed when performing work as firefighters for secondary employers, a secondary employer shall annually prepare a report accounting for all hours worked by and wages and salaries paid to the secondary employee firefighters it receives services from or employs for each fiscal year in which such firefighters are employed and transmit a certified copy of that report to the primary employer's pension fund and the secondary employee firefighter no later than 30 days after the end of any fiscal year in which wages were paid to the secondary employee firefighters.

Nothing in this Section shall be construed to allow a secondary employee to qualify for benefits or creditable service for employment as a firefighter for a secondary employer.

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

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

(2) In determining the actuarial value of the pension fund's assets for fiscal years after March 30, 2011, any actuarial gains or losses from investment return incurred

in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

(b) The tax shall be levied and collected in the same manner as the general taxes of the municipality, and shall be in addition to all other taxes now or hereafter authorized to be levied upon all property within the municipality, and in addition to the amount authorized to be levied for general purposes, under Section 8-3-1 of the Illinois Municipal Code or under Section 14 of the Fire Protection District Act. The tax shall be forwarded directly to the treasurer of the board within 30 business days of receipt by the county (or, in the case of amounts added to the tax levy under subsection (f), used by the municipality to pay the employer contributions required under subsection (b-1) of Section 15-155 of this Code).

(b-5) If a participating municipality fails to transmit to the fund contributions required of it under this Article for more than 90 days after the payment of those contributions is due, the fund shall ~~may~~, after giving notice to the municipality, certify to the State Comptroller the amounts of the delinquent payments in accordance with any applicable rules of the Comptroller, and the Comptroller must, beginning in fiscal year 2016, deduct and remit to the fund the certified amounts or a portion of those amounts from the following proportions of payments of State funds to the municipality:

(1) in fiscal year 2016, one-third of the total amount

of any payments of State funds to the municipality;

(2) in fiscal year 2017, two-thirds of the total amount of any payments of State funds to the municipality; and

(3) in fiscal year 2018 and each fiscal year thereafter, the total amount of any payments of State funds to the municipality.

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

(c) The board shall make available to the membership and the general public for inspection and copying at reasonable times the most recent Actuarial Valuation Balance Sheet and Tax Levy Requirement issued to the fund by the Department of Insurance.

(d) The firefighters' pension fund shall consist of the following moneys which shall be set apart by the treasurer of the municipality: (1) all moneys derived from the taxes levied hereunder; (2) contributions by firefighters as provided under Section 4-118.1; (2.5) all moneys received from the Firefighters' Pension Investment Fund as provided in Article 22C of this Code; (3) all rewards in money, fees, gifts, and emoluments that may be paid or given for or on account of extraordinary service by the fire department or any member thereof, except when allowed to be retained by competitive awards; and (4) any money, real estate or personal property received by the board.

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

(f) The corporate authorities of a municipality that employs a person who is described in subdivision (d) of Section 4-106 may add to the tax levy otherwise provided for in this Section an amount equal to the projected cost of the employer contributions required to be paid by the municipality to the State Universities Retirement System under subsection (b-1) of Section 15-155 of this Code.

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

(1) fund balances;

(2) historical employer contribution rates for each fund;

(3) the actuarial formulas used as a basis for employer

contributions, including the actual assumed rate of return for each year, for each fund;

(4) available contribution funding sources;

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

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

(Source: P.A. 101-522, eff. 8-23-19; 101-610, eff. 1-1-20.)

Section 90. The State Mandates Act is amended by adding Section 8.44 as follows:

(30 ILCS 805/8.44 new)

Sec. 8.44. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 101st General Assembly.

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

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Statutes amended in order of appearance