

# SB4000



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

SB4000

Introduced 1/4/2021, by Sen. Cristina Castro

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-125	from Ch. 108 1/2, par. 3-125
40 ILCS 5/4-118	from Ch. 108 1/2, par. 4-118
30 ILCS 805/8.44 new	

Amends the Downstate Police and Downstate Firefighter Articles of the Illinois Pension Code. Provides that the annual employer contribution shall include 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 2050 (instead of 2040). Makes a conforming change. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB101 21585 RPS 72513 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 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 2050 ~~2040~~, as annually updated and determined by an  
21 enrolled actuary employed by the Illinois Department of  
22 Insurance or by an enrolled actuary retained by the pension  
23 fund or the municipality. In making these determinations, the

1 required minimum employer contribution shall be calculated  
2 each year as a level percentage of payroll over the years  
3 remaining up to and including fiscal year 2050 ~~2040~~ and shall  
4 be determined under the projected unit credit actuarial cost  
5 method. The tax shall be levied and collected in the same  
6 manner as the general taxes of the municipality, and in  
7 addition to all other taxes now or hereafter authorized to be  
8 levied upon all property within the municipality, and shall be  
9 in addition to the amount authorized to be levied for general  
10 purposes as provided by Section 8-3-1 of the Illinois Municipal  
11 Code, approved May 29, 1961, as amended. The tax shall be  
12 forwarded directly to the treasurer of the board within 30  
13 business days after receipt by the 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 in accordance with any applicable rules of the  
6 Comptroller, and the Comptroller must, beginning in fiscal year  
7 2016, deduct and remit to the fund the certified amounts or a  
8 portion of those amounts from the following proportions of  
9 payments of State funds to the municipality:

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

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

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

17 The State Comptroller may not deduct from any payments 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           (2.5) All moneys received from the Police Officers'  
2 Pension Investment Fund as provided in Article 22B of this  
3 Code;

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

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

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

15           (1) fund balances;

16           (2) historical employer contribution rates for each  
17 fund;

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

21           (4) available contribution funding sources;

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

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

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

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

3 Sec. 4-118. Financing.

4 (a) The city council or the board of trustees of the  
5 municipality shall annually levy a tax upon all the taxable  
6 property of the municipality at the rate on the dollar which  
7 will produce an amount which, when added to the deductions from  
8 the salaries or wages of firefighters and revenues available  
9 from other sources, will equal a sum sufficient to meet the  
10 annual actuarial requirements of the pension fund, as  
11 determined by an enrolled actuary employed by the Illinois  
12 Department of Insurance or by an enrolled actuary retained by  
13 the pension fund or municipality. For the purposes of this  
14 Section, the annual actuarial requirements of the pension fund  
15 are equal to (1) the normal cost of the pension fund, or 17.5%  
16 of the salaries and wages to be paid to firefighters for the  
17 year involved, whichever is greater, plus (2) an annual amount  
18 sufficient to bring the total assets of the pension fund up to  
19 90% of the total actuarial liabilities of the pension fund by  
20 the end of municipal fiscal year 2050 ~~2040~~, as annually updated  
21 and determined by an enrolled actuary employed by the Illinois  
22 Department of Insurance or by an enrolled actuary retained by  
23 the pension fund or the municipality. In making these  
24 determinations, the required minimum employer contribution  
25 shall be calculated each year as a level percentage of payroll

1 over the years remaining up to and including fiscal year 2050  
2 ~~2040~~ and shall be determined under the projected unit credit  
3 actuarial cost method. The amount to be applied towards the  
4 amortization of the unfunded accrued liability in any year  
5 shall not be less than the annual amount required to amortize  
6 the unfunded accrued liability, including interest, as a level  
7 percentage of payroll over the number of years remaining in the  
8 40 year amortization period.

9 (a-2) A municipality that has established a pension fund  
10 under this Article and who employs a full-time firefighter, as  
11 defined in Section 4-106, shall be deemed a primary employer  
12 with respect to that full-time firefighter. Any municipality of  
13 5,000 or more inhabitants that employs or enrolls a firefighter  
14 while that firefighter continues to earn service credit as a  
15 participant in a primary employer's pension fund under this  
16 Article shall be deemed a secondary employer and such employees  
17 shall be deemed to be secondary employee firefighters. To  
18 ensure that the primary employer's pension fund under this  
19 Article is aware of additional liabilities and risks to which  
20 firefighters are exposed when performing work as firefighters  
21 for secondary employers, a secondary employer shall annually  
22 prepare a report accounting for all hours worked by and wages  
23 and salaries paid to the secondary employee firefighters it  
24 receives services from or employs for each fiscal year in which  
25 such firefighters are employed and transmit a certified copy of  
26 that report to the primary employer's pension fund and the

1 secondary employee firefighter no later than 30 days after the  
2 end of any fiscal year in which wages were paid to the  
3 secondary employee firefighters.

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

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

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

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

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



1 shall be forwarded directly to the treasurer of the board  
2 within 30 business days of receipt by the county (or, in the  
3 case of amounts added to the tax levy under subsection (f),  
4 used by the municipality to pay the employer contributions  
5 required under subsection (b-1) of Section 15-155 of this  
6 Code).

7 (b-5) If a participating municipality fails to transmit to  
8 the fund contributions required of it under this Article for  
9 more than 90 days after the payment of those contributions is  
10 due, the fund may, after giving notice to the municipality,  
11 certify to the State Comptroller the amounts of the delinquent  
12 payments in accordance with any applicable rules of the  
13 Comptroller, and the Comptroller must, beginning in fiscal year  
14 2016, deduct and remit to the fund the certified amounts or a  
15 portion of those amounts from the following proportions of  
16 payments of State funds to the municipality:

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

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

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

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

1 fund.

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

7 (d) The firefighters' pension fund shall consist of the  
8 following moneys which shall be set apart by the treasurer of  
9 the municipality: (1) all moneys derived from the taxes levied  
10 hereunder; (2) contributions by firefighters as provided under  
11 Section 4-118.1; (2.5) all moneys received from the  
12 Firefighters' Pension Investment Fund as provided in Article  
13 22C of this Code; (3) all rewards in money, fees, gifts, and  
14 emoluments that may be paid or given for or on account of  
15 extraordinary service by the fire department or any member  
16 thereof, except when allowed to be retained by competitive  
17 awards; and (4) any money, real estate or personal property  
18 received by the board.

19 (e) For the purposes of this Section, "enrolled actuary"  
20 means an actuary: (1) who is a member of the Society of  
21 Actuaries or the American Academy of Actuaries; and (2) who is  
22 enrolled under Subtitle C of Title III of the Employee  
23 Retirement Income Security Act of 1974, or who has been engaged  
24 in providing actuarial services to one or more public  
25 retirement systems for a period of at least 3 years as of July  
26 1, 1983.

1           (f) The corporate authorities of a municipality that  
2 employs a person who is described in subdivision (d) of Section  
3 4-106 may add to the tax levy otherwise provided for in this  
4 Section an amount equal to the projected cost of the employer  
5 contributions required to be paid by the municipality to the  
6 State Universities Retirement System under subsection (b-1) of  
7 Section 15-155 of this Code.

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

14                 (1) fund balances;

15                 (2) historical employer contribution rates for each  
16 fund;

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

20                 (4) available contribution funding sources;

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

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

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

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

3           (30 ILCS 805/8.44 new)

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

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