HB3962

LRB093 13586 LRD 40285 b

93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

HB3962

Introduced 12/17/2003, by Michael J. Madigan

SYNOPSIS AS INTRODUCED:

40 ILCS 5/16-133	from Ch. 108 1/2, par. 16-133
40 ILCS 5/16-158	from Ch. 108 1/2, par. 16-158
30 ILCS 805/8.28 new	

Amends the Downstate Teachers Article of the Illinois Pension Code. Provides that, for the purpose of computing final average salary, salary does not include any lump sum payment. Provides that if a teacher's salary for any school year that is used to determine final average salary is increased over the amount of his or her salary with the same employer for the previous school year by an amount greater than the increase that would result from the application of a Compensation Review Board provision governing salary increases for certain public officials, the teacher's employer shall pay to the System the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of the salary increase that would result from the application of that Compensation Review Board provision. Provides that the provision requiring an employer to pay the present value of the portion of a salary increase applies to salaries paid to teachers under contracts or collective bargaining agreements entered into, amended, or renewed on or after the effective date of the amendatory Act. 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 in relation to 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 16-133 and 16-158 as follows:

(40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

Sec. 16-133. Retirement annuity; amount.

(a) The amount of the retirement annuity shall be the larger of the amounts determined under paragraphs (A) and (B) below:

(A) An amount consisting of the sum of the following:

(1) An amount that can be provided on an actuarially equivalent basis by the member's accumulated contributions at the time of retirement; and

(2) The sum of (i) the amount that can be provided on an actuarially equivalent basis by the member's accumulated contributions representing service prior to July 1, 1947, and (ii) the amount that can be provided on an actuarially equivalent basis by the amount obtained by multiplying 1.4 times the member's accumulated contributions covering service subsequent to June 30, 1947; and

(3) If there is prior service, 2 times the amount that would have been determined under subparagraph (2) of paragraph (A) above on account of contributions which would have been made during the period of prior service creditable to the member had the System been in operation and had the member made contributions at the contribution rate in effect prior to July 1, 1947.

(B) An amount consisting of the greater of the following:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 16-129.1: 1.67% of final average salary for each of the first 10 years of creditable service, 1.90% of final average salary for each year in excess of 10 but not exceeding 20, 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30; and

For creditable service earned on or after July 1, 1998 by a member who has at least 24 years of creditable service on July 1, 1998 and who does not elect to augment service under Section 16-129.1: 2.2% of final average salary for each year of creditable service earned on or after July 1, 1998 but before the member reaches a total of 30 years of creditable service and 2.3% of final average salary for each year of creditable service earned on or after July 1, 1998 and after the member reaches a total of 30 years of creditable service; and

For all other creditable service: 2.2% of final average salary for each year of creditable service; or

(2) 1.5% of final average salary for each year of creditable service plus the sum $7.50 for each of the first 20 years of creditable service.

The amount of the retirement annuity determined under this paragraph (B) shall be reduced by 1/2 of 1% for each month that the member is less than age 60 at the time the retirement annuity begins. However, this reduction shall not apply (i) if the member has at least 35 years of creditable service, or (ii) if the member retires on account of disability under Section 16-149.2 of this Article with at least 20 years of creditable service, or (iii) if the member (1) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (2) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, (3) retires on or after January 1, 2001, and (4) retires having attained an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

(b) For purposes of this Section, final average salary shall be the average salary for the highest 4 consecutive years within the last 10 years of creditable service as determined under rules of the board. ++For persons who enter service under this Article on or after the effective date of this amendatory Act of the 93rd General Assembly, for the purpose of computing final average salary under this subsection, salary does not include any lump sum payment. For persons who entered service under this Article before the effective date of this amendatory Act of the 93rd General Assembly, final average salary shall be computed under this subsection in the same manner as immediately before that effective date.++ The minimum final average salary shall be considered to be $2,400 per year.

In the determination of final average salary for members other than elected officials and their appointees when such appointees are allowed by statute, that part of a member's salary for any year beginning after June 30, 1979 which exceeds the member's annual full-time salary rate with the same employer for the preceding year by more than 20% shall be excluded. The exclusion shall not apply in any year in which the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

(c) In determining the amount of the retirement annuity under paragraph (B) of this Section, a fractional year shall be granted proportional credit.

(d) The retirement annuity determined under paragraph (B) of this Section shall be available only to members who render teaching service after July 1, 1947 for which member contributions are required, and to annuitants who re-enter under the provisions of Section 16-150.

(e) The maximum retirement annuity provided under paragraph (B) of this Section shall be 75% of final average salary.

(f) A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of final average salary if the member is qualified to receive a retirement annuity equal to at least 74.6% of final average salary under this Article or as proportional annuities under Article 20 of this Code.

(Source: P.A. 90-582, eff. 5-27-98; 91-17, eff. 6-4-99; 91-887, eff. 7-6-00; 91-927, eff. 12-14-00.)

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

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

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

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

(a-1) Annually, on or before November 15, the Board shall certify to the Governor the amount of the required State contribution for the coming fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based.

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

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

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

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

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

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

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a), and notwithstanding any contrary certification made under subsection (a-1) before the effective date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY 2003; and 13.56% in FY 2004.

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and each fiscal year thereafter, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act.

(b-4) If the amount of a teacher's salary for any school year used to determine final average salary is increased over the amount of his or her salary with the same employer for the previous school year by an amount greater than the increase that would result from the application of Motions 15 and 16 of the Report of the Compensation Review Board of April 25, 1990, as approved by Senate Joint Resolution 192 of the 86th General Assembly, the teacher's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of the increase that would result from the application of Motions 15 and 16 of the Report of the Compensation Review Board of April 25, 1990, as approved by Senate Joint Resolution 192 of the 86th General Assembly. The present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of the increase that would result from the application of Motions 15 and 16 of the Report of the Compensation Review Board of April 25, 1990, as approved by Senate Joint Resolution 192 of the 86th General Assembly, shall be computed by the Board on the basis of the same actuarial assumptions and tables used by the Board for the most recent actuarial valuation that are available at the time of the computation. The employer contributions required under this subsection (b-4) may be paid in the form of a lump sum within 60 days after the teacher begins receiving benefits under this Article or in substantially equal installments over a period of up to 3 years beginning at the time the teacher begins receiving benefits under this Article.

For the purposes of this subsection (b-4), the term "the increase that would result from the application of Motions 15 and 16 of the Report of the Compensation Review Board of April 25, 1990, as approved by Senate Joint Resolution 192 of the 86th General Assembly means an increase in salary on July 1, 2004 and July 1 of each year thereafter by the lesser of (i) the cost of living index known as the Employment Cost Index,

<u>Wages, and Salaries, By Occupation and Industry Group: State and Local Government Workers: Public Administration as published by the United States Department of Labor, Bureau of Labor Statistics, applicable for the calendar year immediately preceding the calendar year in which the respective July 1st increase is scheduled or (ii) 5% of the current salary.</u>

<u>The provisions of this subsection (b-4) apply to salaries paid to teachers under contracts or collective bargaining agreements entered into, amended, or renewed on or after the effective date of this amendatory Act of the 93rd General Assembly.</u>

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

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

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

However, with respect to benefits granted under Section 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8) of Section 16-106, the employer's contribution shall be 12%

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

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

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

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

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

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

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

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

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

(Source: P.A. 92-505, eff. 12-20-01; 93-2, eff. 4-7-03.)

Section 90. The State Mandates Act is amended by adding Section 8.28 as follows:

(30 ILCS 805/8.28 new)

<u>Sec. 8.28. 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 93rd General Assembly.</u>

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