



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

JUNE 2011

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REVENUE: FY 2011 Base Revenues Increase \$3.398 Billion – Reflects Tax Changes, Interfund Borrowing and Underlying Economic Improvement

Jim Muschinske, Revenue Manager

Excluding Budget Stabilization Fund transfers, June revenues rose \$905 million to close out the fiscal year. The jump in receipts reflected the higher income tax rates passed in January, as well as a comparably better month for federal sources due to a concerted effort to maximize reimbursable spending. June had the same number of receipting days as last year.

For the month, personal income tax receipts led the gainers, as gross receipts grew \$564 million or \$523 million net of refunds. Gross corporate income tax rose \$147 million or \$121 million net of refunds. Both source increases were due principally to the tax increase. Sale tax finished strong for the year, as receipts gained \$46 million. Public utility taxes were up \$6 million, while cigarette taxes increased \$1 million.

Inheritance tax continued its expected fall off, dropping \$34 million. Other sources fell \$30 million, insurance taxes \$2 million, corporate franchise taxes \$2 million, and interest income \$2 million. Overall transfers fell \$10 million for the month. As mentioned, growth in reimbursable spending translated into a jump of \$288 million in federal sources.

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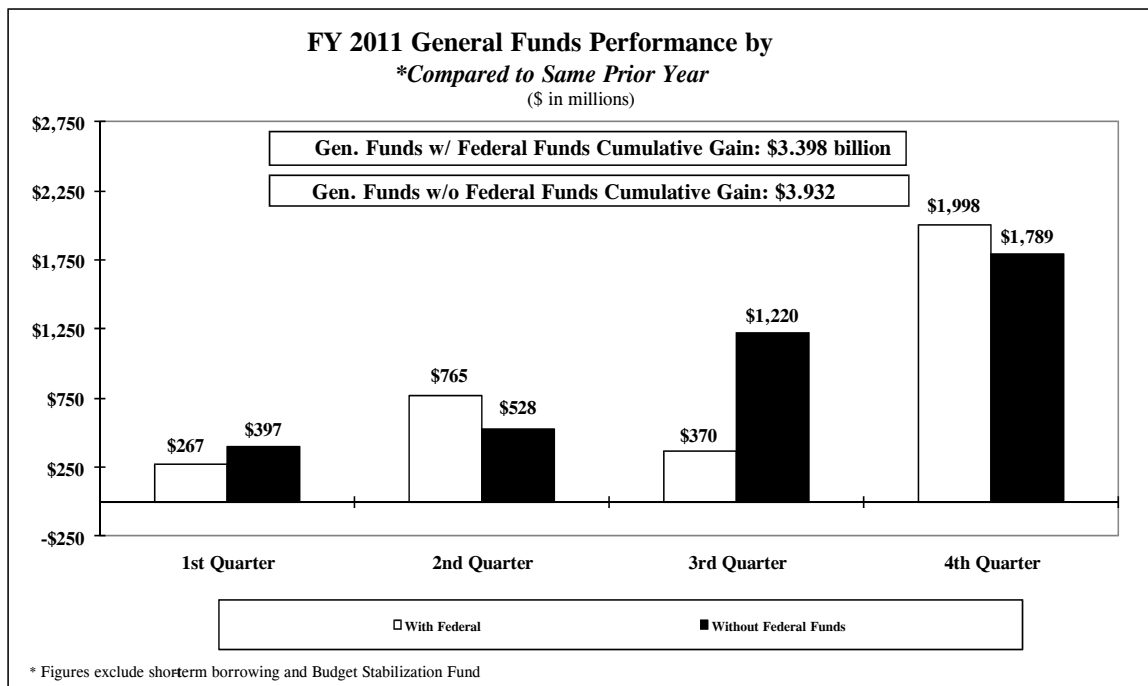
Year End

For the fiscal year, base revenues grew \$3.398 billion. Obviously, the tax changes enacted halfway through the fiscal year played the key role in the increase, as did the tax amnesty program which occurred in the fall. The magnitude of the effect of those items often served to mask the under-

lying improvement in the economic sources that was happening simultaneously with the tax changes. While impossible to dissect and assign values to each, it was clear from receipting performance that revenues were recovering from last year's dismal showing which saw receipts plunge over \$2 billion.

For the fiscal year, gross personal income taxes rose \$2.871 billion or \$2.714 billion net of refunds. Gross corporate income taxes increased \$628 million or \$491 million net of refunds.

Again, both components of income taxes benefited from higher tax rates, tax amnesty [particularly corporate taxes], as well as underlying base growth. Sales taxes jumped \$525 million for the year. While the tax amnesty program did accelerate some future revenues into this fiscal year, sales taxes demonstrated strong underlying base growth for most of the second half of FY 2011. All other revenue sources netted a falloff of \$96 million, which was due principally to the expected drop of inheritance tax receipts.



First Quarter

Excluding \$1.3 billion in short-term borrowing, July revenues increased \$107 million. The increase was due to a comparatively strong month for federal sources. Absent \$182 million in gains from federal reimbursements, virtually all other revenue sources faltered to begin the new fiscal year. August revenues finished down \$38

million as a weak month for federal sources more than offset modest gains from State tax sources and revenues from interfund borrowing. September revenues posted a gain of \$198 million as a drop in federal sources was more than offset by a round of interfund borrowing. The economic sources continued mixed to end the first quarter of the fiscal year.

As shown, through the first quarter of FY 2011, overall base revenues were up \$267 million. When the falloff in federal sources is excluded, the gain increased to \$397 million. However, as mentioned earlier, much of the year to date increase is attributed to interfund borrowing, which throughout the first quarter totaled \$263 million. Absent that action, receipts were lackluster through the first three months of the fiscal year.

Second Quarter

October revenues suffered an overall loss of \$34 million despite some modest gains in economically-related areas. Those gains, however, were more than offset by a falloff in transfers as well as federal sources. November revenues surged \$525 million on the strength of tax accelerations produced by the most recent tax amnesty period. Approximately \$332 million of the increase can be specifically attributed to receipts that have been classified as being related to tax amnesty. It must be stressed that these additional monies related to the amnesty period are basically an acceleration of receipts that would have otherwise been received over the remainder of the current as well as subsequent fiscal years. As a result, future receipts for this as well as coming fiscal years will be impacted due to this acceleration. The first half of fiscal year FY 2011 ended with December revenues growing by \$266 million. Monthly revenues benefited from a \$319 million jump in federal source reimbursement made possible from \$1.25 billion in net proceeds to the general funds from the Tobacco Settlement Bond sale. Falloffs in

transfers and other areas, however, erased part of those gains.

Excluding short-term borrowing, tobacco settlement bond proceeds, and Budget Stabilization Fund transfers, general funds revenues were up \$1.030 billion through December. However, that increase takes into account approximately \$392 million in net revenues classified as related to tax amnesty. In addition, year to date totals include approximately \$354 million in interfund borrowing. Obviously, if both of those items were excluded, growth would have been much more modest.

Third Quarter

Overall revenues fell \$41 million in January as a comparatively weak month for federal sources erased all other gains. About the same number of sources grew as fell in January. Gross personal income tax grew \$112 million, or \$113 million net of transfers. It's likely that the monthly gain was due to the recent enactment of a higher tax rate per P.A. 96-1496. Despite a rise in the tax rate, gross corporate income tax receipts fell \$19 million, or \$18 million net of refunds. Due to the timing of corporate income tax payments, they didn't yet reflect the tax increase. Overall revenues grew \$16 million in February as a comparatively weak month for federal sources virtually erased all other gains. Growth associated with the recently passed income tax increase was offset by a \$336 million fall in federal source receipts. Gross personal income tax grew \$303 million, or \$283 million net of transfers. While the increase can be

attributed to higher tax rates, February was somewhat less than what would have been expected given the increase, fueling speculation that a lagged effect on withholding may result in a higher than previously considered final payment reconciliation in spring 2012. Overall base revenues grew \$395 million in March, as the increased income tax rates finally manifested in receipt performance. That, in addition to underlying base growth in other areas plus \$142 million in interfund borrowing, was more than enough to offset another comparatively down month for federal sources.

Excluding short-term borrowing, tobacco settlement bond proceeds, Pension Contribution Fund transfers, and Budget Stabilization Fund transfers, base general funds revenues were up \$1.401 billion through March. However, that increase takes into account approximately \$419 million in net revenues classified as related to tax amnesty. Some of this, however, is money that has been accelerated from the current fiscal year as well as from future fiscal years. In addition, year to date totals included approximately \$496 million in interfund borrowing.

Fourth Quarter

Overall base revenues grew \$534 million in April, primarily reflecting the impact of the income tax rate increase passed in January. That, in addition to

underlying base growth in other areas was more than enough to offset another comparatively down month for federal sources and transfers. Overall base revenues grew \$559 million in May, primarily reflecting the impact of the income tax rate increase passed in January. That, in addition to underlying base growth in other areas was more than enough to offset another comparatively down month for federal sources and falloffs in a number of smaller revenue sources. The fiscal year concluded with a robust June as receipts grew \$905 million. The jump in receipts reflected the higher income tax rates passed in January, as well as a comparably better month for federal sources due to a concerted effort to maximize reimbursable spending.

Review of the FY 2011 Revenue Assumptions

The table on page 8 illustrates that total general funds revenues in FY 2011 grew \$1.903 billion over the initial assumptions used to craft the enacted FY 2011 budget approximately one year ago. Obviously, the changes made in the income tax rates mid-fiscal year comprise the bulk of the differences. Those gains were able to offset significant variance in federal sources expected in FY 2011. However, some of that shortage has been made up with non-general funds reimbursable spending and related receipts.

Review of Most Recent Revenue Estimates

The table on below demonstrates how the February/March estimates of CGFA and GOMB performed relative to actuals. As shown, actual base revenues ended up being only \$7 million higher than the CGFA's March estimate, or a difference of only .02 percent. Net income taxes fell just \$35 million short of expectations, a feat made all the more impressive given the magnitude of tax changes made midyear. Sales taxes finished \$137 million higher than expected, while other receipts also overachieved by \$61 million. However, all news wasn't positive, as overall transfers fell short of estimates by \$36 million, and federal sources were off by \$120 million.

Overall, actual FY 2011 revenues performed remarkably similar to CGFA expectations. The lack of any significant variance reinforces that views presented in the March estimate remained largely relevant.

In comparison, actual revenues fell \$125 million short of GOMB estimates presented in February. Net income taxes failed to reach expectations by a combined \$275 million. However, sales tax revenues exceeded GOMB estimates by \$319 million. Other tax receipts overachieved by \$77 million, while overall transfers fell short of estimates by \$126 million. GOMB was expecting \$120 more in federal sources than what eventually occurred.

FY 2011 Actuals vs. Estimates: CGFA and GOMB

(\$ millions)

Revenue Sources	ACTUAL FY 2011	CGFA EST. Mar-11 FY 2011	DIFFERENCE		
			ACTUALS FROM ESTIMATE	GOMB EST. Feb-11 FY 2011	
				DIFFERENCE ACTUALS FROM ESTIMATE	
Net Income Tax [Personal & Corporate]	\$13,076	\$13,111	(\$35)	\$13,351	(\$275)
Sales Taxes	\$6,833	\$6,696	\$137	\$6,514	\$319
Other Receipts	\$3,011	\$2,950	\$61	\$2,934	\$77
Transfers	\$2,182	\$2,218	(\$36)	\$2,308	(\$126)
Federal Sources	\$5,386	\$5,506	(\$120)	\$5,506	(\$120)
Subtotal General Funds	\$30,488	\$30,481	\$7	\$30,613	(\$125)

GENERAL FUNDS RECEIPTS: JUNE

FY 2011 vs. FY 2010

(\$ million)

<u>Revenue Sources</u>	<u>June FY 2011</u>	<u>June FY 2010</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$1,395	\$831	\$564	67.9%
Corporate Income Tax (regular)	403	256	\$147	57.4%
Sales Taxes	608	562	\$46	8.2%
Public Utility Taxes (regular)	101	95	\$6	6.3%
Cigarette Tax	30	29	\$1	3.4%
Liquor Gallonage Taxes	14	14	\$0	0.0%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax (Gross)	1	35	(\$34)	-97.1%
Insurance Taxes and Fees	62	64	(\$2)	-3.1%
Corporate Franchise Tax & Fees	16	18	(\$2)	-11.1%
Interest on State Funds & Investments	0	2	(\$2)	-100.0%
Cook County IGT	0	0	\$0	N/A
Other Sources	44	74	(\$30)	-40.5%
Subtotal	\$2,677	\$1,983	\$694	35.0%
Transfers				
Lottery	67	66	\$1	1.5%
Riverboat transfers & receipts	26	35	(\$9)	-25.7%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Other	101	103	(\$2)	-1.9%
Total State Sources	\$2,871	\$2,187	\$684	31.3%
Federal Sources	\$550	\$262	\$288	109.9%
Total Federal & State Sources	\$3,421	\$2,449	\$972	39.7%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$122)	(\$81)	(\$41)	50.6%
Corporate Income Tax	(\$70)	(44)	(\$26)	59.1%
Subtotal General Funds	\$3,229	\$2,324	\$905	38.9%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Tobacco Liquidation Proceeds	\$0	\$0	\$0	N/A
Pension Contribution Fund Transfer	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$200	\$0	\$200	N/A
Total General Funds	\$3,429	\$2,324	\$1,105	47.5%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				5-Jul-11

GENERAL FUNDS RECEIPTS: YEAR END

FY 2011 vs. FY 2010

(\$ million)

Revenue Sources	FY 2011	FY 2010	CHANGE FROM FY 2010	% CHANGE
State Taxes				
Personal Income Tax	\$12,301	\$9,430	\$2,871	30.4%
Corporate Income Tax (regular)	2,277	1,649	\$628	38.1%
Sales Taxes	6,833	6,308	\$525	8.3%
Public Utility Taxes (regular)	1,147	1,089	\$58	5.3%
Cigarette Tax	355	355	\$0	0.0%
Liquor Gallonage Taxes	157	159	(\$2)	-1.3%
Vehicle Use Tax	30	30	\$0	0.0%
Inheritance Tax (Gross)	122	243	(\$121)	-49.8%
Insurance Taxes and Fees	317	322	(\$5)	-1.6%
Corporate Franchise Tax & Fees	207	208	(\$1)	-0.5%
Interest on State Funds & Investments	28	26	\$2	7.7%
Cook County IGT	244	244	\$0	0.0%
Other Sources	404	431	(\$27)	-6.3%
Subtotal	\$24,422	\$20,494	\$3,928	19.2%
Transfers				
Lottery	632	625	\$7	1.1%
Riverboat transfers & receipts	324	383	(\$59)	-15.4%
Proceeds from Sale of 10th license	0	48	(\$48)	N/A
Other	1,226	828	\$398	48.1%
Total State Sources	\$26,604	\$22,378	\$4,226	18.9%
Federal Sources	\$5,386	\$5,920	(\$534)	-9.0%
Total Federal & State Sources	\$31,990	\$28,298	\$3,692	13.0%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,076)	(\$919)	(\$157)	17.1%
Corporate Income Tax	(\$426)	(\$289)	(\$137)	47.4%
Subtotal General Funds	\$30,488	\$27,090	\$3,398	12.5%
Short-Term Borrowing	\$1,300	\$1,250	\$50	4.0%
Tobacco Liquidation Proceeds	\$1,250	\$0	\$1,250	N/A
Pension Contribution Fund Transfer	\$224	\$843	(\$619)	-73.4%
Budget Stabilization Fund Transfer	\$535	\$1,146	(\$611)	-53.3%
Total General Funds	\$33,797	\$30,329	\$3,468	11.4%

SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.

CGFA

5-Jul-11

Actual vs. FY 2011 Enacted July 2010 Budget Assumptions

(millions)

<u>Revenue Sources</u>	<u>Actual FY 2011 Revenues</u>	<u>Enacted July-- 2010 FY 2011</u>	<u>\$ Difference</u>	<u>% Difference</u>
State Taxes				
Personal Income Tax	\$12,301	\$9,624	\$2,677	27.8%
Corporate Income Tax	\$2,277	\$1,902	\$375	19.7%
Sales Taxes	\$6,833	\$6,290	\$543	8.6%
Tax Amnesty Proceeds	Incorporated into above	\$250	N/A	N/A
Public Utility Tax	\$1,147	\$1,144	\$3	0.3%
Cigarette Tax	\$355	\$350	\$5	1.4%
Liquor Gallonage Taxes	\$157	\$161	(\$4)	-2.5%
Vehicle Use Tax	\$30	\$26	\$4	15.4%
Inheritance Tax (gross)	\$122	\$56	\$66	117.9%
Insurance Taxes & Fees	\$317	\$350	(\$33)	-9.4%
Corporate Franchise Tax & Fees	\$207	\$205	\$2	1.0%
Interest on State Funds & Investments	\$28	\$35	(\$7)	-20.0%
Cook County Intergovernmental Transfer	\$244	\$243	\$1	0.4%
<u>Other Sources</u>	<u>\$404</u>	<u>\$346</u>	<u>\$58</u>	<u>16.8%</u>
Subtotal	\$24,422	\$20,982	\$3,440	16.4%
Transfers				
Lottery	\$632	\$636	(\$4)	-0.6%
Riverboat transfers and receipts	\$324	\$428	(\$104)	-24.3%
Proceeds from sale of 10th license	\$0	\$0	\$0	N/A
<u>Other</u>	<u>\$1,226</u>	<u>\$652</u>	<u>\$574</u>	<u>88.0%</u>
Total State Sources	\$26,604	\$22,698	\$3,906	17.2%
Federal Sources	\$5,386	\$6,227	(\$841)	-13.5%
Total Federal & State Sources	\$31,990	\$28,925	\$3,065	10.6%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax [8.75%]	(\$1,076)	(\$938)	(\$138)	14.7%
Corporate Income Tax [17.5%]	(\$426)	(\$332)	(\$94)	28.3%
Subtotal General Funds	\$30,488	\$27,655	\$2,833	10.2%
Other Financial Sources Assumed in FY'11 Budget				
Short-Term Borrowing	\$1,300	\$1,300	\$0	0.0%
Pension Obligation Bond Proceeds	\$3,684	\$3,700	(\$16)	-0.4%
Tobacco Revenue Liquidation	\$1,250	\$1,200	\$50	N/A
Inter Fund Borrowing Plan	Incl. w/ Other Transfers	\$964	N/A	N/A
Total General Funds	\$36,722	\$34,819	\$1,903	5.5%
NOTE: Totals exclude Budget Stabilization transfers, and other cash flow transfers.				
CGFA				

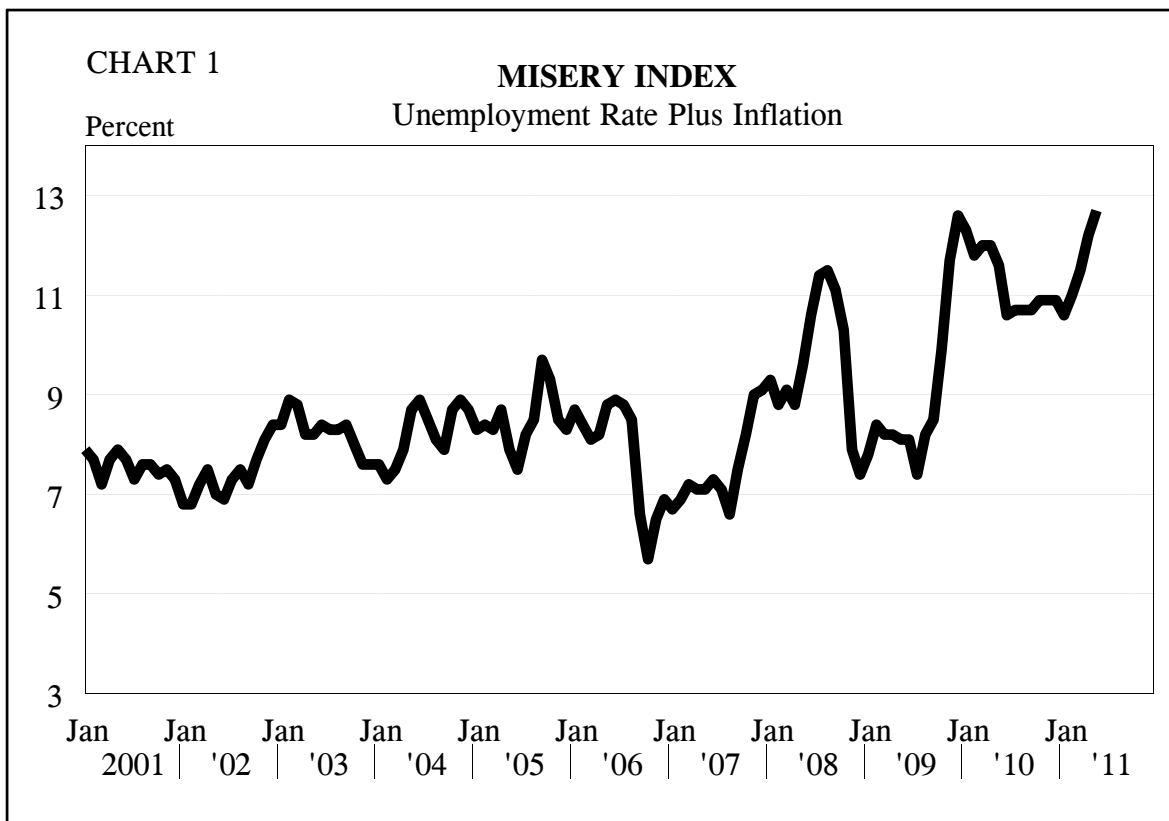
ECONOMY “Stagflation?”

Edward H. Boss, Jr., Chief Economist

Now that the summer of 2011 is underway, the soft patch the economy hit this spring continues, as described in each of the prior two *Monthly Revenue Briefings*. It was just a year ago that the Administration kicked off a six-week-long push designed to highlight the jobs that would be created by a surge in stimulus-funded projects. By now it has become evident that the expected jump in activity did not emerge. Indeed, in recent days in response to what happened to “recovery summer”, the President stated, “shovel-ready projects were not as shovel ready as

expected”. While technically the economy has continued to expand, the pace not only has been extremely sluggish, particularly emerging from such a severe and prolonged recession, but in some respects things have weakened further.

Retail sales fell in May for the first time in eleven months, even though in part this was explained by the inability of auto manufacturers to get needed parts from Japan due to the earthquakes. It wasn't only consumer spending that slowed, however, business spending moderated, housing



remained depressed as reflected in the 3.8% decline in existing home sales in May to the lowest level in six months with home prices falling 4.6% and later new home sales were reported to be down 2.1%. At the same time, overall consumer prices rose at the fastest pace since late 2008 and the unemployment rate rose for the second consecutive month to the 9.1% level. These trends are raising concerns that, if this soft patch deteriorates further, we may be in for a period of stagflation-- an economic condition of both continuing price increases and stagnant business activity with an increasing rate of unemployment.

The disappointing economic data being released has caused the Federal Reserve to lower its forecast for both 2011 and 2012. In terms of growth, it has lowered its forecast made in April of real gross domestic product from a range of 3.1%-3.3% to a range of 2.7%-2.9% in June, and for 2012 from a range of 3.5%-4.2% to 3.3%-3.7%. At the same time forecasts for the unemployment rate have been raised a couple of tenths in June from their April forecasts for both this year and next. The inflation rate forecasts, however, were little changed; they were raised from a range of 2.1%-2.8% in April to 2.3%-2.5% in June with significantly lower increases expected in 2012 and 2013. While most forecasters would agree with the latest data revisions that project somewhat slower growth and higher unemployment, fewer would likely agree with the projected significant slowing in inflation. Indeed it has been the

combination of a rising unemployment rate and higher prices that has revived the concept of the "Misery Index."

The Misery Index is simply derived by adding together the current unemployment rate and the rate of inflation as measured by the percent increase in consumer prices from that of a year earlier. Arthur Okun who was an advisor to President Lyndon Johnson in the 1960s first introduced the concept. The chart, on the previous page, illustrates movement in the Misery Index over the past decade. As shown, the index had been relatively stable over the first half of the decade before gyrating on a sharply rising path. Indeed, in May the Misery Index reached the highest level in 28 years as the unemployment rate hit 9.1% while the inflation rate rose at a 3.6% rate to reach 12.7. Historically, the index reached an all-time low in July 1953 of 2.9 with the high having been reached in June 1980 at a reading of 21.9. Thus, while far from its high, the current Index is well above its low and at its highest since 1983. Moreover the trend is not encouraging.

There were many external events that added to the recent increased weakness in business reports, however, that could improve in the months ahead. With disruptions from the Japan earthquakes easing, auto production and sales, the major reason for last month's retail sales decline, are expected to improve. Oil prices, particularly gasoline prices, have come down sharply, removing one growing negative force. The Greek debt crises may be put aside at least temporarily; food and energy prices

have softened, and a possible agreement on the U.S. debt situation all *could* emerge, leading to some economic improvement. Thus at this time it still

seems likely that the economy will show at least some improvement in the months ahead, rather than continuing on its recent deteriorating course.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
<u>INDICATORS</u>	<u>MAY 2011</u>	<u>APRIL 2011</u>	<u>MAY 2010</u>
Unemployment Rate (Average)	8.9%	8.7%	10.5%
Annual Rate of Inflation (Chicago)	7.3%	4.9%	3.3%
—————			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (May)	6,597	0%	-0.7%
Employment (thousands) (May)	6,021	-1.5%	1.1%
New Car & Truck Registration (May)	45,119	-1.9%	19.6%
Single Family Housing Permits (May)	726	11.3%	-11.9%
Total Exports (\$ mil) (April)	5,484	-4.5%	35.9%
Chicago Purchasing Managers Index (June)	61.1	7.9%	3.3%



PENSIONS

Pension Legislation Overview: Spring 2011 Session Dan Hankiewicz, Pension Manager

HB 144

Sponsors: Franks (Althoff)

Passed House:	116-0-0
Passed Senate:	55-0-0

Dissolution of Police and Fire Pension Funds

HB 144 amends the Downstate Police and Downstate Firefighter Articles of the Pension Code to allow the dissolution and reestablishment of inactive police and firefighters' pension funds. Under HB 0144, the corporate authorities of a municipality where a Downstate police or fire pension fund has been established may, by resolution or ordinance, dissolve the fund or reestablish the fund.

HB 1471

Sponsors: McCarthy (Clayborne)

Passed House:	115-0-0
Passed Senate:	58-0-0

IMRF - Changes in Calculation of Annuity Reserves

HB 1471 amends the IMRF Article of the Illinois Pension Code to make changes in the way annuity reserves are calculated for retiring employees who have accumulated service in more than one participating municipality and instrumentality. Under HB 1471, the municipality charges for non-concurrent service will be calculated as follows: (a) for purposes of calculating the annuity reserve, an annuity will be calculated based on service and adjusted earnings with each employer; and (b) the difference between the municipality charges for the actual annuity granted and the aggregation of the municipality charges based upon the ratio of each from those calculations to the aggregated total. In addition, aggregate municipality charges for concurrent service will be prorated based on the employee's earnings.

HB 1719 (P.A. 97-0030)

Sponsors: McCarthy (Raoul)

Passed House:	101-0-0
Passed Senate:	57-0-0

Chicago Teachers Pension Fund - Administrative Changes

HB 1719 amends the Chicago Teachers article of the Pension Code to make a number of administrative changes regarding the calculation of validated service, deductions for omissions made in prior pay periods, administration of payroll deductions, among other changes.

HB 1872

Sponsors: Kosel (Silverstein)

Passed House:	96-17-0
Passed Senate:	58-0-0

Transfer of Service Credit from Chicago Police to Downstate Police Pension Funds

HB 1872 amends the Downstate Police and Chicago Police Articles of the Illinois Pension Code to authorize transfers of up to 10 years of creditable service from the Chicago police pension fund to a Downstate police pension fund. This creditable

service can be transferred upon payment to the Downstate police pension fund of an amount to be determined by the board, equal to the difference between the amount of employee and employer contributions transferred to the fund and the amounts that would have been contributed had such contributions been made at the rates applicable to an employee of a Downstate police pension fund, plus interest at the actuarially assumed rate, compounded annually, from the date of service to the date of payment.

HB 1956

Sponsors: Nekritz (Schmidt)

Passed House:	107-0-0
Passed Senate:	58-0-0

IMRF Retiree Return-to-Work

HB 1956 amends the IMRF article of the Pension Code to allow retired members who return to work for an IMRF employer in a position requiring less than the employer's hourly standard for participation in IMRF to keep their pension. The bill does not allow IMRF retirees who return to work in a position that participates in IMRF to continue to receive their pension at the same time.

HB 3253

Sponsors: May (Frerichs)

Passed House:	110-0-0
Passed Senate:	56-0-0

IMRF - Prohibition on Conversion of SLEP Service Credit

HB 3253 amends the Illinois Municipal Retirement Fund Article of the Illinois Pension Code. This legislation would prohibit a sheriff's law enforcement employee from converting up to 10 years of service in any other capacity into service in their current position. P.A. 94-0712, which became effective on June 1, 2006, contained a provision allowing SLEP personnel to convert up to 10 years of non-SLEP service to SLEP service by making the additional employee and employer contributions, plus interest. HB 3253 restricts this SLEP conversion provision to sheriff's law enforcement employees who began service prior to the effective date of this amendatory Act.

HB 3332

Sponsors: Poe (Link)

Passed House:	110-0-0
Passed Senate:	54-0-0

Transfer of Police Service Credit from Downstate Police Pension Funds to IMRF

HB 3332 provides for police service credit transfers from Downstate police pension funds to the Illinois Municipal Retirement Fund. For 60 days after the effective date of this amendatory Act of the 97th General Assembly, an active member of IMRF may transfer to IMRF up to 10 years of service credit accumulated in a Downstate police pension fund upon payment to IMRF of an amount equal to the difference between employer and employee contributions transferred and the amounts that would have been contributed had such contributions been made at the rates applicable to an IMRF employee, plus interest at the actuarially assumed rate, compounded annually, from the date of service to the date of payment.

HB 3334

Sponsors: Poe (Raoul)

Passed House:	115-0-1
Passed Senate:	49-0-0

IMRF – Application for Leaves of Absences, Medical Records for Disabilities

HB 3334 amends the IMRF Article of the Illinois Pension Code. This legislation removes a provision that requires an employee to apply for credits and creditable service for an authorized leave of absence within 2 years of the end of the leave. It also requires an employee applying for disability to (1) consent to authorize the board to examine/copy their medical records and (2) provide information about any other compensated employment they have had since becoming disabled.

HB 3376

Sponsors: McCarthy (Raoul)

Passed House:	112-0-0
Passed Senate:	55-0-0

Chicago Police Pension Fund – Calculation of Automatic Annual Increases

HB 3376 amends the Chicago Police article of the Pension Code to change the amount of the automatic annual increase for persons who first become police officers on or after the effective date of the Act. This bill changes the annual increase for new

members of the Chicago Police Pension Fund to 3% or one-half the annual increase in the Consumer Price Index, whichever is less.

P.A. 96-1495, the Downstate and Chicago police and fire pension reform bill, became effective on December 30th, 2010. The Act changed the annual increase for new members of Downstate police and fire pension funds to 3% or one-half the annual increase in the Consumer Price Index, whichever is less. Pursuant to the Act, the increases for Downstate police and fire members who begin service after Jan. 1, 2011 are not compounded. HB 3376 extends this same annual increase to members of the Chicago Police Pension Fund who begin service on or after the effective date of this Act.

HB 3591

Sponsors: Mussman (Mulroe)

Passed House:	103-5-2
Passed Senate:	57-0-0

CTA and RTA Pension Funds – Felony Forfeiture Provision

HB 3591 amends both the CTA and RTA Retirement Articles of the Pension Code to add a felony forfeiture provision which states that no benefits shall be paid to persons who begin service on or after the effective date who later become convicted of a felony relating to their service as a participant in the pension fund.

SB 1278 (P.A. 97-0041)

Sponsors: Harmon (Phelps)

Passed Senate:	54-0-0
Passed House:	114-0-0

Downstate Fire Pension Funds – Establishment of a Trust for Dependent Beneficiaries

SB 1278 amends the Downstate Firefighters Article of the Illinois Pension Code to stipulate that any benefit to be received or paid to a dependent beneficiary may be received by or paid to a trust established for such dependent beneficiary if the dependent beneficiary is living at the time such benefit would be received by or paid to such trust.

SB 1672

Sponsors: Raoul (McCarthy)

Passed Senate:	57-0-0
Passed House:	117-0-0
Senate Concurrence:	57-0-0

General Provisions Article – HEART Act Compliance

SB 1672 amends the General Provisions Article of the Pension Code to stipulate that all pension funds and retirement systems subject to the Pension Code must comply with the federal Heroes Earnings Assistance and Relief Act of 2008. The Act confers certain benefits for military personnel who die in combat. These benefits include accelerated vesting and survivor benefits that would be provided if the participant had returned to work and then died. These additional benefits are retroactive to January 1, 2007.

SB 1831

Sponsors: Raoul (May)

Passed Senate:	50-0-0
Passed House:	117-0-0
Senate Concurrence:	55-0-0

IMRF - Compensation Package Publication

For employers who participate in IMRF, within 6 business days after a budget is approved, the employer must post on its website (or in lieu of having a website, at their principal office) the total compensation package for all employees who make more than \$75,000/year total. In addition these same employers must post the information on their website at least 6 days before approving the total compensation package for an employee who will make \$150,000/year or more. This compensation package includes salary, health insurance, housing/vehicle/clothing allowances, bonuses, loans, and vacation/sick days granted.

IMRF – Retirement Annuity Suspension During Reemployment

If a member of a retirement system/pension fund subject to the sections outlined in SB 1831 is receiving an annuity or pension under IMRF and accepts a contract to provide services to the entity that they have retired from and received the aforementioned pension/annuity, that pension/annuity is suspended during the contract. A member must also notify a retirement system they are participating in as well as the contractual employer before accepting contractual employment or be guilty of a Class A misdemeanor.

IMRF - Final Rate of Earnings Adjustment/6% Provision

If a participating IMRF employee's reported earnings for any year used to determine the "final rate of earnings" exceeds the employee's previous year's earnings by more than 6% or 1.5 times the annual increase in the Consumer Price Index-u, the participating municipality that pays earnings shall pay to the IMRF the value of the increase in pension resulting from the part of the increase in salary that is larger than 6% or 1.5 times the annual increase in the Consumer Price Index-u. When it is determined that a payment is or may be required, the fund will calculate the amount of the payment and bill the participating municipality. The municipality can dispute it within 30 days and the fund will review the application for recalculation and recalculate the amount if necessary. The municipality must pay the amount within 90 days or pay interest. Payments must be concluded within 3 years. Payment shall exclude earnings increases from overload or overtime earnings and increases due to promotion resulting in increased responsibility and workload. This does not apply to earnings paid under collective bargaining agreements made or amended before the legislation goes into effect, earnings increases paid to members more than 10 years from retirement, or earnings increases resulting from a move from part-time to full-time.

IMRF - Pension Impact Statements for Municipalities

Before increasing the earnings of an officer/executive/manager by 12% or more, the IMRF employer authorizing the increase must contact IMRF to find out the effect of the increase in salary on the participant's pension benefits. IMRF must respond with a written "Pension Impact Statement" that states the effects of that increase, including the potential payment of the value of the increase in benefits that is over 6%. The employer must sign the statement and pay the costs associated with it. This does not apply to overload/overtime increases, collective bargaining increases, increases paid to employees more than 10 years from retirement or changing from a part-time to full-time position.

Positions to be excluded from SERS

New Civil Service Commission members, Board of Review members of the Department of Employment Security, Liquor Control Commission members, Secretary of State Merit Commission members, Human Rights Commission members, State Mining Board members, Property Tax Appeal Board members, Illinois Racing Board members, Department of State Police Merit Board members, Illinois State Toll Highway Authority members, and Illinois State Board of Elections members are not eligible for participation in the state pension systems after this legislation becomes law.

Positions to be excluded from the CTA Pension Fund

New CTA officers and Chicago Transit Board who assume office after Jan. 1, 2012 do not become pension members after this legislation becomes law.

Positions to be excluded from Pace and RTA Retirement Systems

People who become members of the Suburban Bus Board, Commuter Rail Board or the Board of Directors of the RTA are not eligible to participate in the affected pension plans after this legislation becomes law.

FY 2011 SERS Headcount Tracker

Department	July	August	September	October	November	December	January	February	March	April	May	June
Governor	189	182	184	187	185	186	187	182	182	182	184	186
Lt. Governor	0	0	0	0	0	0	6	8	14	18	19	20
Secretary of State	4,094	3,808	4,009	3,993	3,771	4,003	3,731	3,722	3,729	3,967	3,761	4,044
Comptroller	249	248	251	247	246	246	250	251	246	251	249	249
Treasurer	182	181	178	177	178	179	176	175	173	178	176	178
Attorney General	702	704	710	711	709	727	719	718	724	728	726	726
Board of Education	142	154	142	141	140	140	136	138	138	138	138	138
Court of Claims	645	647	646	639	639	639	637	640	522	642	643	652
House Senate Code Officers	586	463	535	525	607	617	593	522	511	623	597	742
Human Services	13,589	13,453	13,731	13,478	13,484	13,731	13,396	13,520	13,599	13,665	13,580	13,999
Agriculture	541	N/A	676	442	421	422	405	N/A	N/A	404	407	424
Natural Resources	1,651	1,616	1,478	1,403	1,364	1,362	1,297	N/A	1,287	1,290	1,384	1,484
Financial and Professional Regulation	750	750	753	752	749	743	732	737	729	728	723	726
Labor	83	80	82	81	82	83	81	80	81	82	82	82
DCFS	2,981	3,009	3,005	2,858	2,969	2,995	2,929	2,914	2,928	2,925	2,914	2,936
Comptroller - Court Reporters	606	607	611	610	609	612	615	615	616	617	618	619
Auditor General	102	100	97	95	94	92	94	94	94	94	93	94
Public Health	1,107	1,101	1,103	1,099	1,101	1,108	1,101	1,109	1,111	1,124	1,127	1,134
State Police	3,155	3,118	3,106	3,139	3,123	3,116	2,999	3,001	3,002	2,992	2,987	2,991
Transportation	5,940	4,853	5,674	5,621	5,835	6,759	6,701	5,016	4,969	5,621	5,571	5,703
Revenue	2,071	2,074	2,064	2,067	2,070	2,085	2,060	2,068	2,080	2,085	2,079	2,086
Juvenile Justice	1,231	1,186	1,219	1,206	1,213	1,236	1,121	1,229	1,251	1,256	1,151	1,279
Corrections	11,416	11,542	11,506	11,620	11,706	11,670	11,586	11,660	11,482	11,825	11,906	12,244
Civil Service Commission	3	3	4	4	4	4	4	4	4	4	4	4
Commerce Commission	268	269	269	267	270	270	270	268	268	266	266	268
Public Aid	2,385	2,379	2,376	2,363	2,354	2,361	2,334	2,329	2,326	2,330	2,312	2,328
Veterans Affairs	1,282	1,278	1,298	1,299	1,273	1,349	1,261	1,270	1,261	1,287	1,272	1,330
Military Affairs	244	244	246	246	243	242	236	240	242	244	243	246
CMS	1,466	1,476	1,460	1,458	1,452	1,428	1,397	1,395	1,399	1,389	1,406	1,413
DCEO	445	445	445	444	435	439	426	428	429	426	428	428
Nuclear Safety	2	2	2	2	2	2	2	2	2	2	2	2
Employment Security	2,008	1,996	1,964	1,941	1,603	1,925	1,588	1,578	1,578	1,862	1,849	1,853
EPA	946	952	942	941	937	934	921	920	916	916	918	918
Aging	146	145	148	148	148	148	148	147	147	148	146	147
Historic Preservation	277	274	257	240	207	198	195	195	194	194	237	245
Human Rights	143	143	137	136	146	146	157	156	N/A	154	149	152
Misc Boards and Agencies	4,079	4,033	4,057	4,049	N/A	4,045	3,985	3,991	3,844	4,019	3,953	4,005
Misc Boards and Commissions	0	0	0	0	0	2	0	0	0	0	0	0
Total	65,706	63,515	65,365	64,629	60,369	66,244	64,476	61,322	62,078	64,676	64,300	66,075
*Some of the totals may vary due to missing data												