

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 370, as amended by SA 3**

May 21, 2018

SPONSOR (S): Harris III

SYSTEM(S): Downstate Police and Downstate Firefighters

FISCAL IMPACT: To the extent that SA 3 to SB 370 leads to lower municipal contributions to affected pension funds, the funds would be negatively impacted.

SUBJECT MATTER: SA 3 to SB 370 amends the Downstate Police and Firefighters' articles of the Illinois Pension Code. The bill sets forth the conditions under which "distressed municipalities" are subject to the delinquent pension payment intercept provisions set forth in P.A. 96-1450, as described below in the Comment Section.

COMMENT: Under this legislation, "distressed municipality" is defined as a municipality with a Downstate Police/Downstate Firefighters pension fund that meets the following criteria:

1. A population of 30 percent or more at or below the Federal Poverty Threshold.
2. A median property value of owner-occupied houses below \$75,000 according to the most recent US census estimate.

OR

1. Is certified by the Department of Revenue as being in the highest five percent of home-rule municipalities in terms of the aggregate of all taxes (by rate percent) levied on all property of the municipality.
2. Is certified by the Department of Revenue as being in the lowest five percent of all home rule municipalities in terms of tax yield per capita.

The deduction of State funds due to delinquent municipal pension contributions would begin in FY 2020 according to the amendment. Under current law, the full amount of delinquent contributions may be deducted – this provision took effect in FY 2018 with the enactment of P.A. 96-1495 (The Tier 2 Act of 2010). In sum, this amendment offers "distressed municipalities" a 2-year reprieve from the current funding intercept law. Under SB 370, as amended by SA 3, the pension fund of a "distressed municipality" would be empowered to give notice to the Comptroller of the existence of a delinquent payment 180 days after the payment due date. Current law specifies a timeframe of 90 days.

AB:bj

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