

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: HB 3813, as amended by SA 1-2 November 29, 2011

SPONSOR (S): Cross – Madigan, et al. (Raoul – Sandack, et al.)

SYSTEM(S): General Provisions Article, Downstate Police, Downstate Fire, Chicago Police, Chicago Fire, Chicago Municipal, Cook County, Chicago Laborers, SURS, TRS, Chicago Teachers

FISCAL IMPACT: HB 3813, as amended by SA 1-2, prohibits union leaves of absence that have not commenced by the effective date of this amendatory Act (with the exception of police and fire – see the Comments Section below). To the extent that persons who have historically taken such leaves of absence and received a public pension based on a union salary that far exceeded the individual’s municipal or teaching salary, curbing this practice will have a positive fiscal impact on the affected funds.

SUBJECT MATTER: HB 3813, as amended by SA 1-2, amends multiple articles of the Illinois Pension Code to prohibit leaves of absence for the purpose of working for a labor organization representing teachers, municipal employees, and state university personnel. Under the bill, current and future public safety employees will continue to be eligible for such leaves of absence provided they remain in sworn status. The bill also addresses the issue of “double-dipping” by certain members of the Chicago Municipal and Chicago Laborers Pension Fund by more explicitly defining a “local” labor organization.

FISCAL IMPACT: HB 3813, as amended by SA 1-2, prohibits union leaves of absence that have not commenced by the effective date of this amendatory Act (with the exception of police and fire – see the Comments Section below). To the extent that persons who have historically taken such leaves of absence and received a public pension based on a union salary that far exceeded the individual’s municipal or teaching salary, curbing this practice will have a positive fiscal impact on the affected funds.

COMMENTS:*Anti-Fraud Provisions*

HB 3813, as amended by SA 1-2, provides that any reasonable suspicion of a false statement by any appointed or elected commissioners, trustees, directors, board members, or employees of a retirement system or pension fund governed by the Pension Code or the State Board of Investment shall be immediately referred to the board of trustees of the pension fund or the State Board of Investment. The bill also states that the board shall immediately notify the State's Attorney of the jurisdiction where any alleged fraudulent activity occurred.

Police and Fire Leaves of Absence

Currently, members of Downstate Police and Downstate Fire pension funds are eligible to take leaves of absence for various reasons, including service as an executive officer in an organization that represents police officers and firefighters. Current law provides that the member must continue to make the applicable employee contribution, and the employing entity must make the employer's contribution as well. HB 3813, as amended by SA 1-2, provides that Downstate police officers and firefighters who take such leaves of absence must remain in sworn status, subject to the professional standards of the public employer. This requirement applies to those individuals whose leave of absence began before the effective date of HB 3813. The bill specifies that the obligation to remain in sworn status while on leave of absence also applies to members of the Chicago Police and Chicago Fire pension funds, as well as police officers covered by the Cook County article of the Pension Code.

Leaves of Absence and "Double Dipping" - Chicago Municipal and Chicago Laborers

Currently, members of the Chicago Municipal and Chicago Laborers Pension Funds are allowed to take leaves of absence to work for a local labor organization that represents municipal employees and earn pensionable service credit in that capacity. HB 3813, as amended by SA 1-2, specifies that such leaves of absence are only allowed if taken before the effective date of this bill. This provision effectively prohibits such leaves of absence that have not commenced as of the the effective date of this amendatory Act.

The bill also provides a more thorough definition of "local labor organization" to include affiliates of the local, intrastate, State, multi-state, national, or international union. The bill states that this expansion of "local labor organization" is a declaration of existing law and shall not be construed as a new enactment. This provision is intended to prohibit "double dipping" in cases where a member of the Chicago Municipal or Laborers pension fund on a leave of absence is eligible to receive concurrent service credit in the Chicago Municipal or Laborers pension fund and the union pension fund because the union is not deemed to be a "local labor organization."

HB 3813, as amended by SA 1-2, also contains a provision stating that the Chicago Municipal and Chicago Laborers Articles of the Pension Code shall not be construed to authorize a salary paid by an entity other than the city to be used to calculate the highest average annual salary of a participant. This provision is a declaration of existing law and shall not be construed as a new enactment.

Pension Credit for Employees of Statewide Teacher Organizations – SURS and TRS

Currently, members of SURS and TRS are allowed to earn pensionable service credit while working for a statewide teacher organization or national teacher organization under certain conditions. HB 3813, as amended by SA 1-2, specifies that such service credit can only be earned if the individual first became a full-time employee of the teacher organization and becomes a participant before the effective date of this amendatory Act. This provision effectively prohibits members of SURS and TRS from earning this type of service credit after the effective date of this amendatory Act.

Chicago Teacher Pension Fund (CTPF) Leaves of Absence

Currently, members of the Chicago Teachers Pension Fund are allowed to earn service credit in the fund for leaves of absence during which the member works for a teacher or labor organization. HB 3813, as amended by SA 1-2, specifies that service credit for such leaves of absence is only allowed if the leave of absence begins before the effective date of this amendatory Act. This provision effectively prohibits such leaves of absence that have not commenced as of the the effective date of this amendatory Act.

Repeal of Optional TRS Service Credit Provision of P.A. 94-1111

P.A. 94-1111, which became effective on February 27th, 2007, allowed certain employees of statewide teacher organizations to establish service credit in TRS for periods of employment prior to becoming certified as a teacher if certain conditions were met before the effective date of the Act. HB 3813, as amended by SA 1-2, repeals this provision.

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