



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING FOR THE MONTH ENDED: JUNE 2012

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703 Stratton Ofc. Bldg.
Springfield, IL 62706

REVENUE: FY 2012 Ends on Positive Note – Revenues Exceed Expectations but Stalled Recovery Creates Cautious Outlook to Begin Fiscal Year 2013

Jim Muschinske, Revenue Manager

Overall base revenues grew \$236 million in June. The large economic sources performed well, and even federal sources were able to post gains despite a very good closing month experienced last year. June had one less receiving day when compared to last year.

Gross personal income tax revenues rose \$91 million, or \$83 million net of refunds. Gross corporate income tax again performed well—up \$82 million, or \$67 million net of refunds. As expected, inheritance tax receipts jumped as a consequence of tax changes that went into effect January 2011, up \$20 million. Sales tax softened but grew \$18 million in June. Insurance taxes and fees increased \$2 million, liquor taxes \$1 million, and interest income \$1 million.

Public utility taxes dropped \$38 million to close out the fiscal year, while other sources fell \$10 million, corporate franchise taxes \$4 million and vehicle use tax \$1 million.

Overall transfers increased \$58 million in June. Other transfers grew \$55 million, riverboat transfers \$2 million, and lottery transfers \$1 million. Federal sources managed to post \$39 million in gains despite a strong month last fiscal year.

Year End

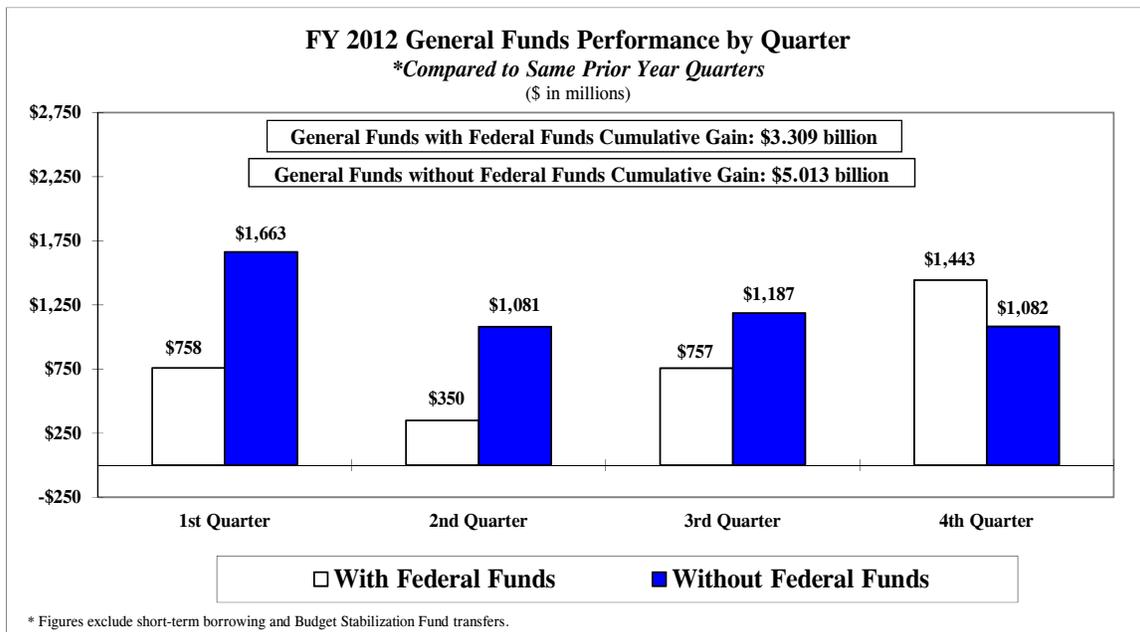
For the fiscal year, absent short-term borrowing, tobacco settlement proceeds, Pension Contribution Fund transfers and Budget Stabilization Fund transfers that occurred last year, base general funds revenues grew \$3.309 billion. The increase was fueled by comparatively higher income tax

receipts stemming from the January 2011 rate increases as well as continued strong sales tax receipts. Those items were more than enough to overcome a significant falloff in federal sources resulting from less reimbursable spending as well as a return to a lower federal matching rate [under ARRA, states enjoyed approximately two years of higher reimbursable match that has ended].

For the year, gross personal income taxes were up \$4.699 billion, or \$4.287 billion net of refunds. Gross corporate income taxes were up \$706 million, or \$610 million net of refunds. Sales taxes

increased \$393 million, while all other revenue sources declined \$33 million.

Overall transfers were down \$244 million, primarily the result of interfund borrowing that took place last fiscal year. Other transfers finished \$341 million lower, while regular riverboat transfers were up \$16 million [the final payment of \$73 million is related to the sale of the 10th license]. Lottery transfers were up \$8 million for the year. Despite a positive final quarter, federal source receipts showed a significant drop in FY 2012, falling \$1.704 billion due to lower reimbursable spending as well as reduced reimbursement rates.



First Quarter

Excluding Budget Stabilization Fund transfers, July revenues rose \$185 million to begin the fiscal year. Gains in income taxes related to January's rate increase coupled with a good month for sales and a strong month for transfers were more than enough to offset a

significant drop in federal sources. August revenues rose \$223 million despite a poor month for federal reimbursements. Personal and corporate income taxes jumped due to higher tax rates as compared to last year, while sales tax continued to perform quite well. Also contributing

to the monthly gain was an expected \$73 million remaining payment related to the 10th riverboat license bid. September revenues rose \$350 million despite another poor month for federal reimbursements. Personal and corporate income taxes jumped due to higher tax rates as compared to last year, while sales tax continued to perform quite well even as most economic measures continued to indicate consumer weakness.

The chart on the previous page demonstrates how the first quarter performed both with and without federal sources. Through the first quarter of the fiscal year, absent short-term borrowing and Budget Stabilization Fund transfers, base general funds revenues were up \$758 million. The increase was fueled by comparatively higher income tax receipts stemming from the January 2012 rate increases, as well as continued strong sales tax receipts. If federal sources are excluded, that figure leaps to \$1.663 billion.

Second Quarter

October revenues grew \$295 million despite another poor month for federal reimbursements. Personal income taxes grew due to higher tax rates as compared to last year, while the sales tax continued to perform surprisingly well despite economic uncertainty. In spite of higher income tax rates compared to last November, overall monthly revenues dipped \$18 million. While federal sources again suffered a significant drop, the main contributor to the lack of growth was the impact of last year's tax amnesty program which accounted for approximately \$401

million of last November revenues. As stated many times by CGFA, the vast majority of those tax amnesty revenues should not have been viewed as "new" revenues, but rather an acceleration of tax revenue that would have ultimately been collected later in FY 2011 or in subsequent fiscal years [i.e. FY'12]. While federal sources again suffered a significant drop, overall base revenues grew a modest \$73 million in December. A falloff of \$517 million in federal sources was primarily due to last year's selling of \$1.5 billion in tobacco securitization bonds, the proceeds of which were used to pay down unpaid bills [i.e. reimbursable Medicaid bills]. In addition, monthly revenue growth also was limited by the continued impact of last year's tax amnesty program as approximately \$60 million in net proceeds to the general funds was receipted last December.

Overall, through the first half of the fiscal year, revenues performed about as expected, although concerns increased over the ability to meet the Administration's estimate of federal sources [which is largely dependent on reimbursable spending]. In terms of the economically related sources, both corporate income tax as well as sales tax could be viewed as somewhat outperforming expectations, while personal income tax slightly underperformed and struggled to achieve any real growth absent the tax increase. If the \$1.636 billion of federal source falloff is included, overall base revenues were up \$1.107 billion through the first half of the fiscal year. When federal sources are excluded, that figure jumps to \$2.743 billion, primarily the result of the

higher income tax rates and continued sales tax growth.

Looking ahead, the most likely scenario continued to call for modest growth over the remainder of the fiscal year and into FY 2013. The probability of falling into another recession in the near term lessened somewhat. However, given the economy's painful pace of adding jobs that should not be interpreted to mean a return to impressive growth.

Third Quarter

While federal sources again suffered a significant drop, overall base revenues were fairly positive in January, posting gains of \$576 million. For the month, virtually all non-federal revenue sources managed to post gains. It was mentioned that we are now beginning to compare against the post-income tax period of last year. As a result, rates of growth will slow over the remainder of the year. While federal sources again suffered a monthly drop, overall base revenues reported another decent month in February, posting gains of \$219 million. Overall base revenues for March dropped \$38 million. While the larger economically-related sources performed quite well for the month, their gains were wiped out by comparatively poor federal receipting and transfers.

Through the first three-fourths of the fiscal year, absent short-term borrowing, tobacco settlement proceeds, Pension Contribution Fund transfers and Budget Stabilization Fund transfers, base general funds revenues are up \$1.864 billion. The increase has been fueled by comparatively higher

income tax receipts stemming from the January 2011 rate increases as well as continued strong sales tax receipts. Those items have been more than enough to overcome a significant falloff in federal sources that resulted from less reimbursable spending as well as a return to a lower federal matching.

Fourth Quarter

Overall base revenues in April grew \$733 million. The significant growth was largely due to the expected boost from final income tax payments. Continued strong sales taxes also helped monthly receipts. In addition, what had been a rare occurrence this fiscal year, federal sources experienced a positive month. Overall base revenues grew \$474 million in May. The growth was largely due to federal sources. After struggling for most of the year, a significant increase in reimbursable spending resulted in higher receipts. In addition, the economic-related sources also performed favorably. Overall base revenues grew \$236 million in June. The large economic sources performed well, and even federal sources were able to post gains despite a very good closing month experienced last year.

For the fiscal year, absent short-term borrowing, tobacco settlement proceeds, Pension Contribution Fund transfers and Budget Stabilization Fund transfers that occurred last year, base general funds revenues grew \$3.309 billion. The increase was fueled by comparatively higher income tax receipts stemming from the January 2011 rate increases as well as continued strong sales tax receipts. Those items were more than enough to overcome a significant falloff in federal sources

resulting from less reimbursable spending as well as a return to a lower federal matching rates. When the falloff in federal sources is excluded, receipt growth expands to \$5.013 billion.

Review of the FY 2012 Revenue Assumptions

The table on page 9 illustrates that total general funds revenues in FY 2012 exceeded assumptions used to craft the FY 2012 budget. In March 2011, the House passed HR 110, which was the revenue framework used throughout much of the spring 2011 legislative session. As shown, actual revenues ended up exceeding HR 110 by \$624 million. While federal sources fell \$1.162 billion short of expectations, the economic sources more than made up for that shortage as personal, corporate, and sales taxes all far exceeded the estimates. In August

2012, the GOMB released its FY 2012 Budget Review document which detailed the official revenue number used in the enacted budget. While overall quite similar to HR 110, it was slightly lower by \$49 million. As a result, actual FY 2012 revenues exceeded the enacted budget forecast by \$673 million.

Review of Most Recent Revenue Estimates

The table below demonstrates how the February 2012 estimates of CGFA and GOMB preformed relative to actuals. As shown, actual base revenues ended up exceeding expectations in both instances. Revenues out-performed CGFA's projections by \$405 million, or 1.2% as income taxes managed to outpace expectations. The February estimate of GOMB was surpassed by \$576 million, or 1.7%, as again, stronger income taxes were the main cause of divergence.

FY 2012 Actuals vs. Estimates: CGFA and GOMB						
(\$ millions)						
Revenue Sources	ACTUAL FY 2012	CGFA EST. Feb-12 FY 2012	DIFFERENCE	GOMB EST. Feb-12 FY 2012	DIFFERENCE	
			ACTUALS FROM ESTIMATE		ACTUALS FROM ESTIMATE	
Net Income Tax [Personal & Corporate]	\$17,973	\$17,624	\$349	\$17,416	\$557	
Sales Taxes	\$7,226	\$7,160	\$66	\$7,145	\$81	
Other Receipts	\$2,978	\$2,979	(\$1)	\$3,026	(\$48)	
Transfers	\$1,938	\$1,824	\$114	\$1,829	\$109	
Federal Sources	\$3,682	\$3,805	(\$123)	\$3,805	(\$123)	
Subtotal General Funds	\$33,797	\$33,392	\$405	\$33,221	\$576	

**Continued Economic Uncertainty
Forces Cautious Outlook to Begin
FY 2013**

Despite undisputed strong performance of the larger economic sources in FY 2012, that success does not automatically translate into continued FY 2013 strength. In fact, as spelled out in the last several CGFA monthly briefings—uncertainties over U.S. fiscal policy, Euro Zone fiscal policy, pending expiration of the “Bush Tax Cuts”, and the outcome of the fall election—are all conspiring to hold down expectations.

More specifically, as related to state revenues, final income tax payments in FY 2012 were artificially high reflecting the implementation timing of the higher tax rates. Those same timing elements will result in reduced overall growth rates in FY 2013. Also, while sales tax receipts were able to exceed

expectations for virtually all of the last fiscal year, they are likely to be unsustainable given the current economic outlook. Finally, significant fluctuations in federal source revenues in recent years make estimating the Administration’s reimbursable spending plan difficult at best. However, given the significant Medicaid cuts made to the FY 2013 budget, it’s unlikely that general funds federal source revenue will be impacted positively.

As shown below the General Assembly passed HJR 68 in the Spring of 2012. It contained the General Assembly’s estimate of FY 2013 revenues. The Commission plans on formulating an updated revenue forecast over the month of July. The update will take into account FY 2012 actuals, an updated economic outlook, and enacted legislative changes and will be presented in a subsequent monthly briefing.

Actual FY 2012 Revenues vs. Adopted HJR 68 FY 2013 Revenues			
General Funds \$ millions	Actual FY'12	HJR68 FY'13	Growth
State Sources	\$28,177	\$27,984	(\$193)
Transfers	\$1,938	\$1,800	(\$138)
Federal Sources	<u>\$3,682</u>	<u>\$3,935</u>	<u>\$253</u>
Total	\$33,797	\$33,719	(\$78)

GENERAL FUNDS RECEIPTS: JUNE

FY 2012 vs. FY 2011

(\$ million)

<u>Revenue Sources</u>	<u>June FY 2012</u>	<u>June FY 2011</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$1,486	\$1,395	\$91	6.5%
Corporate Income Tax (regular)	485	403	\$82	20.3%
Sales Taxes	626	608	\$18	3.0%
Public Utility Taxes (regular)	63	101	(\$38)	-37.6%
Cigarette Tax	30	30	\$0	0.0%
Liquor Gallonage Taxes	15	14	\$1	7.1%
Vehicle Use Tax	2	3	(\$1)	-33.3%
Inheritance Tax (Gross)	21	1	\$20	2000.0%
Insurance Taxes and Fees	64	62	\$2	3.2%
Corporate Franchise Tax & Fees	12	16	(\$4)	-25.0%
Interest on State Funds & Investments	1	0	\$1	N/A
Cook County IGT	0	0	\$0	N/A
Other Sources	34	44	(\$10)	-22.7%
Subtotal	\$2,839	\$2,677	\$162	6.1%
Transfers				
Lottery	68	67	\$1	1.5%
Riverboat transfers & receipts	28	26	\$2	7.7%
Proceeds from Sale of 10th license	0	0	\$0	N/A
Other	156	101	\$55	54.5%
Total State Sources	\$3,091	\$2,871	\$220	7.7%
Federal Sources	\$589	\$550	\$39	7.1%
Total Federal & State Sources	\$3,680	\$3,421	\$259	7.6%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$130)	(\$122)	(\$8)	6.6%
Corporate Income Tax	(\$85)	(70)	(\$15)	21.4%
Subtotal General Funds	\$3,465	\$3,229	\$236	7.3%
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	\$0	\$200	(\$200)	N/A
Total General Funds	\$3,465	\$3,429	\$36	1.0%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Jul-12

GENERAL FUNDS RECEIPTS: YEAR END

FY 2012 vs. FY 2011

(\$ million)

<u>Revenue Sources</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>CHANGE FROM FY 2011</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$17,000	\$12,301	\$4,699	38.2%
Corporate Income Tax (regular)	2,983	2,277	\$706	31.0%
Sales Taxes	7,226	6,833	\$393	5.8%
Public Utility Taxes (regular)	995	1,147	(\$152)	-13.3%
Cigarette Tax	354	355	(\$1)	-0.3%
Liquor Gallonage Taxes	164	157	\$7	4.5%
Vehicle Use Tax	29	30	(\$1)	-3.3%
Inheritance Tax (Gross)	235	122	\$113	92.6%
Insurance Taxes and Fees	345	317	\$28	8.8%
Corporate Franchise Tax & Fees	192	207	(\$15)	-7.2%
Interest on State Funds & Investments	21	28	(\$7)	-25.0%
Cook County IGT	244	244	\$0	0.0%
Other Sources	399	404	(\$5)	-1.2%
Subtotal	\$30,187	\$24,422	\$5,765	23.6%
Transfers				
Lottery	640	632	\$8	1.3%
Riverboat transfers & receipts	340	324	\$16	4.9%
Proceeds from Sale of 10th license	73	0	\$73	N/A
Other	885	1,226	(\$341)	-27.8%
Total State Sources	\$32,125	\$26,604	\$5,521	20.8%
Federal Sources	\$3,682	\$5,386	(\$1,704)	-31.6%
Total Federal & State Sources	\$35,807	\$31,990	\$3,817	11.9%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$1,488)	(\$1,076)	(\$412)	38.3%
Corporate Income Tax	(\$522)	(\$426)	(\$96)	22.5%
Subtotal General Funds	\$33,797	\$30,488	\$3,309	10.9%
Short-Term Borrowing	\$0	\$1,300	(\$1,300)	N/A
Tobacco Liquidation Proceeds	\$0	\$1,250	(\$1,250)	N/A
Pension Contribution Fund Transfer	\$0	\$224	(\$224)	N/A
Budget Stabilization Fund Transfer	\$275	\$535	(\$260)	-48.6%
Total General Funds	\$34,072	\$33,797	\$275	0.8%
SOURCE: Office of the Comptroller, State of Illinois: Some totals may not equal, due to rounding.				
CGFA				3-Jul-12

FY 2012 Actuals vs. Enacted Budget Assumptions

(\$ millions)

	ACTUAL FY 2012	HR 110 March-11 FY 2012	DIFFERENCE ACTUALS FROM ESTIMATE	GOMB EST. Aug-11 FY 2012	DIFFERENCE ACTUALS FROM ESTIMATE
Revenue Sources					
State Taxes					
Personal Income Tax	\$17,000	\$16,389	\$611	\$16,500	\$500
Corporate Income Tax (regular)	\$2,983	\$2,435	\$548	\$2,853	\$130
Sales Taxes	\$7,226	\$6,586	\$640	\$6,610	\$616
Public Utility (regular)	\$995	\$1,082	(\$87)	\$1,082	(\$87)
Cigarette Tax	\$354	\$355	(\$1)	\$355	(\$1)
Liquor Gallonage Taxes	\$164	\$162	\$2	\$162	\$2
Vehicle Use Tax	\$29	\$32	(\$3)	\$32	(\$3)
Inheritance Tax (gross)	\$235	\$182	\$53	\$182	\$53
Insurance Taxes & Fees	\$345	\$318	\$27	\$318	\$27
Corporate Franchise Tax & Fees	\$192	\$204	(\$12)	\$204	(\$12)
Interest on State Funds & Investments	\$21	\$25	(\$4)	\$25	(\$4)
Cook County Intergovernmental Transfer	\$244	\$244	\$0	\$244	\$0
<u>Other Sources</u>	<u>\$399</u>	<u>\$365</u>	<u>\$34</u>	<u>\$365</u>	<u>\$34</u>
Subtotal	\$30,187	\$28,379	\$1,808	\$28,932	\$1,255
Transfers					
Lottery	\$640	\$645	(\$5)	\$645	(\$5)
Riverboat transfers & receipts	\$340	\$426	(\$86)	\$426	(\$86)
Proceeds from sale of 10th license	\$73	\$75	(\$2)	\$75	(\$2)
<u>Other</u>	<u>\$885</u>	<u>\$664</u>	<u>\$221</u>	<u>\$664</u>	<u>\$221</u>
Total State Sources	\$32,125	\$30,189	\$1,936	\$30,742	\$1,383
Federal Sources	\$3,682	\$4,844	(\$1,162)	\$4,325	(\$643)
Total Federal & State Sources	\$35,807	\$35,033	\$774	\$35,067	\$740
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax	(\$1,488)	(\$1,434)	(\$54)	(\$1,444)	(\$44)
Corporate Income Tax	(\$522)	(\$426)	(\$96)	(\$499)	(\$23)
Subtotal General Funds	\$33,797	\$33,173	\$624	\$33,124	\$673

ECONOMY **Growth Stagnates**

Edward H. Boss, Jr., Chief Economist

June 2012 marks the completion of 3 years since the economy began to recover from its longest recession in the post WWII period. During the second quarter of 2009 the economy began to show improvement with real Gross National Product declining at a modest 0.7% annual rate, substantially better than the decline of 6.7% in the previous quarter. By the third quarter of 2009, growth turned positive, rising at an annual rate of 1.7%. Then, as usually occurs in the early stages of a business recovery, growth accelerated, rising at close to a 4% annual rate in each of the next three quarters. This was above its historical growth rate, although not as strong as in some earlier recoveries.

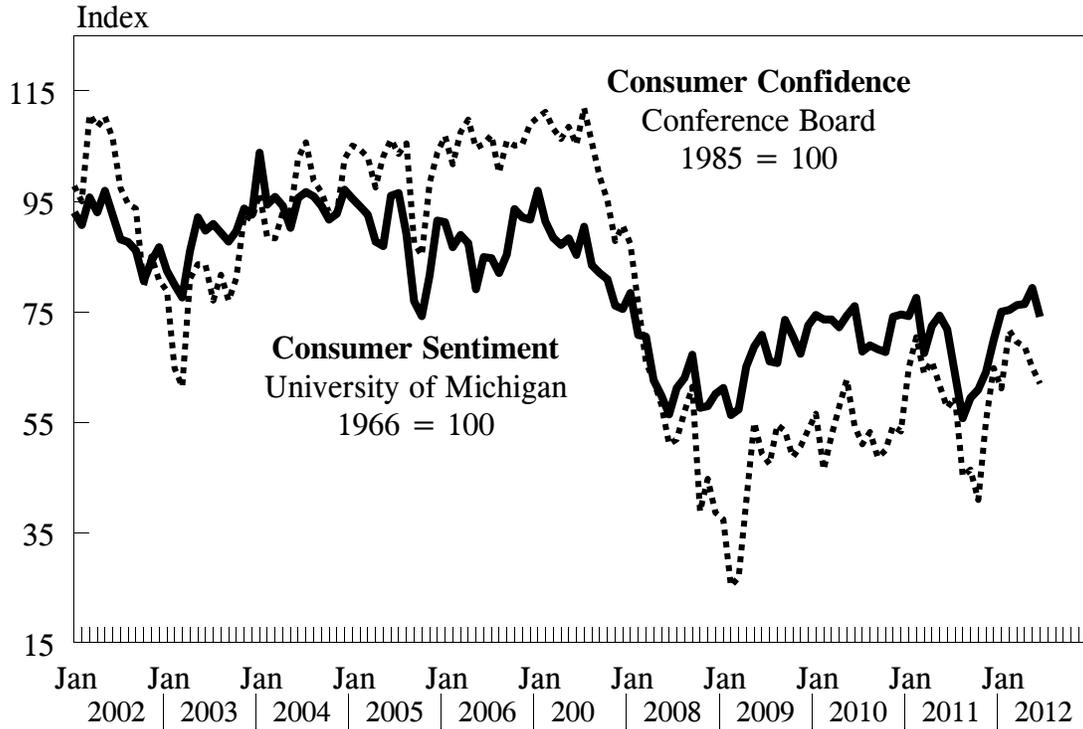
However, following this initial improved faster growth period, it slowed to 2.5% and 2.3% in the third and fourth quarters of 2010, respectively and with the exception of the fourth quarter of 2011, has held below 2.0%. Latest data show no improvement with real GDP growing at an annual rate of 1.9% in the first quarter of this year and expectations that there will be no pickup in growth in the quarter just ended with one prominent respected economic group forecasting a further weakening.

The consumer represents by far the largest component of GDP, accounting for two-thirds or more of total spending in the economy. Here recent data do not auger well for any major improvement, at least in the near term. For example, retail sales fell for the second consecutive month in May despite continued gains in auto sales. Part of the weakness came from falling gasoline sales as prices continue to decline from record levels. Whether or not this price relief translates into additional spending by the consumer, however, remains in question.

Chart 1, on the following page, shows measures of consumer attitudes, which are signals as to their comfort level in increasing spending. As can be seen, while there has been some improvement in attitudes since the recession ended, overall levels are significantly lower when compared to the first half of the decade. Moreover there does not appear to be any breakout to the upside. Indeed, Consumer Sentiment by the University of Michigan for June recorded a level of 73.2, the lowest level since December 2011. Similarly, the latest reading of Consumer Sentiment by the Conference Board at 62.0 was at its lowest level since January. Neither measure is encouraging.

CHART 1

CONSUMER ATTITUDES



CGFA

At the same time that consumer spending has weakened, they face the headwinds of higher taxes as the tax cuts granted during the Bush Administration and the reduction in payroll taxes and expanded credits and deductions are set to expire at the end of the year. Moreover, while hopes that a bottom in the housing market was being reached; there has been a recent deceleration in housing spending. In addition, much uncertainty centers on the currency situation in the Euro Zone, with much of Europe in recession, and fears that the U.S. economy will weaken due to the troubles of its major trading partner. Business spending also has slowed and industrial production has declined in two of the past three months. Finally, fiscal policy is set to

tighten, with additional savings of more than \$1 trillion required by the Budget Control Act.

The stagnating U.S. economy has not gone unnoticed by the monetary authorities. The FOMC (Federal Reserve Open Market Committee) earlier this month lowered its growth estimates for 2012 by half a point to a range of 1.9% and 2.4%. Moreover, by a few percentage points it also lowered its estimates of real GDP for 2013 and 2014. Perhaps most discouraging is their estimates on the unemployment rate, which is anticipated to hold in the 8%-8.2% range by the end of this year with only modest improvement during the next two years.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS	<u>MAY 2012</u>	<u>APRIL 2012</u>	<u>MAY 2011</u>
Unemployment Rate (Average)	8.6%	8.7%	9.7%
Annual Rate of Inflation (Chicago)	-0.8%	0.4%	1.0%
<hr style="border: 2px solid black;"/>			
	<u>LATEST MONTH</u>	<u>% CHANGE OVER PRIOR MONTH</u>	<u>% CHANGE OVER A YEAR AGO</u>
Civilian Labor Force (thousands) (May)	6,590	0%	0.5%
Employment (thousands) (May)	6,025	-0.1%	1.7%
New Car & Truck Registration (May)	51,700	1.2%	14.6%
Single Family Housing Permits (May)	960	31.7%	32.2%
Total Exports (\$ mil) (April)	5,944	-3.8%	8.4%
Chicago Purchasing Managers Index (June)	52.9	3.8%	-13.4%

The 2012 Cigarette Tax Increase

Eric Noggle, Senior Revenue Analyst

On June 14, 2012, Governor Quinn signed Public Act 97-0688 (SB 2194) into law. The legislation increased the tax on a pack of cigarettes from \$0.98 to \$1.98 per pack of 20 cigarettes. This tax increase became effective on June 24, 2012. In addition, the public act increased the “other tobacco products” tax from 18% to 36% of the wholesale price and created a tax on “roll-your-own” cigarettes, which will be equivalent to the tax on “regular” cigarettes.

The Commission estimated in the days leading up to the Governor’s signing of the legislation that these tax changes would generate approximately \$350 million in its first year. These funds, then, would be deposited into the Healthcare Provider Relief Fund with the intent of receiving

matching federal funds. If these revenues were matched at a 50% matching rate, revenues could total roughly \$700 million due to these tax changes.

The \$350 million estimate in new tax revenues takes into account an anticipated consumption decline as a consequence of raising the tax by \$1.00 per pack. The Commission looked at other states that had similar tax rate increases on cigarettes and estimated that the number of packs of cigarettes taxed in Illinois would drop by approximately 26% following the tax increase.

Prior to the cigarette tax increase, knowing that retailers and smokers would try to stock up their cigarette supplies before the tax increase took effect, the Department of

Revenue began limiting the number of cigarette stamps it sold to distributors. However, a Sangamon County judge issued a temporary restraining order that prohibited the Department from limiting sales. The judge ruled that nothing in state law or regulation gave the Department the power to restrict sales of the stamps to distributors unless a distributor violates state law.

As a consequence, it was reported that distributors, retailers, and consumers immediately took advantage of this ruling and began stockpiling cigarettes. Consumers who purchased a carton of 10 cigarette packs prior to the tax increase were able to save \$10.00 per carton in taxes. This, as expected, led to an artificially high amount of cigarette tax revenues for the month of June.

In June 2011, a typical \$56.4 million was collected from the cigarette tax. In June 2012, with the anticipation of the tax increase, the monthly revenue total was \$95.8 million, a 70% increase. (Although the tax increase took effect on June 24th, little if any of this revenue increase would be due to the increase due to the timing of how receipts are collected and reported).

Because of this stockpiling, it is likely that cigarette sales will dramatically fall off in

the next couple of months. This was in the scenario in 2002 after the State's latest cigarette tax increase. Despite a 40-cent increase in the cigarette tax in July of 2002, cigarette tax revenues in August and September (reflecting July and August sales) were disappointing (annual changes of 4.7% and -30.6%, respectively). It was not until October that the expected effects of the tax increase were seen in revenues.

Therefore, because of the judge's ruling to prevent the Department from limiting the number of cigarette stamps sold, it would not be surprising if it were several months before the State began seeing the revenue benefits of increasing the tax by \$1.00 per pack. The first quarter of FY 2013 receipts should be a good measure of the extent that the tobacco consumer has changed his/her purchasing habits of buying cigarettes in Illinois. If tobacco sales drop off as expected, it may be difficult for the State to generate the original projection of \$350 million in new revenues for FY 2013, which in turn, would limit the amount of funds available to be matched by the Federal Government.

The Commission will continue to monitor this situation and update the progress of cigarette tax revenues in future monthly reports.

Interfund Borrowing Payback
Lynnae Kapp, Senior Bond Analyst

Public Act 96-0958 allowed the Governor to use Interfund Borrowing from July 1, 2010 through January 9, 2011. Public Act 95-1500, signed into law January 18, 2011, extended the use of Interfund Borrowing until June 30, 2011. Borrowing from any fund must be paid back within 18 months of the date borrowed.

Interfund Borrowing totaled \$496 million. Below is a break out by fund of the amounts borrowed, amounts paid back, and interest paid to date. Approximately \$363.5 million has been paid back as of June 30, 2012. Fifty-six of the 172 funds are paid back in full, and interest has been paid on 37 funds.

FY2011 INTERFUND BORROWING		PA 96-0958	Paid Back	Remainder	Interest Paid
No.	Fund	Borrowed	Total To Date		
0015	Penny Severns Breast, Cervical, and Ovarian Cancer Research Fund	\$354,200	\$354,200	\$0	
0019	Grade Crossing Protection Fund	\$11,026,600	\$0	\$11,026,600	
0021	Financial Institution Fund	\$2,952,000	\$1,952,000	\$1,000,000	
0023	Economic Research and Information Fund	\$29,800	\$0	\$29,800	
0025	Group Home Loan Revolving Fund	\$56,000	\$56,000	\$0	\$340
0046	Aeronautics Fund	\$73,500	\$53,000	\$20,500	
0049	Industrial Hygiene Regulatory & Enforcement Fund	\$13,400	\$8,000	\$5,400	
0057	IL State Pharmacy Disciplinary Fund	\$77,000	\$77,000	\$0	\$542
0060	Alzheimer's Disease Research Fund	\$134,900	\$134,900	\$0	
0113	Community Health Center Care Fund	\$560,500	\$477,000	\$83,500	
0114	Emergency Response Reimbursement Fund	\$33,000	\$33,000	\$0	
0115	Safe Bottled Water Fund	\$21,700	\$0	\$21,700	
0130	School District Emergency Financial Assistance Fund	\$294,700	\$0	\$294,700	
0135	Heartsaver AED Fund	\$202,900	\$202,900	\$0	
0137	Plugging and Restoration Fund	\$40,200	\$0	\$40,200	
0145	Explosives Regulatory Fund	\$74,100	\$0	\$74,100	
0146	Aggregate Operations Regulatory Fund	\$57,800	\$0	\$57,800	
0150	Rental Housing Support Program Fund	\$5,857,000	\$0	\$5,857,000	
0151	Registered CPA Administration & Disciplinary Fund	\$3,588,000	\$3,538,000	\$50,000	\$24,480
0152	State Crime Laboratory Fund	\$232,300	\$0	\$232,300	
0156	Motor Vehicle Theft Prevention Fund	\$0	\$0	\$0	
0163	Weights and Measures Fund	\$2,992,400	\$1,819,000	\$1,173,400	
0189	Local Government Tax Fund	\$100,000,000	\$100,000,000	\$0	
0197	Epilepsy Treatment & Education Grants-in-Aid Fund	\$26,000	\$26,000	\$0	
0198	Diabetes Research Checkoff Fund	\$141,100	\$141,100	\$0	\$458
0208	Ticket For The Cure Fund	\$1,018,700	\$1,018,700	\$0	
0215	CDB Revolving Fund	\$4,976,600	\$2,426,000	\$2,550,600	
0225	Illinois Sports Facilities Fund	\$3,199,600	\$3,199,600	\$0	
0228	Autism Research Checkoff Fund	\$63,000	\$63,000	\$0	\$176
0238	IL Health Facilities Planning Fund	\$2,463,400	\$1,888,000	\$575,400	
0240	Emergency Public Health Fund	\$1,966,300	\$0	\$1,966,300	
0241	Transmitters of Money Act (TOMA) Consumer Protection Fund	\$273,000	\$198,000	\$75,000	\$1,393

FY2011 INTERFUND BORROWING		PA 96-0958	Paid Back	Remainder	Interest Paid
No.	Fund	Borrowed	Total To Date		
0245	Fair and Exposition Fund	\$449,400	\$0	\$449,400	
0265	State Rail Freight Loan Repayment Fund	\$8,492,000	\$8,492,000	\$0	\$59,728
0277	Pollution Control Board Fund	\$64,900	\$61,000	\$3,900	
0279	Debt Collection Fund	\$27,100	\$20,000	\$7,100	
0285	Long Term Care Monitor/Receiver Fund	\$332,900	\$0	\$332,900	
0286	IL Affordable Housing Trust Fund	\$26,573,700	\$18,000,000	\$8,573,700	\$114,333
0287	Home Care Services Agency Licensure Fund	\$549,200	\$88,000	\$461,200	
0290	Fertilizer Control Fund	\$280,500	\$0	\$280,500	
0292	Securities Investors Education Fund	\$1,000,000	\$1,000,000	\$0	
0294	Used Tire Management Fund	\$3,986,800	\$0	\$3,986,800	
0298	Natural Areas Acquisition Fund	\$3,460,400	\$0	\$3,460,400	
0299	Open Space Lands Acquisition & Development Fund	\$38,439,100	\$15,000,000	\$23,439,100	
0306	I-FLY Fund	\$45,000	\$45,000	\$0	
0310	Tax Recovery Fund	\$408,000	\$408,000	\$0	
0316	IL Prescription Drug Discount Program Fund	\$256,000	\$256,000	\$0	
0326	African-American HIV/AIDS Response Fund	\$1,415,000	\$1,415,000	\$0	
0327	Tattoo and Body Piercing Establishment Registration Fund	\$102,500	\$0	\$102,500	
0334	Ambulance Revolving Loan Fund	\$3,302,000	\$3,302,000	\$0	\$20,132
0336	Environmental Laboratory Certification Fund	\$102,000	\$0	\$102,000	
0341	Provider Inquiry Trust Fund	\$490,600	\$0	\$490,600	
0356	Law Enforcement Camera Grant Fund	\$3,048,600	\$2,622,000	\$426,600	\$18,105
0360	Lead Poisoning Screening, Prevention, and Abatement Fund	\$1,102,500	\$0	\$1,102,500	
0362	Securities Audit and Enforcement Fund	\$2,000,000	\$2,000,000	\$0	\$11,675
0369	Feed Control Fund	\$202,000	\$0	\$202,000	
0370	Tanning Facility Permit Fund	\$95,900	\$0	\$95,900	
0375	Natural Heritage Fund	\$75,500	\$74,000	\$1,500	
0378	Insurance Premium Tax Refund Fund	\$567,000	\$567,000	\$0	
0384	Tax Compliance Administration Fund	\$12,804,900	\$8,555,000	\$4,249,900	
0386	Appraisal Administration Fund	\$839,000	\$814,000	\$25,000	
0387	Small Business Environmental Assistance Fund	\$22,700	\$0	\$22,700	
0388	Regulatory Evaluation and Basic Enforcement Fund	\$52,000	\$0	\$52,000	
0389	Sexual Assault Services Fund	\$102,600	\$0	\$102,600	
0390	IL Habitat Endowment Trust Fund	\$11,600,000	\$11,600,000	\$0	\$8,247
0398	EMS Assistance Fund	\$140,600	\$0	\$140,600	
0406	Comprehensive Regional Planning Fund	\$150,000	\$150,000	\$0	
0417	State College and University Trust Fund	\$107,200	\$0	\$107,200	
0418	University Grant Fund	\$51,500	\$27,000	\$24,500	
0424	IL Power Agency Trust Fund	\$24,331,100	\$24,300,000	\$31,100	\$168,993
0425	Illinois Power Agency Operations Fund	\$3,321,500	\$0	\$3,321,500	
0429	Multiple Sclerosis Research Fund	\$1,928,100	\$927,000	\$1,001,100	\$6,436
0430	Livestock Management Facilities Fund	\$56,800	\$50,000	\$6,800	
0435	Charitable Trust Stabilization Fund	\$2,136,095	\$2,003,395	\$132,700	\$12,883
0437	Quality of Life Endowment Fund	\$2,116,000	\$2,116,000	\$0	\$13,920
0438	Illinois State Fair Fund	\$177,100	\$0	\$177,100	
0445	Sex Offender Investigation Fund	\$68,800	\$57,000	\$11,800	
0446	Employee Classification Fund	\$15,000	\$15,000	\$0	

FY2011 INTERFUND BORROWING		PA 96-0958	Paid Back	Remainder	Interest Paid
No.	Fund	Borrowed	Total To Date		
0449	Interpreters for the Deaf Fund	\$117,600	\$21,000	\$96,600	\$148
0469	Autoimmune Disease Research Fund	\$44,000	\$44,000	\$0	\$131
0474	Human Services Priority Capital Program Fund	\$1,648,000	\$1,648,000	\$0	\$11,591
0478	Predatory Lending Database Program Fund	\$650,000	\$550,000	\$100,000	
0480	Secretary of State Identification Security and Theft Prevention Fund	\$5,000,000	\$5,000,000	\$0	
0504	Wildlife Prairie Park Fund	\$46,000	\$46,000	\$0	\$279
0510	IL Fire Fighters' Memorial Fund	\$3,061,100	\$3,000,000	\$61,100	
0514	State Asset Forfeiture Fund	\$549,100	\$0	\$549,100	
0517	Police Training Board Services Fund	\$7,200	\$0	\$7,200	
0518	Fire Service and Small Equipment Fund	\$81,900	\$0	\$81,900	
0528	Domestic Violence Abuser Services Fund	\$28,900	\$0	\$28,900	
0534	IL Workers' Compensation Commission Operations Fund	\$11,107,000	\$11,107,000	\$0	
0535	Sex Offender Registration Fund	\$74,300	\$69,000	\$5,300	
0537	State Offender DNA Identification System Fund	\$641,500	\$0	\$641,500	
0548	Drycleaner Environmental Response Trust Fund	\$948,100	\$0	\$948,100	
0552	Workforce, Technology, and Economic Development Fund	\$60,800	\$0	\$60,800	
0555	Good Samaritan Energy Trust Fund	\$28,500	\$0	\$28,500	
0559	Downstate Transit Improvement Fund	\$17,000,000	\$17,000,000	\$0	
0562	Pawnbroker Regulation Fund	\$29,000	\$29,000	\$0	
0564	Renewable Energy Resources Trust Fund	\$2,617,700	\$2,617,700	\$0	
0567	Charter Schools Revolving Loan Fund	\$3,800	\$0	\$3,800	
0569	School Technology Revolving Loan Fund	\$2,413,800	\$1,334,000	\$1,079,800	\$8,219
0570	Illinois and Michigan Canal Fund	\$83,900	\$81,000	\$2,900	
0571	Energy Efficiency Trust Fund	\$1,375,000	\$750,000	\$625,000	
0576	Pesticide Control Fund	\$2,627,700	\$1,000,000	\$1,627,700	
0582	DCFS Special Purposes Trust Fund	\$222,100	\$102,000	\$120,100	
0588	September 11th Fund	\$238,200	\$202,000	\$36,200	
0589	Transportation Safety Highway Hire-back Fund	\$157,200	\$0	\$157,200	
0605	Temporary Relocation Expenses Revolving Grant Fund	\$599,100	\$150,000	\$449,100	
0608	Partners for Conservation Fund	\$3,489,600	\$0	\$3,489,600	
0611	Fund for Illinois' Future	\$2,021,900	\$0	\$2,021,900	
0613	Wireless Carrier Reimbursement Fund	\$6,665,500	\$1,416,000	\$5,249,500	
0621	International Tourism Fund	\$5,243,200	\$2,714,000	\$2,529,200	
0623	Special Olympics IL Fund	\$23,000	\$23,000	\$0	
0626	Prostate Cancer Research Fund	\$25,000	\$25,000	\$0	
0635	Death Certificate Surcharge Fund	\$1,053,000	\$0	\$1,053,000	
0637	State Police Wireless Service Emergency Fund	\$2,725,200	\$2,136,000	\$589,200	
0638	IL Adoption Registry & Medical Information Exchange Fund	\$4,000	\$4,000	\$0	
0643	Auction Recovery Fund	\$288,000	\$288,000	\$0	\$2,026
0652	Over Dimensional Load Police Escort Fund	\$19,100	\$0	\$19,100	
0654	Healthy Smiles Fund	\$22,600	\$22,600	\$0	
0660	Academic Quality Assurance Fund	\$344,400	\$153,000	\$191,400	
0661	Private College Academic Quality Assurance Fund	\$67,800	\$50,000	\$17,800	
0669	Airport Land Loan Revolving Fund	\$90,000	\$90,000	\$0	\$633
0675	Electronics Recycling Fund	\$26,800	\$0	\$26,800	
0678	FY09 Budget Relief Fund	\$14,000,000	\$14,000,000	\$0	

FY2011 INTERFUND BORROWING		PA 96-0958	Paid Back	Remainder	Interest Paid
No.	Fund	Borrowed	Total To Date		
0697	Roadside Memorial Fund	\$163,000	\$94,000	\$69,000	
0702	Assisted Living and Shared Housing Regulatory Fund	\$122,400	\$0	\$122,400	
0705	State Police Whistleblower Reward and Protection Fund	\$11,048,800	\$4,404,000	\$6,644,800	
0706	Hunger Relief Fund	\$98,400	\$98,400	\$0	\$273
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	\$597,600	\$558,000	\$39,600	
0725	Illinois Military Family Relief Fund	\$224,400	\$224,400	\$0	
0731	IL Clean Water Fund	\$1,650,000	\$1,326,000	\$324,000	\$8,258
0738	Alternative Compliance Market Account Fund	\$352,200	\$202,000	\$150,200	\$1,421
0740	Medicaid Buy-In Program Revolving Fund	\$761,300	\$442,000	\$319,300	\$2,913
0744	IL Animal Abuse Fund	\$8,400	\$5,000	\$3,400	
0746	Home Inspector Admin Fund	\$373,000	\$248,000	\$125,000	\$1,681
0750	Real Estate Audit Fund	\$151,000	\$151,000	\$0	\$1,062
0753	IL Future Teacher Corps Scholarship Fund	\$173,200	\$99,000	\$74,200	
0754	IL AgriFIRST Program Fund	\$203,100	\$202,000	\$1,100	
0764	Pet Population Control Fund	\$40,700	\$0	\$40,700	
0774	Oil Spill Response Fund	\$34,000	\$14,000	\$20,000	\$82
0776	Presidential Library and Museum Operating Fund	\$1,420,600	\$0	\$1,420,600	
0777	Crisis Nursery Fund	\$42,500	\$42,500	\$0	
0778	Dept. of Human Rights Training & Development Fund	\$15,000	\$15,000	\$0	
0784	Performance-enhancing Substance Testing Fund	\$55,000	\$0	\$55,000	
0790	Private Sewage Disposal Program Fund	\$82,600	\$0	\$82,600	
0794	Metro-East Public Transportation Fund	\$91,000	\$91,000	\$0	
0795	Bank and Trust Company Fund	\$8,000,000	\$8,000,000	\$0	\$51,229
0797	Dept. of Human Rights Special Fund	\$136,000	\$136,000	\$0	
0823	Illinois State Dental Disciplinary Fund	\$1,400,000	\$1,400,000	\$0	\$9,727
0830	Dept. of Aging State Projects Fund	\$53,000	\$53,000	\$0	
0836	IL Power Agency Renewable Energy Resources Fund	\$6,710,000	\$6,710,000	\$0	
0840	Hazardous Waste Research Fund	\$150,600	\$0	\$150,600	
0845	Environmental Protection Trust Fund	\$1,940,800	\$1,557,000	\$383,800	
0849	Real Estate Research and Education Fund	\$241,000	\$241,000	\$0	\$1,695
0865	Domestic Violence Shelter and Service Fund	\$355,800	\$0	\$355,800	
0866	Snowmobile Trail Establishment Fund	\$29,500	\$29,500	\$0	
0878	Drug Traffic Prevention Fund	\$128,200	\$48,000	\$80,200	
0888	Design Professionals Admin and Investigation Fund	\$318,000	\$318,000	\$0	\$2,027
0906	State Police Services Fund	\$3,157,500	\$0	\$3,157,500	
0910	Youth Drug Abuse Prevention Fund	\$14,400	\$0	\$14,400	
0922	Insurance Producer Administration Fund	\$10,788,400	\$3,590,000	\$7,198,400	
0927	Illinois National Guard Armory Construction Fund	\$4,300	\$0	\$4,300	
0930	Senior Citizens Real Estate Deferred Tax Revolving Fund	\$1,554,500	\$0	\$1,554,500	
0940	Self-Insurers Security Fund	\$10,000,000	\$10,000,000	\$0	\$60,530
0942	Low-level Radioactive Waste Facility Development and Operation Fund	\$720,100	\$514,000	\$206,100	\$3,291
0954	Illinois State Podiatric Disciplinary Fund	\$30,000	\$0	\$30,000	
0963	Vehicle Inspection Fund	\$18,982,300	\$18,060,000	\$922,300	
0973	Illinois Capital Revolving Loan Fund	\$6,166,300	\$0	\$6,166,300	
0974	Illinois Equity Fund	\$540,000	\$0	\$540,000	
0975	Large Business Attraction Fund	\$610,400	\$0	\$610,400	
0993	Public Infrastructure Construction Loan Revolving Fund	\$11,496,600	\$11,471,000	\$25,600	\$69,762
0997	Insurance Financial Regulation Fund	\$7,515,800	\$5,890,000	\$1,625,800	
	Total	\$496,011,595	\$363,535,895	\$132,475,700	\$698,817

PENSIONS
2012 Spring Session Pension Legislation Overview
Dan Hankiewicz, Pension Manager

HB 3474

Sponsors: Pihos (Harmon)

Passed House:	110-0-0
Passed Senate:	49-0-0
House Concurrence:	75-38-1

HB 3474 allows the Phillip J. Rock Center and School to directly participate under IMRF as a participating instrumentality. Under current law, the Phillip J. Rock Center and School's certified teachers participate in TRS while the non-certified staffers participate in IMRF under the Keeneyville School District. This bill would allow the non-certified personnel to remain in IMRF. If the Phillip J. Rock Center and School is unable to make payments to IMRF, the liabilities will be paid for by IMRF-participating school districts. These payments will be allocated in proportion to the average daily attendance for the previous school year. If Phillip J. Rock Center and School dissolves, then its funds shall be allocated to IMRF employers in the same manner.

HB 3813 (P.A. 97-0651)

Sponsors: Cross (Raoul)

Passed House:	111-3-1
Passed Senate:	50-0-1
House Concurrence:	108-4-1

Anti-Fraud Provisions

HB 3813 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

Prior to the passage of HB 3813, members of Downstate Police and Downstate Fire pension funds were eligible to take leaves of absence for various reasons, including service as an executive officer in an organization that represents police officers and firefighters. Prior law provided that the member continue to make the applicable employee contribution, and the employing entity must have made the employer's contribution as well. HB 3813 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

Prior to the passage of HB 3813, members of the Chicago Municipal and Chicago Laborers Pension Funds were 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 specifies that such leaves of absence are only allowed if taken before the effective date of this bill.

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 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

Prior to the passage of HB 3813, members of SURS and TRS were allowed to earn pensionable service credit while working for a statewide teacher organization or national teacher organization under certain conditions. HB 3813 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.

Chicago Teacher Pension Fund (CTPF) Leaves of Absence

Prior to the passage of HB 3813, members of the Chicago Teachers Pension Fund were allowed to earn service credit in the fund for leaves of absence during which the member worked for a teacher or labor organization. HB 3813 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.

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 repeals this provision.

HB 3969

Sponsors: Cross (Murphy)

Passed House:	110-0-0
Passed Senate:	54-0-0
House Concurrence:	117-0-1

HB 3969 amends the GARS and the General Provisions Articles of the Illinois Pension Code. In cases where a GARS participant's final average salary in a retirement fund governed under the Retirement Systems Reciprocal Act is used to calculate a GARS pension, and in cases where the final average salary in a reciprocal system is higher than the final salary for annuity purposes in GARS, then the employer of the participant in the reciprocal system must pay to GARS the increased cost that is attributable to the higher level of compensation.

HB 4513

Sponsors: Nekritz (Cullerton)

Passed House:	109-0-0
Passed Senate:	50-2-2

HB 4513 amends the Metropolitan Water Reclamation article of the Illinois Pension code. The bill increases employee contributions for employees hired before Jan. 1, 2011. The bill also creates a new amortization schedule for the pension fund, with increased employer contributions and a mandate of reaching a 90% funding ratio by 2050.

Under current law, the MWRD levies a tax equal to the total amount of contributions made by employees in the calendar year 2 years prior to the year of the levy, multiplied by 2.19. HB 4513 would change this employer contribution rate such that the MWRD would make employer contributions to the pension fund as a level percentage of payroll with a goal of reaching a 90% funding ratio by 2050. The bill specifies that the employer contribution shall not exceed an amount equal to the total employee contributions 2 years prior to the year of the levy, multiplied by 4.19. According to the MWRD pension fund's actuary, Sandor Goldstein, 2040 would be the first year in which the 4.19 multiplier would be less than the normal cost plus the amortization component.

Also under current law, MWRD employees contribute 9% of salary towards their pensions. HB 4513 would gradually ramp up contributions for employees hired before Jan. 1, 2011 (the effective date of P.A. 96-0889) such that by Jan. 1, 2015, MWRD employees would be contributing 12.0% of salary towards their pensions. The bill contains a provision that states that once the MWRD pension fund has reached a 90% funding ratio, the employee contribution rate will drop back to 9.0% of salary. According to current actuarial projections, this decreased employee contribution amount would not occur until 2050, the date by which HB 4513 requires the MWRD fund to have attained a 90% funding ratio.

Funding Projections for HB 4513								
Projections Generated by MWRD Actuary								
(\$ in millions)								
Fiscal Year	Annual Payroll	Employee Contributions	MWRD Contributions	Employer Contribution as a % of Payroll	Actuarial Liability	Actuarial Assets	Unfunded Liability	Funded Ratio
2010					\$2,036.7	\$1,151.6	\$885.1	56.5%
2011	\$174.5	\$15.7	\$34.4	19.7%	2,109.2	1,118.3	990.9	53.0%
2012	179.0	17.8	66.5	37.2%	2,180.9	1,119.4	1,061.5	51.3%
2013	184.7	20.0	65.8	35.6%	2,252.7	1,195.7	1,057.0	53.1%
2014	191.2	22.2	66.7	34.9%	2,324.6	1,255.3	1,069.2	54.0%
2015	196.9	22.6	67.4	34.2%	2,395.8	1,304.1	1,091.7	54.4%
2016	203.7	23.1	68.7	33.8%	2,466.4	1,352.7	1,113.7	54.8%
2017	210.1	23.6	70.1	33.4%	2,536.0	1,400.8	1,135.2	55.2%
2018	217.1	24.0	71.5	32.9%	2,604.4	1,448.3	1,156.1	55.6%
2019	223.3	24.4	72.8	32.6%	2,670.5	1,494.3	1,176.2	56.0%
2020	231.0	24.8	74.4	32.2%	2,734.8	1,539.4	1,195.3	56.3%
2021	238.6	25.2	76.0	31.9%	2,797.0	1,583.6	1,213.5	56.6%
2022	246.2	25.6	77.7	31.6%	2,856.9	1,626.6	1,230.4	58.9%
2023	254.3	26.0	79.5	31.3%	2,914.4	1,668.5	1,245.9	57.3%
2024	262.1	26.3	81.4	31.1%	2,969.0	1,709.1	1,259.9	57.6%
2025	270.6	26.7	83.5	30.9%	3,020.7	1,748.6	1,272.1	57.9%
2026	279.8	27.0	85.7	30.6%	3,069.6	1,787.3	1,282.4	58.2%
2027	289.1	27.3	88.0	30.4%	3,115.5	1,825.1	1,290.4	58.6%
2028	299.4	27.7	90.5	30.2%	3,158.8	1,862.9	1,295.9	59.0%
2029	309.3	28.0	93.0	30.1%	3,199.0	1,900.2	1,298.7	59.4%
2030	319.4	28.2	95.6	29.9%	3,236.0	1,937.4	1,298.5	59.9%

HB 4622

Sponsors: Nekritz (Martinez)

Passed House:	110-0-0
Passed Senate:	55-0-1

HB 4622 amends the IMRF article of the Pension Code to remove obsolete Social Security procedures. The bill clarifies that taxes levied for IMRF purposes can only be used for IMRF employer contributions.

HB 4996

Sponsors: Biss (Steans)

Passed House:	112-0-2
Passed Senate:	52-0-0
House Concurrence:	115-0-2

HB 4996 makes a number of changes in the Illinois Pension Code for the State Universities Retirement System (SURS). These changes apply to all annuitants returning to service after August 2013. This bill defines an “affected annuitant” as anyone receiving a retirement annuity from SURS while being employed by an employer also under SURS in the previous academic year for a total of 18 or more paid weeks (which need not have been all with the same employer or in the same academic year) but not full-time, and receiving, or becoming entitled to receive, compensation in excess of 40% of his or her highest annual earnings prior to retirement, less any compensation provided by federal, corporate, foundation, or trust funds or grants of State funds that identify the principal investigator by name.

HB 4996 stipulates that the employer must determine whether any annuitant is an “affected annuitant” and notify SURS accordingly within 60 days after hiring the annuitant with a notice and a contract of employment or equivalent. By employing an affected annuitant, the employer agrees to contribute to SURS an amount equal to 12 times the gross monthly retirement annuity that the affected annuitant received in the month of their first day of re-employment less any applicable deductions. In the case of multiple employers, this amount shall be split proportional to the amount of compensation paid to the affected annuitant.

SB 179 (P.A. 97-0694)

Sponsors: Clayborne (Madigan)

Passed Senate:	51-0-0
Passed House:	112-6-0
Senate Concurrence:	58-0-0

SB 179 amends the Illinois State Auditing Act to permit the Auditor General to contract with or hire an actuary to serve as the State Actuary. The bill allows the Auditor General to select the State Actuary without engaging in a competitive procurement process. The State Actuary will have the responsibility for conducting reviews of the actuarial practices of the State retirement systems and identifying recommended changes in actuarial assumptions that the boards of the systems must consider before finalizing their certifications of the required annual State contributions.

SB 3597

Sponsors: Martinez (Burke)

Passed Senate:	53-0-0
Passed House:	117-0-0
Senate Concurrence:	57-2-0

SB 3597 amends the Chicago Teachers' Article of the Pension Code enabling a retired teacher to be re-employed as a teacher on a temporary basis without a cancellation of pension. The bill sets limits and procedures for such re-employment, and requires the Board of Education to adopt appropriate rules for implementation. The aforementioned limitations include a duration of employment no longer than 100 days and pay not exceeding i) \$30,000 or ii) if the member retired with at least 5 years of service as a principal, 100 times the daily rate normally paid to retired principals.

SB 3597 also requires the pensioner to notify the pension fund of his or her intent to accept re-employment on a temporary basis, and the employer must certify the pensioner's temporary status at least quarterly and once the pensioner approaches the above-stated pay limit. If, at any time, the re-employed pensioner exceeds either the pay or the length-of-employment limitations, the service-retirement pension shall be cancelled.

SB 3629

Sponsors: Raoul (Burke)

Passed Senate:	53-0-0
Passed House:	112-0-0
Senate Concurrence:	59-0-0

SB 3629 amends the Chicago Park District article of the Pension Code such that beginning on January 1, 2013, the pension fund's fiscal year will run concurrently with the calendar year. The bill provides that the fiscal year which begins July 1, 2012 will end December 31, 2012.
