



Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

JULY 2009

<http://www.ilga.gov/commission/cgfa2006/home.aspx>

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ECONOMY: Federal Reserve a Key to the Outcome

Edward H. Boss, Jr., Chief Economist

There can be little doubt that the actions of the Federal Reserve have been a major factor stabilizing the economy from a financial free fall though a combination of monetary policy actions, many of them in conjunction with the Treasury, that have been in many cases unprecedented. At the same time, little benefit to signs of improvement in the economy, with the exception of the original TARP funds that helped stabilized the banking system can be attributed to the federal stimulus programs. Only about ten percent of the stimulus money has been employed and only a small portion of the total was intended for capital improvement programs. It may be premature, however, to judge its ultimate contribution to an economic recovery.

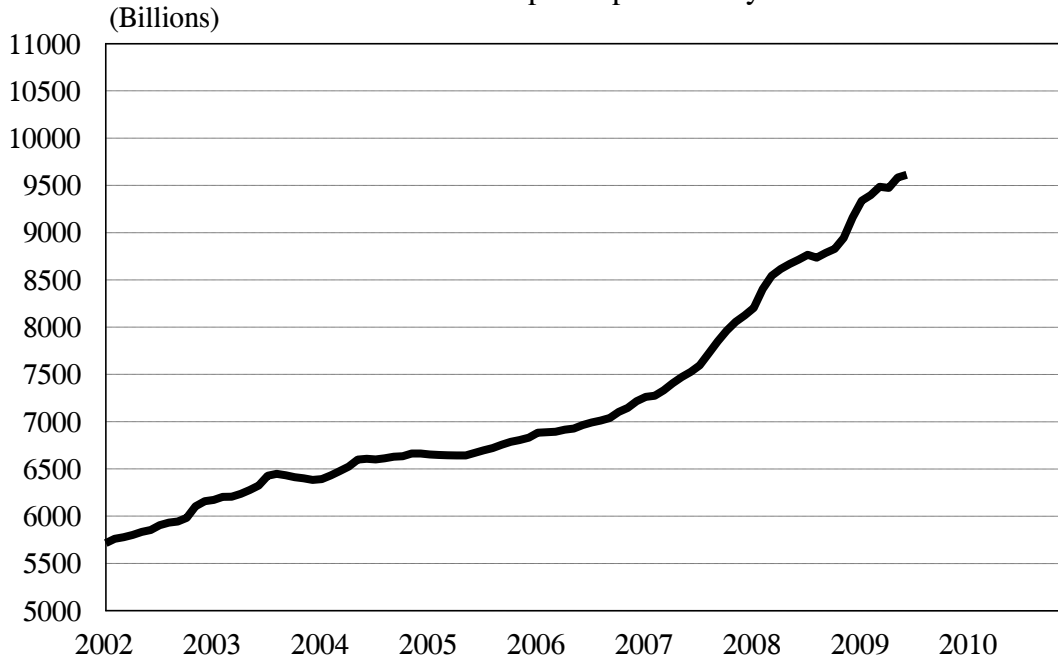
At the same time signs of economic improvement continue to emerge. One early indicator is the performance of the stock market. The Dow Jones average has risen by 39% since its recession low reached on March 9th without a major correction. Ironically, the latest boost in equity prices coincided with the apparent delay in the President's health care and cap-and-trade initiatives, as many fear their ultimate effects would be to increase the size of the budget deficits. Interestingly, the *Oracle of Omaha*, Warren Buffet on CNBC stated "*I would much rather own equities at 9000 on the Dow than have a long investment in government bonds or continuously rolling investment in short-term money.*"

Other indicators of economic improvement also have surfaced. The Conference Board Leading Economic Index (LEI) rose for the third consecutive month in June. In its statement, "*The recession has been losing steam since spring; although very large job losses continue. Nevertheless, confidence is slowly rebuilding. Financial markets are less volatile. Even the housing market is stabilizing. If these*

CHART 1

MZM Money Supply*
Seasonally-Adjusted

*M2 less small time deposits plus money market funds



SOURCE: Federal Reserve Bank of St. Louis

trends continue, expect a slow recovery this autumn. ” Finally, as pointed out by the ISI Group (International Strategy & Investment), the 4-week average of unemployment claims has declined by 93,000 and it noted that the prior biggest decline was 80,000 in 1982 that marked the end of that recession.

While the Federal Reserve’s actions, including adding liquidity to the banking system and keeping key policy interest rates near zero, have been helpful tools in unfreezing credit, there remains concern that this could lead to inflation as an economic recovery gets under way and the demand for credit

increases. As shown in Chart 1, Fed policy has led to acceleration in money supply growth for a lengthy period now. (This is the reverse of what the Fed did starting in mid-2004 when the economic expansion from the previous recession was well underway and downward pressure on prices reversed when the Fed began to remove the stimulus. See *MONTHLY BRIEFING* of March 2006).

To date, however, this money supply expansion has not been alarming, as the turnover of the money supply remains depressed exhibited by the large amount of excess reserves being held in the banking system. The question remains

as to what the Fed will do when the demand for credit increases during the economic recovery and money turnover rises. Indeed, many blame the Federal Reserve in part for keeping interest rates too low for too long coming out of the last recession which added to the housing bubble that was precipitated by reduced credit standards, sub prime mortgages, interest-only and adjustable-rate loans, etc. coupled with the misconception that housing prices only go up over time. To ease these fears, Federal Reserve Chairman Bernanke in his Semiannual Monetary Policy Report to Congress assured them that - -” *we also believe that it is important to assure the public and the markets that the extraordinary policy measures we have taken in response to the financial crisis and the recession can be withdrawn in a smooth and timely manner as needed, thereby avoiding the*

risk that policy stimulus could lead to a future rise in inflation.”

Whether or not the Federal Reserve overstates its hand on keeping credit too easily available at low interest rates or acts too soon to remove liquidity may well help to determine the shape of the upcoming economic recovery. Its actions also will be guided by fiscal policy and as stated by Chairman Bernanke—“*Unless we demonstrate a strong commitment to fiscal sustainability, we risk having neither financial stability nor durable economic growth.*” It does appear likely that an economic recovery will occur this year, whether or not it is the shape of a backward J or a W such as occurred in the 1980s may well depend on the course of policy decisions, both fiscal and monetary, made in the months ahead (See June 2009 **MONTHLY BRIEFING**).

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY			
INDICATORS	JUNE 2009	MAY 2009	JUNE 2008
Unemployment Rate (Average)	10.3%	10.1%	6.6%
Annual Rate of Inflation (Chicago)	6.8%	11.1%	-2.2%
	LATEST MONTH	% CHANGE OVER PRIOR MONTH	% CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (June)	6,654	-0.2%	-0.7%
Employment (thousands) (June)	5,970	-0.4%	-4.6%
New Car & Truck Registration (June)	33,345	0.9%	-38.7%
Single Family Housing Permits (June)	856	9.9%	-34.2%
Total Exports (\$ mil) (May)	3,333	4.1%	-30.8%
Chicago Purchasing Managers Index (July)	43.4	8.8%	-14.5%

FY 2010 Special Transfers
Lynnae Kapp, Bond Analyst

FY 2010 Fund Sweeps to the General Revenue Fund were approved by Public Acts 96-0044 and 96-0045, in the amount of \$351.7 million. Amounts will be transferred quarterly, or as they become available. For July, the quarterly amounts transferred equaled \$87.1 million, shown below.

FY2010 FUND SWEEPS		PA 96-44 & 96-45	
No.	Fund	Statutory Amount	July
0014	Food and Drug Safety Fund	\$6,800	\$1,700.00
0015	Peeny Severns Breast, Cervical & Ovarian Cancer Research Fund	\$33,300	\$8,325.00
0018	Transportation Regulatory Fund	\$2,122,000	\$530,500.00
0022	General Professions Dedicated Fund	\$3,511,900	\$877,975.00
0023	Economic Research and Information Fund	\$1,120	\$280.00
0024	IL Dept. of AG Lab Services Revolving Fund	\$12,825	\$3,206.25
0031	Drivers Education Fund	\$2,244,000	\$561,000.00
0046	Aeronautics Fund	\$25,360	\$6,340.00
0047	Fire Prevention Fund	\$10,400,000	\$2,600,000.00
0048	Rural/Downstate Health Access Fund	\$1,700	\$425.00
0050	Mental Health Fund	\$24,560,000	\$6,140,000.00
0057	IL State Pharmacy Disciplinary Fund	\$2,054,100	\$513,525.00
0059	Public Utility Fund	\$960,175	\$240,043.75
0060	Alzheimer's Disease Research Fund	\$112,500	\$28,125.00
0067	Radiation Protection Fund	\$92,250	\$23,062.50
0069	Natural Heritage Endowment Trust Fund	\$250,000	\$62,500.00
0071	Firearm Owner's Notification Fund	\$256,400	\$64,100.00
0074	EPA Special State Projects Trust Fund	\$3,760,000	\$940,000.00
0078	Solid Waste Management Fund	\$1,200,000	\$300,000.00
0085	IL Gaming Law Enforcement Fund	\$141,000	\$35,250.00
0089	Subtitle D Management Fund	\$375,000	\$93,750.00
0093	IL State Medical Disciplinary Fund	\$11,277,200	\$2,819,300.00
0096	Cemetery Consumer Protection Fund	\$658,000	\$164,500.00
0100	Assistance to the Homeless Fund	\$13,800	\$3,450.00
0106	Accessible Electronic Information Services Fund	\$10,000	\$2,500.00
0109	CDLIS/AAMVAnet Trust Fund	\$110,000	\$27,500.00
0112	Comptroller's Audit Expense Revolving Fund	\$31,200	\$7,800.00
0113	Community Health Center Care Fund	\$450,000	\$112,500.00
0115	Safe Bottled Water Fund	\$15,000	\$3,750.00
0118	Facility Licensing Fund	\$363,600	\$90,900.00
0123	Hansen-Therkelsin Memorial Deaf Student College Fund	\$503,700	\$125,925.00
0127	IL Underground Utility Facilities Damage Prevention Fund	\$29,600	\$7,400.00
0130	School District Emergency Financial Assistance Fund	\$2,059,200	\$514,800.00
0134	Mental Health Transportation Fund	\$859	\$214.75
0151	Registered CPA Administration & Disciplinary Fund	\$34,600	\$8,650.00
0152	State Crime Lab Fund	\$142,880	\$35,720.00
0153	Agrichemical Incident Response Trust Fund	\$80,000	\$20,000.00
0155	General Assembly Computer Equipment Revolving Fund	\$101,600	\$25,400.00

FY2010 FUND SWEEPS		PA 96-44 & 96-45	
No.	Fund	Statutory Amount	July
0163	Weights and Measures Fund	\$625,000	\$156,250.00
0175	IL School Asbestos Abatement Fund	\$299,600	\$74,900.00
0179	Injured Workers' Benefit Fund	\$3,290,560	\$822,640.00
0184	Violence Prevention Fund	\$79,500	\$19,875.00
0192	Professional Regulation Evidence Fund	\$5,000	\$1,250.00
0195	IPTIP Administrative Trust Fund	\$500,000	\$125,000.00
0198	Diabetes Research Checkoff Fund	\$8,800	\$2,200.00
0208	Ticket for the Cure Fund	\$1,200,000	\$300,000.00
0215	CDB Revolving Fund	\$346,000	\$86,500.00
0218	Professions Indirect Cost Fund	\$2,144,500	\$536,125.00
0222	State Police DUI Fund	\$166,880	\$41,720.00
0237	Medicaid Fraud and Abuse Prevention Fund	\$20,000	\$5,000.00
0238	IL Health Facilities Planning Fund	\$1,392,400	\$348,100.00
0240	Emergency Public Health Fund	\$875,000	\$218,750.00
0241	Transmitters of Money Act (TOMA) Consumer Protection Fund	\$50,000	\$12,500.00
0242	ISAC Accounts Receivable Fund	\$24,240	\$6,060.00
0245	Fair and Exposition Fund	\$1,257,920	\$314,480.00
0251	Dept. of Labor Special State Trust Fund	\$409,000	\$102,250.00
0256	Public Health Water Permit Fund	\$24,500	\$6,125.00
0258	Nursing Dedicated & Professional Fund	\$9,988,400	\$2,497,100.00
0259	Optometric Licensing & Disciplinary Board Fund	\$995,800	\$248,950.00
0270	Water Revolving Fund	\$4,960	\$1,240.00
0283	Methamphetamine Law Enforcement Fund	\$50,000	\$12,500.00
0285	Long Term Care Monitor/Receiver Fund	\$1,700,000	\$425,000.00
0287	Home Care Services Agency Licensure Fund	\$48,000	\$12,000.00
0288	Community Water Supply Lab Fund	\$600,000	\$150,000.00
0289	Motor Fuel and Petroleum Standards Fund	\$41,416	\$10,354.00
0290	Fertilizer Control Fund	\$162,520	\$40,630.00
0291	Regulatory Fund	\$307,824	\$76,956.00
0294	Used Tire Management Fund	\$8,853,552	\$2,213,388.00
0298	Natural Areas Acquisition Fund	\$1,000,000	\$250,000.00
0301	Working Capital Revolving Fund	\$6,450,000	\$1,612,500.00
0310	Tax Recovery Fund	\$29,680	\$7,420.00
0317	Professional Services Fund	\$3,500,000	\$875,000.00
0331	Treasurer's Rental Fee Fund	\$155,000	\$38,750.00
0340	Public Health Lab Services Revolving Fund	\$450,000	\$112,500.00
0341	Provider Inquiry Trust Fund	\$200,000	\$50,000.00
0342	Audit Expense Fund	\$5,972,190	\$1,493,047.50
0356	Law Enforcement Camera Grant Fund	\$2,631,840	\$657,960.00
0357	Child Labor and Day & Temporary Labor Services Enforcement Fund	\$490,000	\$122,500.00
0360	Lead Poisoning Screening, Prevention, and Abatement Fund	\$100,000	\$25,000.00
0365	Health & Human Services Medicaid Trust Fund	\$6,920,000	\$1,730,000.00
0366	Prisoner Review Board Vehicle & Equipment Fund	\$147,900	\$36,975.00

FY2010 FUND SWEEPS		PA 96-44 & 96-45	
No.	Fund	Statutory Amount	July
0368	Drug Treatment Fund	\$4,400,000	\$1,100,000.00
0369	Feed Control Fund	\$625,000	\$156,250.00
0370	Tanning Facility Permit Fund	\$20,000	\$5,000.00
0371	Innovations in Long-term Care Quality Demonstration Grants Fund	\$300,000	\$75,000.00
0372	Plumbing Licensure and Program Fund	\$1,585,600	\$396,400.00
0373	State Treasurer's Bank Services Trust Fund	\$6,800,000	\$1,700,000.00
0376	State Police Motor Vehicle Theft Prevention Trust Fund	\$46,500	\$11,625.00
0378	Insurance Premium Tax Refund Fund	\$58,700	\$14,675.00
0386	Appraisal Administration Fund	\$378,400	\$94,600.00
0387	Small Business Environmental Assistance Fund	\$24,080	\$6,020.00
0388	Regulatory Evaluation and Basic Enforcement Fund	\$125,000	\$31,250.00
0394	Gaining Early Awareness and Readiness for Undergraduate Programs Fund	\$15,000	\$3,750.00
0397	Trauma Center Fund	\$4,000,000	\$1,000,000.00
0398	EMS Assistance Fund	\$110,000	\$27,500.00
0417	State College and University Trust Fund	\$20,204	\$5,051.00
0418	University Grant Fund	\$5,608	\$1,402.00
0419	DCEO Projects Fund	\$1,000,000	
0422	Alternate Fuels Fund	\$2,000,000	\$500,000.00
0429	Multiple Sclerosis Research Fund	\$27,200	\$6,800.00
0430	Livestock Management Facilities Fund	\$81,920	\$20,480.00
0431	Second Injury Fund	\$615,680	\$153,920.00
0440	Agricultural Master Fund	\$136,984	\$34,246.00
0444	High Speed Internet Services & Information Technology Fund	\$3,300,000	\$825,000.00
0452	IL Tourism Tax Fund	\$250,000	\$62,500.00
0474	Human Services Priority Capital Program Fund	\$7,378,400	\$1,844,600.00
0485	Warrant Escheat	\$1,394,161	\$348,540.25
0514	State Asset Forfeiture Fund	\$321,600	\$80,400.00
0517	Police Training Board Services Fund	\$8,000	\$2,000.00
0520	Federal Asset Forfeiture Fund	\$1,760	\$440.00
0523	Dept. of Corrections Reimbursement and Education Fund	\$250,000	\$62,500.00
0524	Health Facility Plan Review Fund	\$1,543,600	\$385,900.00
0528	Domestic Violence Abuser Services Fund	\$11,500	\$2,875.00
0536	LEADS Maintenance Fund	\$166,800	\$41,700.00
0537	State Offender DNA ID System Fund	\$615,040	\$153,760.00
0538	IL Historic Sites Fund	\$250,000	\$62,500.00
0543	Comptroller's Administrative Fund	\$134,690	\$33,672.50
0546	Public Pension Regulation Fund	\$0	
0552	Workforce, Technology and Economic Development Fund	\$2,000,000	
0562	Pawnbroker Regulation Fund	\$26,400	\$6,600.00
0564	Renewable Energy Resources Trust Fund	\$13,408,328	\$3,352,082.00
0567	Charter Schools Revolving Loan Fund	\$82,000	\$20,500.00
0569	School Technology Revolving Loan Fund	\$1,230,000	\$307,500.00
0571	Energy Efficiency Trust Fund	\$1,490,000	\$372,500.00

FY2010 FUND SWEEPS		PA 96-44 & 96-45	
No.	Fund	Statutory Amount	July
0576	Pesticide Control Fund	\$625,000	\$156,250.00
0581	Juvenile Accountability Incentive Block Grant Fund	\$10,000	\$2,500.00
0604	Multiple Sclerosis Assistance Fund	\$8,000	\$2,000.00
0605	Temporary Relocation Expenses Revolving Grant Fund	\$460,000	\$115,000.00
0608	Partners for Conservation Fund	\$8,200,000	\$2,050,000.00
0611	Fund for Illinois' Future	\$3,000,000	\$750,000.00
0613	Wireless Carrier Reimbursement Fund	\$13,650,000	\$3,412,500.00
0621	International Tourism Fund	\$5,043,344	\$1,260,836.00
0631	IL Racing Quarterhorse Breeders Fund	\$1,448	\$362.00
0635	Death Certificate Surcharge Fund	\$900,000	\$225,000.00
0637	State Police Wireless Service Emergency Fund	\$1,329,280	\$332,320.00
0638	IL Adoption Registry & Medical Information Exchange Fund	\$8,400	\$2,100.00
0641	Auction Regulation Administration Fund	\$361,600	\$90,400.00
0642	DHS State Projects Fund	\$193,900	\$48,475.00
0643	Auction Recovery Fund	\$4,600	\$1,150.00
0649	Motor Carrier Safety Inspection Fund	\$389,840	\$97,460.00
0653	Coal Development Fund	\$320,000	\$80,000.00
0658	State Off-set Claims Fund	\$400,000	
0677	ISAC Contracts and Grants Fund	\$128,850	\$32,212.50
0690	DHS Private Resources Fund	\$1,000,000	\$250,000.00
0702	Assisted Living and Shared Housing Reg. Fund	\$122,400	\$30,600.00
0705	State Police Whistleblower Reward and Protection Fund	\$3,900,000	\$975,000.00
0708	Illinois Standardbred Breeders Fund	\$134,608	\$33,652.00
0712	Post Transplant Maintenance and Retention Fund	\$85,800	\$21,450.00
0714	Spinal Cord Injury Paralysis Cure Research Trust Fund	\$300,000	\$75,000.00
0716	Organ Donor Awareness Fund	\$115,000	\$28,750.00
0718	Community Mental Health Medicaid Trust Fund	\$1,030,900	\$257,725.00
0731	IL Clean Water Fund	\$8,649,600	\$2,162,400.00
0733	Tobacco Settlement Recovery Fund	\$10,000,000	\$2,500,000.00
0738	Alternative Compliance Market Account Fund	\$9,984	\$2,496.00
0739	Group Worker's Compensation Pool Insolvency Fund	\$42,800	\$10,700.00
0740	Medicaid Buy-In Program Revolving Fund	\$1,000,000	\$250,000.00
0746	Home Inspector Admin Fund	\$1,225,200	\$306,300.00
0750	Real Estate Audit Fund	\$1,200	\$300.00
0760	Marine Corps Scholarship Fund	\$69,000	\$17,250.00
0763	Tourism Promotion Fund	\$30,000,000	\$7,500,000.00
0774	Oil Spill Response Fund	\$4,800	\$1,200.00
0776	Presidential Library and Museum Operating Fund	\$169,900	\$42,475.00
0796	Nuclear Safety Emergency Preparedness Fund	\$6,000,000	\$1,500,000.00
0820	DCEO Energy Projects Fund	\$2,176,200	\$544,050.00
0821	Dram Shop Fund	\$500,000	\$125,000.00
0823	Illinois State Dental Disciplinary Fund	\$187,300	\$46,825.00
0828	Hazardous Waste Fund	\$800,000	\$200,000.00

FY2010 FUND SWEEPS		PA 96-44 & 96-45	
No.	Fund	Statutory Amount	July
0831	Natural Recourses Restoration Trust Fund	\$7,700	\$1,925.00
0835	State Fair Promotional Activities Fund	\$1,672	\$418.00
0844	Continuing Legal Education Trust Fund	\$10,550	\$2,637.50
0845	Environ Protection Trust Fund	\$625,000	\$156,250.00
0849	Real Estate Research and Education Fund	\$1,081,000	\$270,250.00
0851	Federal Moderate Rehabilitation Housing Fund	\$44,960	\$11,240.00
0865	Domestic Violence Shelter and Service Fund	\$55,800	\$13,950.00
0866	Snowmobile Trail Establishment Fund	\$5,300	\$1,325.00
0878	Drug Traffic Prevention Fund	\$11,200	\$2,800.00
0879	Traffic and Criminal Conviction Surcharge Fund	\$5,400,000	\$1,350,000.00
0888	Design Professionals Admin and Investigation Fund	\$73,200	\$18,300.00
0896	Public Health Special State Projects Fund	\$1,900,000	\$475,000.00
0900	Petroleum Violation Fund	\$1,080	\$270.00
0906	State Police Services Fund	\$7,082,080	\$1,770,520.00
0909	Illinois Wildlife Preservation Fund	\$9,900	\$2,475.00
0910	Youth Drug Abuse Prevention Fund	\$133,500	\$33,375.00
0922	Insurance Producer Administration Fund	\$12,170,000	\$3,042,500.00
0925	Coal Technology Development Assistance Fund	\$1,856,000	\$464,000.00
0934	Child Abuse Prevention Fund	\$250,000	\$62,500.00
0938	Hearing Instrument Dispenser Examining and Disciplinary Fund	\$50,400	\$12,600.00
0942	Low-level Radioactive Waste Facility Development and Operation Fund	\$1,000,000	\$250,000.00
0944	Environmental Protection Permit and Inspection Fund	\$755,775	\$188,943.75
0945	Landfill Closure and Post-Closure Fund	\$2,480	\$620.00
0951	Narcotics Profit Forfeiture Fund	\$86,900	\$21,725.00
0954	IL State Podiatric Disciplinary Fund	\$200,000	\$50,000.00
0963	Vehicle Inspection Fund	\$5,000,000	\$1,250,000.00
0969	Local Tourism Fund	\$10,999,280	\$2,749,820.00
0973	Build IL Capital Revolving Loan Fund	\$3,856,904	\$964,226.00
0974	IL Equity Fund	\$3,520	\$880.00
0975	Large Business Attraction Fund	\$13,560	\$3,390.00
0984	Inernational and Promotional Fund	\$42,040	\$10,510.00
0993	Public Infrastructure Construction Loan Revolving Fund	\$2,811,232	\$702,808.00
0997	Insurance Financial Regulation Fund	\$5,881,180	\$1,470,295.00
	Total	\$351,738,973	\$87,084,743.25

REVENUE
Revenues Begin New Fiscal Year on Down Note
Jim Muschinske, Revenue Manager

Excluding cash flow transfers, base general funds revenues fell \$406 million to begin FY 2010. The falloff was a combination of continued poor performance of the larger economically related revenue sources, as well as a large dip in federal receipts due to last year's reimbursable spending that was not repeated this July. The number of receipting days was the same as last year.

Sales tax dropped \$83 million for the month, while gross corporate income tax fell \$83 million, or \$85 million net of refunds. Gross personal income tax dropped \$40 million, or \$37 million net of refunds. Clearly, while glimmers of positive economic news are being reported, those signals are quite some time away from actually manifesting in positive revenue performance. Public

utility taxes were off \$14 million to begin the fiscal year, the Cook County IGT was down \$13 million, and inheritance tax was off \$9 million. Interest income ended the month with a \$3 million decline.

Other sources managed to post a \$14 million gain for the month, while insurance taxes grew \$4 million, and liquor taxes \$1 million.

Overall transfers posted a gain of \$88 million due to a \$102 million upturn in other transfers related to the newly enacted fund sweeps (see previous section). Riverboat transfers offset some of those gains however as transfers were down \$15 million. As mentioned, Federal sources posted a sizable loss, down \$338 million, due to an extremely large July enjoyed one year earlier.

GENERAL FUNDS RECEIPTS: JULY

FY 2010 vs. FY 2009
(\$ million)

<u>Revenue Sources</u>	<u>July FY 2010</u>	<u>July FY 2009</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
State Taxes				
Personal Income Tax	\$655	\$695	(\$40)	-5.8%
Corporate Income Tax (regular)	40	54	(\$14)	-25.9%
Sales Taxes	546	629	(\$83)	-13.2%
Public Utility Taxes (regular)	100	114	(\$14)	-12.3%
Cigarette Tax	29	29	\$0	0.0%
Liquor Gallonage Taxes	17	16	\$1	6.3%
Vehicle Use Tax	3	3	\$0	0.0%
Inheritance Tax (Gross)	18	27	(\$9)	-33.3%
Insurance Taxes and Fees	7	3	\$4	133.3%
Corporate Franchise Tax & Fees	14	14	\$0	0.0%
Interest on State Funds & Investments	4	7	(\$3)	-42.9%
Cook County IGT	0	13	(\$13)	-100.0%
Other Sources	54	40	\$14	35.0%
Subtotal	\$1,487	\$1,644	(\$157)	-9.5%
Transfers				
Lottery	47	46	\$1	2.2%
Riverboat transfers & receipts	35	50	(\$15)	-30.0%
Other	132	30	\$102	340.0%
Total State Sources	\$1,701	\$1,770	(\$69)	-3.9%
Federal Sources	\$371	\$709	(\$338)	-47.7%
Total Federal & State Sources	\$2,072	\$2,479	(\$407)	-16.4%
Nongeneral Funds Distribution:				
Refund Fund				
Personal Income Tax	(\$64)	(\$67)	\$3	-4.5%
Corporate Income Tax	(\$7)	(5)	(\$2)	40.0%
Subtotal General Funds	\$2,001	\$2,407	(\$406)	-16.9%
Short-Term Borrowing	\$0	\$0	\$0	N/A
Hopital Provider Fund (cash flow transfer)	\$0	\$0	\$0	N/A
Budget Stabilization Fund Transfer	\$276	\$276	\$0	N/A
Total General Funds	\$2,277	\$2,683	(\$406)	-15.1%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				4-Aug-09

PENSIONS
2009 Spring Session Pension Legislation Overview
Dan Hankiewicz, Pension Manager

HB 519

Sponsors: Beiser (Harmon)

Passed House:	114-0-0
Passed Senate:	58-1-0
House Concurrence:	116-1-0

Transfer of Police Service Credit from Downstate Police Funds to SERS

Currently, the Pension Code allows state troopers, Secretary of State Investigators, and Conservation police officers to transfer service credit from a Downstate Police fund to the SERS alternative formula. In order for the member to establish this service credit in SERS, the Downstate Police fund must transfer to SERS total employee and employer contributions, and any interest paid by the member in order to reinstate service to be transferred. HB 0519 extends this service credit transfer option to investigators for the Office of the Attorney General and investigators for the Department of Revenue.

Transfer of Police Service Credit from Chicago Police to SERS

Currently, the Pension Code allows state troopers, Secretary of State Investigators, and Conservation police officers to transfer service credit from the Chicago Police fund to the SERS alternative formula. In order for the member to establish this service credit in SERS, the Chicago Police fund must transfer to SERS total employee and employer contributions, and any interest paid by the member in order to reinstate service to be transferred. HB 0519 extends this service credit transfer option to investigators for the Office of the Attorney General and investigators for the Department of Revenue.

Transfer of Police Service Credit from IMRF to SERS

Currently, the Pension Code allows state troopers, Secretary of State investigators, Conservation police officers, investigators for the Office of the State's Attorneys Appellate Prosecutor, or a controlled substance inspector to transfer service credit from IMRF as a sheriff's law enforcement employee to the SERS alternative formula. In order for the member to establish this service credit in SERS, IMRF must transfer to SERS total employee and employer contributions, and any interest paid by the member in order to reinstate service to be transferred. HB 0519 extends this service credit transfer option to investigators for the Office of the Attorney General and investigators for the Department of Revenue. The bill further clarifies that the IMRF service credit to be transferred to SERS for any of the aforementioned SERS job titles could have been earned in the capacity of a municipal police officer or a forest preserve police officer in IMRF.

Transfer of Police Service Credit from Cook County Pension Fund to SERS

Currently, the Pension Code allows state troopers, Secretary of State Investigators, and Conservation police officers to transfer service credit from the Cook County pension fund to the SERS alternative formula. In order for the member to establish this service credit in SERS, the Cook County pension fund must transfer to SERS total employee and employer contributions, and any interest paid by the member in order to reinstate service to be transferred. HB 0519 extends this service credit transfer option to investigators for the Office of the Attorney General and investigators for the Department of Revenue. Additionally, the bill provides

for the transfer of service credit to SERS for any of the aforementioned job titles for service as a county corrections officer, or a court services officer under the Cook County Pension Fund.

HB 1099

Sponsors: McCarthy (Trotter)

Passed House:	94-21-0
Passed Senate:	47-1-0

HB 1099 amends the Metropolitan Water Reclamation Article of the Pension Code to provide for a change in the effective date on reversionary annuities, i.e., election of a lower retirement annuity for the employee in order to provide an increased survivor annuity for selected dependants. Currently, these annuities begin the day following the employee's death with payments beginning one month thereafter. HB 1099 changes the beginning date to the first day of the following calendar month with a corresponding change in commencement of payments.

In addition, HB 1099 increases the amount of any child annuities. Currently, if either parent is alive, the first child receives \$500 monthly with each additional child receiving \$350, up to a maximum total paid to all children equaling \$2,500 monthly. If both parents are deceased, the first child receives \$1,000 monthly with each additional child receiving \$500, up to a maximum paid to all children equaling \$2,500 monthly. HB 1099 provides that, if either parent is alive, every child will receive \$500 monthly, with the total for all children not to exceed \$5,000 monthly. Further, if both parents are deceased, every child will receive \$1,000 monthly, with the total for all children not to exceed \$5,000 monthly.

HB 1148

Sponsors: Joyce (Dillard)

Passed House:	115-0-0
Passed Senate:	57-0-0

Currently, the Illinois Pension Code lists specific periods of service for which a member may purchase optional service credit. HB 1148 amends the Downstate Teacher Article of the Pension Code to add service as a teacher or administrator for a private school to this approved list. Members are required to: (1) Be certified at the time of service, (2) Apply in writing on or after August 1, 2009, and before August 1, 2012, (3) Supply satisfactory evidence of employment, (4) Complete at least 10 years of contributing service as a teacher, and (5) Pay all the required contributions by the date specified.

HB 1291

Sponsors: Saviano (DeLeo)

Passed House:	115-0-0
Passed Senate:	57-0-0

HB 1291 amends the Chicago Firefighter Article of the Illinois Pension Code. The bill allows firefighters to purchase a maximum of 24 months of service credit attributed to service in the armed forces of the United States that was served prior to employment by the city as a firefighter. In order to establish the optional military service credit set forth in the bill, the Chicago firefighter must pay to the fund an amount equal to a) the employee contributions that would have been required had the service been rendered as a member, b) an amount determined by the pension

fund to be equal to the employer’s normal cost of the benefits accrued for that military service, plus c) interest at the actuarially assumed rate (8%), compounded annually from the first date of membership in the fund to the date of payment.

HB 2557

Sponsors: Bradley (Silverstein)

Passed House:	116-0-0
Passed Senate:	59-0-0
House Concurrence:	117-0-0

Economic Opportunity Investments Requirements – State-Funded Systems

HB 2557 requires the State-funded retirement systems (SERS, SURS, TRS, GARS, and JRS) and any State agency investing funds on behalf of those pension funds to make “reasonable efforts” to invest in economic opportunity investments. “Economic opportunity investments” are defined as qualified investments that promote economic development within the State of Illinois through investments in companies, partnerships, and projects that promote the economy of the state or a region of the state. Such investments include venture capital programs, coal and other natural resource development, tourism, infrastructure, and real estate, among others.

Economic Opportunity Investments – Reporting Requirements

HB 2557 requires each pension fund established under the Pension Code (with the exception of Downstate Police and Fire pension funds) to submit a report to the Governor and General Assembly by September 1st of each year that identifies

the economic investment opportunities made by the fund and other information such as the primary location of the business or project, and the percentage of the fund’s assets in economic opportunity investments. HB 2557 also requires that all affected pension funds must comply with current statutory requirements for trustees and fiduciaries when making economic opportunity investments.

Investment Strategies; Explicit and Implicit Costs

HB 2557 adds language to the Pension Code that instructs pension fund investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the explicit and implicit costs and total proceeds are the most favorable under the circumstances.

HB 2582

Sponsors: McAuliffe (DeLeo)

Passed House:	86-28-0
Passed Senate:	56-0-0

HB 2582 amends the Chicago Police Article of the Illinois Pension Code to allow Chicago Police officers the opportunity to purchase service credit for employment in a law-enforcement capacity under the Chicago Municipal Article of the Pension Code, or as a law enforcement officer with any agency of the federal government. HB 2582 permits Chicago police officers to establish up to 10 years of service credit in 6-month increments for service in a law enforcement capacity under the Chicago Municipal Article of the Pension Code, or as a law enforcement officer with any agency of the United States government.

HB 3606

Sponsors: Hannig (Koehler)

Passed House:	82-34-0
Passed Senate:	56-6-0
House Concurrence:	109-5-0

General Assembly Survivor Benefits

Under the General Assembly Article of the Illinois Pension Code, if an active member with at least two years of service dies, his or her surviving spouse becomes eligible to receive a survivor's annuity at age 50, provided the member was married for at least one year prior to death. The surviving spouse is entitled to an annuity equal to 66 2/3% of the member's earned retirement annuity (subject to a minimum of 10% of salary). HB 3606 provides that upon the death in service of a participant during the 90th General Assembly, the survivor's annuity shall be payable prior to age 50. The bill provides for retroactive benefits for periods of eligibility after February 28, 2009.

Village of Bartonville Contractual Police Service

HB 3606 provides that a person who has entered into a personal services contract to perform police duties for the Village of Bartonville on or before the effective date of this amendatory Act may be appointed as an officer in the Village of Bartonville within 6 months of this amendatory Act, but shall be excluded from participating in the Bartonville police pension fund. The bill also amends the IMRF article of the Pension Code to stipulate that such a person will not forfeit any early retirement benefits received under IMRF.

Retroactive Automatic Annual Increases in Certain Downstate Fire Annuities

HB 3606 provides that in July 2009, the monthly pension of a firefighter who retired before July 1, 1977 shall be recalculated

and increased to reflect the amount that the firefighter would be receiving in July 2009 had the firefighter been receiving a 3% compounded increase for each year since January 1, 1986, plus any increases in pension received for each year prior to January 1, 1986. In each January thereafter, additional increases of 3% of the current amount of pension would be provided.

Optional Service Credit in SERS

Currently, the Illinois Pension Code lists specific periods of service for which a member may purchase optional service credit. HB 3606 amends the State Employees' Article of the Illinois Pension Code to add full-time contractual services with the Illinois Institute of Natural Resources and the Illinois Department of Energy and Natural Resources to this approved list. The bill allows members to purchase up to 4 years of service credit by making contributions equal to the employee contributions, the employer's normal cost, and interest at the actuarially assumed rate (8.5%, compounded annually) from the date of service to the date of payment.

HB 3656

Sponsors: Hoffman (Haine)

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

Currently, under the Downstate Police Article of the Illinois Pension Code, if a police officer transfers service credit from one police pension fund to another, the board of the pension fund to which the service credit is being transferred must make a calculation to determine if the amounts transferred to the pension fund represent the true cost of allowing the police officer to establish the desired

amount of service credit. If the amounts transferred are less than the true cost, then the police officer must pay to the pension fund an additional contribution equal to the difference between the amount transferred and the true cost to the pension fund for allowing the police officer to establish the service credit. HB 3656 gives the police officer the option of taking a reduction in service credit if the amount transferred is less than the true cost to the police pension fund for allowing the service credit to be established.

HB 3672

Sponsors: Jakobsson (Martinez)

Passed House:	114-0-0
Passed Senate:	51-4-0

Currently, under IMRF, sick leave days are limited to those accumulated under a specified sick leave plan that is established by a participating municipality or instrumentality. Only sick leave days accumulated with a participating municipality or instrumentality with which the employee was in service within 60 days of the effective date of his retirement annuity are credited. If the employee was in service with more than one employer during this time period, the only sick leave days that are considered are the ones with the employer with which the employee has the greatest number of unpaid sick days. HB 3672 would add an exception to this rule. Under HB 3672 if the employee was in the service of more than one IMRF employer, then the sick leave days from all of the employers will be credited so long as the creditable service attributed to those sick leave days does not exceed the current one-year limitation. When calculating the creditable service under HB 3672 the sick

leave days from the most recent employer will be considered first, then the remaining sick leave days will be considered until there are no more sick leave days or the one-year creditable sick leave threshold has been reached.

HB 3964

Sponsors: Graham (Raoul)

Passed House:	113-4-0
Passed Senate:	54-0-0

HB 3964 amends the State Employees Article of the Illinois Pension Code to add a provision stating whenever an employee on a leave of absence makes appropriate contributions during such leave, the rate of compensation is assumed to be equal to the rate of compensation on the date the leave commenced.

SB 214 (P.A. 96-0097)

Sponsors: Sullivan (Pritchard)

Passed Senate:	59-0-0
Passed House:	113-3-0
Senate Concurrence:	57-0-0

Currently, the Illinois Pension Code lists specific periods of service for which a member may purchase optional service credit. SB 0214 adds service as a contractor for an Illinois Veterans' Home to this approved list. In addition, SB 0214 states that allowing employees to establish service credit for this type of service constitutes a new benefit increase and this increase shall be funded by the required additional employee and employer contributions. The applicant must apply to purchase this additional service credit no later than 6

months after the effective date of the amendatory Act.

SB 364 (P.A. 96-0006)

Sponsors: Schoenberg (Madigan)

Passed Senate:	57-7-0
Passed House:	116-1-0
Senate Concurrence:	57-1-0

Illinois Governmental Ethics Act

Currently, elected officials and members of certain boards and commissions are required to file verified written statements of economic interests. Public Act 096-0006 amends the Illinois Governmental Ethics Act to add that members of the board of any retirement system, pension fund or investment board established under the Illinois Pension Code will be required to file verified written statements of economic interests only if they are not already required to file such a statement.

State Officials and Employees Ethics Act

Public Act 096-0006 amends the State Officials and Employees Ethics Act to change the definition of “employee.” Currently, the term “employee” means any person employed full-time, part-time, or pursuant to a contract and whose employment duties are subject to the direction and control of an employer with regard to the material details of how the work is to be performed. Public Act 096-0006 adds that an “employee” is any appointed or elected commissioner, trustee, director, or board member of a board of a State agency, including any retirement system or investment board subject to the Illinois Pension Code or any other appointee.

Creation of Investment Working Group

Public Act 096-0006 amends the State Treasurer Act to add a new Section titled,

“working group; peer cost comparison.” The Treasurer shall convene a working group consisting of representatives from the retirement systems, pension funds, and investment board created under the Illinois Pension Code, persons that provide investment services, and members of the financial industry. The working group shall review the performance of investment managers and consultants providing investment services for the retirement systems, pension funds, and investment board created under the Illinois Pension Code. The group shall develop uniform standards for comparing the costs of investment services and make recommendations to the retirement systems, pension funds, and investment board. In performing its functions, the working group shall work in coordination with the Commission on Government Forecasting and Accountability. The working group shall draft a report, and the Treasurer must submit such report, to the Governor and the General Assembly by January 1, 2011.

Expansion of Fiduciary Duties

Currently, the Illinois Pension Code defines a fiduciary as someone who exercises discretionary authority or discretionary control respecting management of the pension fund or retirement system. Those who render investment advice for a fee or other compensation are acting in a fiduciary capacity pursuant to current law. Public Act 096-0006 amends the Illinois Pension Code to stipulate that rendering advice with respect to the selection of fiduciaries in and of itself constitutes a fiduciary duty.

Requirements for Consultants

Public Act 096-0006 amends the Illinois Pension Code to add a new Section concerning consultants. The new Section states that “consultant” means any person or entity retained or employed by the board of a retirement system, pension fund, or investment board to make recommendations in developing an investment strategy, assist

with finding appropriate investment advisers, or monitoring the board's investments.

Reporting Requirements for Emerging Investment Managers

Public Act 096-0006 requires that each retirement system, pension fund, and investment board, except for Downstate Police and Downstate Fire pension funds, shall submit a report to the Governor and the General Assembly by January 1 of each year. The report shall include all of the adopted policies, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers, the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises, and also including specific actions undertaken to increase the use of minority broker-dealers.

Prohibited Transactions

Public Act 096-0006 amends the Pension Code to require that a board member, employee, or consultant with respect to a retirement system, pension fund, or investment board shall not knowingly cause or advise the system, fund, or board to engage in an investment transaction with an investment adviser when the board member, employee, consultant, or their spouse (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, consultant, or spouse of such board member, employee, or consultant as a result of the investment transaction. Public Act 096-0006 clarifies that a consultant includes an employee or

agent of a consulting firm who has greater than 7.5% ownership of the consulting firm. Any violation of this provision constitutes a Class 4 felony.

Investment Advisers and Investment Services for Downstate Police and Downstate Fire Pension Funds

P.A. 96-0006 modifies the requirements for the procurement of investment advisers and investment services for Downstate Police and Fire pension funds. The Act requires that investment advisers shall be a fiduciary with respect to the pension fund and shall be one of the following:

- (1) an investment adviser registered under the federal Investment Advisers Act of 1940 and the Illinois Securities Law of 1953;
- (2) a bank or trust company authorized to conduct a trust business in Illinois;
- (3) a life insurance company authorized to transact business in Illinois; or
- (4) an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

Selection and Appointment of Investment Advisers and Consultants

Public Act 096-0006 creates a new section in the Pension Code concerning investment services for all retirement systems, pension funds, and investment boards, except Downstate Police and Fire pension funds. Pursuant to this new Section, all contracts for investment services shall be awarded by the board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code. The Act states that each board of trustees shall implement this policy by June 2, 2009.

Limitations on Investment Consulting Contracts

Public Act 096-0006 states that notwithstanding any other provision of law, a retirement system, pension fund, or investment board shall not enter into a contract with a consultant that exceeds 5 years in duration. The act provides that no contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the consultant is eligible to compete for a new contract. No retirement system, pension fund, or investment board shall attempt to avoid or contravene these restrictions by any means.

Disclosure of Fees and Commissions by Consultants

P.A. 96-0006 provides that by June 2, 2009, each investment adviser or consultant currently providing services or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment.

Investment Transparency

Public Act 096-0006 amends the Illinois Pension Code to create an additional section concerning investment transparency. The purpose of this new section is to provide for transparency in the investment of retirement or pension funds and require the reporting of full and complete information regarding the investments by pension funds, retirement systems, and investment boards. A retirement system, pension fund, or investment board subject to the Pension Code and any committees established by such system, fund, or board must comply with the Open Meetings Act.

Ethics Training

Public Act 096-0006 amends the Illinois Pension Code to create a new Section concerning ethics training. All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training shall incorporate the following areas: ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important.

Prohibition on Gifts

Public Act 096-0006 amends the Illinois Pension Code to clarify that no trustee or employee of a retirement system, pension fund, or investment board created under the Illinois Pension Code shall intentionally solicit or accept any gift from any prohibited source.

No Monetary Gain on Investments

Public Act 096-0006 amends the Illinois Pension Code to create a new section stating that no member or employee of the board of trustees of any retirement system, pension fund, or investment board or any spouse of such member or employee shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of a retirement system, pension fund, or investment board for which such person is a member or employee, nor receive any pay or emolument for services in connection with any investment.

Fraud

Public Act 096-0006 amends the Illinois Pension Code to create a new Section concerning fraud. Any person who knowingly makes any false statement or falsifies or permits to be falsified any record of a retirement system or pension

fund created under this Code or the Illinois State Board of Investment in an attempt to defraud the retirement system, pension fund, or the Illinois State Board of Investment is guilty of a Class 3 felony.

Contingent and Placement Fees Prohibited

Public Act 096-0006 amends the Illinois Pension Code to create a new section concerning the prohibiting of contingent and placement fees. No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board for compensation, contingent in whole or in part upon the decision or procurement. Any person who violates this provision is guilty of a business offense and shall be fined not more than \$10,000. In addition, any person convicted of a violation of this provision is prohibited for a period of 3 years from conducting such activities.

Approval of Travel or Educational Mission

Public Act 096-0006 creates a new Section concerning travel and educational missions. The expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board must be approved by a majority of the board prior to the travel or educational mission.

Changes to SERS Board of Directors

Public Act 96-0006 states that notwithstanding any provision of current law, the term of office of each trustee of the board appointed by the Governor who is sitting on the board is terminated on that effective date of the Act (April 3rd, 2009). Beginning on the 90th day after the effective date of this Act (July 2, 2009), the board shall consist of 13 trustees as follows:

- (i) the Comptroller, who shall be the Chairperson;

- (ii) six persons appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 5 years, except that the terms of the initial appointees under this Act shall be 3 for a term of 3 years and 3 for a term of 5 years;
- (iii) four active participants of the system having at least 8 years of creditable service, to be elected from the contributing members of the system;
- (iv) two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system.

Changes to SURS Board of Trustees

Public Act 096-0006 amends the Illinois Pension Code to add that the terms of all trustees holding office on the effective date of this Act (April 3, 2009) shall terminate on that effective date. The Governor shall make nominations for appointment within 60 days after the effective date of this Act (June 2, 2009). A trustee sitting on the board on April 3, 2009 may not hold over in office for more than 90 days after that effective date. In addition to this, Public Act 096-0006 states that beginning on the 90th day after the effective date of this Act (July 2, 2009), the Board of Trustees shall be constituted as follows:

- (i) The Chairperson of the board of Higher Education, who shall act as chairperson of the Board.
- (ii) Four trustees appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 6

years, except that the terms of the initial appointees shall be 2 for a term of 3 years and 2 for a term of 6 years.

- (iii) Four active participants of the system to be elected from the contributing membership of the system by the contributing members, no more than 2 of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be 2 for a term of 3 years and 2 for a term of 6 years.
- (iv) Two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, no more than one of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be 1 for a term of 3 years and 1 for a term of 6 years.

Termination of TRS Executive Director

Public Act 096-0006 amends the Illinois Pension Code to add that the secretary and chief executive officer of the Teachers' Retirement System, known as the Executive Director, holding that position on April 1, 2009 is terminated on July 1, 2009, by operation of law, and shall thereafter no longer hold that position or any other employment with the system. The board is directed to take whatever action is necessary to effectuate this termination.

Changes to the TRS Board of Trustees

Public Act 096-0006 amends the Pension Code to change the composition of the TRS board of trustees. The board shall consist of 13 members, 6 of whom shall be appointed by the governor; 4 active teachers elected by the contributing

members, and 2 annuitant members elected by the annuitants of the system. The Superintendent of Education is an ex-officio member who serves as president of the board.

SB 369

Sponsors: Kotowski (Nekritz)

Passed Senate:	56-1-0
Passed House:	115-0-0

General Assembly Retirement System

The Illinois Pension Code currently specifies that for a participant who is a member of the General Assembly Retirement System, his or her retirement pension shall be based on the salary on the participant's last day of service. This method of calculating retirement annuities also applies to the Governor, Secretary of State, Treasurer, Comptroller, and Attorney General for the period of service in such office. SB 0369 provides that for participants who become a member of GARS on or after the effective date of this Amendatory Act, retirement annuities will be based on the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or by dividing the total period of service, if less than 48 months, by the number of months of service in that period.

Judges Retirement System

Currently, members of the Judges Retirement System have their retirement annuities calculated based upon the salary on the last day of employment as a judge, or the highest salary received by the judge for at least 4 consecutive years, whichever is greater. SB 0369 provides that for

participants who become members of JRS on or after the effective date of this Amendatory Act, the retirement annuity will be calculated by dividing the total salary of the participant during the period of the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or the total period of service, if less than 48 months, by the number of months of service in that period.

SB 1272

Sponsors: Wilhelmi (Kosel)

Passed Senate:	55-0-0
Passed House:	115-0-0

Non-taxing entities are not allowed to participate in IMRF unless they are cited as eligible to participate in the Illinois Pension Code (40 ILCS 5/7-132) and the Board of Trustees of IMRF approves an application to participate. SB 1272 would allow the Will County Governmental League and its employees to participate in IMRF as a non-taxing entity, but only if the League has a ruling from the United States Internal Revenue Service that it is a governmental entity.

SB 1292

Sponsors: Trotter (McCarthy)

Passed Senate:	54-0-0
Passed House:	88-24-2
Senate Concurrence:	43-12-1

SB 1292 mandates the issuance of new pension bonds totaling \$3.466 billion. The bond sale proceeds, net of sales expenses,

will be used as a portion of the FY 2010 State contributions to the various State pension systems. Specifically, SB 1292 establishes the FY2010 State pension contributions as follows: (1) TRS - \$2,089,268,000, (2) SERS - \$723,703,100, (3) SURS - \$702,514,000, (4) JRS - \$78,832,000, (5) GARS - \$10,454,000. The FY 2010 total inflows into each of the 5 systems from all sources will be equal to the GRF portion of the certified amounts for each system. In the event a portion of the bonds cannot be sold, the State contributions will be increased by an amount necessary to offset the unsold bond amount.

SB 1292 also establishes that as of June 30, 2008, the actuarial value of each system's assets will be equal to their market value. In determining the actuarial value of the systems' assets for fiscal years after June 30, 2008, any unexpected gains or losses from investment returns incurred in a fiscal year will be recognized in equal annual amounts over the 5 year period following that fiscal year. An unexpected gain or loss will be defined as any deviation from the forecasted 8.5% return on invested assets.

SB 1292 specifies the legislative intent that all of the operating funds freed up by the bond sale should be used to fund programs and services provided by community-based human services providers to ensure the State continues assisting the most vulnerable citizens.

SB 1401

Sponsors: Maloney (Brosnahan)

Passed Senate:	57-0-0
Passed House:	115-0-0

SB 1401 authorizes any municipality having a population of less than 5,000 to terminate

its participation under the Downstate Police Article and close its police pension fund under the following conditions: (1) An independent auditor certifies its police pension fund has no liabilities and no individual is participating in the fund nor is entitled to any benefits thereof, and (2) The corporate authorities of the municipality, by ordinance, approve the closing of the fund within 60 days after the effective date of this amendatory act. If these conditions are met, all assets of the fund will be transferred to the municipality for its general corporate purposes. If, at a later date, the municipality wishes to reinstate the closed fund, then the reinstatement proposition must be submitted to the voters of the municipality for their approval.

SB 1479

Raoul (Howard)

Passed Senate:	52-1-0
Passed House:	112-0-0
Senate Concurrence:	58-0-0

SB 1479 would allow employees who were furloughed, either voluntarily or involuntarily, to receive up to 5 days service credit for the applicable time of the furlough period. The bill requires that the furlough must take place on or after July 1, 2008 and must have an ending on or before June 30, 2009. An SERS member must submit in writing to the system or their employer before July 1, 2012 to receive this credit.

SB 1510

Sponsors: Harmon (Phelps)

Passed Senate:	57-0-0
Passed House:	116-0-0

SB 1510 amends the Downstate Police Article of the Illinois Pension Code. The bill stipulates 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 1611

Sponsors: Clayborne (Mautino)

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

Non-taxing entities are not allowed to participate in IMRF unless they are cited as eligible to participate in the Illinois Pension Code (40 ILCS 5/7-132) and the Board of Trustees of IMRF approves an application to participate. SB 1611 would allow the United Counties Council (formerly the Urban Counties Council) and their employees to participate in IMRF as a non-taxing entity, pending a ruling from the United States Internal Revenue Service that it is a government entity.

SB 1705

Sponsors: Raoul (Lyons)

Passed Senate:	55-0-0
Passed House:	104-1-0
Senate Concurrence:	57-0-0

Transfer of Service Credit from Downstate Fire to Chicago Fire

SB 1705 provides that until January 1, 2010, any active member of the Chicago Fire pension fund may apply for transfer of up to 10 years of creditable service accumulated in a Downstate Fire pension fund upon payment to the Chicago Fire

pension fund by the Downstate Fire pension fund of an amount equal to the employee contributions, employer contributions, plus any interest paid by the member to reinstate service in a Downstate Fire pension fund. The Chicago Fire article is amended to stipulate that the member must pay to the fund the difference between the amounts transferred from a Downstate Fire pension fund and the amounts that would have been contributed had such service been rendered in the Chicago Fire pension fund, plus interest at the actuarially assumed rate (8%, compounded annually), from the date of service to the date of payment. Furthermore, the bill states that in making this calculation, the Chicago Fire pension fund must calculate a payment amount which will not cause a significant increase in the fund's unfunded liability.

Transfer of Service Credit from Cook County to Chicago Police

SB 1705 provides that an active Chicago police officer who has at least 10 years of creditable service in the Chicago Police pension fund may transfer to the fund up to 48 months of creditable service accumulated under the Cook County article of the Illinois Pension Code as a correctional officer prior to January 1, 1994. The bill specifies that this service credit transfer must occur within 6 months of the effective date of this Amendatory Act, and that the member must pay to the Chicago Police pension fund an amount equal to the difference between the amount of employee and employer contributions transferred to the Chicago police fund and the amounts that would have been contributed had such contributions been made at the rates applicable to Chicago police officers at the time the service was rendered, plus interest thereon at the actuarially assumed rate of return, compounded annually, from the date of service to the date of payment.

Credit for Former Employment with the Fire Department under the Chicago Municipal Article

SB 1705 amends the Chicago Fire article of the Illinois Pension Code to allow a fireman who accumulated service credit in the Chicago Municipal pension fund as a firefighter and has terminated service in that fund to establish service credit in the Chicago Fire pension fund for all or any part of that service in the Chicago Municipal Fund. In order to establish this service credit, the member must make a written application to the fund by January 1, 2010, and pay to the fund the employee contributions based on the actual salary received and the rates in effect for members of the Chicago Fire pension fund, plus the difference between the amount of employer contributions transferred to the Chicago Fire pension fund and the amounts equal to the employer's normal cost had such contributions been made at the rates applicable to the Chicago Fire pension fund when the service was rendered.

Credit for Former Employment with the Chicago Fire Department Not Covered by the Chicago Fire Pension Fund

SB 1705 amends the Chicago Fire article of the Illinois Pension Code to allow a fireman who was an employee of the Chicago Fire Department between 1970 and 1983 but did not participate in the Chicago Fire pension fund to establish service credit in the fund for all or any part of that employment by making a written application to the board by January 1, 2010, and by paying to the fund employee contributions based upon the actual salary received at the rates in effect for members of the Chicago Fire pension fund at the time service was rendered, plus the employer's normal cost, plus interest at the actuarially assumed rate (8%, compounded annually) from the first date of employment for which credit is being established.

Proof of Duty Disability

Currently, the Chicago Fire article of the Illinois Pension Code requires that proof of disability be furnished to the board of directors of the pension fund by at least one licensed and practicing physician appointed by the board. Current law also requires that the disability annuitant submit to a physical examination at least once a year by one or more licensed physicians appointed by the board. SB 1705 allows such medical examinations to occur yearly or at longer intervals as determined by the board.

Repayment of Refunds after Re-Entry to Service

Currently, a firefighter who re-enters service after receiving a refund of contributions is not entitled to any retirement annuity, nor shall his widow or dependent parents receive any annuity until the firefighter, his widow, or his dependent parents re-pay the refund within two years after the date of his re-entry into service or January 1, 2000, whichever is later. Inasmuch as this date has passed, SB 1705 extends the repayment date to January 1, 2011. The bill also provides that firefighters who fail to repay refunds after re-entry into service shall be treated as a new employee and shall only receive service credit from the date that he has re-entered service as a new employee.

Action by the Fund Against a Third Party

SB 1705 provides that when a disabled firefighter brings a lawsuit against a third party, the pension fund shall have a claim or lien upon any judgment or award out of

which the disabled fireman or his personal representative might be entitled. The bill provides that from the amount received by the fireman there shall be paid to the Fund the amount of money representing the death or disability benefits paid or to be paid to the disabled firefighter.

SB 1974

Sponsors: Harmon (McCarthy)

Passed Senate:	58-0-0
Passed House:	105-0-0

Currently, the Illinois Pension Code does not require any formal training for trustees of Downstate Police and Downstate Firefighters' Pension Funds. SB 1974 requires these trustees to complete a 32-hour certification training seminar at a training facility accredited by a college or university in the state of Illinois. This training must be completed within one year of their initial appointment as a trustee, and shall include all of the following: (1) Duties and liabilities of a pension fiduciary, (2) Adjudication of pension claims, (3) Basic accounting and actuarial concepts, (4) Trustee ethics, (5) The Illinois Open Meetings Act, (6) The Illinois Freedom of Information Act.

In addition, SB 1974 requires each trustee to participate in a minimum of 16 hours of continuing trustee education each year thereafter.