COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 2958** December 28, 2021

SPONSOR (S): Martwick

SYSTEM(S): Chicago Laborers Article

FISCAL IMPACT: The Chicago Laborers Pension Fund reports that there are currently only 2 members on union leave of absence who are accruing service credit in the pension fund for that leave. The bill provides clarification on the amount that the employing union must contribute on behalf of the member on union leave in the wake of the passage of P.A. 100-0023, which placed the pension fund on a long-term actuarial funding schedule. There is no discernible fiscal impact associated with SB 2958.

SUBJECT MATTER: SB 2958 amends the Chicago Laborers Article of the Pension Code to clarify the contribution that a union must make on behalf of a member who has taken a leave of absence from a city position to work for a union while still accruing service credit in the pension fund for that union service (a practice referred to as “union leave”).

COMMENT:

Labor Organization Contributions on Behalf of Members on Union Leave
Under current law, members of the Chicago Laborers Article of the Pension Code who are on Union Leave and participate in the pension fund for that period of leave make employee contributions to the Pension Fund as though they were active members, in the amount of 8.5% of salary. With regard to employer (union) contributions, the Chicago Laborers Articles currently states that “the participant, or the labor organization on the participant's behalf, makes contributions to the Fund as though it were the employer…based on the regular salary rate received by the participant.…” Prior to the passage of Public Act 100-23, which placed the Chicago Laborers Pension Fund on a long-term amortization schedule, the labor organization employing the member on Union Leave made contributions equal to the amount of employee contributions two years prior, multiplied by a static statutory factor (“Multiplier Methodology”).

With the enactment of PA 100-0023 on July 6, 2017, the Multiplier Methodology was replaced with statutorily fixed contributions from 2018 through 2022 (referred to as the “ramp” due to the graduated nature of the fixed payments), followed by actuarial-based contributions starting in 2023 sufficient to bring the LABF to 90% funded by the end of 2058.

Hence, it is now unclear what labor organizations are required to contribute on behalf of members on union leave inasmuch as the current statutory language was rooted in the old multiplier methodology. SB 2958 provides clarification by requiring the labor organization employing a member on Union Leave to contribute the difference between the regular employee contribution (8.5% of salary) and the normal cost of the pension fund, specific to the member's Tier status. The pension fund reports that there are only 2 members currently on union leave of absence.

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