Commission on Government Forecasting and Accountability

MONTHLY BRIEFING

For the Month Ended: June 2023

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CGFA

Commission on Government Forecasting & Accountability

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Base Revenues Fall $110M in June, but End FY23 up $373M
Federal Dollars Elevate FY23 Overall Gains to $2.064B

Eric Noggle, Revenue Manager

Fiscal Year 2023 completed its volatile year of General Funds revenues with mixed results in June. For the month, General Funds base receipts fell $110 million as the primary revenue sources (income tax receipts, net sales tax receipts, and base federal sources) all came in behind last June's levels. However, when accounting for one-time transfers of federal dollars into the State's General Funds, the overall monthly growth result is greatly enhanced to $1.255 billion. June had the same number of receipting days as the year prior.

After experiencing a strong rebound of receipts in May following April's sharp declines, revenues from the Personal Income Tax were $183 million lower in June, or down $158 million on a net basis. Preliminary indications are that this monthly drop is mainly the result of the timing of receipts (see May's gains) rather than a declining trend in taxable income as employment and wage levels continue to show year-over-year improvement. Corporate Income Tax receipts also fell slightly in June [down $27 million gross or -$16 million on a net basis], but have remained relatively strong throughout the fiscal year. Sales tax receipts were stagnant to close the month as gross receipts were up a mere $9 million, which results in a net decline of -$14 million when removing non-general fund distributions to the Road Fund and other transportation funds.

The remaining State Tax sources combined to grow $139 million in June. These gains were led by a $69 million increase in Other State sources (caused by the anticipated growth in revenues from the Build Illinois Escrow account) and a $54 million rise in

Interest on State Funds & Investments. Additional increases came from higher tax receipts from Insurance Taxes [+$7 million]; the Inheritance Tax [+$6 million]; the Corporate Franchise Tax [+$4 million] and the Liquor Tax [+$2 million]. The growth in these areas easily outweighed the minor decline in Public Utility Taxes [-$2 million] in June.

June transfers into the State's General Funds combined to grow $34 million. The increase stemmed from a $52 million rise in miscellaneous transfers, which offset a $17 million decline in Lottery transfers and slightly lower Cannabis transfers [-$1 million]. The Casino Gaming transfer held flat for the month.

After seeing notable gains last month, base federal sources finished the year off weaker with a decline of $95 million in June. This figure does not include the impact of June revenues from the ARPA Reimbursement for Essential Government Services, which is discussed below.

Again, the State's overall monthly revenue total was greatly enhanced by a couple one-time transfers into the State's General Funds in June. As shown at the bottom of the accompanying tables, an additional $300 million in ARPA Reimbursement for Essential Government Services federal funding was transferred to the General Revenue Fund (GRF) during this month, which is $2 million higher than the $298 million that was received during June of FY 2022. (Note: This brings the ARPA reimbursement total to $1.064 billion in FY 2023 for an expected final reimbursement total of $1.8 billion when including the $736 million from FY 2022).

In addition, approximately $1.363 billion was transferred from the State Coronavirus Urgent Remediation Emergency (CURE) Fund to the GRF in June. It should be noted that these CURE Fund revenues were then immediately transferred out of the GRF: $939 million back to the State CURE Fund and $424 million to the Build Illinois Bond Fund. The GOMB provided the following reason for the transfer of these federal dollars in and out of the General Revenue Fund:

> *"To ensure Illinois fully expends its SLFRF [Coronavirus State and Local Fiscal Recovery Funds] allocation within the allowed timeframe set by the federal government, state payments made with State moneys in FY2023 that satisfy federal SLFRF requirements have been substituted for authorized appropriations that have not yet spent out. State funds to honor the original appropriations have been authorized in the FY2024 budget."*

Even though these revenues were immediately transferred out of the State's General Funds shortly after being received, the Comptroller must show the transfer as part of FY 2023's revenues totals. As a result, this month's revenue totals show FY 2023 levels being $1.255 billion higher in June than FY 2022, despite base revenues having a slight decline of $110 million.

A table displaying the details of June's activity is shown on the following page.

JUNE				
FY 2022 vs. FY 2023				
($ millions)				
Revenue Sources	**June FY 2022**	**June FY 2023**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$2,440	$2,257	($183)	-7.5%
Corporate Income Tax (regular)	1,160	1,133	(27)	-2.3%
Sales Taxes	1,019	1,028	9	0.9%
Public Utility Taxes (regular)	62	59	(3)	-4.8%
Cigarette Tax	26	26	0	0.0%
Liquor Gallonage Taxes	13	15	2	15.4%
Inheritance Tax	40	46	6	15.0%
Insurance Taxes and Fees	72	79	7	9.7%
Corporate Franchise Tax & Fees	16	20	4	25.0%
Interest on State Funds & Investments	10	64	54	540.0%
Cook County IGT	0	0	0	N/A
Other Sources	153	222	69	45.1%
Total State Taxes	$5,011	$4,949	($62)	-1.2%
Transfers In				
Lottery	$82	$65	($17)	-20.7%
Gaming	12	12	0	0.0%
Cannabis	10	9	(1)	-10.0%
Refund Fund	0	0	0	N/A
Other	61	113	52	85.2%
Total Transfers In	$165	$199	$34	20.6%
Total State Sources	$5,176	$5,148	($28)	-0.5%
Federal Sources [base]	$332	$237	($95)	-28.6%
Total Federal & State Sources	$5,508	$5,385	($123)	-2.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($226)	($209)	$17	-7.5%
Corporate Income Tax	(174)	(165)	9	-5.2%
Local Government Distributive Fund				
Personal Income Tax	(134)	(126)	8	-6.0%
Corporate Income Tax	(68)	(66)	2	-2.9%
Sales Tax Distributions				
Deposits into Road Fund	(15)	(37)	(22)	146.7%
Distribution to the PTF and DPTF	(67)	(68)	(1)	1.5%
General Funds Subtotal [Base]	**$4,824**	**$4,714**	**($110)**	**-2.3%**
ARPA Reimb. for Essential Gov't Services	$298	$300	$2	0.7%
SLFRF Allocation Transfer	$0	$1,363	$1,363	N/A
Total General Funds	**$5,122**	**$6,377**	**$1,255**	**24.5%**
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				3-Jul-23

FY 2023 Final Totals and Revenue Recap

Incorporating June's figures, FY 2023 finished the year with a base General Funds revenue total of $50.707 billion. This is $373 million higher than the FY 2022 base General Funds revenue total of $50.334 billion. When including the one-time reimbursement and transfers received in FY 2023 associated with pandemic-related federal dollars, the overall FY 2023 total rises to $53.134 billion, which is $2.064 billion higher than the $51.070 billion receipted in FY 2022. The FY 2023 General Funds revenue totals, in terms of both base receipts and total receipts, become the highest on record for the State of Illinois.

The record levels of revenues are despite the volatility of General Funds receipts throughout much of FY 2023. Through the first two-thirds of the fiscal year, General Funds base revenues were $2.2 billion above last year's pace (or $2.5 billion higher when including the ARPA reimbursements). However, a significant falloff in final income tax payments and base federal source dollars in March and April wiped away these gains, resulting in a year-over-year decline of $193 million with two months remaining (or a slight year-over year increase of $132 million when including ARPA reimbursements). A strong month of revenues in May recouped much of the comparative declines in recent months, helping the State to arrive at its final General Funds base growth of $373 million.

As mentioned previously, the SLFRF Allocation Transfer of $1.363 billion from the State CURE Fund into the General Revenue Fund in June must be counted as revenues by the Comptroller, even though it was immediately transferred out. Therefore, when including this transfer, along with the additional revenues received from the ARPA reimbursements, the final year-over-year value for the revenue increase in FY 2023 is shown as $2.064 billion.

In terms of individual revenue sources, the performances in FY 2023 were mixed. The Personal Income Tax was undoubtedly the most volatile of the major revenues sources. After seeing solid gains throughout much of the fiscal year, income tax receipts plummeted in March and April as final tax payments came in significantly lower than the prior year. The extent of the declines is believed to be more reflective of exceptional tax performance in FY 2022 (stemming from stimulus boosted economic conditions of Tax Year 2021) rather than a weakening of Illinois' tax base (unemployment and wage figures have remained stable). Regardless of the reason, Personal Income Tax revenues ended the year $1.248 billion behind FY 2022 levels – a drop of $1.089 billion on a net basis.

While concerns of a potential recession lingered throughout the fiscal year, a sharp economic slowdown did not materialize in FY 2023 as continued strong corporate profits allowed Corporate Income Tax gross receipts to rise $487 million or $421 million on a net basis. Similarly, Sales Tax Receipts ended the fiscal year $605 million higher than FY 2022, which equates to an increase of $217 million on a net basis.

The remaining State Sources combined to grow $450 million in FY 2023. The vast majority of these gains came from a $377 million increase in Interest on State Funds & Investments, which greatly benefitted from multiple interest rate hikes by the Federal Reserve over the course of the fiscal year.

Also increasing in FY 2023 were Other Sources [+$147 million]; Insurance Taxes [+$37 million]; Corporate Franchise Taxes [+$9 million]; and Public Utility Taxes [+$1 million]. These sources easily offset fiscal year declines in the Inheritance Tax [-$100 million]; the Cigarette Tax [-$19 million]; and the Liquor Tax [-$2 million].

The largest growth by revenue category for FY 2023 came from Transfers In, which ended the year up $1.156 billion. The vast majority of this growth came from a $1.239 billion increase in the Income Tax Refund Fund Transfer caused by above-average income tax receipts from the previous fiscal year. This growth, along with a $17 million improvement in Casino Gaming Transfers, helped offset reductions in Lottery Transfers [-$94 million]; Cannabis Transfers [-$4 million]; and Other Transfers [-$2 million].

Base Federal Sources, when not including the ARPA reimbursement funds or the SLFRF Allocation Transfer, were down $782 million in FY 2023 as compared to FY 2022 totals. A similar level of decline in these base revenues had been anticipated throughout the year in FY 2023 revenue projections.

The table below summarizes the General Funds revenue totals by category and shows how the FY 2023 totals compare to FY 2022. A table displaying a more detailed look at these totals is shown on the following page.

Summary of Receipts

GENERAL FUNDS RECEIPTS: YEAR END

FY 2022 vs. FY 2023

($ millions)

Revenue Sources	**FY 2022**	**FY 2023**	**$ CHANGE**	**% CHANGE**
Net Personal Income Tax	$24,839	$23,750	($1,089)	-4.4%
Net Corporate Income Tax	$5,407	$5,828	$421	7.8%
Net Sales Tax	$10,234	$10,451	$217	2.1%
All Other State Sources	$3,178	$3,628	$450	14.2%
Transfers In	$2,092	$3,248	$1,156	55.3%
Federal Sources [base]	$4,584	$3,802	($782)	-17.1%
Base General Funds	$50,334	$50,707	$373	0.7%
ARPA Reimb. for Essential Gov't Services	$736	$1,064	$328	44.6%
SLFRF Allocation Transfer	$0	$1,363	$1,363	N/A
Total General Funds	**$51,070**	**$53,134**	**$2,064**	**4.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Jul-23

GENERAL FUNDS RECEIPTS: YEAR END

FY 2022 vs. FY 2023

($ millions)

Revenue Sources	**FY 2022**	**FY 2023**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$29,137	$27,889	($1,248)	-4.3%
Corporate Income Tax (regular)	6,831	7,318	487	7.1%
Sales Taxes	10,984	11,589	605	5.5%
Public Utility Taxes (regular)	750	751	1	0.1%
Cigarette Tax	254	235	(19)	-7.5%
Liquor Gallonage Taxes	183	181	(2)	-1.1%
Inheritance Tax	603	503	(100)	-16.6%
Insurance Taxes and Fees	455	492	37	8.1%
Corporate Franchise Tax & Fees	216	225	9	4.2%
Interest on State Funds & Investments	30	407	377	1,256.7%
Cook County IGT	244	244	0	0.0%
Other Sources	443	590	147	33.2%
Total State Taxes	$50,130	$50,424	$294	0.6%
Transfers In				
Lottery	$820	$726	($94)	-11.5%
Gaming	140	157	17	12.1%
Cannabis	115	111	(4)	-3.5%
Refund Fund	242	1,481	1,239	512.0%
Other	775	773	(2)	-0.3%
Total Transfers In	$2,092	$3,248	$1,156	55.3%
Total State Sources	$52,222	$53,672	$1,450	2.8%
Federal Sources [base]	$4,584	$3,802	($782)	-17.1%
Total Federal & State Sources	$56,806	$57,474	$668	1.2%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($2,696)	($2,580)	$116	-4.3%
Corporate Income Tax	(1,026)	(1,062)	(36)	3.5%
Local Government Distributive Fund				
Personal Income Tax	(1,602)	(1,559)	43	-2.7%
Corporate Income Tax	(398)	(429)	(31)	7.7%
Sales Tax Distributions				
Deposits into Road Fund	(132)	(484)	(352)	266.7%
Distribution to the PTF and DPTF	(618)	(654)	(36)	5.8%
General Funds Subtotal [Base]	**$50,334**	**$50,707**	**$373**	**0.7%**
ARPA Reimb. for Essential Gov't Services	$736	$1,064	$328	44.6%
SLFRF Allocation Transfer	$0	$1,363	$1,363	N/A
Total General Funds	**$51,070**	**$53,134**	**$2,064**	**4.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 3-Jul-23

Review of FY 2023 Revenue Estimates vs. Actuals

The following two tables display and compare the FY 2023 General Funds actuals with the last official revenues estimates of GOMB and CGFA. The table below summarizes the information by category of revenues, while the table on the following page provides more detail.

The most effective comparison is made by comparing General Funds "Base" Receipts which exclude one-time federal reimbursement and transfers. *Note: The ARPA Reimbursement transfer and the Coronavirus State and Local Fiscal Recovery Funds [SLFRF] Allocation Transfer (see page 2) that took place in June were not previously anticipated by the Governor's Office and therefore not included in each Agency's most recent projections. Therefore the "base" revenue totals should be used for an "apples to apples" evaluation of actuals versus projections.*

As shown below, the "base" receipt actual total for FY 2023 was $50.707 billion. This figure came in $295 million (+0.6%) higher than the Commission's May 2023 forecast of $50.412 billion. The actual was $726 million (+1.5%) above the GOMB's May 2023 revised forecast of $50.744 billion.

FY 2023 General Funds Actuals
vs. Most Recent Official Estimates of GOMB and CGFA
($ millions)

Revenue Sources	ACTUAL FY 2023	GOMB Revised May-23	Difference from Actuals	CGFA Revised May-23	Difference from Actuals
Personal Income Taxes [Net]	**$23,750**	**$23,438**	**$312**	**$23,579**	**$171**
Corporate Income Taxes [Net]	**$5,828**	**$5,723**	**$105**	**$5,843**	**($16)**
Sales Tax [Net]	**$10,451**	**$10,390**	**$61**	**$10,452**	**($1)**
All Other State Sources	**$3,628**	**$3,442**	**$186**	**$3,544**	**$84**
Transfers In	**$3,248**	**$3,268**	**($20)**	**$3,294**	**($46)**
Federal Sources [Base]	**$3,802**	**$3,720**	**$82**	**$3,700**	**$102**
General Funds Subtotal [Base]	**$50,707**	**$49,981**	**$726**	**$50,412**	**$295**
ARPA Reimb. for Essential Gov't Services	**$1,064**	**$763**	**$301**	**$764**	**$300**
SLFRF Allocation Transfer	**$1,363**	**$0**	**$1,363**	**$0**	**$1,363**
Total General Funds Revenues	**$53,134**	**$50,744**	**$2,390**	**$51,176**	**$1,958**

Budget Source: https://budget.illinois.gov/ Note: Some totals may not equal, due to rounding.

The original budget for FY 2023 was enacted in April 2022 with an assumed revenue total of $46.4 billion. With revenues performing well above cautious expectations and with the fear of an immediate post-pandemic recession subsiding, the Commission revised the FY 2023 base revenue outlook to $50.6 billion in November 2022 and then again up to $51.1 billion in March 2023. However, the anticipated falloff in income tax final receipts in March/April was more severe than expected, thereby causing the Commission to lower its base projection to $50.4 billion in May 2023 (shown above). In the end, all three of the Commission's revised estimates were less than 1% from the resulting FY 2023 base actual total of $50.7 billion.

FY 2023 General Funds Actuals
vs. Most Recent Official Estimates of GOMB and CGFA

($ millions)

Revenue Sources	ACTUAL FY 2023	GOMB Revised May-23	Difference from Actuals	CGFA Revised May-23	Difference from Actuals
State Taxes					
Personal Income Tax	$27,889	$27,522	$367	$27,687	$202
Corporate Income Tax (regular)	$7,318	$7,186	$132	$7,337	($19)
Sales Taxes	$11,589	$11,534	$55	$11,590	($1)
Public Utility (regular)	$751	$731	$20	$750	$1
Cigarette Tax	$235	$235	$0	$235	$0
Liquor Gallonage Taxes	$181	$181	$0	$183	($2)
Inheritance Tax	$503	$475	$28	$500	$3
Insurance Taxes & Fees	$492	$464	$28	$481	$11
Corporate Franchise Tax & Fees	$225	$212	$13	$225	$0
Interest on State Funds & Investments	$407	$335	$72	$335	$72
Cook County Intergovernmental Transfer	$244	$244	$0	$244	$0
Other Sources	$590	$565	$25	$591	($1)
Total State Taxes	$50,424	$49,684	$740	$50,158	$266
Transfers In					
Lottery	$726	$718	$8	$745	($19)
Gaming	$157	$157	$0	$167	($10)
Cannabis	$111	$114	($3)	$111	$0
Refund Fund	$1,481	$1,481	$0	$1,481	$0
Other	$773	$798	($25)	$790	($17)
Total Transfers In	$3,248	$3,268	($20)	$3,294	($46)
Total State Sources	$53,672	$52,952	$720	$53,452	$220
Federal Sources [Base]	$3,802	$3,720	$82	$3,700	$102
Total Federal & State Sources	$57,474	$56,672	$802	$57,152	$322
Nongeneral Funds Distribution:					
Refund Fund					
Personal Income Tax [9.25% '23]	($2,580)	($2,546)	($34)	($2,561)	($19)
Corporate Income Tax [14.5% '23]	($1,062)	($1,042)	($20)	($1,064)	$2
Local Government Distributive Fund					
Personal Income Tax	($1,559)	($1,539)	($20)	($1,548)	($11)
Corporate Income Tax	($429)	($421)	($8)	($430)	$1
Sales Tax Distributions					
Sales Tax Deposits into Road Fund	($484)	($484)	$0	($484)	$0
Sales Tax Distribution to the PTF and DPTF	($654)	($660)	$6	($654)	$0
General Funds Subtotal [Base]	**$50,707**	**$49,981**	**$726**	**$50,412**	**$295**
ARPA Reimb. for Essential Gov't Services	$1,064	$763	$301	$764	$300
SLFRF Allocation Transfer	$1,363	$0	$1,363	$0	$1,363
Total General Funds Revenues	**$53,134**	**$50,744**	**$2,390**	**$51,176**	**$1,958**

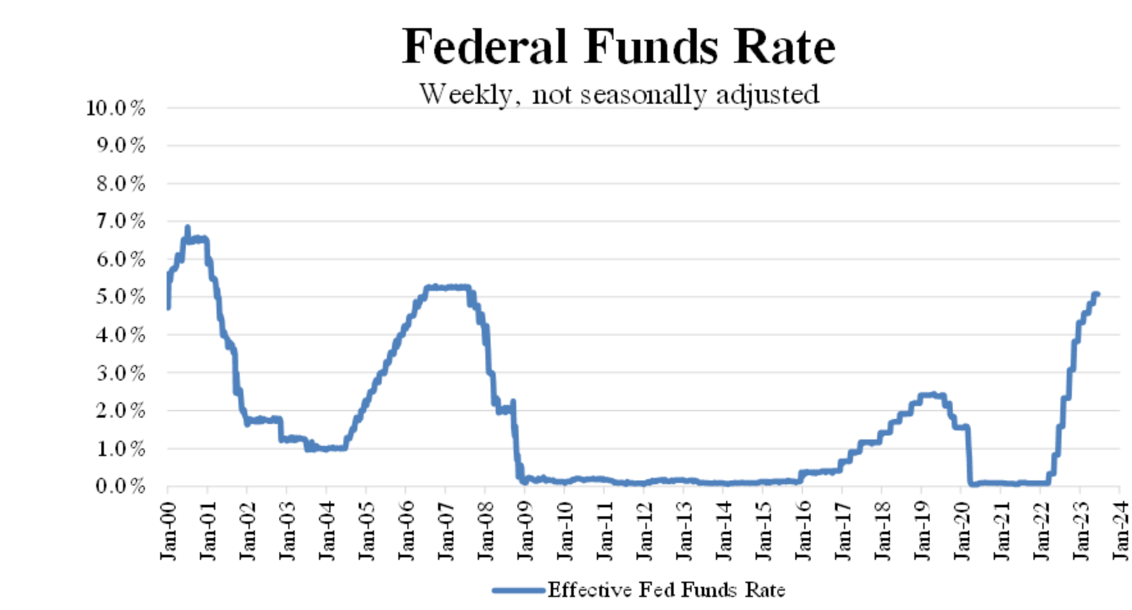
Budget Source: https://budget.illinois.gov/ Note: Some totals may not equal, due to rounding.

Economy: Fed Pauses

Benjamin L. Varner, Chief Economist

After over a year of continuously tightening monetary policy, the Federal Reserve paused in June. The Federal Open Market Committee (FOMC) had raised the range for the federal funds rate for ten straight meetings. As illustrated in the table below, the effective federal funds rate has increased significantly over the last year. Since March of 2022, the Fed has increased its short-term interest rate range from 0% - 0.25% to its current level of between 5.00% and 5.25%. At the June meeting, the Fed kept short-term interest rates at the same range. This pause "allows the Committee to assess additional information and its implications for monetary policy". In comments to Congress a week later, Federal Chairman Jerome Powell stated that "Inflation has moderated somewhat since the middle of last year. Nonetheless, inflation pressures continue to run high, and the process of getting inflation back down to 2% has a long way to go."

As part of the Fed's meetings in June, the Summary of Economic Projections (SEP) was released. The SEP is a set of projections, submitted by FOMC meeting participants, of the most likely outcomes for real gross domestic product (GDP) growth, the unemployment rate, and inflation for each year from 2023 to 2025 and over the longer run. As part of the SEP, meeting participants anticipated that the federal funds rate would rise to approximately 5.6% by the end of 2023. This would indicate an increase of approximately 0.5% from its current level. Some economic commentators have surmised this to mean that the Fed will raise interest rates by 0.25% at each of the next two Fed meetings which will occur in late July and the middle of September. The median forecast has the federal funds rate falling to 4.6% by the end of 2024 and 3.4% in 2025.



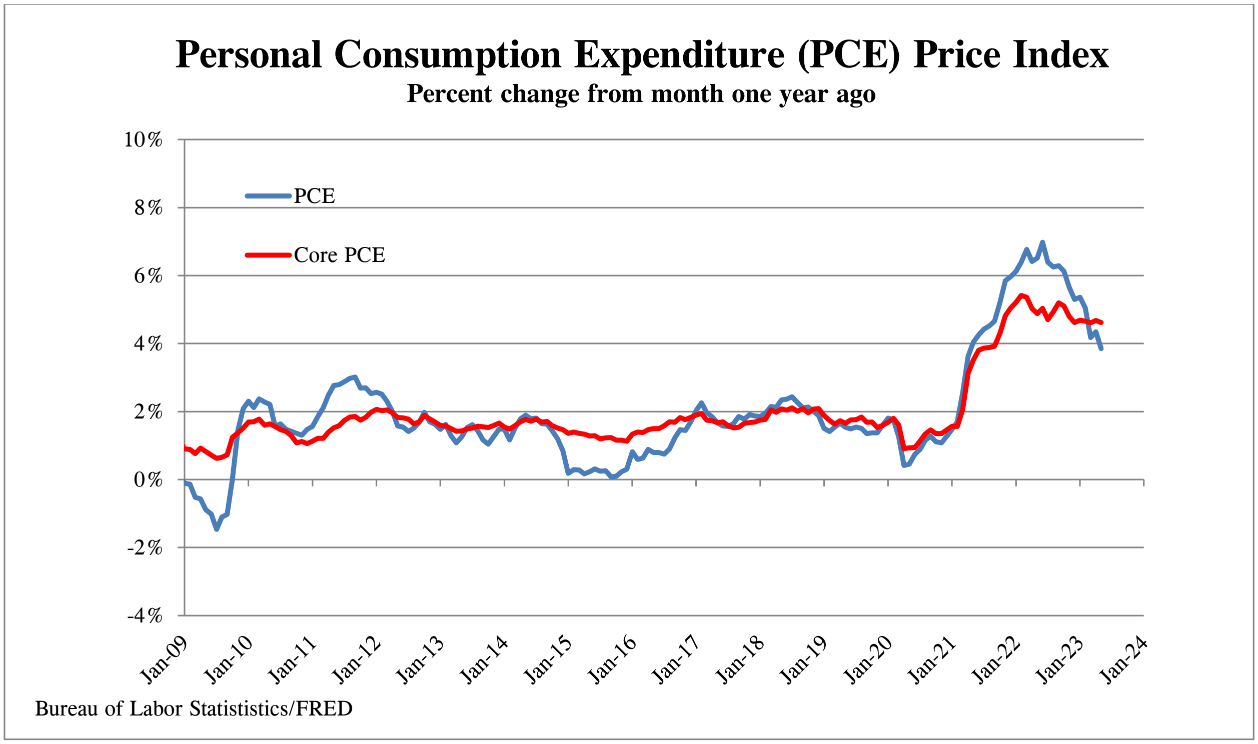
Board of Governors of the Federal Reserve System, Freddie Mac, FRED

The median expectation for real GDP for the year is a 1.0% increase from the fourth quarter of 2022 to the fourth quarter of 2023. This was an increase in expectations from the 0.4% forecast from the previous SEP released in March. This compares to 0.9% growth in 2022 and a larger increase of 5.7% in 2021 as the economy re-opened from the initial outbreak of the COVID-19 pandemic. Forecasts for real GDP ranged from 0.5% to 2.0% for 2023. Meeting participants expect growth to remain muted at 1.1% in 2024, before settling closer to the long-run average of 1.8% growth in 2025.

The median forecast for unemployment sees the unemployment rate for the U.S. averaging 4.1% in the fourth quarter of 2023. This compares to the current rate of 3.7%. Once again, this metric is improved compared to the previous economic forecast. In March, FOMC members were predicting that the unemployment rate would rise to 4.5% by the end of 2023. This change likely coincides with an improved economic outlook from some forecasters outside of the FOMC. Recently, the investment bank Goldman Sachs lowered their assessment of the probability of the U.S. economy entering a recession in the next twelve months from 35% to 25% though many economic forecasters still have a recession in the short-term as a distinct possibility. All meeting participants saw unemployment rising by the end of 2023. The median expectation was 4.5% at the end of both 2024 and 2025 with some predictions being as high as 5.0%. The longer run unemployment rate was estimated to be around 4.0%.

The Federal Reserve's preferred measure of inflation is the Personal Consumption Expenditures (PCE) price index. The Fed especially watches the core PCE measurement that excludes energy and food, which are some of the more volatile components of the index. As part of its goal of sustaining stable prices, the Fed's monetary policy is designed to maintain inflation at a rate of 2%. As seen in the following chart, core PCE inflation peaked in the spring of 2022 at 5.4%, while the headline PCE rate rose to 7.0% during the summer on a year-over-year basis. Since then, headline PCE has fallen to 3.8%, while the core PCE inflation rate has remained higher, currently at 4.6%. Fed forecasters expect headline PCE to fall to 3.2% by the end of the year, while the core inflation rate is expected to be at 3.9%. These expectations are well above the target level of 2.0% and would further indicate an inclination to sustain tight monetary policy to fight inflation. The median forecast for both PCE inflation and core PCE inflation fall to around 2.5% in 2024 and closer to 2% in 2025.

It remains to be seen what action the Fed will take in the second half of 2023. Market expectations are for continued interest rate increases as the Fed responds to the elevated inflation levels and strength in overall employment. Real GDP growth is predicted to remain subdued as the unemployment rate is expected to rise somewhat as the economy works through various economic headwinds. It is anticipated that inflation will continue to fall, though not as fast or as smoothly, as many would like. As highlighted at the beginning of this article, this pause will allow the Committee to assess additional information and change monetary policy as necessary.

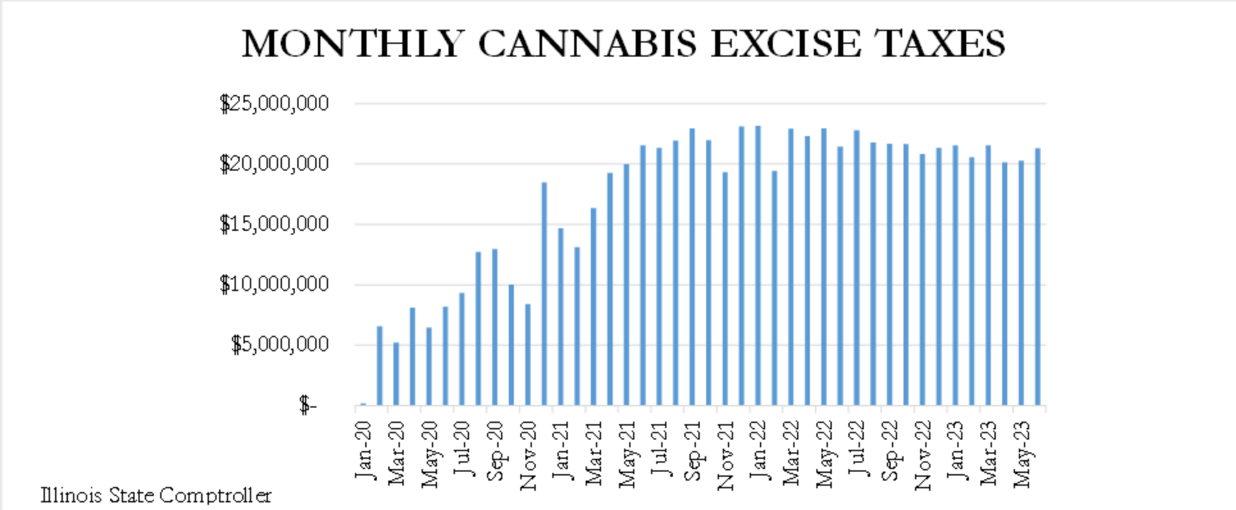


INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (May)	4.1%	4.2%	4.4%
Inflation in Chicago (12-month percent change) (May)	3.3%	4.8%	8.0%
	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (May)	6,475.7	-0.1%	-0.2%
Employment (thousands) (May)	6,210.4	0.0%	0.2%
Nonfarm Payroll Employment (May)	6,129,700	2,800	120,300
New Car & Truck Registration (May)	37,481	20.2%	22.6%
Single Family Housing Permits (May)	899	18.9%	0.2%
Total Exports ($ mil) (Apr.)	6,336.4	-14.7%	-0.6%
Chicago Purchasing Managers Index (June)	41.5	2.7%	-25.9%

* Due to monthly fluctuations, trend best shown by % change from a year ago

Cannabis Quarterly – 4th Quarter FY 2023



CANNABIS REGULATION FUND REVENUE ($ millions)								
Revenue Source	**FY22 Q4**	**FY23 Q4**	**$ Change**	**% Change**	**FY22 YTD**	**FY23 YTD**	**$ Change**	**% Change**
State Cannabis Excise Taxes	$66.7	$61.7	($5.0)	-7.5%	$262.9	$255.5	($7.4)	-2.8%
Licenses and Registration Fees	$2.4	$1.8	($0.5)	-22.3%	$12.7	$7.3	($5.4)	-42.8%
Other Revenue	$0.2	$0.0	($0.2)	-100.0%	$0.6	$0.1	($0.6)	-88.0%
Total	**$69.3**	**$63.6**	**($5.8)**	**-8.3%**	**$276.2**	**$262.9**	**($13.4)**	**-4.8%**
Illinois State Comptroller, CGFA								

CANNABIS REGULATION FUND EXPENDITURES ($ millions)								
Object of Expenditure	**FY22 Q4**	**FY23 Q4**	**$ Change**	**% Change**	**FY22 YTD**	**FY23 YTD**	**$ Change**	**% Change**
Transfer - General Revenue Fund	$24.2	$21.7	($2.5)	-10.4%	$89.7	$86.4	($3.3)	-3.7%
Transfer - Professional Services	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Workers' Compensation Revolving	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Transfer - Criminal Justice Info Projects	$17.3	$15.5	($1.8)	-10.4%	$64.1	$61.7	($2.4)	-3.7%
Transfer - Drug Treatment	$1.4	$1.2	($0.1)	-10.4%	$5.1	$4.9	($0.2)	-3.7%
Transfer - DHS Community Services	$13.8	$12.4	($1.4)	-10.4%	$51.3	$49.4	($1.9)	-3.7%
Transfer - Local Government Distributive Fund	$5.5	$5.0	($0.6)	-10.4%	$20.5	$19.7	($0.8)	-3.7%
Transfer - Budget Stabilization	$6.9	$6.2	($0.7)	-10.4%	$25.6	$24.7	($1.0)	-3.7%
Transfer - Cannabis Expungement	$0.7	$0.7	$0.0	0.0%	$2.8	$2.8	($0.0)	-0.6%
Transfer Total	**$69.8**	**$62.6**	**($7.2)**	**-10.3%**	**$259.2**	**$249.6**	**($9.5)**	**-3.7%**
Operations - Agriculture	$1.1	$1.2	$0.1	9.6%	$2.9	$4.0	$1.1	36.0%
Operations - Commerce and Econ. Opportunity	$0.1	$0.1	$0.0	37.9%	$0.1	$0.3	$0.2	119.1%
Operations - Financial Professional Regulation	$1.4	$1.6	$0.2	13.2%	$3.9	$5.1	$1.2	31.0%
Operations - Public Health	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	0.0%
Operations - Revenue	$0.0	$0.0	$0.0	n/a	$1.5	$1.5	$0.0	0.0%
Operations - State Police	$0.5	$0.6	$0.0	6.1%	$2.2	$2.0	($0.2)	-9.9%
Operations - Criminal Justice Information Authority	$0.0	$0.0	$0.0	n/a	$0.0	$0.0	$0.0	n/a
Operations Total	**$3.2**	**$3.5**	**$0.4**	**11.2%**	**$10.6**	**$12.8**	**$2.2**	**20.7%**
Grand Total	**$72.9**	**$66.1**	**($6.8)**	**-9.3%**	**$269.8**	**$262.5**	**($7.3)**	**-2.7%**
Illinois State Comptroller, CGFA								

Spring 2023 Pension Legislation Overview
Dan Hankiewicz, Pension Unit Manager

Below is a summary of all the substantive pension bills that passed both chambers of the General Assembly during the spring 2023 legislative session. Those bills that have been signed into law are denoted with the appropriate Public Act number.

HB 300

Sponsors: Stuart (Belt)

Passed House:	91-12-0
Passed Senate:	53-1-0

Under current law, if a teacher's salary for any school year used to calculate that teacher's pensionable salary exceeds the member's salary with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the system the present value amount of the increase in benefits proportional to the increase in salary that is excess 6% (this provision is known as the "FAS Cap"). Employers (school districts, in most cases) are exempted from paying FAS Cap penalties for various salary increases, such as overload or stipend work, or payments that a teacher may receive from the State Board of Education over which the employing school district has no discretion, among other exemptions. HB 300 adds an additional exemption for pensionable salary increases resulting from an employer coming into compliance with Public Act 101-443 or this amendatory Act of the 103^{rd} General Assembly.

Public Act 101-0443, which took effect on June 1, 2020, amended the School Code to define the minimum salary rates for full-time teachers statewide. Additionally, HB 300 provides more specific guidelines for calculating minimum salary rates for teachers. P.A. 101-0443 set the minimum teacher salary for the 2023-2024 school year at $40,000. Under this bill, the minimum salary rate for each school year thereafter shall equal the minimum salary rate for the previous school year increased by a percentage equal to the annualized percentage increase in the CPI-U, if any, for the 12-month period ending on June 30 of the school year that ended 12 months prior to the school year in which the adjusted salary is to be in effect.

Under HB 300, the Commission on Government Forecasting and Accountability must certify the minimum salary rate for the 2024-2025 school year no later than September 30, 2023, and by no later than each July 20th, 2024 and annually on or before each July 20^{th} thereafter, CGFA must certify the minimum teacher salary rate for each school year after the 2024-2025 school year.

HB 1297 (P.A. 103-0017)

Sponsors: Elik (Harriss)

Passed House:	108-8-0
Passed Senate:	55-1-0

HB 1297 was signed in to law as P.A. 103-0017 on June 9, 2023.

P.A. 96-0546, which became effective on August 17th, 2009, allowed for members of TRS to establish up to 2 years of service credit in the pension fund for prior service as a teacher in a private school. In order to establish the service credit, the teacher must have paid to TRS the employee and employer contribution that would have been required had the private school service been rendered in TRS at the member's salary rate during the first year of employment as a member of TRS, plus interest at the actuarially assumed rate of return from the first date of service in TRS to the date of payment. The service credit window under P.A. 96-0546 expired on August 1, 2012. P.A. 102-0525, which became effective on August 20th, 2021, re-opened the private school service credit purchase window, extending the sunset date from the aforementioned expiration date to June 30, 2023. HB 1297 extends the service credit purchase window sunset date for private school service to June 30, 2028.

HB 2035

Sponsors: Burke (Cunningham)

Passed House:	99-8-0
Passed Senate:	50-3-0

Disability Determinations by Non-Licensed Physicians

According to the MWRD Pension Fund, medical exams in disability cases are often delegated to medical professionals other than a physician (Nurse Practitioners, Licensed Physician's Assistants, etc.) but a licensed physician is required to sign off on the examination. HB 2035 would allow the aforementioned healthcare practitioners to make disability determinations on their own. According to the pension fund, the bill would grant the MWRD Pension Fund the ability to accept disability documentation signed by the healthcare practitioner without having to wait on a doctor's signature.

Waiver of Guardianship in Cases of Deceased Parents or Spouse

The MWRD Pension Fund claims that in the event that an unmarried member with deceased parents becomes incapacitated, current statute does not allow the member's adult child or adult sibling to act as a decision maker, even if given Board approval. HB 2035 amends the MWRD article of the Pension Code to allow for a representative other than the spouse or parent of the disabled member to represent the annuitant before the board in cases where a disability benefit is under consideration by the board.

HB 2057

Sponsors: Burke (Martwick)

Passed House:	108-0-0
Passed Senate:	56-0-0

HB 2057 expands the subpoena powers of both the Chicago Laborers and Chicago Park District pension fund boards by allowing them to compel the production of records and to compel the attendance of witnesses on any matter concerning the respective funds in conjunction with the following:

- Disability claims;
- Administrative review hearings;
- Attempts to obtain information to assist in the collection of sums due to the funds;
- Obtaining any and all personal identifying information necessary for the administration of benefits;
- The determination of the death of an annuitant or a potential benefit recipient; or
- A felony forfeiture investigation.

The bill states that the fees paid to witnesses for attendance and travel to board proceedings shall be the same as the fees paid to witnesses before the circuit courts of Illinois, and shall be paid by the respective boards when a subpoena is issued.

Under the Circuit Courts Act, witnesses in circuit courts are entitled to receive the sum of $20 for each day's attendance and $0.20 per mile each way for necessary travel. HB 2057 grants the aforementioned reimbursement for subpoenaed parties before both respective boards, and the bill deletes the aforementioned cap on witness fees of $6 per day that is currently enshrined into the Chicago Laborers Article.

HB 2147

Sponsors: Yang Rohr (Villivalam)

Passed House:	110-0-0
Passed Senate:	57-0-0
House Concurrence	108-0-0

Extension of Current Limits for Retired Teacher Return-to-Service Program in TRS

Under current law, TRS allows annuitants receiving an annuity other than a disability retirement annuity to return to work as a teacher without impairment of retirement status, provided that employment is not within the school year during which service was terminated and does not exceed 120 paid days or 600 paid hours in each school year, but not more than 100 paid days in the same classroom. This provision will sunset on June 30, 2023, at which time the limits shall be set at 100 paid days or 500 paid hours in each school year. HB 2147 amends the TRS Article of the Pension Code to extend the current limits (120 paid days or 600 paid hours) until June 30, 2026, and delays until July 1, 2026 the new limits that would otherwise take effect on July 1, 2023 (100 paid days or 500 paid hours).

Optional Service Credit in TRS for Periods of Student Teaching

HB 2147 allows TRS members to establish optional service credit for periods of service as a student teacher, provided eligible members pay to the system the amounts that would have been contributed had the service been rendered in TRS, plus regular interest for the establishment of service credit (6%) from the date of service to the date of payment, compounded annually. The bill does not require payment of the employer's normal cost to establish such service credit.

Optional Service Credit in the Chicago Municipal Fund for Certain Chicago Board of Education Employees

HB 2147 allows members of the Chicago Municipal Pension Fund to establish up to 2 years of optional service credit for periods of service as a part-time employee of the Chicago Board of Education prior to becoming an employee in a position covered by the Chicago Municipal Fund. To establish such optional service credit, eligible members must pay to the system the amounts that would have been contributed had the service been rendered as a member of the Chicago Municipal Fund, plus the employer's normal cost, plus interest at the statutory "effective rate" (3.00%) from the date of service to the date of payment. Employees must apply for the optional service credit and pay the aforementioned amounts no later than 6 months after the effective date of this amendatory Act.

HB 2352

Sponsors: Evans (Martwick)

Passed House:	110-0-0
Passed Senate:	54-0-1
House Concurrence	78-25-0

Pensionable Salary Cap Adjustment for Tier 2 Members in the Cook County Employees' Fund

Under the General Provisions Article of the Pension Code, the annual pensionable earnings of Tier 2 employees shall not exceed $123,489, the current Tier 2 pensionable salary cap. Beginning on January 1, 2024, HB 2352 would change the annual Tier 2 pensionable salary cap to be equal to the annual contribution and benefit base established for the applicable year by the Commissioner of the Social Security Administration under the federal Social Security Act ($160,200 in 2023). Additionally, the bill states that the new maximum pensionable salary shall not be increased due to reciprocal service, nor shall the pension fund be required to pay any refund to any Tier 2 member due to earnings that exceed the new pensionable salary cap.

Pension Funding Sources

Currently, employer contributions to the Cook County Employees' Pension Fund are made via a "multiplier" methodology, under which contributions are made from property taxes in an amount equal to employer contributions in the calendar year 2 years prior to the payment year, multiplied by 1.54. Beginning in 2024, HB 2352 provides that contributions to the pension fund can be made from any lawfully available funds, over and above the current property tax levy. In addition to the expansion of employer funding sources, a new minimum funding schedule will take effect in FY 2024, as outlined below.

New Minimum Funding Requirement Beginning in FY 2024

Under HB 2352, the multiplier methodology funding as described above will be replaced with a new funding methodology. The bill provides that the new minimum required employer contributions shall be equal to the sum of the following components:

1. the projected normal cost for pensions for that fiscal year based on the entry age actuarial cost method, plus;
2. a projected unfunded actuarial accrued liability "layered" amortization payment for pensions for the fiscal year, plus;
3. projected expenses for that fiscal year, plus;
4. interest to adjust for payment pattern during the fiscal year, less;
5. projected employee contributions for that fiscal year.

Eligibility for Optional Military Service Credit Purchases

Currently, the Cook County Article of the Pension Code contains an outdated provision concerning the purchase of optional military service credit. Current statute holds that a member must have been in active service as of January 1, 1993 and must have at least 25 years of service credit in the pension fund to purchase up to 2 years of optional military service credit. HB 2352 deletes the requirement that the member must have been in active service on January 1, 1993 and the requirement that the member must have at least 25 years of active service credit to purchase 2 years of military service credit. The military service need not have been served in wartime, nor must it have followed first employment with Cook County.

To establish the credit, the employee must pay to the fund the employee contributions for the period of service to be established, based on the employee's salary on the last day before military service commenced, or the first day after the employee returns from military service, whichever is greater, plus interest at the statutory "effective rate" for service credit purchases (currently 3%), from the date of discharge to the date of payment. Employees are not required to pay the employer's normal cost to establish optional military service credit.

HB 2390 (P.A. 103-0033)

Sponsors: Windhorst (Morrison)

Passed House:	106-0-1
Passed Senate:	56-0-0

HB 2390 was signed into law as P.A. 103-0033 on June 9th, 2023.

Prior to the enactment of HB 2390, the Downstate Police Article of the Pension Code mandated that officers who were drawing a disability annuity (either duty-related or non-duty related) may have been summoned to appear before the pertinent Downstate Police pension board, and to submit to an examination to determine fitness for duty. If the officer was found to have recovered from disability, the board was required to certify to the chief of the pertinent department that the officer was no longer disabled and was able to resume the duties of their position. HB 2390 amended the Downstate Police Article such that the foregoing medical evaluation shall not apply to a disabled police officer who has attained the age of 60.

HB 3161

Sponsors: Collins (Hunter)

Passed House:	105-0-1
Passed Senate:	56-0-0

P.A. 98-0641, which became effective on June 9, 2014, made several reforms to the Chicago Municipal Fund that included increasing employer and employee contributions and reducing and delaying cost-of-living adjustments (COLAs) for current and future retirees. On March 24, 2016, the Illinois Supreme Court ruled the Act unconstitutional. HB 3161 would restore the pertinent sections of the Chicago Municipal Article to the form in which they appeared before P.A. 98-0641 was ruled unconstitutional by the Illinois Supreme Court.

HB 3162 (P.A. 103-0002)

Sponsors: Hoffman (Cunningham)

Passed House:	112-0-0
Passed Senate:	54-0-0

HB 3162 was signed into law as P.A. 103-0002 on May 10th, 2023.

HB 3162 amends the Chicago Police and Chicago Fire articles of the Pension Code. The bill provides that any police officer or firefighter who becomes disabled as a result of exposure to COVID-19 shall be rebuttably presumed to have contracted the disease while in the performance of an act of duty. If such an award is granted, the police officer or firefighter shall receive a duty disability benefit. Duty disability benefits in both funds are equal to 75% of the salary attached to the rank of the active police officer/firefighter at the time of disability. The foregoing presumption of duty disability shall apply to any police officer or firefighter who was exposed to and contracted COVID-19 on or after March 9, 2020 and on or before June 30, 2021.

HB 3646

Sponsors: Evans (Harris, III)

Passed House:	75-27-0
Passed Senate:	53-2-0

HB 3646 amends the Chicago Municipal Article of the Pension Code. The bill applies to an employee that entered municipal service after a period of time with the Chicago Transit Authority, but then accumulated further service with the CTA after municipal employment, and then re-entered municipal employment for a second time. Current law would not permit such an employee to claim service credit for the second period of CTA service in the Chicago Municipal Fund, inasmuch as they would have already "entered" service once, i.e., during their first tenure as a municipal employee. Therefore, HB 3646 provides that such an employee can "re-enter" municipal service and establish service credit for the second period of employment with the CTA. The provision in current law with regard to the salary upon which the employee must make contributions to establish the second round of CTA service credit remains in force; such contributions would be based upon the employee's salary upon "re-entrance" with the municipal employer, at the employee contribution rates in force with the Chicago Municipal Fund. Neither employer normal cost nor interest payments are required of the employee to establish this service credit.

SB 1115 (P.A. 103-0080)

Sponsors: Rose (Stuart)

Passed Senate:	57-0-0
Passed House:	104-0-0

SB 1115 was signed into law as P.A. 103-0080 on June 9, 2023.

SB 1115 amends the SURS article of the Pension Code. The bill establishes a "line of duty" disability annuity that would apply to SURS police officers disabled as a result of the performance of an act of duty, and whose disability leads to the inability to continue his or her duties as a police officer. Disabling conditions include stroke, tuberculosis, and diseases of the lungs and respiratory tract, among others. This bill applies to police officers whose line of duty benefit occurred on or after January 1, 2022 (meaning some members already on disability would be entitled to a re-calculation of benefits).

The new line-of-duty disability annuity shall be equal to the greater of: (1) 65% of the salary attached to the rank on the police force held by the officer at the date of suspension of duty or retirement; or (2) 65% of the police officer's average earnings during the 24 months immediately preceding the month in which disability occurred. Line of duty disability benefits shall be discontinued if the participant is no longer disabled. These changes would affect Tier 1 and Tier 2 police officers equally.

SB 1235

Passed Senate:	55-0-0
Passed House:	85-28-2
Senate Concurrence:	55-0-0

Sponsors: Martwick (Kifowit)

SB 1235 is a measure to address service credit accruals for part-time and adjunct faculty in SURS. Currently, one month of service credit is granted to a member if they qualify as an employee for at least 15 or more days in a given calendar month during which earnings are received. With regard to defining years of service, the following service increments apply: within an academic year, 8 or more months of service constitutes a year of service; 6-8 months constitutes three-quarters of a year of service; 3-6 months as one-half a year of service; and less than 3 months as one-quarter of a year of service.

SB 1235 forms a new creditable service accrual schedule for active participants on or after September 1, 2024, in which one month of service is granted for any employee who contributes to the system in which service is rendered and earnings received. In other words, the completion of one day of service or 31 days of service would constitute one month of service under the amended bill, so long as the employee contributes to the System. The bill restates the existing schedule for what constitutes a full year of service (or fractions thereof), as previously enumerated.

Elimination of the "Part-Time Service Credit Adjustment"

SB 1235 amends the SURS Article of the Pension Code regarding part-time employment and its effect on service credit. Under current law, for part-time employees, an adjustment is made for service credit earned in proportion to that which would have been earned for full-time service. SURS refers to this provision as the "part-time service credit adjustment." SB 1235 removes this adjustment for active members on or after September 1, 2024. SURS reports that approximately 24% of active members (73,307) have some part-time service. In addition, approximately 16% of retirement claims have a part-time adjustment, and the adjustment typically impacts the final pension amount in 10% of retirement claims.

Application of Maximum Pensionable Salary Increases to PT and Adjunct Faculty

Currently, the SURS Article of the Pension Code dictates that salary increases that exceed 20% in a member's final average salary period with the same employer shall not count towards that member's pension. This is separate and distinct from the 6% Final Average Salary Cap under P.A. 94-0004, which allocates responsibly for pay raises over 6% to the employing entity (in this case, the employing university or community college). The employer may grant 20% end-of-career pay increases, but that employer would assume responsibility for the present value of the pension associated with the pay raise over 6%, or 14%, in this hypothetical case. SB 1235 simply clarifies that the 20% end-of-career pensionable salary increase maximum applies to part-time and adjunct faculty in the same manner as full-time faculty.

<u>SB 1468 (P.A. 103-0088)</u>

Sponsors: Bennett (Stuart)

Passed Senate:	55-0-0
Passed House:	104-0-0

SB 1468 was signed into law as P.A. 103-0088 on June 9th, 2023.

Prior to the enactment of SB 1468, TRS allowed retired teachers other than disability annuitants to return to work as a teacher without impairment of retirement status, provided that employment was not within the school year during which service was terminated and did not exceed 120 paid days or 600 paid hours in each school year, but not more than 100 paid days in the same classroom. Beginning July 1, 2023, these limits were to be decreased to 100 paid days or 500 paid hours in each school year. With the enactment of SB 1468, the current limits of 120 paid days or 600 paid hours are extended through June 30, 2026, and the start date of the limit of 100 paid days or 500 paid hours is delayed from July 1, 2023 to July 1, 2026.

<u>SB 1646</u>

Sponsors: Martwick (Kifowit)

Passed Senate:	55-0-0
Passed House:	78-32-1
Senate Concurrence:	57-0-0

SB 1646 is a pension omnibus bill containing amendments to multiple articles of the Pension Code, as follows:

<u>Subpoena Powers for the Boards of the Chicago Laborers' and Chicago Park Districts' Funds:</u>

SB 1646 would expand the subpoena powers of the boards of the Chicago Laborers' and Park District Funds by allowing them to compel the attendance of witnesses and to compel the production of documents and records upon any matter concerning the fund in conjunction with the following:

- Disability claims;
- Administrative review hearings;
- Attempts to obtain information to assist in the collection of sums due to the Fund;
- Obtaining any and all personal identifying information necessary for the administration of benefits;
- The determination of the death of an annuitant; or
- A felony forfeiture investigation.

The bill states that the fees of witnesses for attendance and travel shall be the same as the fees of witnesses before the circuit courts of Illinois, and shall be paid by the board when a subpoena is issued.

Under the Circuit Courts Act, witnesses are entitled to receive the sum of $20 for each day's attendance and $0.20 per mile each way for necessary travel. The bill would grant the aforementioned reimbursement for subpoenaed parties who are compelled to appear before the pertinent pension board.

Disclosure of Member Information to the Municipal Employees Society of Chicago:

Under current law, the following disclosures of pension fund member information are allowed under the General Provisions Article of the Pension Code:

1) When disclosures are required under the Freedom of Information Act;
2) For the purposes of conducting public operations or business; or
3) To a labor organization or other voluntary association affiliated with a labor organization or labor federation.

SB 1646 amends Item #3 above, and allows pension fund member disclosures to be made to the Municipal Employees Society of Chicago. The Municipal Employees Society of Chicago is a labor union in Chicago, whose stated mission is "to educate and make Employees aware of all available benefit programs."

Administrative Changes to the Firefighters Pension Investment Fund Regarding Board Operations:

SB 1646 amends the Firefighters Pension Investment Article of the Pension Code. The Fund was created pursuant to Public Act 101-0610, which took effect on January 1, 2020 (The Downstate Police and Fire Pension Investment Consolidation Act of 2020). SB 1646 makes a number of technical changes to the operations of the Board of Trustees of the Fund. The changes are outlined below:

- Currently, each trustee of the Fire Pension Investment Fund must take their oath of office before the Secretary of State. SB 1646 gives the option for pension fund trustee members to take the oath before the Board's appointed legal counsel;

- Currently, trustees are reimbursed for travel expenses while conducting board business at the rate granted to members of the Commission on Government Forecasting and Accountability. SB 1646 deletes this reference to CGFA and simply states that trustees shall be reimbursed for board-related travel;

- A technical change is being made that deletes the requirement that ballot envelopes for board elections shall have on the outside of the envelope a form of certificate stating that the person casting the ballot is entitled to vote in the board election;

- SB 1646 streamlines the procedure for filling board vacancies regardless of the length of the unexpired term. Current law calls for special elections within each cohort (management, active, and retiree) for vacancies with a remaining term longer than 6 months. Under this bill, all vacancies that arise from each cohort shall be filled by appointment by members of that cohort (e.g., a vacancy amongst the municipal/management cohort shall be filled by a mayor, president, chief executive officer, etc., and a vacancy from the participating member cohort shall be filled by a participating member). Appointed members will fill the vacancy until the next regular election for an elected trustee from the pertinent cohort;

- Currently, the rules adopted by the Fire Investment Board are filed with the Secretary of State and the Department of Insurance. SB 1646 allows for the digitization of the rules, to be posted on the Fund's website; and

- SB 1646 adds a requirement to the custodian's role with regard to assets of the Fund. Current law requires each custodian to furnish a corporate surety bond of an amount designated by the board that indemnifies the Fund, the board, and the officers and employees of the Fund against any loss as a result of any action by the custodian. Under this bill, the bond the custodian furnishes shall provide insurance coverages of such type and limits as the board designates.

Chicago Municipal Pension Fund Annuitant Exemption for Annuitants Re-Entering Service as Paraprofessionals or Related Positions:

Under current law, when an annuitant member of the Chicago Municipal Pension Fund re-enters service, any annuity previously granted to that annuitant shall be cancelled. Beginning July 1, 2023, SB 1646 would create an exemption to this annuity cancellation provision for employees re-employed as a paraprofessional or related service provider on a temporary and non-annual basis or on an hourly basis, so long as the person does not work for compensation on more than 120 days in a school year or accepts gross compensation for the re-employment in a school year in excess of $30,000. Re-employment under these circumstances does not require employee contributions into the pension fund, will not result in service credit being earned or granted, and will not constitute active participation in the Fund.

Service Suspension Exception to Cook County Fund Annuitant Members Re-Entering Service as Election Workers:

SB 1646 amends the Cook County article of the Pension Code. Currently, when an employee annuitant re-enters service, that annuitant's pension shall be suspended during the time he or she is in service, regardless of the number of hours worked. When the annuitant again withdraws from service, the retirement pension shall be resumed.

This bill creates an exception to the rule regarding re-entry into service for election workers. So long as the period of re-entry to active service is less than 60 days within a calendar year, the employee's annuity is not suspended and the annuitant shall not be considered to be "in service."

Automatic Enrollment of New Employees in State Employees Deferred Compensation Plan:

Public Act 101-0277 directs the Department of Central Management Services to automatically enroll any employee in the State Employees Deferred Compensation Plan who, on or 6 months after the effective date of the Act (Jan 1, 2020), becomes a member of a retirement system created under Article 2, 14 or 18 of the Illinois Pension Code (GARS, SERS, and JRS).

Public Act 102-0219 further amplified the auto enrollment provisions by making the following changes:

1) The automatic enrollment requirement will apply to any employee who becomes an active member of a pertinent retirement system on or after July 1, 2020;
2) Any agency with employees who qualify must systematically provide the employee data necessary to CMS or its designee;
3) The Act changed the language pertaining to the refund to an employee who withdraws from the plan within 90 days to reflect the addition or subtraction of applicable earnings, investment fees, and administrative fees; and
4) The Act requires the pertinent pension board of trustees to establish annual, automatic increases to contribution rates for employees who are automatically enrolled, as long as the amount of increases in any 12-month period shall not exceed 1% of compensation and employees are given an opportunity, in a manner described by the pertinent board, in which to elect not to receive automatic annual increases.

SB 1646 closes the window opened by PA 102-0219 on January 1, 2024 and establishes a new set of requirements for employees hired on or after January 1, 2024. Such employees shall be:

1) Automatically enrolled in the Plan beginning the first day of the pay period following the close of the notice period, unless the employee elects otherwise within said notice period; and
2) Within 90 days of automatic enrollment, newly hired employees will be able to elect to withdraw from the plan and receive a refund of amounts deferred, plus or minus any applicable earnings, investment fees and administrative fees, forfeiting all employer contributions and including any refunded amount in the employee's gross income for the taxable year in which the refund is issued.

Paid Leave available to Chicago Public School Board Trustees Employed by the System for Board Attendance Purposes:

SB 1646 requires the Chicago Public School Board and employers of the System make available up to 22 days of paid leave of absence per year for the purpose of attending meetings of the Board of Trustees of the Chicago Teachers Pension Fund, committee meetings of the Board, and seminars regarding issues for which the Board is responsible. The allocation of this paid leave is at the discretion of the Board.

Removal of Duplicative Language Regarding the Ability of the Board of the Chicago Teachers Pension Fund to Set the Interest Rate for Optional Service Credit Purchases:

Under current law, members of the Chicago Teachers Pension Fund may earn service credit for certain types of service rendered outside of the pension fund, such as teaching service in other states, for service as a playground instructor, for service with the Board of Education (if such service required the teacher to resign from a teaching position), among other types of service. To establish optional service credit for such periods of service, the member must pay to the Chicago Teachers Pension Fund the employee and employer contribution that would have been required had such service been rendered as a member of the pension fund, plus interest at the actuarially assumed rate from the date of service to the date of payment, compounded annually.

P.A. 102-0822, which became effective on May 13th, 2022, contained language that required a teacher who wishes to establish optional service to pay interest "at the actuarially assumed rate, compounded annually, from the date of service to the date of payment." The Act also included the phrase "at a rate determined by the board" in the same paragraph. The inclusion of two methods of calculating interest was duplicative and in need of clarification. SB 1646 removes the latter phrase such that the interest rate for optional service credit is pegged to the system's actuarial rate of return (currently 6.75%).

Preventing the Use of Member Information for Solicitation:

SB 1646 prohibits deferred comp plan recordkeepers, which are essentially outside vendors charged with administering the plans for TRS, SURS, and the State of Illinois Deferred Compensation Plan, from using pension fund member information to solicit ancillary investment products or services.

SB 1648

Sponsors: Martwick (Delgado)

Passed Senate:	54-0-0
Passed House:	73-37-1
Senate Concurrence:	56-0-0

Continuation Annuities for Chicago Laborers Tier 2 recipients of Ordinary Disability Benefits

Public Act 96-889, the Tier 2 Act of 2010, provides that all non-public safety Tier 2 members covered under the Pension Code will receive a retirement annuity at age 67 with 10 years of service. The Act provides that in the event of a conflict between the provisions of Section 1-160 of the General Provisions Article of the Pension Code (which added the Tier 2 language) and any other provision of the Pension Code, the provisions of Section 1-160 shall control.

SB 1648 amends the Chicago Laborers Article of the Pension Code to ensure that upon exhaustion of ordinary disability benefits, Tier 2 members will receive a continuation annuity, which is an annuity calculated based upon the sum total of employee and employer contributions computed by using the employee's age as of the date of withdrawal from service (this type of annuity is referred to in actuarial terminology as an "accumulation annuity"). This accumulation annuity benefit amount is currently enshrined in the Chicago Laborers Article; SB 1648 merely clarifies the eligibility of Tier 2 employees to receive continuation disability annuities once ordinary disability benefits are exhausted.

Application of Minimum Annuities for Chicago Laborers Tier 1 Ordinary Disability Continuation Annuity Recipients

As previously explained, when Tier 1 members of the Chicago Laborers Pension Fund exhaust their ordinary disability benefits, they are entitled to receive ordinary disability continuation annuities. This benefit is calculated based upon the sum total of employee and employer contributions using the employee's age as of the date of withdrawal from service ("accumulation annuity"). SB 1648 amends the Chicago Laborers Article to stipulate that if the current statutory minimum retirement annuity of $850 per month exceeds the amount of the ordinary disability continuation annuity, then the disabled Tier 1 member shall receive the minimum retirement annuity in lieu of the continuation annuity amount that would otherwise be payable.

Retirement Annuities for Tier 2 SERS Members Who Exhaust Ordinary Disability Benefits

Currently, SERS Tier 2 ordinary (non-occupational) disability benefits are payable for 5 years if the disability begins after age 60, or until the age of 65 if the disability begins prior to age 60. The benefit amount is equal to 50% of salary at the time of disability. With the enactment of Public Act 96-889, the Tier 2 Act of 2010, a Tier 2 member does not become eligible for an unreduced pension until age 67. The Tier 2 Act specified that Tier 2 members may receive a reduced annuity at age 62, reduced by one-half of one percent for each month under age 67.

SB 1648 provides that if a Tier 2 SERS member's ordinary disability benefit is terminated for either of the aforementioned reasons (attainment of age 65 or the expiration of the 5-year time limit after age 60), that member shall immediately qualify for an unreduced pension, provided the member has at least 10 years of service credit. In other words, the member would not be forced to take a reduced annuity at age 65, as would be the case under current law.

SB 1824

Sponsors: Villa (Yang Rohr)

Passed Senate:	57-0-0
Passed House:	107-0-1

SB 1824 amends the General Provisions Article and the Illinois Municipal Retirement Fund Articles of the pension code. The bill provides that all authorized agents under IMRF must have training regarding the duties of an authorized agent within three months of appointment and that training costs are the responsibility of IMRF. Additionally, the bill creates an exemption to IMRF's Final Average Salary Cap such that municipalities will be exempted from paying to the pension fund the present value of an increase in final average salary greater than 6% or 1.5 times the annual increase in the CPI-U. This exemption is granted in cases where earnings are paid to members as required by federal or state law or court mandate. An exemption to the FAS Cap is also being made for earnings increases paid to participating employees returning to their regular number of hours after having undergone a temporary reduction in hours.

SB 1924 (P.A. 103-0110)

Sponsors: Halpin (Yednock)

Passed Senate:	45-5-0
Passed House:	77-33-0

SB 1924 amends the Illinois Municipal Retirement Fund (IMRF) article of the Pension Code. The bill provides that retiring members in a regional office of education may accumulate pensionable service credit for unused, unpaid sick leave with more than one employer, up to the statutory limit of one year of pensionable service credit for unused, unpaid sick leave.

SB 2100

Sponsors: Martwick (Didech)

Passed Senate:	56-0-0
Passed House:	111-0-0

Pursuant to The Police and Fire Pension Investment Consolidation Act of 2020 (P.A. 101-0610), the Police Officers' Pension Investment Fund was established on January 1, 2020. SB 2100 amends a number of provisions regarding the operations of the Board of Trustees of the Fund. Those changes are as follows:

- Current law directs each Trustee to take an oath of office before the Secretary of State before qualifying for membership on the Board. SB 2100 adds the legal counsel of the fund as an alternative option for Trustees to take their oath of office before in order to qualify for membership;

- Current law states that travel expenses for Trustees conducting Board business are reimbursed in a manner according to the standards in effect for members of the Commission on Government Forecasting and Accountability. SB 2100 deletes references to those standards and directs travel expenses to be reimbursed according to Article 1 of this Code as well as rules adopted by the pertinent Board.

- For a vacancy of an elected trustee occurring with an unexpired term of 6 months or more, current law dictates that an election shall be conducted for the vacancy. For a vacancy of an elected trustee occurring with an unexpired term of less than 6 months, current law dictates that the vacancy be filled by appointment by the Board dependent on a number of factors. SB 2100 fills these vacancies in the same manner regardless of time remaining on the unexpired term. These procedures are detailed below:

    - For vacancies arising from the management cohort (mayors, presidents, executive officers or department heads of municipalities), the vacancy shall be filled by appointment by the board from a list of candidates recommended by the other Trustees in that cohort.

    - For vacancies arising from the active member cohort, the vacancy shall be filled by appointment by the board from a list of candidates recommended by the other Trustees in that cohort.

    - For vacancies arising from the retiree/annuitant cohort, the vacancy shall be filled by appointment by the board from a list of candidates recommended by the other Trustees in that cohort.

SB 2100 dictates that a Trustee appointed to fill any vacancy shall serve until a successor is elected. These special elections shall be held concurrently with and in the same manner as the next regular election for the pertinent trustee position.

SB 2152

Sponsors: Cunningham (Kifowit)

Passed Senate:	50-5-0
Passed House:	73-38-1

SB 2152 amends the State Universities, Downstate Teachers, and State Board of Investment Articles of the Illinois Pension Code to establish proxy voting and reporting requirements for the Boards of each Fund, which will be conducted under the auspices of the Office of the State Treasurer. The bill provides that such power shall only be granted to the Treasurer upon an affirmative vote from the pertinent System's board of trustees.