

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

97TH GENERAL ASSEMBLY

BILL NO: **HB 3813, as amended by HA #1 & HA #2** October 25, 2011

SPONSOR(S): Cross – D. Harris (et al.)

SYSTEM(S): Chicago Municipal, Chicago Laborers, and Chicago Teachers

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**FISCAL IMPACT:** There are currently 22 members of the Chicago Teachers Pension fund on leave of absence working for a labor organization and 3 members of the Chicago Laborers fund on leave of absence working for a labor organization. It is unknown how many members of the Chicago Municipal Fund are currently on a leave of absence working for a labor organization. HB 3813, as amended, will have a positive fiscal impact on the affected pension funds to the extent that members who are on leave working for a labor organization will have their service credit and highest average annual salary calculated upon their municipal or teaching salary prior to the commencement of the leave of absence.

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**SUBJECT MATTER:** HB 3813, as amended by HA #1 and HA #2, amends the Chicago Municipal, Chicago Laborers', and Chicago Teachers' Articles of the Illinois Pension Code to provide that, for certain leaves of absences during which a participant is employed by a labor organization, contributions and highest average annual salary must be based upon the participant's regular salary rather than the salary received from the labor organization. In addition, HB 3813, as amended by HA #1, states that any suspicious or fraudulent activity must be reported.

**FISCAL IMPACT:** There are currently 22 members of the Chicago Teachers Pension fund on leave of absence working for a labor organization and 3 members of the Chicago Laborers fund on leave of absence working for a labor organization. It is unknown how many members of the Chicago Municipal Fund are currently on a leave of absence working for a labor organization. HB 3813, as amended, will have a positive fiscal impact on the affected pension funds to the extent that members who are on leave working for a labor organization will have their service credit and highest average annual salary calculated upon their municipal or teaching salary prior to the commencement of the leave of absence.

COMMENT:

Chicago Municipal and Chicago Laborers

Currently, members of the Chicago Municipal Pension Fund are allowed to earn service credit in the fund while working for a local labor organization that represents municipal

employees. Prior to the enactment of P.A. 86-1488, which became effective on Jan. 14, 1991, such employees were required to make contributions based on the municipal salary rate received by the member immediately prior to the leave of absence during which service with the labor organization commenced. After Jan. 14, 1991, P.A. 86-1488 allowed members employed by a local labor organization to base their contributions on their current union salary rather than the municipal salary earned prior to the leave of absence from municipal service. HB 3813, as amended, provides that current and future members who are employed by a local labor organization can only have service after the effective date of this bill calculated on the salary rate received by the member immediately prior to the leave of absence during which the member began service with a labor organization, including, but not limited to, pension plans established by the local labor organization, the national labor organization, or the international labor organization. In addition, HB 3813, as amended, states that the participant's highest average annual salary must be based upon the regular salary rate received by the participant for his or her municipal employment immediately prior to that leave of absence.

#### Chicago Teachers

Currently, the Chicago Teachers Article of the Pension Code allows members of the fund to accrue service credit for employment with a labor organization while on leave of absence from a teaching position. When a member takes such a leave of absence, the labor organization pays no employer contribution to the pension fund unless the member's union salary exceeds the member's teaching salary. In cases where the union salary exceeds the teaching salary, the union is required to pay the employer's normal cost rate on the difference between the teaching salary and the union salary. The Pension Code defines the teaching salary as the teacher's salary on Sept. 1, 1983 or the effective date of the leave of absence from teaching, whichever is later. HB 3813, as amended, requires that employee contributions and highest average annual salary for a teacher on leave of absence for the purpose of working in a union position will be based on the teacher's salary on the effective date of the leave of absence.

#### Anti-Fraud Provisions

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

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