

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 99TH GENERAL ASSEMBLY

BILL NO: **SB 0842, as amended by HA 1**

June 16, 2015

SPONSOR (S): Cullerton – Kotowski, et al. (Currie)

SYSTEM(S): State Finance Act, Downstate Police, Downstate Firefighters, Illinois Municipal Retirement Fund, Cook County Employees' and Policemen's' Annuity Benefit Fund, Forest Preserve District Employees' Annuity Benefit Fund, Chicago Park Employees and Retirement Board Employees' Annuity and Benefit Fund, Metropolitan Water Reclamation District Retirement Fund, the State Employees Retirement System, and Miscellaneous Collateral Provisions

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**FISCAL IMPACT:** Many of the changes proposed by SB 0842, as amended by HA 1, are either an extension of provisions that are already in effect or added measures to ensure timely employer contributions. This bill will aid pension systems by allowing them to appropriate funds in an easier manner with a lower risk for errors. The bill also aims to prevent late payments to various pension funds by financially penalizing employers, districts, or counties that fail to make their contributions in a timely manner. To the extent that any otherwise delinquent employer pension contributions are expedited, SB 842, as amended by HA 1, will have a positive fiscal impact.

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**SUBJECT MATTER:** SB 0842, as amended by HA 1, makes the following changes:

- Extends the period in which the State Pension Fund appropriates funds exclusively to the State Universities Retirement Systems via the State Finance Act.
- Extends the provision that allows the state to make employer contributions to the State Employees' Retirement System as a lump sum by amending the State Finance Act.
- Proposes several technical changes to the Downstate Police and Fire Funds including procedural changes involving the Comptroller.
- Removes the Treasurer as the intermediary custodian for the Illinois Municipal Retirement Fund.
- Grants the Cook County Employees Pension Fund, the Cook County Forest Preserve Pension Fund, the Chicago Park District Pension Fund, the Metropolitan Water Reclamation District Pension Fund, and the Miscellaneous Collateral Provisions article of the Illinois Pension Code the ability to withhold

certified amounts from payments of state funds to the employer, if there are delinquent payments.

- Extends the period in which the General Revenue Fund payable to the State Employees' Retirement System would be appropriated as a lump sum amount rather than payroll reductions.

COMMENT:

State Finance Act Changes

SB 0842, as amended by HA 1, amends the State Finance Act by extending the period that the State Pension Fund appropriates funds to the State Universities Retirement System by one year. Under current law, SPF funds are disbursed to SURS so long as the amounts appropriated to SURS do not reduce the amount in the State Pensions Fund below \$5 million. This amendment would allow a higher concentration of funds to be disbursed into the State Universities Retirement System until the end of FY 2016 rather than having this practice terminate in FY 2015 as prescribed by current law. Beginning in FY 2017, the funds will be distributed amongst all 5 State Pension Funds rather than just SURS.

Continuation of Annual SERS Lump Sum Appropriation

SB 0842, as amended by HA 1, amends the State Finance Act and extends a provision that allows the State to make employer contributions for the State Employees' Retirement System as a lump sum appropriation instead of remitting the funds on a payroll deduction basis, by one year. This bill provides that State employer payroll deduction contributions will continue to be made from funds other than the General Revenue Fund through FY 2016 rather than having this practice terminate in FY 2015 under current law.

An accompanying change is also made in the SERS Article of the Pension Code. Current law states that for fiscal years 2010, 2012, 2013, 2014, and 2015, the General Revenue Fund amounts payable to the State Employees' Retirement System would be appropriated as a lump sum amount, and the Board shall submit a monthly voucher equal to 1/12<sup>th</sup> of the lump sum amount. This bill adds 2016 to the list of years that this provision is in effect.

Downstate Police and Fire Technical Changes

The Downstate Police and Fire Funds are amended by SB 0842, as amended by HA 1, via three technical changes in the sections dealing with delinquent payments from the municipalities.

- The Fund must notify the State Comptroller and abide by any applicable rules of the Comptroller in doing so.
- The Comptroller will no longer "deposit" the intercepted amounts to the fund. Instead, the funds will be remitted from the Comptroller to the fund.
- The term "grants" is replaced with "payments."

IMRF – Removal of Treasurer as Intermediary Custodian of Delinquent Employer Contributions

According to current law, the Illinois Municipal Retirement Fund article of the Pension Code allows the Comptroller to deduct delinquent employer contributions from State Funds. During this process, the Treasurer is denoted as the intermediary custodian of

these funds and is heavily involved in the holding and transferring of said funds. This bill proposes that the Treasurer be removed as the intermediary custodian of IMRF funds.

*Provisions for Delinquent Employer Contributions*

SB 0842, as amended by HA 1, amends the Cook County Employees Pension Fund, the Cook County Forest Preserve Pension Fund, the Chicago Park District Pension Fund, the Metropolitan Water Reclamation District Pension Fund, and the Miscellaneous Collateral Provisions article of the Pension Code in regards to delinquent contribution payments. If any employers, districts, or counties fail to transmit to the Fund contributions required of it by December 31<sup>st</sup> for the year in which such contributions are due, the Fund may, after giving notice to the employer, certify to the State Comptroller the amounts of the delinquent payments in accordance with any applicable rules of the Comptroller, and the Comptroller must, beginning in payment year 2016, deduct and remit to the Fund the certified amounts from payments of State funds to the employer. The State Comptroller cannot deduct more than the exact amount of the delinquent payments.

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