Property Tax Relief and Pension Stabilization Fund Act

HB 3376 creates the Property Tax Relief and Pension Stabilization Fund Act. It reduces the funding target for each of the five state-funded retirement systems from 90 percent to 70 percent of assets to liabilities in state fiscal year 2045, requires the state to contribute the normal cost and unfunded liability components to the state-funded retirement systems each year, and requires a portion of $2.4 billion deposited into the Property Tax Relief and Pension Stabilization Fund to be used for state contributions to the state-funded retirement systems.

HB 3376 amends several provisions of the Illinois Pension Code to change the funding ratios and funding formulas for each of the state-funded retirement systems. Generally, it establishes that the General Assembly declares that a funding ratio of 70 percent (instead of 90 percent) is an appropriate goal for the state-funded retirement systems in Illinois and that the General Assembly finds that a funding ratio of 70 percent (instead of 90 percent) is now the generally-recognized norm throughout the nation for public employee retirement systems that are considered to be financially secure and funded in an appropriate and responsible manner. HB 3376 requires the Commission on Government Forecasting and Accountability, in consultation with the affected retirement systems and the Governor’s Office of Management and Budget, to consider and determine whether the 70 percent (instead of 90 percent) funding ratio continues to represent an appropriate goal for state-funded retirement systems in Illinois and to report its findings and recommendations on this subject to the governor and the General Assembly every five years.

As it relates to SURS, HB 3476 establishes that the state of Illinois must make contributions by appropriations of amounts which, together with the other employer contributions from trust, federal, and other funds, employee contributions, income from investments, and other income of SURS, will be sufficient to meet the cost of maintaining and administering SURS on a 70 percent (instead of 90 percent) funded basis in accordance with actuarial recommendations. It establishes that the required the minimum state contribution for each fiscal year between fiscal year 2020 through 2045 is an amount determined by SURS to be equal to the sum of: (1) the state’s portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient, in equal annual dollar amounts, to bring the total assets of SURS up to 70 percent of the total actuarial liabilities of SURS by the end of state fiscal year 2045. The required state contribution must be recalculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and must be determined under the projected unit credit actuarial cost method. (Currently, the required minimum state contribution for each fiscal year is an amount determined by SURS to be sufficient to bring the total assets of SURS up to 90 percent of the total actuarial liabilities of SURS by the end of state fiscal year 2045, calculated as a level percentage of payroll over the years remaining to and including fiscal year 2045 and determined under the projected unit credit actuarial cost method.) HB 3376 provides that, beginning in state fiscal year 2046, the minimum state contribution for each fiscal year must be the amount needed to maintain the total assets of SURS at 70 percent (instead of 90 percent) of the total actuarial liabilities of SURS.

Furthermore, HB 3376 requires the SURS Board of Trustees to recalculate and recertify the
amount of the state contribution to SURES for state fiscal year 2020 to the state actuary, the
governor, and the General Assembly by November 1, 2019, taking into account the changes
in required state contributions made by the legislation. The state actuary must review the
assumptions and valuations underlying the revised certification and issue a preliminary report
concerning the proposed recertification and identifying, if necessary, recommended changes
in actuarial assumptions that the SURES Board of Trustees must consider before finalizing its
certification of the required state contributions. The final certification must note any deviations
from the state actuary’s recommended changes, the reason or reasons for not following the
state actuary’s recommended changes, and the fiscal impact of not following the state
actuary’s recommended changes on the required state contribution.

HB 3376 amends the State Budget Law of the Civil Administrative Code of Illinois to require
the governor to submit to the General Assembly a proposed budget in which total General
Revenue Fund appropriations to the Property Tax Relief and Pension Stabilization Fund are
$2.4 billion. The governor may submit a proposed budget in which the total appropriated and
transferred amounts are less than the previous fiscal year if the governor declares in writing to
the General Assembly the reason for the lesser amounts. HB 3376 further requires the
General Assembly to appropriate $2.4 billion from the General Revenue Fund to the Property
Tax Relief and Pension Stabilization Fund. The General Assembly may appropriate or transfer
lesser amounts if it declares by Joint Resolution the reason for the lesser amounts. If for any
reason the aggregate appropriations made available are insufficient to meet the required
amounts, then there is a continuing appropriation of all amounts necessary for these
purposes. The General Assembly may appropriate lesser amounts by law.

HB 3376 amends the State Finance Act to create the Property Tax Relief and Pension
Stabilization Fund. Moneys in the Property Tax Relief and Pension Stabilization Fund must be
expended in the following manner: (1) 100 percent of the moneys must be used for state
contributions to the five state-funded retirement systems for fiscal year 2020; (2) 87.5 percent
of the moneys must be used for state contributions to the five-state funded retirement systems
and 12.5 percent of the moneys must be used by the State Board of Education for grants to
school districts for fiscal year 2021; (3) 75 percent of the moneys must be used for state
contributions to the state-funded retirement systems and 25 percent of the moneys must be
used by the State Board of Education for grants to school districts for fiscal year 2022; (4)
62.5 percent of the moneys must be used for state contributions to the state-funded retirement systems and 37.5 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2023; (5) 50 percent of the moneys must be used for state contributions to the state-funded retirement systems and 50 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2024; (6) 37.5 percent of the moneys must be used for state contributions to the state-funded retirement systems and 62.5 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2025; (7) 25 percent of the moneys must be used for state contributions to the state-funded retirement systems and 75 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2026; (8) 12.5 percent of the moneys must be used for state contributions to the state-funded retirement systems and 87.5 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2027; and (9) 100 percent of the moneys must be used by the State Board of Education for grants to school districts for fiscal year 2028 and each fiscal year thereafter.
HB 3376 takes effect immediately upon becoming law.

**Sponsor:**
Representative Mark Batinick

**Bill Link:**

**Source URL:** https://surs.org/legislation/property-tax-relief-and-pension-stabilization-fund-act

**Links**