

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 0037, as amended by SA 1**

April 3, 2019

SPONSOR (S): Bush – Martinez – Jones

SYSTEM(S): Downstate Firefighters (Article 4)

FISCAL IMPACT: Should a firefighter work part-time in addition to their full-time service, this bill would require the part-time, or “secondary,” employer to make a contribution to the pension fund of the full-time, or “primary” employer. The number of firefighters who work for more than one municipality as described by this bill is unknown, but such contributions would positively impact the pension funds that would receive additional contributions.

SUBJECT MATTER: SB 0037, as amended by SA 1, requires municipalities with a population of 5,000 or more inhabitants that hire part-time firefighters who work full-time in another district to make employer contributions to the primary employer’s pension fund. Secondary employers would also be subject to the State Comptroller delinquent payment interception clause, in which municipalities that fail to make payments into the required pension fund could have that funding deducted from any state funds, consistent with P.A. 96-1495. SA 1 specifies the purpose of secondary employer contributions to primary employers, and prohibits secondary employees from earning benefits or credible service for employment as firefighters under secondary employers.

COMMENT: Article 4 of the Illinois Pension Code requires the following entities to establish Article 4 (Downstate Fire) pension funds: municipalities over 5,000 in population, fire protection districts with at least one full-time paid firefighter, and municipalities under 5,000 in population that opt to create an Article 4 fund via referendum.

SB 37, as amended by SA 1, makes a distinction between “primary” and “secondary” employers in cases where a firefighter has both a full-time position and a part-time position with another municipality. Under the bill, secondary employers would annually be required to prepare a report on wages and salaries paid each fiscal year and then send a certified copy to primary employers. Based on the report, the provisions of this bill would require secondary employers to pay 17.5% of total wages and salaries

and deduct 9.455% from employee salaries to be paid to the primary employer's pension fund.

P.A. 96-1495 (the Tier 2 Act of 2010) set forth a mechanism whereby the State Comptroller is empowered to intercept any grants of State funds to a municipality if the municipality fails to transmit required employer contributions to the Article 4 pension fund for more than 90 days after the payment of said contributions are due. SB 37, as amended by SA 1, extends this delinquent contribution intercept provision to "secondary employers" as they are defined in this bill. According to the Comptroller's office, the funding intercept provision includes the Local Government Distributive Fund. In instances where employers are delinquent in making the requisite contribution to the Article 4 pension fund, the delinquent payments are intercepted from State grants to the municipality and are deposited into the pension fund in question.

Summary of Senate Amendment 1

SA 1 specifies that required contributions by secondary employers to primary employers are for the purpose of compensating the primary employer's pension fund for additional liabilities and risks to which firefighters are exposed to while working for the secondary employer. Additionally, the amendment clarifies that the bill is not to be construed to allow firefighters the ability to earn benefits or creditable service for the secondary employer.

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