Commission on Government Forecasting and Accountability

802 Stratton Ofc. Bldg., Springfield, IL 62706

MONTHLY BRIEFING FOR THE MONTH ENDED: June 2022

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June Adds Another $730 Million in Additional Base Receipts, Capping Off Sensational Fiscal Year of Revenues with Base Receipts Growing $5.482 Billion in FY 2022

Eric Noggle, Revenue Manager

General Funds base receipts finished the fiscal year off extremely well growing $730 million in June. This month's growth came from a combination of all of the major revenue sources – a fitting culmination of above-average receipts that the economically-tied revenue sources have experienced throughout the fiscal year. The increase was despite June having one less receipting day than the prior fiscal year.

As has been the case many times throughout the fiscal year, corporate income tax receipts led the way by adding $373 million, or $287 million on a net basis. After seeing revenues take a temporary tumble last month due to timing issues related to the previous year's final tax payments, personal income tax revenues responded with an increase of $189 million, or $156 million net. Sales tax receipt growth has slowed in recent months, but still managed to add another $41 million or $23 million net.

As for the smaller State sources, the inheritance tax continued its stellar year, up another $15 million in June, while interest earnings took advantage of recent interest rate increases and added $9 million. Miscellaneous State sources contributed $47 million to the monthly gains. Other State sources with increases for the month include insurance taxes [up $4 million]; public utility taxes [up $2 million]; and the vehicle use tax [up $2 million]. Minor losses were felt by corporate franchise taxes [down $4 million] and the cigarette tax [down $2 million].

Overall, June transfers into the general funds combined to rise $64 million. These increases stemmed from a $27 million increase in Lottery transfers; a $12 million rise due to the return of the casino gaming transfer; and $25 million in higher miscellaneous transfers.

After dipping last month, base federal sources finished the year off strong with growth of $127 million in June. This figure does not include the $298 million in revenues from the ARPA reimbursement for Essential Government Services that the State received this month.

Year to Date

The strong month of receipts for June caps off a sensational fiscal year of revenues with base receipts totaling $50.334 billion, or $51.070 billion overall. This record-breaking fiscal year of revenues was led by the State's "big three" revenue sources. As has been mentioned throughout the fiscal year, despite FY 2022 receipts being compared to FY 2021 which contained two periods of income tax final payments, personal income tax receipts finished the year a whopping $2.787 billion above last year's levels, or $2.314 billion on a net basis. Perhaps more impressive was the $1.844 billion rise in corporate income tax net receipts. Sales tax receipts were just as impressive, with year-over-year growth in net receipts of $866 million.

While there were a few State sources that did see declines in FY 2022, the remaining State sources combined to finish up $82 million. These gains were led by a $153 million increase in inheritance tax revenues, which benefitted from the strong market conditions over the past several years, and a $104 million annual increase in miscellaneous State source revenues. These sources helped offset a notable loss in revenues from the corporate franchise tax [down $106 million]; cigarette taxes [down $27 million]; interest earnings [down $27 million]; and insurance taxes [down $25 million].

Including June's growth, overall transfers finished the fiscal year $536 million above last year's levels. A $39 million reduction in refund fund transfers was offset by $388 million in gains from miscellaneous transfers, $140 million in added revenue from the return of casino transfers and related proceeds; and $43 million in lottery transfer growth. Federal sources, when not including the revenues from the ARPA Reimbursement for Essential Government Services, ended FY 2022 $160 million below last fiscal year's levels. However, if the $736 million of ARPA money that was receipted in FY 2022 is included, total federal sources rose $576 million for the fiscal year.

Review of FY 2022 Revenue Estimates vs. Actuals

The summary table on the following page, as well as a more detailed table on page 6, displays and compares the FY 2022 actuals with the original budget assumptions. These tables also compare the actuals with the last official revenue estimates of CGFA and GOMB.

In years past, the Commission would release a revenue estimate in March and then again in May. However, due to the early adjournment of the State Legislature in April, shortly after its adoption of a FY 2023 budget, a May revision was deemed unnecessary. GOMB, on the other hand, revised their February revenue estimates in April prior to adjournment, providing the agency with additional months of better-than-expected actuals to apply towards their re-estimate. As a result, the bottom-line revenue estimate totals from GOMB were higher than the Commission and, therefore, closer to the FY 2022 actual total of $51.070 billion.

Despite both agencies making significant upward revisions over the course of the fiscal year from the final budget revenue projections adopted in May

2021, FY 2022 ended up well exceeding all "official" projections. In total, including the revenue received from the ARPA reimbursement for Essential Government Services, actual receipts for FY 2022 finished $6.703 billion above the FY 2022 Final Budget Assumption; $2.582 billion or 5.3% above CGFA's last official March 2022 projection and $1.884 billion or 3.8% above the GOMB revision released in April 2022.

FY 2022 proved to be another challenging year for revenue projections amidst the uniqueness of this pandemic period and its disruptive effect on normal receipt patterns. However, Illinois is far from alone in this occurrence. A recent report from the National Association of State Budget Officers indicates that 49 states reported FY 2022 general fund revenue collections exceeding original budget forecasts.

In summary, the better-than-expected revenue gains in FY 2022 came from several atypical revenue-enhancing factors that strongly influenced the overachieving nature of the economically tied revenue sources. Those factors include: the one-time influx of federal stimulus dollars to the nation's economy; the continuation of a pandemic-related shift from non-taxed service-based sales to taxable goods; and strong market conditions as a result of this enhanced activity, thus, creating elevated taxable income and tax revenues from corporate profits and capital gains. The influence of these particular factors is expected to wane as the State enters into FY 2023 resulting in reduced revenue expectations for the upcoming fiscal year.

FY 2022 Actuals vs. FY 2022 Final Budget Assumptions and vs. CGFA & GOMB Most Recent Official Estimates

($ millions)

Revenue Sources	ACTUAL FY 2022	Budget Assumption May-21	Difference from Actuals	CGFA Estimate Mar-22	Difference from Actuals	GOMB Revised Apr-22	Difference from Actuals
Personal Income Taxes [Net]	**$24,839**	$20,792	$4,047	$22,459	$2,380	$22,717	$2,122
Corporate Income Taxes [Net]	**$5,407**	$3,293	$2,114	$4,527	$880	$4,858	$549
Sales Tax [Net]	**$10,234**	$9,255	$979	$10,181	$53	$10,200	$34
All Other State Sources	**$3,178**	$3,127	$51	$3,233	($55)	$3,240	($62)
Transfers In	**$2,092**	$1,697	$395	$2,068	$24	$2,073	$19
Federal Sources [Base]	**$4,584**	$4,203	$381	$4,520	$64	$4,599	($15)
Base General Funds	**$50,334**	**$42,367**	**$7,967**	**$46,988**	**$3,346**	**$47,686**	**$2,648**
ARPA Reimb. for Essential Gov't Services	**$736**	$2,000	($1,264)	$1,500	($764)	$1,500	($764)
Total General Funds Revenues	**$51,070**	**$44,367**	**$6,703**	**$48,488**	**$2,582**	**$49,186**	**$1,884**

CGFA Source: Office of the Comptroller: Some totals may not equal due to rounding

JUNE FY 2022 vs. FY 2021 ($ million)				
Revenue Sources	**June FY 2022**	**June FY 2021**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$2,440	$2,251	$189	8.4%
Corporate Income Tax (regular)	1,160	787	373	47.4%
Sales Taxes	1,019	978	41	4.2%
Public Utility Taxes (regular)	62	60	2	3.3%
Cigarette Tax	26	28	(2)	-7.1%
Liquor Gallonage Taxes	13	13	0	0.0%
Vehicle Use Tax	5	3	2	66.7%
Inheritance Tax	40	25	15	60.0%
Insurance Taxes and Fees	72	68	4	5.9%
Corporate Franchise Tax & Fees	16	20	(4)	-20.0%
Interest on State Funds & Investments	10	1	9	900.0%
Cook County IGT	0	0	0	N/A
Other Sources	148	101	47	46.5%
Subtotal	$5,011	$4,335	$676	15.6%
Transfers				
Lottery	$82	$55	$27	49.1%
Riverboat transfers & receipts	12	0	12	N/A
Proceeds from Sale of 10th license	0	0	0	N/A
Refund Fund transfer	0	0	0	N/A
Other	71	46	25	54.3%
Total State Sources	$5,176	$4,436	$740	16.7%
Federal Sources [base]	$332	$205	$127	62.0%
Total Federal & State Sources	$5,508	$4,641	$867	18.7%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($226)	($203)	($23)	11.3%
Corporate Income Tax	(174)	(110)	(64)	58.2%
Local Government Distributive Fund				
Personal Income Tax	(134)	(124)	(10)	8.1%
Corporate Income Tax	(68)	(46)	(22)	47.8%
Sales Tax Distributions				
Deposits into Road Fund	(15)	0	(15)	N/A
Distribution to the PTF and DPTF	(67)	(64)	(3)	4.7%
Subtotal General Funds	$4,824	$4,094	$730	17.8%
Treasurer's Investments	$0	$0	$0	N/A
Interfund Borrowing	$0	$0	$0	N/A
ARPA Reimb. for Essential Gov't Services	$298	$0	$298	N/A
Short Term Borrowing [MLF]	$0	$0	$0	N/A
Total General Funds	$5,122	$4,094	$1,028	25.1%
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				1-Jul-22

GENERAL FUNDS RECEIPTS: YEAR END

FY 2022 vs. FY 2021

($ million)

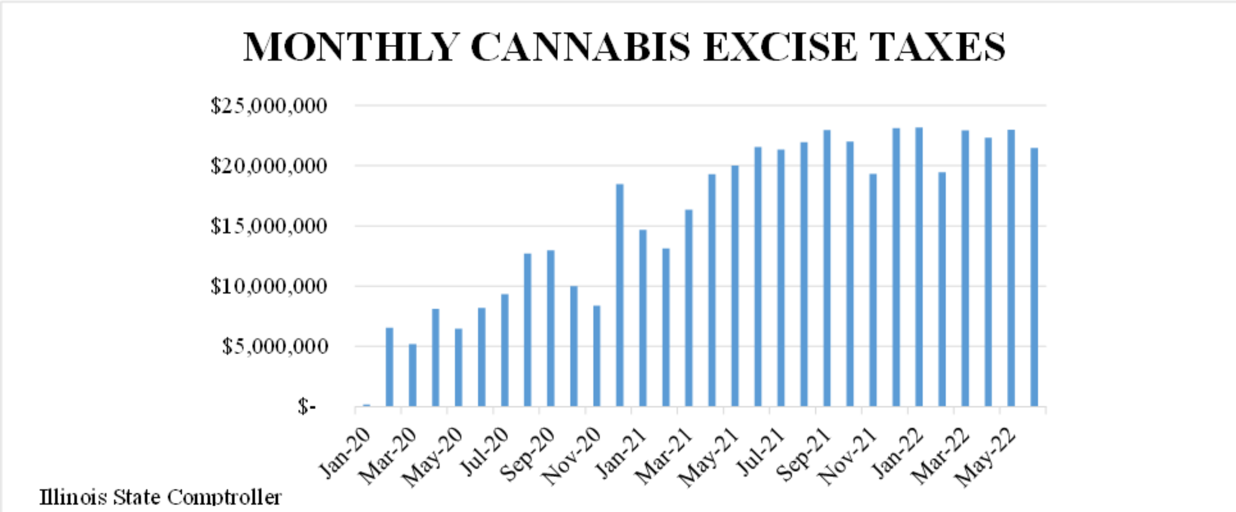
Revenue Sources	FY 2022	FY 2021	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$29,137	$26,350	$2,787	10.6%
Corporate Income Tax (regular)	6,831	4,450	2,381	53.5%
Sales Taxes	10,984	9,799	1,185	12.1%
Public Utility Taxes (regular)	750	752	(2)	-0.3%
Cigarette Tax	254	281	(27)	-9.6%
Liquor Gallonage Taxes	183	177	6	3.4%
Vehicle Use Tax	42	36	6	16.7%
Inheritance Tax	603	450	153	34.0%
Insurance Taxes and Fees	455	480	(25)	-5.2%
Corporate Franchise Tax & Fees	216	322	(106)	-32.9%
Interest on State Funds & Investments	30	57	(27)	-47.4%
Cook County IGT	244	244	0	0.0%
Other Sources	401	297	104	35.0%
Subtotal	$50,130	$43,695	$6,435	14.7%
Transfers				
Lottery	$820	$777	$43	5.5%
Riverboat transfers & receipts	140	0	140	N/A
Proceeds from Sale of 10th license	10	6	4	66.7%
Refund Fund transfer	242	281	(39)	-13.9%
Other	880	492	388	78.9%
Total State Sources	$52,222	$45,251	$6,971	15.4%
Federal Sources [base]	$4,584	$4,744	($160)	-3.4%
Total Federal & State Sources	$56,806	$49,995	$6,811	13.6%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($2,696)	($2,372)	($324)	13.7%
Corporate Income Tax	(1,026)	(625)	(401)	64.2%
Local Government Distributive Fund				
Personal Income Tax	(1,602)	(1,453)	(149)	10.3%
Corporate Income Tax	(398)	(262)	(136)	51.9%
Sales Tax Distributions				
Deposits into Road Fund	(132)	0	(132)	N/A
Distribution to the PTF and DPTF	(618)	(431)	(187)	43.4%
Subtotal General Funds	$50,334	$44,852	$5,482	12.2%
Treasurer's Investments	$0	$400	($400)	N/A
Interfund Borrowing	$0	$0	$0	N/A
ARPA Reimb. for Essential Gov't Services	$736	$0	$736	N/A
Short Term Borrowing [MLF]	$0	$1,998	($1,998)	N/A
Total General Funds	$51,070	$47,250	$3,820	8.1%

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding — 1-Jul-22

FY 2022 Actuals vs. FY 2022 Final Budget Assumptions and vs. CGFA & GOMB Most Recent Official Estimates ($ millions)							
Revenue Sources	**ACTUAL FY 2022**	**Budget Assumption May-21**	**Difference from Actuals**	**CGFA Estimate Mar-22**	**Difference from Actuals**	**GOMB Revised Apr-22**	**Difference from Actuals**
State Taxes							
Personal Income Tax	$29,137	$24,389	$4,748	$26,345	$2,792	$26,647	$2,490
Corporate Income Tax (regular)	$6,831	$4,160	$2,671	$5,718	$1,113	$6,135	$696
Sales Taxes	$10,984	$9,859	$1,125	$10,897	$87	$10,917	$67
Public Utility (regular)	$750	$751	($1)	$748	$2	$743	$7
Cigarette Tax	$254	$271	($17)	$260	($6)	$260	($6)
Liquor Gallonage Taxes	$183	$178	$5	$183	$0	$182	$1
Vehicle Use Tax	$42	$30	$12	$43	($1)	$30	$12
Inheritance Tax	$603	$345	$258	$535	$68	$535	$68
Insurance Taxes & Fees	$455	$416	$39	$432	$23	$438	$17
Corporate Franchise Tax & Fees	$216	$225	($9)	$240	($24)	$240	($24)
Interest on State Funds & Investments	$30	$70	($40)	$20	$10	$20	$10
Cook County Intergovernmental Transfer	$244	$244	$0	$244	$0	$244	$0
Other Sources	$401	$597	($196)	$528	($127)	$548	($147)
Subtotal	**$50,130**	**$41,535**	**$8,595**	**$46,193**	**$3,937**	**$46,939**	**$3,191**
Transfers							
Lottery	$820	$739	$81	$818	$2	$818	$2
Riverboat transfers & receipts	$140	$98	$42	$129	$11	$129	$11
Proceeds from sale of 10th license	$10	$10	$0	$10	$0	$10	$0
Refund Fund transfer	$242	$150	$92	$242	$0	$242	$0
Other	$880	$700	$180	$869	$11	$874	$6
Total State Sources	**$52,222**	**$43,232**	**$8,990**	**$48,261**	**$3,961**	**$49,012**	**$3,210**
Federal Sources	**$4,584**	**$4,203**	**$381**	**$4,520**	**$64**	**$4,599**	**($15)**
Subtotal Federal & State Sources	**$56,806**	**$47,435**	**$9,371**	**$52,781**	**$4,025**	**$53,611**	**$3,195**
Nongeneral Funds Distribution:							
Refund Fund							
Personal Income Tax [9.25% '22]	($2,696)	($2,256)	($440)	($2,437)	($259)	($2,465)	($231)
Corporate Income Tax [15% '22]	($1,026)	($624)	($402)	($858)	($168)	($920)	($106)
Local Govt Distributive Fund							
Personal Income Tax	($1,602)	($1,341)	($261)	($1,449)	($153)	($1,465)	($137)
Corporate Income Tax	($398)	($243)	($155)	($333)	($65)	($357)	($41)
Sales Tax Distributions							
Deposits into Road Fund	($132)	($116)	($16)	($125)	($7)	($118)	($14)
Distribution to the PTF and DPTF	($618)	($488)	($130)	($591)	($27)	($599)	($19)
Base General Funds	**$50,334**	**$42,367**	**$7,967**	**$46,988**	**$3,346**	**$47,686**	**$2,647**
ARPA Reimb. for Essential Gov't Services	$736	$2,000	($1,264)	$1,500	($764)	$1,500	($764)
Total General Funds	**$51,070**	**$44,367**	**$6,703**	**$48,488**	**$2,582**	**$49,186**	**$1,884**

CGFA Source: Office of the Comptroller: Some totals may not equal due to rounding

Cannabis Quarterly – 4th Quarter FY 2022



CANNABIS REGULATION FUND REVENUE ($ millions)								
Revenue Source	**FY21 Q4**	**FY22 Q4**	**$ Change**	**% Change**	**FY21 YTD**	**FY22 YTD**	**$ Change**	**% Change**
State Cannabis Excise Taxes	$60.8	$66.7	$5.9	9.8%	$176.9	$262.9	$86.0	48.6%
Licenses and Registration Fees	$0.9	$2.4	$1.5	164.4%	$9.1	$12.7	$3.6	39.8%
Other Revenue	$0.1	$0.2	$0.2	284.9%	$0.1	$0.6	$0.6	1007.6%
Total	**$61.8**	**$69.3**	**$7.6**	**12.2%**	**$186.0**	**$276.2**	**$90.2**	**48.5%**
Illinois State Comptroller, CGFA								

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (May)	4.6%	4.6%	6.5%
Inflation in Chicago (12-month percent change) (May)	8.0%	7.2%	4.7%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (May)	6,465.0	0.2%	2.5%
Employment (thousands) (May)	6,167.2	0.2%	4.5%
Nonfarm Payroll Employment (May)	6,012,500	12,800	249,700
New Car & Truck Registration (May)	30,576	4.9%	-40.1%
Single Family Housing Permits (May)	897	-12.1%	-5.0%
Total Exports ($ mil) (Apr.)	6,330.7	-6.3%	16.7%
Chicago Purchasing Managers Index (Jun.)	56.0	-7.1%	-15.3%

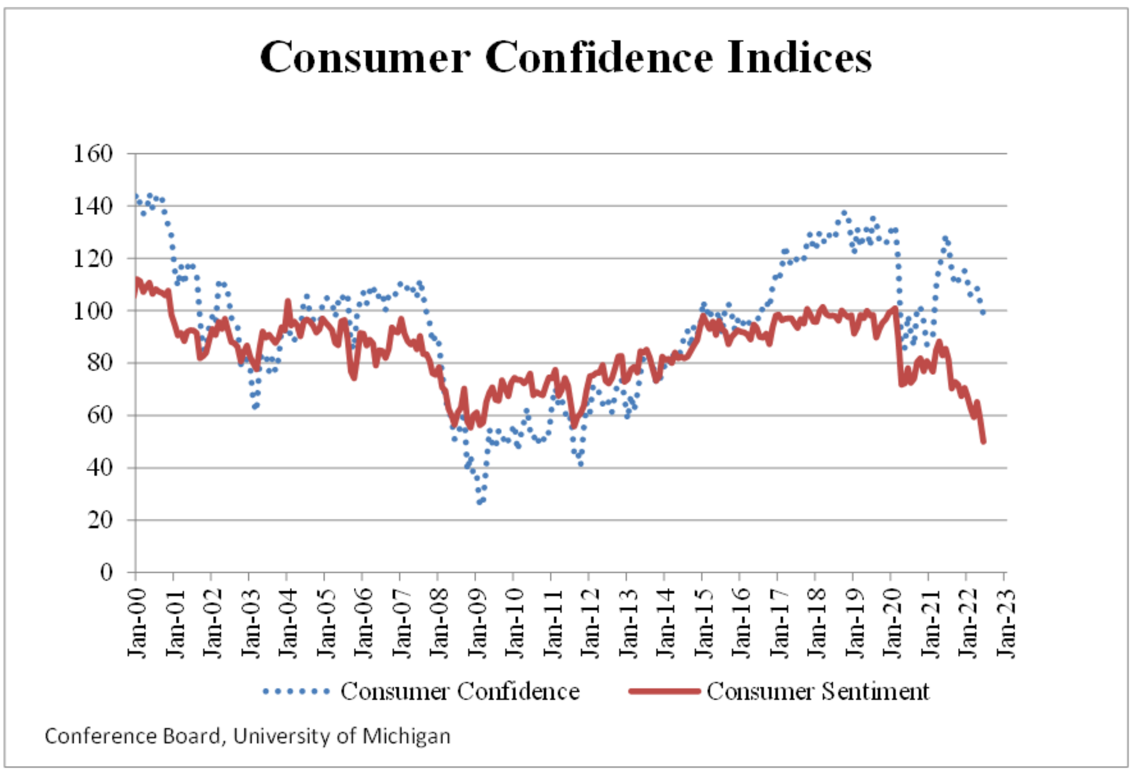
* Due to monthly fluctuations, trend best shown by % change from a year ago

Economy: Consumer Inflation Expectations Have Risen While Confidence Falls

Benjamin L. Varner, Chief Economist

In June, the Fed surprised the market by increasing short-term interest rates by ¾ of a percentage point. Indications from the previous meeting were for another ½ percentage point increase at the June meeting following a similar increase in May. However, on June 15, the Fed's Open Market Committee voted to raise the target range for the federal funds rate from 0.75% - 1.0% to 1.5% - 1.75%. The reason given for this larger than initially expected increase was sustained high levels of inflation and results from the University of Michigan's Surveys of Consumers that indicated that consumer inflation expectations were beginning to become unmoored from the Fed's long-term goal of 2.0%. The survey indicated that inflation expectations have risen to higher than 5.0% over the next year and around 3.0% over the next five years.

As can be seen in the chart below, consumer confidence has been declining for an extended period of time. Both the Index of Consumer Sentiment (part of the University of Michigan's Surveys of Consumers) and the Conference Board's Consumer Confidence Index® have been trending lower since the late spring/early summer of 2021. After falling from highs prior to the COVID-19 pandemic, both indices began to climb again as the economy reopened. The Index of Consumer Sentiment had its most recent peak in April of 2021 at 88.3 which was still well below the range seen prior to the pandemic. The Consumer Confidence Index® saw its recent peak in June of 2021 at 128.9. Since then, both indices have generally declined. In June, the Index of Consumer Sentiment fell to 50.0 which is a historic low, while the Consumer Confidence Index® was at a declining, but still above average, 98.7.



MSA Arbitration Settlement for Illinois
By Lynnae Kapp, Senior Analyst

The Master Settlement Agreement (MSA) is an agreement between fifty-two U.S. States and territories and Participating Tobacco Manufacturers that was agreed to in 1998. The manufacturers are required to pay the Settling States annual settlement payments, based on their cigarette sales and shipments, in exchange for being released from past or future claims of costs incurred by States to treat patients with tobacco-related illnesses.

There are Participating Manufacturers in the settlement dispute who allege that lax enforcement of non-participating members has hurt their market share, therefore they have wanted to decrease further how much they are paying states. The issue has been the subject of arbitration. Disputed payment amounts can be set aside and delayed until arbitration or lawsuits are resolved. The first of these was in April of 2011, when Illinois' Tobacco Settlement Recovery payment was $268 million out of an expected $305 million payment. The lower payment was due to Phillip Morris deciding to make a payment into the Disputed Payment Account instead of making its full payment to the States. This is called the "Non-Participating Manufacturer Adjustment".

Illinois entered into arbitration related to the deferred payments in both 2013 and 2021. The results of the 2021 arbitration were announced in April of 2022. In both hearings, the panels of "former federal judges found that Illinois was not subject to this payment reduction…in certain years. The panels determined that the state diligently enforced the provisions of the Tobacco Product Manufacturers' Escrow Act, which requires tobacco manufacturers – not the state – to carry financial burdens imposed on the state by cigarette smoking. For several years, states including Illinois have disputed the payment reduction, arguing that its misapplication has allowed participating manufacturers to withhold billions of dollars. The settlement resolves the dispute for additional years through 2028 and required tobacco companies participating in the MSA to release around $546,313,882 they withheld from Illinois' annual payments." [Attorney General Raoul: Illinois Receives Over $800 Million From Tobacco Manufacturers, Press Release, April 22, 2022].

Illinois received the settlement funds in May of 2022. Expenditures from the Tobacco Settlement Recovery Fund are subject to appropriation by the General Assembly. As the settlement date was not anticipated, there are no appropriations for these funds in the FY 2023 Budget. According to GOMB, a plan for the additional funds has yet to be decided. Traditionally, funds in the Tobacco Settlement Recovery Fund have been used primarily for the State's Medicaid program.

Railsplitter Tobacco Settlement Authority Bonds Update

The Railsplitter Tobacco Settlement Authority [30 ILCS 171] was created to issue up to $1.75 billion in bonds securitized by a portion of Illinois' Master Settlement Agreement revenues. In December 2010, the Railsplitter Tobacco Settlement Authority sold $1.503 billion in tobacco securitization bonds with a 17-year maturity. The State sold its rights to roughly 50% of its Tobacco Settlement payments (based on a 5% negative annual growth rate) to the Authority. Under the statute, the MSA payments pay for the debt service on the bonds, with up to 2.x coverage of debt service. In return, the State received approximately $1.35 billion in bond proceeds transferred to the General Revenue Fund to pay for unpaid bills from FY 2010.

The Authority has a priority claim on the MSA payments. The MSA payment, received annually on April 15th, goes directly to the Authority, which uses it for Debt Service. Debt service payments on the Railsplitter bonds are required in June and December annually. Debt Service from the payment is transferred so that a half year's interest of the next fiscal year is on hand in the Debt Service Account. The remainder is considered residual revenues which the Authority transfers to the State.

In December of 2017, the Railsplitter Tobacco Settlement Authority refunded $671 million of the original bonds, saving the state $71 million or 9% savings in present value terms. The last of the bonds will be paid off in FY 2028. The Authority shall terminate 6 months after all of its liabilities have been met. After that, Tobacco Settlement Payments will revert directly to the State. The table below shows the remainder of the debt service on the bonds. Total Interest over the life of the bonds will be $781 million.

Railsplitter Tobacco Settlement Authority Remaing Debt Service After 2017 Refunding Bonds			
	Principal	Interest	Total
FY 2022	$109,655,000	$30,806,875	**$140,461,875**
FY 2023	$112,260,000	$25,259,000	**$137,519,000**
FY 2024	$109,745,000	$19,708,875	**$129,453,875**
FY 2025	$107,305,000	$14,282,625	**$121,587,625**
FY 2026	$105,370,000	$8,965,750	**$114,335,750**
FY 2027	$103,360,000	$3,747,500	**$107,107,500**
FY 2028	$23,270,000	$581,750	**$23,851,750**
	$670,965,000	**$103,352,375**	**$774,317,375**

2022 Pension Legislation Overview
Dan Hankiewicz, Pension Manager

Below is a synopsis of substantive pension bills that have passed both chambers of the General Assembly during the 2022 spring legislative session. All bills listed below have been signed into law, and the public act number is shown as well.

HB 1568 (P.A. 102-0719)

Sponsors: Vella (Martwick)

Passed House:	94-5-3
Passed Senate:	42-2-0
House Concurrence:	99-7-5

HB 1568 was signed into law as P.A. 102-0719 on May 6, 2022. Currently, Tier 2 members in the SERS Alternative Formula can retire at age 60 with 20 years of service. HB 1568 allows the following Tier 2 law enforcement personnel to retire at age 55 with 20 years of service under the Alternative Formula:

- State Police troopers;
- investigators for the Secretary of State;
- Conservation police officers;
- investigators for the Department of Revenue or the Illinois Gaming Board;
- investigators for the Office of the Attorney General; and
- Commerce Commission police officers or arson investigators

Members participating in the SERS Alternative Formula contribute 12.5% of salary towards their pensions, regardless of tier status. The bill does not change the member contribution amount.

HB 4209 (P.A. 102-1061)

Sponsors: Stuart (Crowe)

Passed House:	104-0-1
Passed Senate:	57-0-0
House Concurrence	114-4-0

HB 4209 was signed into law as P.A. 102-1061 on June 10, 2022. The bill amends the IMRF, SURS, and Downstate Police Articles of the Pension Code. The bill reopens the IMRF-to-Downstate Police service credit transfer window established in P.A. 102-0113, and expands service credit transfer eligibility to include Downstate Police members who performed "administrative duties related to law enforcement" with an IMRF employer. In addition, the bill allows for Downstate Police-to-IMRF SLEP service credit transfers of up to 10 years. The bill also allows for police duty service credit transfers between SURS and Downstate Police pension funds.

HB 4292 (P.A. 102-0718)

Sponsors: Morgan (Martwick)

Passed House:	108-2-0
Passed Senate:	51-1-0

HB 4292 was signed into law as P.A. 102-0718 on May 5, 2022.

P.A. 100-0587, which went into effect on June 4, 2018, created two voluntary pension buyout programs for SERS, SURS, and TRS: the "total pension buyout" program for vested, inactive members and 3% COLA buyout program for eligible Tier 1 members. A brief summary of each buyout program is shown below:

- **Voluntary Pension Buyout for Vested, Inactive Members:**
  An eligible member in SERS, SURS, or TRS may irrevocably elect to receive an accelerated pension benefit payment equal to 60% of the present value of a member's pension benefit in lieu of receiving any pension benefit. An eligible member means a person who:
    - Is an inactive member in a DB plan;
    - Has enough age and service credits to receive a retirement annuity (i.e., the member has vested for a pension);
    - Has not received any retirement annuity; and
    - Has not elected the compounded 3% COLA buyout option.

- **Voluntary Compounded 3% COLA Buyout for Tier 1 Members**
  An eligible member in SERS, SURS, or TRS may irrevocably elect to receive an accelerated pension benefit payment equal to 70% of the difference between the present value of the standard Tier One 3% compounded COLA and the present value of a reduced COLA (simple 1.5%) in exchange for receiving a simple 1.5% COLA. An eligible member means a person who:
    - Is a Tier 1 member in a DB plan;
    - Has submitted an application for retirement;
    - Meets age and service requirements to receive a retirement annuity;
    - Has not received any retirement annuity; and
    - Has not elected the total pension buyout option.

The two buyout programs were scheduled to sunset on June 30, 2024, pursuant to P.A. 101-0010. Under HB 4292, eligible members of SERS, SURS, or TRS will be allowed to elect to participate in the pension buyout programs until June 30, 2026; so, in essence, the bill extends the buyout program sunset date by 2 years.

Currently, the State Pension Obligation Acceleration Bonds of $1 billion are authorized for the purpose of making the accelerated pension benefit payments to those who elected to participate in the buyout programs. HB 4292 will authorize the issuance of an additional $1 billion of State Pension Obligation Acceleration Bonds, allowing a total of $2 billion bonds to be issued for the buyout programs to reflect the extended window period.

HB 4320 (P.A. 102-0764)

Sponsors: Halpin (Martwick)

Passed House:	103-0-1
Passed Senate:	56-0-0

HB 4320 was signed into law as P.A. 102-0764 on May 13, 2022. Currently, Illinois law requires that SURS employers must pay pension costs associated with salary increases greater than 6% during the employee's final average salary period (the "FAS Cap"). Public Act 102-0016 created an exemption to the 6% FAS Cap; the Act applies to academic years immediately following emergency declarations. Public Act 102-0016 became effective on June 17, 2021. However, academic year 2021 ended on June 30, 2021. SURS notes that the exemption created by Public Act 102-0016 only applies to payments made to employees on/after June 17, 2021 and does not cover the entire 2021 academic year. HB 4320 clarifies that the 6% FAS Cap exemption created by Public Act 102-0016 applies to payments made in academic years beginning on/after July 1, 2020, ensuring that the entire 2021 academic year is covered by the emergency declaration FAS Cap exemption.

HB 4435 (P.A. 102-1064)

Sponsors: Evans (Feigenholtz)

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

Under the Chicago Fire article of the Pension Code, an occupational disease disability benefit is equal to 65% of the participant's salary on the date of removal from payroll. The total amount of the benefit shall not exceed 75% of salary at the time the benefit is granted, and is payable until the earlier of death, retirement, or a return to active duty. HB 4435 would add methicillin-resistant Staphylococcus aureus (MRSA) as a qualifying condition for an occupational disease disability benefit.

HB 4646 (P.A. 102-0943)

Sponsors: Yang Rohr (Villivalam)

Passed House:	69-42-0
Passed Senate:	48-8-0

HB 4646 was signed into law as P.A. 102-0943 on May 27th, 2022. The Act amends the Illinois Municipal Retirement Fund Article of the Illinois Pension Code to provide that pension fund trustees be awarded at least 20 days of paid leave of absence per year for the purpose of attending meetings and seminars pertaining to the Board of Trustees.

HB 4677 (P.A. 102-0707)

Sponsors: Burke (Feigenholtz)

Passed House:	113-0-1
Passed Senate:	47-5-0

HB 4677 was signed into law as P.A. 102-0707 on April 22, 2022. The Act amends the Metropolitan Water Reclamation District Article of the Illinois Pension Code to raise the MWRD's funding target level to 100% from 90% in the year 2050, and to specify that unfunded liabilities shall be amortized as a level percentage of payroll until 2050, which is a restatement of current law.

Current law dictates that the Metropolitan Water Reclamation District shall annually levy a tax upon all the taxable real property within the District that consists of two components:

1. A sum that will be sufficient to meet the pension fund's actuarially determined contribution requirement for that year, but that shall not exceed the following amount:
2. A sum that shall not exceed an amount equal to the total employee contributions 2 years prior, multiplied by 4.19

The fund's actuarially determined contribution is equal to the employer's normal cost, plus an annual amount needed to amortize the unfunded liability by the year 2050 as a level percent of payroll, with a funding target of at least 90% by the year 2050.

Under HB 4677, the funding target increases to 100% from 90%. The bill states that, beginning in fiscal year 2032, the District shall contribute the "actuarially determined contributions." In other words, the District's statutory employer contribution for the purposes of amortizing unfunded liabilities shall be calculated by the current level percentage of payroll method required under current law.

HB 4924 (P.A. 102-0787)

Sponsors: Hoffman (Martwick)

Passed House:	104-0-0
Passed Senate:	56-0-0

HB 4924 was signed into law as P.A. 102-0787 on May 13th, 2022. The bill amends the Downstate Fire article of the Pension Code. The bill deletes language requiring the treasurer of a municipality (who is, by default, the treasurer of the pension fund) to execute a bond to that municipality that guarantees the faithful performance of the duties of the office and for the safekeeping and proper accounting of all pension fund moneys and property which come to the treasurer.

HB 4926 (P.A. 102-0956)

Sponsors: Hoffman (Martwick)

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

HB 4926 was signed into law as P.A. 102-0956 on May 27th, 2022. The bill amends the State Employees article of the Illinois Pension Code to apply the alternative retirement formula to Tier 2 investigators for the Attorney General and to allow these individuals to establish up to 8 years of alternative formula service credit established before the effective date of this legislation.

Note - HB 4926 exempts the foregoing change from the New Benefit Increase review provision of P.A. 94-0004.

HB 5295 (P.A. 102-0806)

Sponsors: West II (Jones III)

Passed House:	104-0-0
Passed Senate:	54-0-0

HB 5295 was signed into law as P.A. 102-0806 on May 13th, 2022. The bill amends the Chicago Police article of the Pension Code. The bill provides that if a police officer receives any compensation as temporary total disability, permanent total disability, a lump sum settlement award, or other payment under the Workers' Compensation Act or Workers' Occupational Diseases Act as a result of secondary employment for any injury resulting in disability, then any disability benefit payable to the police officer by the pension fund shall be reduced by the amount of the pertinent Workers' Compensation or Workers' Occupational Diseases Act award. If the amount of the pertinent award exceeds the disability benefit payable from the pension fund as a result of secondary employment, then no disability benefit will be payable from the pension fund until that amount exceeds the Workers' Compensation or Workers' Occupational Diseases Act award.

HB 5447 (P.A. 102-0811)

Sponsors: Ugaste (DeWitte)

Passed House:	103-0-0
Passed Senate:	54-0-0

HB 5447 was signed into law as P.A. 102-0811 on May 13th, 2022. The bill amends the Downstate Police article of the Pension Code to allow surviving spouses who married retired Downstate Police officers to qualify for a survivor's pension under certain conditions. Previously, if a Downstate Police officer married after retirement and subsequently died, the surviving spouse was not entitled to any survivor's annuity. HB 5447 provides that a surviving spouse who married a retired Downstate Police officer would be eligible for a survivor's annuity under the following conditions: 1) the police officer was married to the surviving spouse for at least 5 years prior to the police officer's death, and 2) the surviving spouse has attained the age of 62. The bill specifies that the surviving spouse benefit shall terminate no later than 15 years after the benefit begins to accrue. HB 5447 also specifies that this new surviving spouse benefit would apply to active and retired police officers alike.

HB 5472 (P.A. 102-0709)

Sponsors: Yang Rohr (Martwick)

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

HB 5472 was signed into law as P.A. 102-0709, effective April 22, 2022. Prior to the enactment of the bill, TRS allowed 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 was 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.

HB 5472 amends the TRS article of the Pension Code by allowing annuitants beginning July 1, 2021 through June 30, 2022 to accept employment as a teacher without impairing their retirement status provided that the employment is not within the school year during which service was terminated. The bill provides an additional 20 paid days or 100 paid hours to the previously mentioned limits placed on employment for that time period. The bill specifies that this change is meant to assist with addressing the substitute teacher shortage that has been exacerbated by the global pandemic. The annuitant re-employment cap will revert to 120 paid days or 600 paid hours beginning on June 1, 2022 through June 30, 2023. Beginning July 1, 2023, the annuitant re-employment cap will be set at 100 paid days or 500 paid hours in each school year (pursuant to P.A. 102-0537, effective August 20th, 2021).

SB 2952 (P.A. 102-0995)

Sponsors: Van Pelt (Delgado)

Passed Senate:	51-0-0
Passed House:	111-0-0

SB 2952 was signed into law as P.A. 102-0995 on May 27th, 2022. The bill amends the Chicago Fire and Chicago Laborers Articles of the Pension Code. The bill provides that the Treasurer of the City of Chicago may appoint a designee to act in his or her capacity on both respective pension fund boards, provided the designee has the requisite knowledge of the office of the City Treasurer and has the ability to act on all matters pertaining to the administration of the pertinent pension fund.

SB 2958 (P.A. 102-0742)

Sponsors: Martwick (LaPointe)

Passed Senate:	54-0-0
Passed House:	111-0-0

SB 2958 was signed into law as P.A. 102-0742 on May 6th, 2022. The Act amends the Chicago Laborers Article of the Pension Code to clarify the contribution that a union must make on behalf of a member who has taken a leave of absence from a city position to work for a union while still accruing service credit in the pension fund for that union service (a practice referred to as "union leave").

Members of the Chicago Laborers Article of the Pension Code who are on Union Leave and participate in the pension fund for that period of leave make regular employee contributions to the Pension Fund in the amount of 8.5% of salary. With regard to employer (union) contributions, prior to the enactment of P.A. 102-0742, the Chicago Laborers Article held that "the participant, or the labor organization on the participant's behalf, makes contributions to the Fund as though it were the employer…based on the regular salary rate received by the participant…." Prior to the enactment of Public Act 100-0023, which placed the Chicago Laborers Pension Fund on a long-term amortization schedule, the labor organization employing the member on Union Leave made contributions equal to the amount of employee contributions two years prior, multiplied by a static statutory factor ("Multiplier Methodology").

With the enactment of PA 100-0023 on July 6, 2017, the Multiplier Methodology was replaced with statutorily fixed contributions from 2018 through 2022 (referred to as the "ramp" due to the graduated nature of the fixed payments), followed by actuarial-based contributions starting in 2023 sufficient to bring the LABF to 90% funded by the end of 2058. It was therefore unclear what labor organizations were required to contribute on behalf of members on union leave inasmuch as the previous statutory language was rooted in the old multiplier methodology. SB 2958 provides clarification by requiring the labor organization employing a member on Union Leave to contribute the difference between the regular employee contribution (8.5% of salary) and the normal cost of the pension fund, specific to the member's Tier status.

SB 2989 (P.A. 102-0822)

Sponsors: Villivalam (Andrade)

Passed Senate:	53-0-0
Passed House:	101-10-0

SB 2989 was signed into law as P.A. 102-0822 on May 13th, 2022. The bill allows members of the Chicago Teachers' Pension Fund to purchase up to two years of service credit for previous teaching service in a private school. The bill re-opens an optional service credit purchase window period that was established by Public Act 94-1111 in 2007 and expired on June 1, 2009. In order to qualify for this credit, the member must have been certified while employed by the private school and must have provided satisfactory evidence of employment. For each year of private school service credit established under the Act, the member was required to contribute 16.5% of salary of the first full year of employment as a teacher in a Chicago public school following employment in a private school, plus interest at 8.0%, compounded annually, from the date of membership in the Chicago Teachers' Pension Fund following private school service, to the date of payment.

SB 2989 re-establishes this opportunity for the purchase of optional service credit for private school teaching. The contribution amounts would be equal to the employee and employer contribution that would have been required had the years of private school service been rendered as an active member of CTPF and based on the salary of the first full year of employment as a teacher in a Chicago public school following employment in a private school, plus interest compounded annually at the actuarially assumed rate of return (7.00%) from the date of service to the date of payment. The service credit purchase window would be re-opened on the bill's effective date and would close two years thereafter.

SB 2991 (P.A. 102-0746)

Sponsors: Martwick (Halpin)

Passed Senate:	53-0-0
Passed House:	103-0-0

SB 2991 was signed into law as P.A. 102-0746 on May 6th, 2022. The Act amends the SURS Article of the Pension Code to address situations in which overpayments of pension benefits may be recovered by the retirement system, and situations in which overpayments need not be recovered but merely corrected going forward.

SB 3177 (P.A. 102-0836)

Sponsors: Cunningham (Guerrero-Cuellar)

Passed Senate:	52-0-0
Passed House:	114-0-0

SB 3177 was signed into law as P.A. 102-0836 on May 13, 2022. The bill makes a non-substantive technical correction to the Chicago Fire article of the Pension Code. P.A. 102-0293 provided that a firefighter who withdraws from service with less than 10 years of service with no age restriction, or any firefighter that leaves to enter another department of the city is entitled to a refund of contributions. SB 3177 amends the Chicago Fire article such that the following criteria will satisfy the requirements for a refund of contributions: a firefighter who withdraws before age 50, or a firefighter with less than 10 years of service who withdraws before age 57, or any firefighter that leaves to enter the service of another department of the city. SB 3177 restores the statutory language that existed prior to the enactment of P.A. 102-0293, but was inadvertently changed by the Act.

SB 3465 (P.A. 102-1013)

Sponsors: Martwick (LaPointe)

Passed Senate:	53-0-0
Passed House:	105-0-1

SB 3465 was signed into law as P.A. 102-1013 on May 27th, 2022. The bill amends the Chicago Teacher article of the Pension Code such that until June 30, 2024 a retired teacher may be re-employed without impairment of retirement status given that the annuitant is employed in a subject shortage area and the employer of the retired annuitant meets specific requirements as follows:

- vacant positions must first be offered to any teachers legally qualified to hold positions in the subject shortage area that have been honorably dismissed in the preceding calendar year for which the employer seeks to employ a retired annuitant;

- in the 6 months prior to the beginning of the term for which the employer seeks to employ a retired annuitant, the employer must for a period of 90 days, on an ongoing basis, (i) advertise vacancies in the subject shortage area in employment bulletins published by college and university placement offices located near the school; (ii) search for legally qualified teachers through the Illinois Education Job Bank; and (iii) post all vacancies on the employer's website and list the vacancies in an online job database.

Compliance with these requirements must be submitted by the employer to the regional superintendent, who shall certify the employer's compliance to the fund.

SB 3651 (P.A. 102-0849)

Sponsors: Villa (Hirschauer)

Passed Senate:	52-0-0
Passed House:	113-0-0

SB 3651 was signed into law as P.A. 102-0849 on May 13th, 2022. Under current law, the IMRF Article of the Pension Code provides that participating municipalities and instrumentalities will be required to pay the pension fund the present value of the increase in pension resulting from an increase in salary granted during an employee's final average salary period that is in excess of the greater of 6% or 1.5 times the annual increase in the Consumer Price Index-U. Current law provides that the fund exclude certain earnings increases from the penalty provision, such as payments for unused vacation time, and employment promotions that result in increased responsibility and workload, among other exemptions. SB 3651 amends the IMRF article to also exclude from the final average salary cap penalty any earnings increases resulting from periods in which the member was paid through workers' compensation.

SB 3652 (P.A. 102-0850)

Sponsors: Villa (Hirschauer)

Passed Senate:	52-0-0
Passed House:	113-0-0

SB 3652 was signed into law as P.A. 102-0850 on May 13, 2022. The bill amends the IMRF Article of the Pension Code. Under current law, the IMRF Article provides that if a participating employer creates an early retirement incentive program, employees who retire under such a program would lose those incentives if they later accept employment with any IMRF employer in a position for which participation in IMRF is required or is elected by the employee.

SB 3652 provides that employees who retire under an early retirement incentive program and who later accept employment or enter into a contract with any IMRF employer shall lose those incentives, regardless of the position of employment. In other words, the position that the annuitant would accept, whether permanently or on a contractual basis, would not have to be an IMRF-covered position, but merely one with an IMRF employer.

SB 3778 (P.A. 102-0856)

Sponsors: Belt (Halpin)

Passed Senate:	52-0-0
Passed House:	114-0-0

SB 3778 was signed into law as P.A. 102-0856 on May 13, 2022. SB 3778 allows Arson Investigators, along with investigators for the Department of Revenue, Illinois Gaming Board, and the Secretary of State to establish up to 5 years of service credit in the alternative (State Police) formula in SERS for prior police service in IMRF, prior service as a county corrections officer or court services officer in Cook County, or for prior service as a firefighter in an Article 4 (Downstate Fire) pension fund. In order to establish this service credit, the police officer must contribute to SERS a payment equal to the difference between employer and employee contributions made for the prior service and the amounts that would have been contributed in SERS had the service been rendered in the SERS alternative formula, plus interest at the actuarially assumed rate of return of 6.75%, compounded annually, from the date of service to the date of payment. This election to establish service must be made within six months of the effective date of this legislation.
SB 3778 also allows people in the aforementioned positions to convert up to 5 years of regular SERS service to alternative (State Police) service by paying to SERS the difference between the regular formula contributions of 4% and the alternative formula contributions of 12.5%, plus the difference between the employer's normal cost for the prior service and the normal cost for the alternative service being converted, plus interest at the actuarially assumed rate of return of 6.75%, compounded annually, from the date of service to the date of payment. As with the service credit transfers described above, the window for upgrading past SERS regular formula service is six months after the effective date of this bill.

Note – SB 3778 exempts the foregoing change from the New Benefit Increase review provision of P.A. 94-0004.

SB 3785 (P.A. 102-0857)

Sponsors: Curran (Batinick)

Passed Senate:	55-0-0
Passed House:	114-0-0

SB 3785 was signed into law as P.A. 102-0857 on May 13, 2022. The bill amends the Downstate Police and IMRF articles of the Pension Code. The bill provides that within 6 months of the effective date, a member of a Downstate Police Pension Fund may transfer to that fund an unlimited amount of service credit accumulated in IMRF as a county correctional officer, or as a person employed by a participating municipality to perform administrative duties related to law enforcement. In order to establish the service credit, the member must transfer from IMRF to the Downstate Police Pension Fund the employee and employer contributions made for that period of service, the difference between the aforementioned amounts and the amounts that would have been contributed had such service been rendered in the Downstate Police fund, plus interest at the Downstate Police fund’s actuarial rate of return, compounded annually, from the date of service to the date of payment.

SB 3954 (P.A. 102-0871)

Sponsors: Syverson (Keicher)

Passed Senate:	54-0-0
Passed House:	107-0-0

SB 3954 was signed into law as P.A. 102-0871 on May 13, 2022. Under current law, the Downstate Teacher Article of the Pension Code provides that members who meet the requisite age and service requirements are entitled to apply for a retirement annuity that shall commence on a date set forth by the member, provided that the effective date is no earlier than the day following the last day of creditable service, regardless of the date of official termination of employment.

SB 3954 makes an exception to the above, stating that the effective date of a retirement annuity may be after the date of official termination of employment as long as such employment is (1) less than 10 days in length and (2) less than $2,000 in compensation.

According to the system, this bill is for one employee of a Rockford area school district, and it is meant to facilitate a retroactive retirement. The employee did not retire immediately after leaving the district and had done a minimal amount of work for the district in the meantime. TRS says that the person in question had done eLearning work during COVID, and the bill is intended to allow the teacher the opportunity to attain a retroactive retirement.

SB 3957 (P.A. 102-0872)

Sponsors: Harmon (Davis)

Passed Senate:	54-0-0
Passed House:	107-0-0

SB 3957 was signed into law as P.A. 102-0872 on May 13, 2022. SB 3957 provides that elections to the board of trustees of the Chicago Teacher Pension Fund shall be held during the first week of November or as soon as possible thereafter, but not later than the third week of November.

SB 4000 (P.A. 102-1090)

Sponsors: Hunter (Robinson)

Passed Senate:	54-0-0
Passed House:	106-0-1

Under current law, the Chicago Teacher article of the Pension Code allows annuitants to return to work as a teacher on a temporary, non-annual basis or on an hourly basis without impairing their retirement status, subject to certain limitations. For example, a retired teacher's pension shall not be cancelled so long the person does not work as a teacher for gross compensation for more than 120 days in a school year, or does not accept gross compensation in that school year in excess of $30,000. SB 4000 provides that the foregoing limitations will sunset on July 1, 2022.

SB 4000 amends the Chicago Teacher article of the Pension Code such that, beginning on or after July 1, 2022 and before July 1, 2024, the pension of a teacher or administrator shall not be cancelled in cases where these individuals are re-employed on a temporary and non-annual basis or hourly basis, so long as the person does not work as a teacher or administrator on more than 140 days in a school year. The bill also provides that for school years beginning on or after July 1, 2024, the pension of a retired teacher shall not be cancelled if the retired teacher is re-employed as a teacher or administrator on a temporary or non-annual basis or hourly basis, so long as the retired teacher does not work for more than 120 days in a school year. The bill states that both of the aforementioned cases of reemployment shall not require active member pension contributions, nor shall the member accrue service credit in CTPF for such re-employment.

SB 4053 (P.A. 102-0884)

Sponsors: Martwick (Hurley)

Passed Senate:	55-0-0
Passed House:	111-0-0

SB 4053 was signed into law on May 13, 2022. The bill amends the Chicago Police and Chicago Fire Articles of the Pension Code by stating that beginning January 1, 2023, the minimum widow's annuity under both articles shall be no less than 150% of the Federal Poverty Level. Current law sets the minimum at 125% of the FPL for both funds – the current statutory minimum amount was established by P.A. 99-0905, which took effect on November 30, 2016. The current FPL for a family of 3 is $21,960 annually. 125% of the FPL for a family of 3 is $27,450, while 150% of the FPL would be $32,940 for a family of 3.
