

1 AN ACT in relation to public employee benefits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Pension Code is amended by
5 changing Sections 7-142 and 7-173 and adding Section 7-173.3
6 as follows:

7 (40 ILCS 5/7-142) (from Ch. 108 1/2, par. 7-142)
8 Sec. 7-142. Retirement annuities - Amount.

9 (a) The amount of a retirement annuity shall be the sum
10 of the following, determined in accordance with the actuarial
11 tables in effect at the time of the grant of the annuity:

12 1. For employees with 8 or more years of service,
13 an annuity computed pursuant to subparagraphs a or b of
14 this subparagraph 1, whichever is the higher, and for
15 employees with less than 8 years of service the annuity
16 computed pursuant to subparagraph a:

17 a. The monthly annuity which can be provided
18 from the total accumulated normal, municipality and
19 prior service credits, as of the attained age of the
20 employee on the date the annuity begins provided
21 that such annuity shall not exceed 75% of the final
22 rate of earnings of the employee.

23 b. ~~(i)~~ The monthly annuity amount determined as
24 follows:

25 (i) For unaugmented creditable service earned
26 before July 1, 2003, by multiplying (a) 1 2/3% for
27 annuitants with not more than 15 years or (b) 1 2/3%
28 of the employee's final rate of earnings for each of
29 the first 15 years of creditable service and 2% for
30 each year in excess of 15 years, with any remaining
31 fraction of a year for annuitants with more than 15

1 years-by-the-number-of-years-plus-fractional--years,
2 prorated on the a basis of months of-creditable
3 service-and-multiply--the--product--thereof--by--the
4 employee's-final-rate-of-earnings.

5 For creditable service earned on or after July
6 1, 2003 and creditable service earned before that
7 date that has been augmented as provided in Section
8 7-173.3, 2.15% of the employee's final rate of
9 earnings for each year of creditable service, with
10 any remaining fraction of a year prorated on the
11 basis of months.

12 (ii) For the sole purpose of computing the
13 formula (and not for the purposes of the limitations
14 hereinafter stated) \$125 shall be considered the
15 final rate of earnings in all cases where the final
16 rate of earnings is less than such amount.

17 (iii) The monthly annuity computed in
18 accordance with this subparagraph b₇ shall not
19 exceed an amount equal to 75% of the final rate of
20 earnings.

21 (iv) For employees who have less than 35 years
22 of service, the annuity computed in accordance with
23 this subparagraph b (as reduced by application of
24 subparagraph (iii) above) shall be reduced by 0.25%
25 thereof (0.5% if service was terminated before
26 January 1, 1988) for each month or fraction thereof
27 (1) that the employee's age is less than 60 years,
28 or (2) if the employee has at least 30 years of
29 service credit, that the employee's service credit
30 is less than 35 years, whichever is less, on the
31 date the annuity begins.

32 2. The annuity which can be provided from the total
33 accumulated additional credits as of the attained age of
34 the employee on the date the annuity begins.

1 (b) If payment of an annuity begins prior to the
2 earliest age at which the employee will become eligible for
3 an old age insurance benefit under the Federal Social
4 Security Act, he may elect that the annuity payments from
5 this fund shall exceed those payable after his attaining such
6 age by an amount, computed as determined by rules of the
7 Board, but not in excess of his estimated Social Security
8 Benefit, determined as of the effective date of the annuity,
9 provided that in no case shall the total annuity payments
10 made by this fund exceed in actuarial value the annuity which
11 would have been payable had no such election been made.

12 (c) The retirement annuity shall be increased each year
13 by 2%, not compounded, of the monthly amount of annuity,
14 taking into consideration any adjustment under paragraph (b)
15 of this Section. This increase shall be effective each
16 January 1 and computed from the effective date of the
17 retirement annuity, the first increase being .167% of the
18 monthly amount times the number of months from the effective
19 date to January 1. Beginning January 1, 1984 and thereafter,
20 the retirement annuity shall be increased by 3% each year,
21 not compounded. This increase shall not be applicable to
22 annuitants who are not in service on or after September 8,
23 1971.

24 (Source: P.A. 91-357, eff. 7-29-99.)

25 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

26 Sec. 7-173. Contributions by employees.

27 (a) Each participating employee shall make contributions
28 to the fund as follows:

29 1. For retirement annuity purposes, normal
30 contributions of 3 3/4% of earnings through June 30,
31 2003, and 4.25% of earnings thereafter.

32 2. Additional contributions of such percentages of
33 each payment of earnings, as shall be elected by the

1 employee for retirement annuity purposes, but not in
2 excess of 10%. The selected rate shall be applicable to
3 all earnings beginning on the first day of the second
4 month following receipt by the Board of written notice of
5 election to make such contributions. Additional
6 contributions at the selected rate shall be made
7 concurrently with normal contributions.

8 3. Survivor contributions, by each participating
9 employee, of 3/4% of each payment of earnings.

10 (b) Each employee shall make contributions to the fund
11 for federal Social Security taxes, for periods during which
12 he is a covered employee, as required by the Social Security
13 Enabling Act. For participating employees, such
14 contributions shall be in addition to those required under
15 paragraph (a) of this Section.

16 (c) Contributions shall be deducted from each
17 corresponding payment of earnings paid to each employee and
18 shall be remitted to the board by the participating
19 municipality or participating instrumentality making such
20 payment. The remittance, together with a report of the
21 earnings and contributions shall be made as directed by the
22 board. For township treasurers and employees of township
23 treasurers qualifying as employees hereunder, the
24 contributions herein required as deductions from salary shall
25 be withheld by the school township trustees from funds
26 available for the payment of the compensation of such
27 treasurers and employees as provided in the School Code and
28 remitted to the board.

29 (d) An employee who has made additional contributions
30 under paragraph (a)2 of this Section may upon retirement or
31 at any time prior thereto, elect to withdraw the total of
32 such additional contributions including interest credited
33 thereon to the end of the preceding calendar year.

34 (e) Failure to make the deductions for employee

1 contributions provided in paragraph (c) of this Section shall
 2 not relieve the employee from liability for such
 3 contributions. The amount of such liability may be deducted,
 4 with interest charged under Section 7-209, from any annuities
 5 or benefits payable hereunder to the employee or any other
 6 person receiving an annuity or benefit by reason of such
 7 employee's participation.

8 (f) A participating employee who has at least 40 years
 9 of creditable service in the Fund may elect to cease making
 10 the contributions required under this Section. The status of
 11 the employee under this Article shall be unaffected by this
 12 election, except that the employee shall not receive any
 13 additional creditable service for the periods of employment
 14 following the election. An election under this subsection
 15 relieves the employer from making additional employer
 16 contributions in relation to that employee.

17 (Source: P.A. 87-1265.)

18 (40 ILCS 5/7-173.3 new)

19 Sec. 7-173.3. Optional contribution for augmented
 20 retirement formula.

21 (a) A member of the Fund may qualify for the augmented
 22 rate under subdivision (a)1.b.(i) of Section 7-142 for all
 23 years of creditable service earned before July 1, 2003 by
 24 making the optional contribution specified in subsection (b)
 25 of this Section. A member may not elect to qualify for the
 26 augmented rate for only a portion of his or her creditable
 27 service earned before July 1, 2003.

28 (b) The contribution shall be an amount equal to 0.51%
 29 of the member's highest salary rate in the 4 consecutive
 30 years immediately prior to but not including the year in
 31 which the application occurs, multiplied by the number of
 32 years of creditable service earned by the member before July
 33 1, 2003.

1 The contribution required by this subsection shall be
2 paid in one of the following ways or in a combination of the
3 following ways that does not extend over more than 5 years:

4 (i) in a lump sum on or before the date of
5 retirement;

6 (ii) in substantially equal installments over a
7 period of time not to exceed 5 years, as a deduction from
8 salary;

9 (iii) if the member becomes an annuitant on or
10 before June 30, 2007, in substantially equal monthly
11 installments over a 24-month period, by reducing the
12 annuitant's monthly benefit over a 24-month period by the
13 amount of the otherwise applicable contribution. For
14 federal and Illinois tax purposes, the monthly amount by
15 which the annuitant's benefit is reduced shall not be
16 treated as a contribution by the annuitant, but rather as
17 a reduction of the annuitant's monthly benefit.

18 (c) If the member fails to make the full contribution
19 under this Section in a timely fashion, the payments made
20 under this Section shall be refunded to the member, without
21 interest. If the member dies before making the full
22 contribution, the payments made under this Section, together
23 with regular interest thereon, shall be refunded to the
24 member's designated beneficiary.

25 (d) For purposes of this Section and the retirement
26 formula in Section 7-142, optional creditable service
27 established by a member shall be deemed to have been earned
28 at the time of the employment or other qualifying event upon
29 which the service is based, rather than at the time the
30 credit was established in this Fund.

31 (e) The contributions required under this Section are
32 the responsibility of the employee and not the employer.
33 However, an employer may specifically agree, through
34 collective bargaining or otherwise, to make the contributions

1 required by this Section on behalf of its employees.

2 Section 90. The State Mandates Act is amended by adding
3 Section 8.27 as follows:

4 (30 ILCS 805/8.27 new)

5 Sec. 8.27. Exempt mandate. Notwithstanding Sections 6
6 and 8 of this Act, no reimbursement by the State is required
7 for the implementation of any mandate created by this
8 amendatory Act of the 93rd General Assembly.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.