



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB3256

by Rep. Dan Brady

SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-135
40 ILCS 5/15-136

from Ch. 108 1/2, par. 15-135
from Ch. 108 1/2, par. 15-136

Amends the State Universities Article of the Illinois Pension Code. Provides that a Tier 2 member is entitled to a retirement annuity upon written application if he or she has at least 10 years of service credit as a police officer, has attained age 55, and is otherwise eligible under the requirements of the Article. Provides that a Tier 2 member who has attained age 50, has at least 10 years of service credit as a police officer, and is otherwise eligible under the requirements of the Article may elect to receive a retirement annuity that is reduced by 6% for each year that member is under the age of 55. Effective immediately.

LRB101 05193 RPS 50205 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning 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 changing
5 Sections 15-135 and 15-136 as follows:

6 (40 ILCS 5/15-135) (from Ch. 108 1/2, par. 15-135)

7 Sec. 15-135. Retirement annuities - Conditions.

8 (a) This subsection (a) applies only to a Tier 1 member. A
9 participant who retires in one of the following specified years
10 with the specified amount of service is entitled to a
11 retirement annuity at any age under the retirement program
12 applicable to the participant:

13 35 years if retirement is in 1997 or before;

14 34 years if retirement is in 1998;

15 33 years if retirement is in 1999;

16 32 years if retirement is in 2000;

17 31 years if retirement is in 2001;

18 30 years if retirement is in 2002 or later.

19 A participant with 8 or more years of service after
20 September 1, 1941, is entitled to a retirement annuity on or
21 after attainment of age 55.

22 A participant with at least 5 but less than 8 years of
23 service after September 1, 1941, is entitled to a retirement

1 annuity on or after attainment of age 62.

2 A participant who has at least 25 years of service in this
3 system as a police officer or firefighter is entitled to a
4 retirement annuity on or after the attainment of age 50, if
5 Rule 4 of Section 15-136 is applicable to the participant.

6 (a-5) A Tier 2 member is entitled to a retirement annuity
7 upon written application if he or she has attained age 67 and
8 has at least 10 years of service credit and is otherwise
9 eligible under the requirements of this Article. A Tier 2
10 member who has attained age 62 and has at least 10 years of
11 service credit and is otherwise eligible under the requirements
12 of this Article may elect to receive the lower retirement
13 annuity provided in subsection (b-5) of Section 15-136 of this
14 Article.

15 (a-10) A Tier 2 member is entitled to a retirement annuity
16 upon written application if he or she has at least 10 years of
17 service credit as a police officer, has attained age 55, and is
18 otherwise eligible under the requirements of this Article. A
19 Tier 2 member who has attained age 50, has at least 10 years of
20 service credit as a police officer, and is otherwise eligible
21 under the requirements of this Article may elect to receive the
22 lower retirement annuity provided in subsection (b-10) of
23 Section 15-136.

24 (b) The annuity payment period shall begin on the date
25 specified by the participant or the recipient of a disability
26 retirement annuity submitting a written application. For a

1 participant, the date on which the annuity payment period
2 begins shall not be prior to termination of employment or more
3 than one year before the application is received by the board;
4 however, if the participant is not an employee of an employer
5 participating in this System or in a participating system as
6 defined in Article 20 of this Code on April 1 of the calendar
7 year next following the calendar year in which the participant
8 attains age 70 1/2, the annuity payment period shall begin on
9 that date regardless of whether an application has been filed.
10 For a recipient of a disability retirement annuity, the date on
11 which the annuity payment period begins shall not be prior to
12 the discontinuation of the disability retirement annuity under
13 Section 15-153.2.

14 (c) An annuity is not payable if the amount provided under
15 Section 15-136 is less than \$10 per month.

16 (Source: P.A. 100-556, eff. 12-8-17.)

17 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

18 (Text of Section WITHOUT the changes made by P.A. 98-599,
19 which has been held unconstitutional)

20 Sec. 15-136. Retirement annuities - Amount. The provisions
21 of this Section 15-136 apply only to those participants who are
22 participating in the traditional benefit package or the
23 portable benefit package and do not apply to participants who
24 are participating in the self-managed plan.

25 (a) The amount of a participant's retirement annuity,

1 expressed in the form of a single-life annuity, shall be
2 determined by whichever of the following rules is applicable
3 and provides the largest annuity:

4 Rule 1: The retirement annuity shall be 1.67% of final rate
5 of earnings for each of the first 10 years of service, 1.90%
6 for each of the next 10 years of service, 2.10% for each year
7 of service in excess of 20 but not exceeding 30, and 2.30% for
8 each year in excess of 30; or for persons who retire on or
9 after January 1, 1998, 2.2% of the final rate of earnings for
10 each year of service.

11 Rule 2: The retirement annuity shall be the sum of the
12 following, determined from amounts credited to the participant
13 in accordance with the actuarial tables and the effective rate
14 of interest in effect at the time the retirement annuity
15 begins:

16 (i) the normal annuity which can be provided on an
17 actuarially equivalent basis, by the accumulated normal
18 contributions as of the date the annuity begins;

19 (ii) an annuity from employer contributions of an
20 amount equal to that which can be provided on an
21 actuarially equivalent basis from the accumulated normal
22 contributions made by the participant under Section
23 15-113.6 and Section 15-113.7 plus 1.4 times all other
24 accumulated normal contributions made by the participant;
25 and

26 (iii) the annuity that can be provided on an

1 actuarially equivalent basis from the entire contribution
2 made by the participant under Section 15-113.3.

3 With respect to a police officer or firefighter who retires
4 on or after August 14, 1998, the accumulated normal
5 contributions taken into account under clauses (i) and (ii) of
6 this Rule 2 shall include the additional normal contributions
7 made by the police officer or firefighter under Section
8 15-157(a).

9 The amount of a retirement annuity calculated under this
10 Rule 2 shall be computed solely on the basis of the
11 participant's accumulated normal contributions, as specified
12 in this Rule and defined in Section 15-116. Neither an employee
13 or employer contribution for early retirement under Section
14 15-136.2 nor any other employer contribution shall be used in
15 the calculation of the amount of a retirement annuity under
16 this Rule 2.

17 This amendatory Act of the 91st General Assembly is a
18 clarification of existing law and applies to every participant
19 and annuitant without regard to whether status as an employee
20 terminates before the effective date of this amendatory Act.

21 This Rule 2 does not apply to a person who first becomes an
22 employee under this Article on or after July 1, 2005.

23 Rule 3: The retirement annuity of a participant who is
24 employed at least one-half time during the period on which his
25 or her final rate of earnings is based, shall be equal to the
26 participant's years of service not to exceed 30, multiplied by

1 (1) \$96 if the participant's final rate of earnings is less
2 than \$3,500, (2) \$108 if the final rate of earnings is at least
3 \$3,500 but less than \$4,500, (3) \$120 if the final rate of
4 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if
5 the final rate of earnings is at least \$5,500 but less than
6 \$6,500, (5) \$144 if the final rate of earnings is at least
7 \$6,500 but less than \$7,500, (6) \$156 if the final rate of
8 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if
9 the final rate of earnings is at least \$8,500 but less than
10 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or
11 more, except that the annuity for those persons having made an
12 election under Section 15-154(a-1) shall be calculated and
13 payable under the portable retirement benefit program pursuant
14 to the provisions of Section 15-136.4.

15 Rule 4: A participant who is at least age 50 and has 25 or
16 more years of service as a police officer or firefighter, and a
17 participant who is age 55 or over and has at least 20 but less
18 than 25 years of service as a police officer or firefighter,
19 shall be entitled to a retirement annuity of 2 1/4% of the
20 final rate of earnings for each of the first 10 years of
21 service as a police officer or firefighter, 2 1/2% for each of
22 the next 10 years of service as a police officer or
23 firefighter, and 2 3/4% for each year of service as a police
24 officer or firefighter in excess of 20. The retirement annuity
25 for all other service shall be computed under Rule 1. A Tier 2
26 member is eligible for a retirement annuity calculated under

1 Rule 4 only if that Tier 2 member meets the service
2 requirements for that benefit calculation as prescribed under
3 this Rule 4 in addition to the applicable age requirement under
4 subsection (a-5) of Section 15-135.

5 For purposes of this Rule 4, a participant's service as a
6 firefighter shall also include the following:

7 (i) service that is performed while the person is an
8 employee under subsection (h) of Section 15-107; and

9 (ii) in the case of an individual who was a
10 participating employee employed in the fire department of
11 the University of Illinois's Champaign-Urbana campus
12 immediately prior to the elimination of that fire
13 department and who immediately after the elimination of
14 that fire department transferred to another job with the
15 University of Illinois, service performed as an employee of
16 the University of Illinois in a position other than police
17 officer or firefighter, from the date of that transfer
18 until the employee's next termination of service with the
19 University of Illinois.

20 (b) For a Tier 1 member, the retirement annuity provided
21 under Rules 1 and 3 above shall be reduced by 1/2 of 1% for each
22 month the participant is under age 60 at the time of
23 retirement. However, this reduction shall not apply in the
24 following cases:

25 (1) For a disabled participant whose disability
26 benefits have been discontinued because he or she has

1 exhausted eligibility for disability benefits under clause
2 (6) of Section 15-152;

3 (2) For a participant who has at least the number of
4 years of service required to retire at any age under
5 subsection (a) of Section 15-135; or

6 (3) For that portion of a retirement annuity which has
7 been provided on account of service of the participant
8 during periods when he or she performed the duties of a
9 police officer or firefighter, if these duties were
10 performed for at least 5 years immediately preceding the
11 date the retirement annuity is to begin.

12 (b-5) The retirement annuity of a Tier 2 member who is
13 retiring after attaining age 62 with at least 10 years of
14 service credit shall be reduced by 1/2 of 1% for each full
15 month that the member's age is under age 67.

16 (b-10) The retirement annuity of a Tier 2 member who is
17 retiring after attaining age 50 with at least 10 years of
18 service credit as a police officer shall be reduced by 6% for
19 each year that the member's age is under age 55.

20 (c) The maximum retirement annuity provided under Rules 1,
21 2, 4, and 5 shall be the lesser of (1) the annual limit of
22 benefits as specified in Section 415 of the Internal Revenue
23 Code of 1986, as such Section may be amended from time to time
24 and as such benefit limits shall be adjusted by the
25 Commissioner of Internal Revenue, and (2) 80% of final rate of
26 earnings.

1 (d) A Tier 1 member whose status as an employee terminates
2 after August 14, 1969 shall receive automatic increases in his
3 or her retirement annuity as follows:

4 Effective January 1 immediately following the date the
5 retirement annuity begins, the annuitant shall receive an
6 increase in his or her monthly retirement annuity of 0.125% of
7 the monthly retirement annuity provided under Rule 1, Rule 2,
8 Rule 3, or Rule 4 contained in this Section, multiplied by the
9 number of full months which elapsed from the date the
10 retirement annuity payments began to January 1, 1972, plus
11 0.1667% of such annuity, multiplied by the number of full
12 months which elapsed from January 1, 1972, or the date the
13 retirement annuity payments began, whichever is later, to
14 January 1, 1978, plus 0.25% of such annuity multiplied by the
15 number of full months which elapsed from January 1, 1978, or
16 the date the retirement annuity payments began, whichever is
17 later, to the effective date of the increase.

18 The annuitant shall receive an increase in his or her
19 monthly retirement annuity on each January 1 thereafter during
20 the annuitant's life of 3% of the monthly annuity provided
21 under Rule 1, Rule 2, Rule 3, or Rule 4 contained in this
22 Section. The change made under this subsection by P.A. 81-970
23 is effective January 1, 1980 and applies to each annuitant
24 whose status as an employee terminates before or after that
25 date.

26 Beginning January 1, 1990, all automatic annual increases

1 payable under this Section shall be calculated as a percentage
2 of the total annuity payable at the time of the increase,
3 including all increases previously granted under this Article.

4 The change made in this subsection by P.A. 85-1008 is
5 effective January 26, 1988, and is applicable without regard to
6 whether status as an employee terminated before that date.

7 (d-5) A retirement annuity of a Tier 2 member shall receive
8 annual increases on the January 1 occurring either on or after
9 the attainment of age 67 or the first anniversary of the
10 annuity start date, whichever is later. Each annual increase
11 shall be calculated at 3% or one half the annual unadjusted
12 percentage increase (but not less than zero) in the consumer
13 price index-u for the 12 months ending with the September
14 preceding each November 1, whichever is less, of the originally
15 granted retirement annuity. If the annual unadjusted
16 percentage change in the consumer price index-u for the 12
17 months ending with the September preceding each November 1 is
18 zero or there is a decrease, then the annuity shall not be
19 increased.

20 (e) If, on January 1, 1987, or the date the retirement
21 annuity payment period begins, whichever is later, the sum of
22 the retirement annuity provided under Rule 1 or Rule 2 of this
23 Section and the automatic annual increases provided under the
24 preceding subsection or Section 15-136.1, amounts to less than
25 the retirement annuity which would be provided by Rule 3, the
26 retirement annuity shall be increased as of January 1, 1987, or

1 the date the retirement annuity payment period begins,
2 whichever is later, to the amount which would be provided by
3 Rule 3 of this Section. Such increased amount shall be
4 considered as the retirement annuity in determining benefits
5 provided under other Sections of this Article. This paragraph
6 applies without regard to whether status as an employee
7 terminated before the effective date of this amendatory Act of
8 1987, provided that the annuitant was employed at least
9 one-half time during the period on which the final rate of
10 earnings was based.

11 (f) A participant is entitled to such additional annuity as
12 may be provided on an actuarially equivalent basis, by any
13 accumulated additional contributions to his or her credit.
14 However, the additional contributions made by the participant
15 toward the automatic increases in annuity provided under this
16 Section shall not be taken into account in determining the
17 amount of such additional annuity.

18 (g) If, (1) by law, a function of a governmental unit, as
19 defined by Section 20-107 of this Code, is transferred in whole
20 or in part to an employer, and (2) a participant transfers
21 employment from such governmental unit to such employer within
22 6 months after the transfer of the function, and (3) the sum of
23 (A) the annuity payable to the participant under Rule 1, 2, or
24 3 of this Section (B) all proportional annuities payable to the
25 participant by all other retirement systems covered by Article
26 20, and (C) the initial primary insurance amount to which the

1 participant is entitled under the Social Security Act, is less
2 than the retirement annuity which would have been payable if
3 all of the participant's pension credits validated under
4 Section 20-109 had been validated under this system, a
5 supplemental annuity equal to the difference in such amounts
6 shall be payable to the participant.

7 (h) On January 1, 1981, an annuitant who was receiving a
8 retirement annuity on or before January 1, 1971 shall have his
9 or her retirement annuity then being paid increased \$1 per
10 month for each year of creditable service. On January 1, 1982,
11 an annuitant whose retirement annuity began on or before
12 January 1, 1977, shall have his or her retirement annuity then
13 being paid increased \$1 per month for each year of creditable
14 service.

15 (i) On January 1, 1987, any annuitant whose retirement
16 annuity began on or before January 1, 1977, shall have the
17 monthly retirement annuity increased by an amount equal to 8¢
18 per year of creditable service times the number of years that
19 have elapsed since the annuity began.

20 (Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12;
21 98-92, eff. 7-16-13.)

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.