

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 b<sub>7</sub> 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.