



## 93RD GENERAL ASSEMBLY

### State of Illinois

2003 and 2004

SB2979

Introduced 2/6/2004, by Lawrence M. Walsh

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-141	from Ch. 108 1/2, par. 7-141
40 ILCS 5/7-142	from Ch. 108 1/2, par. 7-142
40 ILCS 5/7-173	from Ch. 108 1/2, par. 7-173
40 ILCS 5/7-173.3 new	
30 ILCS 805/8.28 new	

Amends the IMRF Article of the Illinois Pension Code. Increases the regular retirement formula to 1.96% of final earnings for the first 15 years of service and 2.28% of final earnings for each additional year of service, for service earned on or after July 1, 2004. For service before that date, authorizes augmentation of the old retirement formula by payment of a specified contribution. Increases the normal employee contribution rate by 1.5% of earnings. Allows a person to retire without penalty at any age which, when added to the number of years of creditable service, equals at least 85. Changes the way the early retirement penalty is calculated. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB093 20934 LRD 46912 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 changing  
5 Sections 7-141, 7-142, and 7-173 and adding Section 7-173.3 as  
6 follows:

7 (40 ILCS 5/7-141) (from Ch. 108 1/2, par. 7-141)

8 Sec. 7-141. Retirement annuities - Conditions. Retirement  
9 annuities shall be payable as hereinafter set forth:

10 (a) A participating employee who, regardless of cause, is  
11 separated from the service of all participating municipalities  
12 and instrumentalities thereof and participating  
13 instrumentalities shall be entitled to a retirement annuity  
14 provided:

15 1. He is at least age 55 or, beginning January 1, 2005,  
16 any lesser age which, when added to the number of years of  
17 his creditable service, equals at least 85, or in the case  
18 of a person who is eligible to have his annuity calculated  
19 under Section 7-142.1, he is at least age 50;

20 2. He is (i) an employee who was employed by any  
21 participating municipality or participating  
22 instrumentality which had not elected to exclude persons  
23 employed in positions normally requiring performance of  
24 duty for less than 1000 hours per year or was employed in a  
25 position normally requiring performance of duty for 600  
26 hours or more per year prior to such election by any  
27 participating municipality or participating  
28 instrumentality included in and subject to this Article on  
29 or before the effective date of this amendatory Act of 1981  
30 which made such election and is not entitled to receive  
31 earnings for employment in a position normally requiring  
32 performance of duty for 600 hours or more per year for any

1 participating municipality and instrumentalities thereof  
2 and participating instrumentality; or (ii) an employee who  
3 was employed only by a participating municipality or  
4 participating instrumentality, or participating  
5 municipalities or participating instrumentalities, which  
6 have elected to exclude persons in positions normally  
7 requiring performance of duty for less than 1000 hours per  
8 year after the effective date of such exclusion or which  
9 are included under and subject to the Article after the  
10 effective date of this amendatory Act of 1981 and elects to  
11 exclude persons in such positions, and is not entitled to  
12 receive earnings for employment in a position normally  
13 requiring performance of duty for 1000 hours or more per  
14 year by such a participating municipality or participating  
15 instrumentality;

16 3. The amount of his annuity, before the application of  
17 paragraph (b) of Section 7-142 is at least \$10 per month;

18 4. If he first became a participating employee after  
19 December 31, 1961, he has at least 8 years of service. This  
20 service requirement shall not apply to any participating  
21 employee, regardless of participation date, if the General  
22 Assembly terminates the Fund.

23 (b) Retirement annuities shall be payable:

24 1. As provided in Section 7-119;

25 2. Except as provided in item 3, upon receipt by the  
26 fund of a written application. The effective date may be  
27 not more than one year prior to the date of the receipt by  
28 the fund of the application;

29 3. Upon attainment of age 70 1/2 if the member (i) is  
30 no longer in service, and (ii) is otherwise entitled to an  
31 annuity under this Article;

32 4. To the beneficiary of the deceased annuitant for the  
33 unpaid amount accrued to date of death, if any.

34 (Source: P.A. 91-887, eff. 7-6-00.)

35 (40 ILCS 5/7-142) (from Ch. 108 1/2, par. 7-142)

1 Sec. 7-142. Retirement annuities - Amount.

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

5 1. For employees with 8 or more years of service, an  
6 annuity computed pursuant to subparagraphs a or b of this  
7 subparagraph 1, whichever is the higher, and for employees  
8 with less than 8 years of service the annuity computed  
9 pursuant to subparagraph a:

10 a. The monthly annuity which can be provided from  
11 the total accumulated normal, municipality and prior  
12 service credits, as of the attained age of the employee  
13 on the date the annuity begins provided that such  
14 annuity shall not exceed 75% of the final rate of  
15 earnings of the employee.

16 b. ~~(i)~~ The monthly annuity amount determined as  
17 follows:

18 (i) For unaugmented creditable service earned  
19 before July 1, 2004, by multiplying (a) 1 2/3% for  
20 annuitants with not more than 15 years or (b) 1 2/3% of  
21 the employee's final rate of earnings for each of the  
22 first 15 years of creditable service and 2% for each  
23 year in excess of 15 years, with any remaining fraction  
24 of a year for annuitants with more than 15 years by the  
25 number of years plus fractional years, prorated on the  
26 a basis of months of creditable service and multiply  
27 the product thereof by the employee's final rate of  
28 earnings.

29 For creditable service earned on or after July 1,  
30 2004 and creditable service earned before that date  
31 that has been augmented as provided in Section 7-173.3,  
32 1.96% of the employee's final rate of earnings for each  
33 of the first 15 years of creditable service, and 2.28%  
34 for each year in excess of 15 years with any remaining  
35 fraction of a year prorated on the basis of months.

36 (ii) For the sole purpose of computing the formula

1 (and not for the purposes of the limitations  
2 hereinafter stated) \$125 shall be considered the final  
3 rate of earnings in all cases where the final rate of  
4 earnings is less than such amount.

5 (iii) The monthly annuity computed in accordance  
6 with this subparagraph b~~7~~ shall not exceed an amount  
7 equal to 75% of the final rate of earnings.

8 (iv) For employees who have less than 35 years of  
9 service and less than 85 years of combined age and  
10 service, the annuity computed in accordance with this  
11 subparagraph b (as reduced by application of  
12 subparagraph (iii) above) shall be reduced by 0.25%  
13 thereof (0.5% if service was terminated before January  
14 1, 1988) for each month or fraction thereof (1) that  
15 the employee's age is less than 60 years, ~~or~~ (2) if the  
16 employee has at least 30 years of service credit, that  
17 the employee's service credit is less than 35 years, or  
18 (3) if the employee has at least 80 years of combined  
19 age and service, that the employee's combined age and  
20 service is less than 85 years whichever is least ~~less~~,  
21 on the date the annuity begins.

22 2. The annuity which can be provided from the total  
23 accumulated additional credits as of the attained age of  
24 the employee on the date the annuity begins.

25 (b) If payment of an annuity begins prior to the earliest  
26 age at which the employee will become eligible for an old age  
27 insurance benefit under the Federal Social Security Act, he may  
28 elect that the annuity payments from this fund shall exceed  
29 those payable after his attaining such age by an amount,  
30 computed as determined by rules of the Board, but not in excess  
31 of his estimated Social Security Benefit, determined as of the  
32 effective date of the annuity, provided that in no case shall  
33 the total annuity payments made by this fund exceed in  
34 actuarial value the annuity which would have been payable had  
35 no such election been made.

36 (c) The retirement annuity shall be increased each year by

1 2%, not compounded, of the monthly amount of annuity, taking  
2 into consideration any adjustment under paragraph (b) of this  
3 Section. This increase shall be effective each January 1 and  
4 computed from the effective date of the retirement annuity, the  
5 first increase being .167% of the monthly amount times the  
6 number of months from the effective date to January 1.  
7 Beginning January 1, 1984 and thereafter, the retirement  
8 annuity shall be increased by 3% each year, not compounded.  
9 This increase shall not be applicable to annuitants who are not  
10 in service on or after September 8, 1971.

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

12 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

13 Sec. 7-173. Contributions by employees.

14 (a) Each participating employee shall make contributions  
15 to the fund as follows:

16 1. For retirement annuity purposes, normal  
17 contributions of 3 3/4% of earnings through June 30, 2004,  
18 and 5.25% of earnings thereafter.

19 2. Additional contributions of such percentages of  
20 each payment of earnings, as shall be elected by the  
21 employee for retirement annuity purposes, but not in excess  
22 of 10%. The selected rate shall be applicable to all  
23 earnings beginning on the first day of the second month  
24 following receipt by the Board of written notice of  
25 election to make such contributions. Additional  
26 contributions at the selected rate shall be made  
27 concurrently with normal contributions.

28 3. Survivor contributions, by each participating  
29 employee, of 3/4% of each payment of earnings.

30 (b) Each employee shall make contributions to the fund for  
31 federal Social Security taxes, for periods during which he is a  
32 covered employee, as required by the Social Security Enabling  
33 Act. For participating employees, such contributions shall be  
34 in addition to those required under paragraph (a) of this  
35 Section.

1 (c) Contributions shall be deducted from each  
2 corresponding payment of earnings paid to each employee and  
3 shall be remitted to the board by the participating  
4 municipality or participating instrumentality making such  
5 payment. The remittance, together with a report of the earnings  
6 and contributions shall be made as directed by the board. For  
7 township treasurers and employees of township treasurers  
8 qualifying as employees hereunder, the contributions herein  
9 required as deductions from salary shall be withheld by the  
10 school township trustees from funds available for the payment  
11 of the compensation of such treasurers and employees as  
12 provided in the School Code and remitted to the board.

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

18 (e) Failure to make the deductions for employee  
19 contributions provided in paragraph (c) of this Section shall  
20 not relieve the employee from liability for such contributions.  
21 The amount of such liability may be deducted, with interest  
22 charged under Section 7-209, from any annuities or benefits  
23 payable hereunder to the employee or any other person receiving  
24 an annuity or benefit by reason of such employee's  
25 participation.

26 (f) A participating employee who has at least 40 years of  
27 creditable service in the Fund may elect to cease making the  
28 contributions required under this Section. The status of the  
29 employee under this Article shall be unaffected by this  
30 election, except that the employee shall not receive any  
31 additional creditable service for the periods of employment  
32 following the election. An election under this subsection  
33 relieves the employer from making additional employer  
34 contributions in relation to that employee.

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

1 (40 ILCS 5/7-173.3 new)

2 Sec. 7-173.3. Optional contribution for augmented  
3 retirement formula.

4 (a) A member of the Fund may qualify for the augmented rate  
5 under subdivision (a)1.b.(i) of Section 7-142 for all years of  
6 creditable service earned before July 1, 2004 by making the  
7 optional contribution specified in subsection (b) of this  
8 Section. A member may not elect to qualify for the augmented  
9 rate for only a portion of his or her creditable service earned  
10 before July 1, 2004.

11 (b) The contribution shall be an amount equal to 0.5% of  
12 the member's salary rate during the 12 consecutive months  
13 immediately prior to but not including the year in which the  
14 application occurs, multiplied by the number of years of  
15 creditable service earned by the member before July 1, 2004.

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

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

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

22 (iii) if the member becomes an annuitant on or before  
23 June 30, 2008, in substantially equal monthly installments  
24 over a 24-month period, by reducing the annuitant's monthly  
25 benefit over a 24-month period by the amount of the  
26 otherwise applicable contribution. For federal and  
27 Illinois tax purposes, the monthly amount by which the  
28 annuitant's benefit is reduced shall not be treated as a  
29 contribution by the annuitant, but rather as a reduction of  
30 the annuitant's monthly benefit.

31 (c) If the member fails to make the full contribution under  
32 this Section in a timely fashion, the payments made under this  
33 Section shall be refunded to the member, without interest. If  
34 the member dies before making the full contribution, the  
35 payments made under this Section, together with regular  
36 interest thereon, shall be refunded to the member's designated



1 beneficiary.

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

8 (e) The contributions required under this Section are the  
9 responsibility of the employee and not the employer. However,  
10 an employer may specifically agree, through collective  
11 bargaining or otherwise, to make the contributions required by  
12 this Section on behalf of its employees.

13 Section 90. The State Mandates Act is amended by adding  
14 Section 8.28 as follows:

15 (30 ILCS 805/8.28 new)

16 Sec. 8.28. Exempt mandate. Notwithstanding Sections 6 and 8  
17 of this Act, no reimbursement by the State is required for the  
18 implementation of any mandate created by this amendatory Act of  
19 the 93rd General Assembly.

20 Section 99. Effective date. This Act takes effect upon  
21 becoming law.