



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004

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

SYNOPSIS AS INTRODUCED:

| | |
|-----------------------|------------------------------|
| 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 | |

Amends the IMRF Article of the Illinois Pension Code. Provides that, by filing a resolution or ordinance with the Fund, an employer may increase 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 the filing of the resolution or ordinance. For service earned before the filing of the resolution or ordinance, authorizes augmentation of the old retirement formula by payment of a specified contribution. Increases the normal employee contribution rate for employees of an employer that files a resolution or ordinance to increase the regular retirement formula, by 0.5% of earnings. Effective immediately.

LRB093 20922 LRD 46897 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 7-142 and 7-173 and adding Section 7-173.3 as follows:

6 (40 ILCS 5/7-142) (from Ch. 108 1/2, par. 7-142)

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

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

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

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

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

24 (i) For unaugmented creditable service, by
25 multiplying (a) 1 2/3% for annuitants with not more
26 than 15 years or (b) 1 2/3% of the employee's final
27 rate of earnings for each of the first 15 years of
28 creditable service and 2% for each year in excess
29 of 15 years, with any remaining fraction of a year
30 for annuitants with more than 15 years by the
31 number of years plus fractional years, prorated on
32 the a basis of months of creditable service and

1 ~~multiply the product thereof by the employee's~~
2 ~~final rate of earnings.~~

3 For creditable service by a member employed by
4 a participating employer that has filed with the
5 Board of the Fund a resolution or ordinance
6 expressly authorizing an augmented retirement
7 annuity that is earned on or after the filing of
8 the resolution or ordinance and creditable service
9 earned before that date that has been augmented as
10 provided in Section 7-173.3, 1.96% of the
11 employee's final rate of earnings for each of the
12 first 15 years of creditable service, and 2.28% for
13 each year in excess of 15 years with any remaining
14 fraction of a year prorated on the basis of months.

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

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

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

36 2. The annuity which can be provided from the total

1 accumulated additional credits as of the attained age of
2 the employee on the date the annuity begins.

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

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

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

26 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

27 Sec. 7-173. Contributions by employees.

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

30 1. For retirement annuity purposes, normal
31 contributions of 3 3/4% of earnings for unaugmented
32 service, and 4.25% of earnings for augmented service.

33 2. Additional contributions of such percentages of
34 each payment of earnings, as shall be elected by the
35 employee for retirement annuity purposes, but not in excess

1 of 10%. The selected rate shall be applicable to all
2 earnings beginning on the first day of the second month
3 following receipt by the Board of written notice of
4 election to make such contributions. Additional
5 contributions at the selected rate shall be made
6 concurrently with normal contributions.

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

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

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

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

32 (e) Failure to make the deductions for employee
33 contributions provided in paragraph (c) of this Section shall
34 not relieve the employee from liability for such contributions.
35 The amount of such liability may be deducted, with interest
36 charged under Section 7-209, from any annuities or benefits

1 payable hereunder to the employee or any other person receiving
2 an annuity or benefit by reason of such employee's
3 participation.

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

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

14 (40 ILCS 5/7-173.3 new)

15 Sec. 7-173.3. Optional contribution for augmented
16 retirement formula.

17 (a) A member of the Fund may qualify for the augmented rate
18 under subdivision (a)1.b.(i) of Section 7-142 for all years of
19 creditable service earned before the filing of a resolution or
20 ordinance by his or her employer authorizing augmented service
21 by making the optional contribution specified in subsection (b)
22 of this Section. A member may not elect to qualify for the
23 augmented rate for only a portion of his or her creditable
24 service earned before the filing of the resolution or
25 ordinance.

26 (b) The contribution shall be an amount equal to 1.79% of
27 the member's salary rate during the 12 consecutive months
28 immediately prior to but not including the year in which the
29 application occurs, multiplied by the number of years of
30 creditable service earned by the member before the filing of
31 the resolution or ordinance.

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

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

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

3 (iii) in substantially equal monthly installments over
4 a 24-month period, by reducing the annuitant's monthly
5 benefit over a 24-month period by the amount of the
6 otherwise applicable contribution. For federal and
7 Illinois tax purposes, the monthly amount by which the
8 annuitant's benefit is reduced shall not be treated as a
9 contribution by the annuitant, but rather as a reduction of
10 the annuitant's monthly benefit.

11 (c) If the member fails to make the full contribution under
12 this Section in a timely fashion, the payments made under this
13 Section shall be refunded to the member, without interest. If
14 the member dies before making the full contribution, the
15 payments made under this Section, together with regular
16 interest thereon, shall be refunded to the member's designated
17 beneficiary.

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

24 (e) The contributions required under this Section are the
25 responsibility of the employee and not the employer. However,
26 an employer may specifically agree, through collective
27 bargaining or otherwise, to make the contributions required by
28 this Section on behalf of its employees.

29 Section 99. Effective date. This Act takes effect upon
30 becoming law.