



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB0035

Introduced 1/26/2005, by Sen. Iris Y. Martinez

SYNOPSIS AS INTRODUCED:

40 ILCS 5/17-116 from Ch. 108 1/2, par. 17-116
40 ILCS 5/17-119.1
30 ILCS 805/8.29 new

Amends the Chicago Teacher Article of the Illinois Pension Code. Provides that the service retirement pension for a teacher who retires on or after the effective date of this amendatory Act shall be 2.4% (now 2.2%) of average salary for each year of creditable service. Eliminates the required contribution for converting past service to the augmented retirement formula, and provides for a refund of such contributions already paid. Also provides for recalculation of the pension and a lump sum payment of the difference between the augmented and unaugmented rates for certain pensioners. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 03457 LRD 33460 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 17-116 and 17-119.1 as follows:

6 (40 ILCS 5/17-116) (from Ch. 108 1/2, par. 17-116)
7 Sec. 17-116. Service retirement pension.

8 (a) Each teacher having 20 years of service upon attainment
9 of age 55, or who thereafter attains age 55 shall be entitled
10 to a service retirement pension upon or after attainment of age
11 55; and each teacher in service on or after July 1, 1971, with
12 5 or more but less than 20 years of service shall be entitled
13 to receive a service retirement pension upon or after
14 attainment of age 62.

15 (b) The service retirement pension for a teacher who
16 retires on or after June 25, 1971, at age 60 or over, shall be
17 calculated as follows:

18 (1) For creditable service earned before July 1, 1998
19 that has not been augmented under Section 17-119.1: 1.67%
20 for each of the first 10 years of service; 1.90% for each
21 of the next 10 years of service; 2.10% for each year of
22 service in excess of 20 but not exceeding 30; and 2.30% for
23 each year of service in excess of 30, based upon average
24 salary as herein defined.

25 (2) For creditable service earned on or after July 1,
26 1998 by a member who has at least 30 years of creditable
27 service on July 1, 1998 and who does not elect to augment
28 service under Section 17-119.1: 2.3% of average salary for
29 each year of creditable service earned on or after July 1,
30 1998.

31 (3) For all other creditable service: for persons who
32 retire before the effective date of this amendatory Act of

1 the 94th General Assembly, 2.2% of average salary for each
2 year of creditable service, for persons who retire on or
3 after the effective date of this amendatory Act of the 94th
4 General Assembly, 2.4% of average salary for each year of
5 creditable service.

6 (c) When computing such service retirement pensions, the
7 following conditions shall apply:

8 1. Average salary shall consist of the average annual
9 rate of salary for the 4 consecutive years of validated
10 service within the last 10 years of service when such
11 average annual rate was highest. In the determination of
12 average salary for retirement allowance purposes, for
13 members who commenced employment after August 31, 1979,
14 that part of the salary for any year shall be excluded
15 which exceeds the annual full-time salary rate for the
16 preceding year by more than 20%. In the case of a member
17 who commenced employment before August 31, 1979 and who
18 receives salary during any year after September 1, 1983
19 which exceeds the annual full time salary rate for the
20 preceding year by more than 20%, an Employer and other
21 employers of eligible contributors as defined in Section
22 17-106 shall pay to the Fund an amount equal to the present
23 value of the additional service retirement pension
24 resulting from such excess salary. The present value of the
25 additional service retirement pension shall be computed by
26 the Board on the basis of actuarial tables adopted by the
27 Board. If a member elects to receive a pension from this
28 Fund provided by Section 20-121, his salary under the State
29 Universities Retirement System and the Teachers'
30 Retirement System of the State of Illinois shall be
31 considered in determining such average salary. Amounts
32 paid after the effective date of this amendatory Act of
33 1991 for unused vacation time earned after that effective
34 date shall not under any circumstances be included in the
35 calculation of average salary or the annual rate of salary
36 for the purposes of this Article.

1 2. Proportionate credit shall be given for validated
2 service of less than one year.

3 3. For retirement at age 60 or over the pension shall
4 be payable at the full rate.

5 4. For separation from service below age 60 to a
6 minimum age of 55, the pension shall be discounted at the
7 rate of 1/2 of one per cent for each month that the age of
8 the contributor is less than 60, but a teacher may elect to
9 defer the effective date of pension in order to eliminate
10 or reduce this discount. This discount shall not be
11 applicable to any participant who has at least 34 years of
12 service or a retirement pension of at least 74.6% of
13 average salary on the date the retirement annuity begins.

14 5. No additional pension shall be granted for service
15 exceeding 45 years. Beginning June 26, 1971 no pension
16 shall exceed the greater of \$1,500 per month or 75% of
17 average salary as herein defined.

18 6. Service retirement pensions shall begin on the
19 effective date of resignation, retirement, the day
20 following the close of the payroll period for which service
21 credit was validated, or the time the person resigning or
22 retiring attains age 55, or on a date elected by the
23 teacher, whichever shall be latest.

24 7. A member who is eligible to receive a retirement
25 pension of at least 74.6% of average salary and will attain
26 age 55 on or before December 31 during the year which
27 commences on July 1 shall be deemed to attain age 55 on the
28 preceding June 1.

29 8. A member retiring after the effective date of this
30 amendatory Act of 1998 shall receive a pension equal to 75%
31 of average salary if the member is qualified to receive a
32 retirement pension equal to at least 74.6% of average
33 salary under this Article or as proportional annuities
34 under Article 20 of this Code.

35 (Source: P.A. 90-566, eff. 1-2-98; 90-582, eff. 5-27-98.)

1 (40 ILCS 5/17-119.1)

2 Sec. 17-119.1. Optional increase in retirement annuity.

3 (a) Beginning on the effective date of this amendatory Act
4 of the 94th General Assembly, a member of the Fund shall ~~may~~
5 qualify for the augmented rate under subdivision (b)(3) of
6 Section 17-116 for all years of creditable service without
7 ~~earned before July 1, 1998 by~~ making any ~~the~~ optional
8 contribution. Any such contribution already paid under this
9 Section shall be refunded by the Fund to the teacher or
10 pensioner (or, if deceased, to the teacher or pensioner's
11 survivor, beneficiary, or estate), together with interest at
12 the rate of 5%, compounded annually, from the date of payment
13 of the contribution to the date of refund; except that any such
14 contribution that has been paid by an employer under subsection
15 (e) shall be refunded to the employer. ~~specified in subsection~~
16 ~~(b); except that a member who retires on or after July 1, 1998~~
17 ~~with at least 30 years of creditable service at retirement~~
18 ~~qualifies for the augmented rate without making any~~
19 ~~contribution under subsection (b).~~

20 Any member who retires on or after July 1, 1998 and before
21 the effective date of this amendatory Act of the 94th ~~92nd~~
22 General Assembly and whose pension was calculated using an
23 unaugmented rate may elect to have the pension recalculated
24 using the applicable augmented rate and to ~~with at least 30~~
25 ~~years of creditable service shall~~ be paid a lump sum equal to
26 the amount he or she would have received under the augmented
27 rate minus the amount he or she actually received prior to the
28 effective date of the recalculation.

29 The changes to this Section made by this amendatory Act of
30 the 94th General Assembly apply without regard to whether the
31 member was in service on or after its effective date and
32 notwithstanding Section 17-157.

33 ~~A member may not elect to qualify for the augmented rate~~
34 ~~for only a portion of his or her creditable service earned~~
35 ~~before July 1, 1998.~~

36 (b) (Blank). ~~The contribution shall be an amount equal to~~

1 ~~1.0% of the member's highest salary rate in the 4 consecutive~~
2 ~~school years immediately prior to but not including the school~~
3 ~~year in which the application occurs, multiplied by the number~~
4 ~~of years of creditable service earned by the member before July~~
5 ~~1, 1998 or 20, whichever is less. This contribution shall be~~
6 ~~reduced by 1.0% of that salary rate for every 3 full years of~~
7 ~~creditable service earned by the member after June 30, 1998.~~
8 ~~The contribution shall be further reduced at the rate of 25% of~~
9 ~~the contribution (as reduced for service after June 30, 1998)~~
10 ~~for each year of the member's total creditable service in~~
11 ~~excess of 34 years. The contribution shall not in any event~~
12 ~~exceed 20% of that salary rate.~~

13 ~~The member shall pay to the Fund the amount of the~~
14 ~~contribution as calculated at the time of application under~~
15 ~~this Section. The amount of the contribution determined under~~
16 ~~this subsection shall be recalculated at the time of~~
17 ~~retirement, and if the Fund determines that the amount paid by~~
18 ~~the member exceeds the recalculated amount, the Fund shall~~
19 ~~refund the difference to the member with regular interest from~~
20 ~~the date of payment to the date of refund.~~

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

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

25 ~~(ii) in substantially equal installments over a period~~
26 ~~of time not to exceed 5 years, as a deduction from salary~~
27 ~~in accordance with Section 17-130.2;~~

28 ~~(iii) in substantially equal monthly installments over~~
29 ~~a 24 month period, by a deduction from the annuitant's~~
30 ~~monthly benefit.~~

31 (c) (Blank). ~~If the member fails to make the full~~
32 ~~contribution under this Section in a timely fashion, the~~
33 ~~payments made under this Section shall be refunded to the~~
34 ~~member, without interest. If the member (including a member who~~
35 ~~has become an annuitant) dies before making the full~~
36 ~~contribution, the payments made under this Section shall be~~

1 ~~refunded to the member's designated beneficiary if there is no~~
2 ~~survivor's or children's pension benefit payable. If there is a~~
3 ~~survivor's or children's benefit payable, then all payments~~
4 ~~made under this Section shall be retained by the Fund and all~~
5 ~~such survivor's or children's benefits payable shall be~~
6 ~~calculated as if all contributions required under this Section~~
7 ~~have been paid in full.~~

8 (d) (Blank). ~~For purposes of this Section and subsection~~
9 ~~(b) of Section 17-116, optional creditable service established~~
10 ~~by a member shall be deemed to have been earned at the time of~~
11 ~~the employment or other qualifying event upon which the service~~
12 ~~is based, rather than at the time the credit was established in~~
13 ~~this Fund.~~

14 (e) (Blank). ~~The contributions required under this Section~~
15 ~~are the responsibility of the teacher and not the teacher's~~
16 ~~employer. However, an employer of teachers may, after the~~
17 ~~effective date of this amendatory Act of 1998, specifically~~
18 ~~agree, through collective bargaining or otherwise, to make the~~
19 ~~contributions required by this Section on behalf of those~~
20 ~~teachers.~~

21 (Source: P.A. 91-17, eff. 6-4-99; 92-416, eff. 8-17-01; 92-599,
22 eff. 6-28-02; 92-651, eff. 7-11-02.)

23 Section 90. The State Mandates Act is amended by adding
24 Section 8.29 as follows:

25 (30 ILCS 805/8.29 new)

26 Sec. 8.29. Exempt mandate. Notwithstanding Sections 6 and 8
27 of this Act, no reimbursement by the State is required for the
28 implementation of any mandate created by this amendatory Act of
29 the 94th General Assembly.

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