



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB4227

by Rep. Roger L. Eddy

SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-141.1

40 ILCS 5/7-144

30 ILCS 805/8.32 new

from Ch. 108 1/2, par. 7-144

Amends the Illinois Municipal Retirement Fund Article of the Illinois Pension Code. Allows an annuitant to accept employment as a school bus driver without impairing retirement status. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB095 15296 AMC 41282 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

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 7-141.1 and 7-144 as follows:

6 (40 ILCS 5/7-141.1)

7 Sec. 7-141.1. Early retirement incentive.

8 (a) The General Assembly finds and declares that:

9 (1) Units of local government across the State have
10 been functioning under a financial crisis.

11 (2) This financial crisis is expected to continue.

12 (3) Units of local government must depend on additional
13 sources of revenue and, when those sources are not
14 forthcoming, must establish cost-saving programs.

15 (4) An early retirement incentive designed
16 specifically to target highly-paid senior employees could
17 result in significant annual cost savings.

18 (5) The early retirement incentive should be made
19 available only to those units of local government that
20 determine that an early retirement incentive is in their
21 best interest.

22 (6) A unit of local government adopting a program of
23 early retirement incentives under this Section is

1 encouraged to implement personnel procedures to prohibit,
2 for at least 5 years, the rehiring (whether on payroll or
3 by independent contract) of employees who receive early
4 retirement incentives.

5 (7) A unit of local government adopting a program of
6 early retirement incentives under this Section is also
7 encouraged to replace as few of the participating employees
8 as possible and to hire replacement employees for salaries
9 totaling no more than 80% of the total salaries formerly
10 paid to the employees who participate in the early
11 retirement program.

12 It is the primary purpose of this Section to encourage
13 units of local government that can realize true cost savings,
14 or have determined that an early retirement program is in their
15 best interest, to implement an early retirement program.

16 (b) Until the effective date of this amendatory Act of
17 1997, this Section does not apply to any employer that is a
18 city, village, or incorporated town, nor to the employees of
19 any such employer. Beginning on the effective date of this
20 amendatory Act of 1997, any employer under this Article,
21 including an employer that is a city, village, or incorporated
22 town, may establish an early retirement incentive program for
23 its employees under this Section. The decision of a city,
24 village, or incorporated town to consider or establish an early
25 retirement program is at the sole discretion of that city,
26 village, or incorporated town, and nothing in this amendatory

1 Act of 1997 limits or otherwise diminishes this discretion.
2 Nothing contained in this Section shall be construed to require
3 a city, village, or incorporated town to establish an early
4 retirement program and no city, village, or incorporated town
5 may be compelled to implement such a program.

6 The benefits provided in this Section are available only to
7 members employed by a participating employer that has filed
8 with the Board of the Fund a resolution or ordinance expressly
9 providing for the creation of an early retirement incentive
10 program under this Section for its employees and specifying the
11 effective date of the early retirement incentive program.
12 Subject to the limitation in subsection (h), an employer may
13 adopt a resolution or ordinance providing a program of early
14 retirement incentives under this Section at any time.

15 The resolution or ordinance shall be in substantially the
16 following form:

17 RESOLUTION (ORDINANCE) NO.

18 A RESOLUTION (ORDINANCE) ADOPTING AN EARLY
19 RETIREMENT INCENTIVE PROGRAM FOR EMPLOYEES
20 IN THE ILLINOIS MUNICIPAL RETIREMENT FUND

21 WHEREAS, Section 7-141.1 of the Illinois Pension Code
22 provides that a participating employer may elect to adopt an
23 early retirement incentive program offered by the Illinois
24 Municipal Retirement Fund by adopting a resolution or
25 ordinance; and

1 WHEREAS, The goal of adopting an early retirement program
2 is to realize a substantial savings in personnel costs by
3 offering early retirement incentives to employees who have
4 accumulated many years of service credit; and

5 WHEREAS, Implementation of the early retirement program
6 will provide a budgeting tool to aid in controlling payroll
7 costs; and

8 WHEREAS, The (name of governing body) has determined that
9 the adoption of an early retirement incentive program is in the
10 best interests of the (name of participating employer);
11 therefore be it

12 RESOLVED (ORDAINED) by the (name of governing body) of
13 (name of participating employer) that:

14 (1) The (name of participating employer) does hereby adopt
15 the Illinois Municipal Retirement Fund early retirement
16 incentive program as provided in Section 7-141.1 of the
17 Illinois Pension Code. The early retirement incentive program
18 shall take effect on (date).

19 (2) In order to help achieve a true cost savings, a person
20 who retires under the early retirement incentive program shall
21 lose those incentives if he or she later accepts employment
22 with any IMRF employer in a position for which participation in
23 IMRF is required or is elected by the employee.

24 (3) In order to utilize an early retirement incentive as a
25 budgeting tool, the (name of participating employer) will use
26 its best efforts either to limit the number of employees who

1 replace the employees who retire under the early retirement
2 program or to limit the salaries paid to the employees who
3 replace the employees who retire under the early retirement
4 program.

5 (4) The effective date of each employee's retirement under
6 this early retirement program shall be set by (name of
7 employer) and shall be no earlier than the effective date of
8 the program and no later than one year after that effective
9 date; except that the employee may require that the retirement
10 date set by the employer be no later than the June 30 next
11 occurring after the effective date of the program and no
12 earlier than the date upon which the employee qualifies for
13 retirement.

14 (5) To be eligible for the early retirement incentive under
15 this Section, the employee must have attained age 50 and have
16 at least 20 years of creditable service by his or her
17 retirement date.

18 (6) The (clerk or secretary) shall promptly file a
19 certified copy of this resolution (ordinance) with the Board of
20 Trustees of the Illinois Municipal Retirement Fund.

21 CERTIFICATION

22 I, (name), the (clerk or secretary) of the (name of
23 participating employer) of the County of (name), State of
24 Illinois, do hereby certify that I am the keeper of the books
25 and records of the (name of employer) and that the foregoing is
26 a true and correct copy of a resolution (ordinance) duly

1 adopted by the (governing body) at a meeting duly convened and
2 held on (date).

3 SEAL

4 (Signature of clerk or secretary)

5 (c) To be eligible for the benefits provided under an early
6 retirement incentive program adopted under this Section, a
7 member must:

8 (1) be a participating employee of this Fund who, on
9 the effective date of the program, (i) is in active payroll
10 status as an employee of a participating employer that has
11 filed the required ordinance or resolution with the Board,
12 (ii) is on layoff status from such a position with a right
13 of re-employment or recall to service, (iii) is on a leave
14 of absence from such a position, or (iv) is on disability
15 but has not been receiving benefits under Section 7-146 or
16 7-150 for a period of more than 2 years from the date of
17 application;

18 (2) have never previously received a retirement
19 annuity under this Article or under the Retirement Systems
20 Reciprocal Act using service credit established under this
21 Article;

22 (3) (blank);

23 (4) have at least 20 years of creditable service in the
24 Fund by the date of retirement, without the use of any
25 creditable service established under this Section;

1 (5) have attained age 50 by the date of retirement,
2 without the use of any age enhancement received under this
3 Section; and

4 (6) be eligible to receive a retirement annuity under
5 this Article by the date of retirement, for which purpose
6 the age enhancement and creditable service established
7 under this Section may be considered.

8 (d) The employer shall determine the retirement date for
9 each employee participating in the early retirement program
10 adopted under this Section. The retirement date shall be no
11 earlier than the effective date of the program and no later
12 than one year after that effective date, except that the
13 employee may require that the retirement date set by the
14 employer be no later than the June 30 next occurring after the
15 effective date of the program and no earlier than the date upon
16 which the employee qualifies for retirement. The employer shall
17 give each employee participating in the early retirement
18 program at least 30 days written notice of the employee's
19 designated retirement date, unless the employee waives this
20 notice requirement.

21 (e) An eligible person may establish up to 5 years of
22 creditable service under this Section. In addition, for each
23 period of creditable service established under this Section, a
24 person shall have his or her age at retirement deemed enhanced
25 by an equivalent period.

26 The creditable service established under this Section may

1 be used for all purposes under this Article and the Retirement
2 Systems Reciprocal Act, except for the computation of final
3 rate of earnings and the determination of earnings, salary, or
4 compensation under this or any other Article of the Code.

5 The age enhancement established under this Section may be
6 used for all purposes under this Article (including calculation
7 of the reduction imposed under subdivision (a)1b(iv) of Section
8 7-142), except for purposes of a reversionary annuity under
9 Section 7-145 and any distributions required because of age.
10 The age enhancement established under this Section may be used
11 in calculating a proportionate annuity payable by this Fund
12 under the Retirement Systems Reciprocal Act, but shall not be
13 used in determining benefits payable under other Articles of
14 this Code under the Retirement Systems Reciprocal Act.

15 (f) For all creditable service established under this
16 Section, the member must pay to the Fund an employee
17 contribution consisting of 4.5% of the member's highest annual
18 salary rate used in the determination of the final rate of
19 earnings for retirement annuity purposes for each year of
20 creditable service granted under this Section. For creditable
21 service established under this Section by a person who is a
22 sheriff's law enforcement employee to be deemed service as a
23 sheriff's law enforcement employee, the employee contribution
24 shall be at the rate of 6.5% of highest annual salary per year
25 of creditable service granted. Contributions for fractions of a
26 year of service shall be prorated. Any amounts that are

1 disregarded in determining the final rate of earnings under
2 subdivision (d) (5) of Section 7-116 (the 125% rule) shall also
3 be disregarded in determining the required contribution under
4 this subsection (f).

5 The employee contribution shall be paid to the Fund as
6 follows: If the member is entitled to a lump sum payment for
7 accumulated vacation, sick leave, or personal leave upon
8 withdrawal from service, the employer shall deduct the employee
9 contribution from that lump sum and pay the deducted amount
10 directly to the Fund. If there is no such lump sum payment or
11 the required employee contribution exceeds the net amount of
12 the lump sum payment, then the remaining amount due, at the
13 option of the employee, may either be paid to the Fund before
14 the annuity commences or deducted from the retirement annuity
15 in 24 equal monthly installments.

16 (g) An annuitant who has received any age enhancement or
17 creditable service under this Section and thereafter accepts
18 employment with or enters into a personal services contract
19 with an employer under this Article thereby forfeits that age
20 enhancement and creditable service; except that this
21 restriction does not apply to (i) service in an elective
22 office, so long as the annuitant does not participate in this
23 Fund with respect to that office and (ii) employment as a
24 school bus driver.

25 A person forfeiting early retirement incentives under this
26 subsection (i) must repay to the Fund that portion of the

1 retirement annuity already received which is attributable to
2 the early retirement incentives that are being forfeited, (ii)
3 shall not be eligible to participate in any future early
4 retirement program adopted under this Section, and (iii) is
5 entitled to a refund of the employee contribution paid under
6 subsection (f). The Board shall deduct the required repayment
7 from the refund and may impose a reasonable payment schedule
8 for repaying the amount, if any, by which the required
9 repayment exceeds the refund amount.

10 The change made to this subsection (g) by this amendatory
11 Act of the 95th General Assembly is not limited to persons in
12 service on or after its effective date, but it does not restore
13 eligibility for early retirement benefits to any person who has
14 previously forfeited those benefits due to employment accepted
15 (or a contract entered into) before that effective date.

16 (h) The additional unfunded liability accruing as a result
17 of the adoption of a program of early retirement incentives
18 under this Section by an employer shall be amortized over a
19 period of 10 years beginning on January 1 of the second
20 calendar year following the calendar year in which the latest
21 date for beginning to receive a retirement annuity under the
22 program (as determined by the employer under subsection (d) of
23 this Section) occurs; except that the employer may provide for
24 a shorter amortization period (of no less than 5 years) by
25 adopting an ordinance or resolution specifying the length of
26 the amortization period and submitting a certified copy of the

1 ordinance or resolution to the Fund no later than 6 months
2 after the effective date of the program. An employer, at its
3 discretion, may accelerate payments to the Fund.

4 An employer may provide more than one early retirement
5 incentive program for its employees under this Section.
6 However, an employer that has provided an early retirement
7 incentive program for its employees under this Section may not
8 provide another early retirement incentive program under this
9 Section until the liability arising from the earlier program
10 has been fully paid to the Fund.

11 (Source: P.A. 94-456, eff. 8-4-05.)

12 (40 ILCS 5/7-144) (from Ch. 108 1/2, par. 7-144)

13 Sec. 7-144. Retirement annuities-Suspended during
14 employment.

15 (a) (1) If any person described in clause (i) of subsection
16 (a) 2 of Section 7-141 receiving any annuity again becomes an
17 employee and receives earnings from employment in a position
18 normally requiring performance of duty during 600 hours or more
19 per year for any participating municipality and
20 instrumentalities thereof or participating instrumentality; or
21 (2) if any person described in clause (ii) of subsection (a) 2
22 of Section 7-141 receiving any annuity returns to employment in
23 a position requiring him, or entitling him to elect, to become
24 a participating employee; then the annuity payable to such
25 employee shall be suspended as of the 1st day of the month

1 coincidental with or next following the date upon which such
2 person becomes such an employee. Upon proper qualification of
3 the participating employee payment of such annuity may be
4 resumed on the 1st day of the month following such
5 qualification and upon proper application therefor. The
6 participating employee in such case shall be entitled to a
7 supplemental annuity arising from service and credits earned
8 subsequent to such re-entry as a participating employee.

9 Notwithstanding an other provisions of this subsection
10 (a), an annuitant may accept employment as a school bus driver
11 without impairing retirement status. The change made to this
12 subsection (a) by this amendatory Act of the 95th General
13 Assembly is not limited to persons in service on or after its
14 effective date, but it does not restore eligibility for early
15 retirement benefits to any person who has previously forfeited
16 those benefits due to employment accepted (or a contract
17 entered into) before that effective date.

18 (b) Supplemental annuities to persons who return to service
19 for less than 48 months shall be computed under the provisions
20 of Sections 7-141, 7-142 and 7-143. In determining whether an
21 employee is eligible for an annuity which requires a minimum
22 period of service, his entire period of service shall be taken
23 into consideration but the supplemental annuity shall be based
24 on earnings and service in the supplemental period only. The
25 effective date of the suspended and supplemental annuity for
26 the purpose of increases after retirement shall be considered

1 to be the effective date of the suspended annuity.

2 (c) Supplemental annuities to persons who return to service
3 for 48 months or more shall be a monthly amount determined as
4 follows:

5 (1) An amount shall be computed under subparagraph b of
6 paragraph (1) of subsection (a) of Section 7-142,
7 considering all of the service credits of the employee;

8 (2) The actuarial value in monthly payments for life of
9 the annuity payments made before suspension shall be
10 determined and subtracted from the amount determined in (1)
11 above;

12 (3) The monthly amount of the suspended annuity, with
13 any applicable increases after retirement computed from
14 the effective date to the date of reinstatement, shall be
15 subtracted from the amount determined in (2) above and the
16 remainder shall be the amount of the supplemental annuity
17 provided that this amount shall not be less than the amount
18 computed under subsection (b) of this Section.

19 (4) The suspended annuity shall be reinstated at an
20 amount including any increases after retirement from the
21 effective date to date of reinstatement.

22 (5) The effective date of the combined suspended and
23 supplemental annuities for the purposes of increases after
24 retirement shall be considered to be the effective date of
25 the supplemental annuity.

26 (Source: P.A. 82-459.)

1 Section 90. The State Mandates Act is amended by adding
2 Section 8.32 as follows:

3 (30 ILCS 805/8.32 new)

4 Sec. 8.32. Exempt mandate. Notwithstanding Sections 6 and 8
5 of this Act, no reimbursement by the State is required for the
6 implementation of any mandate created by this amendatory Act of
7 the 95th General Assembly.

8 Section 99. Effective date. This Act takes effect upon
9 becoming law.