



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB0610

Introduced 2/8/2007, by Sen. A. J. Wilhelmi

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 2.25% of final earnings for the first 15 years of service and 2.5% 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. Effective immediately.

LRB095 10697 AMC 30929 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:

1 (i) For unaugmented creditable service, by
2 ~~multiplying (a) 1 2/3% for annuitants with not more~~
3 ~~than 15 years or (b) 1 2/3% of the employee's final~~
4 ~~rate of earnings for each of the first 15 years of~~
5 ~~creditable service and 2% for each year in excess~~
6 ~~of 15 years, with any remaining fraction of a year~~
7 ~~for annuitants with more than 15 years by the~~
8 ~~number of years plus fractional years, prorated on~~
9 ~~the a basis of months of creditable service and~~
10 ~~multiply the product thereof by the employee's~~
11 ~~final rate of earnings.~~

12 For creditable service by a member employed by
13 a participating employer that has filed with the
14 Board of the Fund a resolution or ordinance
15 expressly authorizing an augmented retirement
16 annuity that is earned on or after the filing of
17 the resolution or ordinance and creditable service
18 earned before that date that has been augmented as
19 provided in Section 7-173.3, 2.25% of the
20 employee's final rate of earnings for each of the
21 first 15 years of creditable service, and 2.5% for
22 each year in excess of 15 years with any remaining
23 fraction of a year prorated on the basis of months.

24 (ii) For the sole purpose of computing the
25 formula (and not for the purposes of the
26 limitations hereinafter stated) \$125 shall be

1 considered the final rate of earnings in all cases
2 where the final rate of earnings is less than such
3 amount.

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

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

19 2. The annuity which can be provided from the total
20 accumulated additional credits as of the attained age of
21 the employee on the date the annuity begins.

22 (b) If payment of an annuity begins prior to the earliest
23 age at which the employee will become eligible for an old age
24 insurance benefit under the Federal Social Security Act, he may
25 elect that the annuity payments from this fund shall exceed
26 those payable after his attaining such age by an amount,

1 computed as determined by rules of the Board, but not in excess
2 of his estimated Social Security Benefit, determined as of the
3 effective date of the annuity, provided that in no case shall
4 the total annuity payments made by this fund exceed in
5 actuarial value the annuity which would have been payable had
6 no such election been made.

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

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

19 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

20 Sec. 7-173. Contributions by employees.

21 (a) Each participating employee shall make contributions
22 to the fund as follows:

23 1. For retirement annuity purposes, for augmented
24 service, normal contributions of 3 3/4% of earnings and,
25 for unaugmented service, 3 3/4% of earnings plus any amount

1 the Board deems necessary to support the augmented service
2 authorized by this amendatory Act of the 95th General
3 Assembly.

4 2. Additional contributions of such percentages of
5 each payment of earnings, as shall be elected by the
6 employee for retirement annuity purposes, but not in excess
7 of 10%. The selected rate shall be applicable to all
8 earnings beginning on the first day of the second month
9 following receipt by the Board of written notice of
10 election to make such contributions. Additional
11 contributions at the selected rate shall be made
12 concurrently with normal contributions.

13 3. Survivor contributions, by each participating
14 employee, of 3/4% of each payment of earnings.

15 (b) Each employee shall make contributions to the fund for
16 federal Social Security taxes, for periods during which he is a
17 covered employee, as required by the Social Security Enabling
18 Act. For participating employees, such contributions shall be
19 in addition to those required under paragraph (a) of this
20 Section.

21 (c) Contributions shall be deducted from each
22 corresponding payment of earnings paid to each employee and
23 shall be remitted to the board by the participating
24 municipality or participating instrumentality making such
25 payment. The remittance, together with a report of the earnings
26 and contributions shall be made as directed by the board. For

1 township treasurers and employees of township treasurers
2 qualifying as employees hereunder, the contributions herein
3 required as deductions from salary shall be withheld by the
4 school township trustees from funds available for the payment
5 of the compensation of such treasurers and employees as
6 provided in the School Code and remitted to the board.

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

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

20 (f) A participating employee who has at least 40 years of
21 creditable service in the Fund may elect to cease making the
22 contributions required under this Section. The status of the
23 employee under this Article shall be unaffected by this
24 election, except that the employee shall not receive any
25 additional creditable service for the periods of employment
26 following the election. An election under this subsection

1 relieves the employer from making additional employer
2 contributions in relation to that employee.

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

4 (40 ILCS 5/7-173.3 new)

5 Sec. 7-173.3. Optional contribution for augmented
6 retirement formula.

7 (a) A member of the Fund may qualify for the augmented rate
8 under subdivision (a)1.b.(i) of Section 7-142 for all years of
9 creditable service earned before the filing of a resolution or
10 ordinance by his or her employer authorizing augmented service
11 by making the optional contribution specified in subsection (b)
12 of this Section. A member may not elect to qualify for the
13 augmented rate for only a portion of his or her creditable
14 service earned before the filing of the resolution or
15 ordinance.

16 (b) The contribution shall be an amount the Board deems
17 necessary to support the augmented service authorized by this
18 amendatory Act of the 95th General Assembly, expressed in a
19 percentage of the member's salary rate during the 12
20 consecutive months immediately prior to but not including the
21 year in which the application occurs, multiplied by the number
22 of years of creditable service earned by the member before the
23 filing of the resolution or ordinance.

24 The contribution required by this subsection shall be paid
25 in one of the following ways or in a combination of the

1 following ways that does not extend over more than 5 years:

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

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

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

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

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

26 (e) The contributions required under this Section are the

1 responsibility of the employee and not the employer. However,
2 an employer may specifically agree, through collective
3 bargaining or otherwise, to make the contributions required by
4 this Section on behalf of its employees.

5 Section 99. Effective date. This Act takes effect upon
6 becoming law.