

SB2020



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB2020

Introduced 2/20/2009, by Sen. Michael W. Frerichs

SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-136

from Ch. 108 1/2, par. 15-136

Amends the State Universities Article of the Illinois Pension Code. Provides that, on January 1, 2010, the monthly pension of an annuitant who retired before January 1, 1980 shall be recalculated and increased to reflect the amount the annuitant would have received in January 2010 had the annuitant been receiving a 3% increase for each year he or she received a monthly annuity under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5. Provides for an additional increase of 3% of the amount of the retirement annuity then being received each January thereafter. Effective immediately.

LRB096 08653 AMC 18776 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

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 Section 15-136 as follows:

6 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

7 Sec. 15-136. Retirement annuities - Amount. The provisions
8 of this Section 15-136 apply only to those participants who are
9 participating in the traditional benefit package or the
10 portable benefit package and do not apply to participants who
11 are participating in the self-managed plan.

12 (a) The amount of a participant's retirement annuity,
13 expressed in the form of a single-life annuity, shall be
14 determined by whichever of the following rules is applicable
15 and provides the largest annuity:

16 Rule 1: The retirement annuity shall be 1.67% of final rate
17 of earnings for each of the first 10 years of service, 1.90%
18 for each of the next 10 years of service, 2.10% for each year
19 of service in excess of 20 but not exceeding 30, and 2.30% for
20 each year in excess of 30; or for persons who retire on or
21 after January 1, 1998, 2.2% of the final rate of earnings for
22 each year of service.

23 Rule 2: The retirement annuity shall be the sum of the

1 following, determined from amounts credited to the participant
2 in accordance with the actuarial tables and the prescribed rate
3 of interest in effect at the time the retirement annuity
4 begins:

5 (i) the normal annuity which can be provided on an
6 actuarially equivalent basis, by the accumulated normal
7 contributions as of the date the annuity begins;

8 (ii) an annuity from employer contributions of an
9 amount equal to that which can be provided on an
10 actuarially equivalent basis from the accumulated normal
11 contributions made by the participant under Section
12 15-113.6 and Section 15-113.7 plus 1.4 times all other
13 accumulated normal contributions made by the participant;
14 and

15 (iii) the annuity that can be provided on an
16 actuarially equivalent basis from the entire contribution
17 made by the participant under Section 15-113.3.

18 With respect to a police officer or firefighter who retires
19 on or after August 14, 1998, the accumulated normal
20 contributions taken into account under clauses (i) and (ii) of
21 this Rule 2 shall include the additional normal contributions
22 made by the police officer or firefighter under Section
23 15-157(a).

24 The amount of a retirement annuity calculated under this
25 Rule 2 shall be computed solely on the basis of the
26 participant's accumulated normal contributions, as specified

1 in this Rule and defined in Section 15-116. Neither an employee
2 or employer contribution for early retirement under Section
3 15-136.2 nor any other employer contribution shall be used in
4 the calculation of the amount of a retirement annuity under
5 this Rule 2.

6 This amendatory Act of the 91st General Assembly is a
7 clarification of existing law and applies to every participant
8 and annuitant without regard to whether status as an employee
9 terminates before the effective date of this amendatory Act.

10 This Rule 2 does not apply to a person who first becomes an
11 employee under this Article on or after July 1, 2005.

12 Rule 3: The retirement annuity of a participant who is
13 employed at least one-half time during the period on which his
14 or her final rate of earnings is based, shall be equal to the
15 participant's years of service not to exceed 30, multiplied by
16 (1) \$96 if the participant's final rate of earnings is less
17 than \$3,500, (2) \$108 if the final rate of earnings is at least
18 \$3,500 but less than \$4,500, (3) \$120 if the final rate of
19 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if
20 the final rate of earnings is at least \$5,500 but less than
21 \$6,500, (5) \$144 if the final rate of earnings is at least
22 \$6,500 but less than \$7,500, (6) \$156 if the final rate of
23 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if
24 the final rate of earnings is at least \$8,500 but less than
25 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or
26 more, except that the annuity for those persons having made an

1 election under Section 15-154(a-1) shall be calculated and
2 payable under the portable retirement benefit program pursuant
3 to the provisions of Section 15-136.4.

4 Rule 4: A participant who is at least age 50 and has 25 or
5 more years of service as a police officer or firefighter, and a
6 participant who is age 55 or over and has at least 20 but less
7 than 25 years of service as a police officer or firefighter,
8 shall be entitled to a retirement annuity of 2 1/4% of the
9 final rate of earnings for each of the first 10 years of
10 service as a police officer or firefighter, 2 1/2% for each of
11 the next 10 years of service as a police officer or
12 firefighter, and 2 3/4% for each year of service as a police
13 officer or firefighter in excess of 20. The retirement annuity
14 for all other service shall be computed under Rule 1.

15 For purposes of this Rule 4, a participant's service as a
16 firefighter shall also include the following:

17 (i) service that is performed while the person is an
18 employee under subsection (h) of Section 15-107; and

19 (ii) in the case of an individual who was a
20 participating employee employed in the fire department of
21 the University of Illinois's Champaign-Urbana campus
22 immediately prior to the elimination of that fire
23 department and who immediately after the elimination of
24 that fire department transferred to another job with the
25 University of Illinois, service performed as an employee of
26 the University of Illinois in a position other than police

1 officer or firefighter, from the date of that transfer
2 until the employee's next termination of service with the
3 University of Illinois.

4 Rule 5: The retirement annuity of a participant who elected
5 early retirement under the provisions of Section 15-136.2 and
6 who, on or before February 16, 1995, brought administrative
7 proceedings pursuant to the administrative rules adopted by the
8 System to challenge the calculation of his or her retirement
9 annuity shall be the sum of the following, determined from
10 amounts credited to the participant in accordance with the
11 actuarial tables and the prescribed rate of interest in effect
12 at the time the retirement annuity begins:

13 (i) the normal annuity which can be provided on an
14 actuarially equivalent basis, by the accumulated normal
15 contributions as of the date the annuity begins; and

16 (ii) an annuity from employer contributions of an
17 amount equal to that which can be provided on an
18 actuarially equivalent basis from the accumulated normal
19 contributions made by the participant under Section
20 15-113.6 and Section 15-113.7 plus 1.4 times all other
21 accumulated normal contributions made by the participant;
22 and

23 (iii) an annuity which can be provided on an
24 actuarially equivalent basis from the employee
25 contribution for early retirement under Section 15-136.2,
26 and an annuity from employer contributions of an amount

1 equal to that which can be provided on an actuarially
2 equivalent basis from the employee contribution for early
3 retirement under Section 15-136.2.

4 In no event shall a retirement annuity under this Rule 5 be
5 lower than the amount obtained by adding (1) the monthly amount
6 obtained by dividing the combined employee and employer
7 contributions made under Section 15-136.2 by the System's
8 annuity factor for the age of the participant at the beginning
9 of the annuity payment period and (2) the amount equal to the
10 participant's annuity if calculated under Rule 1, reduced under
11 Section 15-136(b) as if no contributions had been made under
12 Section 15-136.2.

13 With respect to a participant who is qualified for a
14 retirement annuity under this Rule 5 whose retirement annuity
15 began before the effective date of this amendatory Act of the
16 91st General Assembly, and for whom an employee contribution
17 was made under Section 15-136.2, the System shall recalculate
18 the retirement annuity under this Rule 5 and shall pay any
19 additional amounts due in the manner provided in Section
20 15-186.1 for benefits mistakenly set too low.

21 The amount of a retirement annuity calculated under this
22 Rule 5 shall be computed solely on the basis of those
23 contributions specifically set forth in this Rule 5. Except as
24 provided in clause (iii) of this Rule 5, neither an employee
25 nor employer contribution for early retirement under Section
26 15-136.2, nor any other employer contribution, shall be used in

1 the calculation of the amount of a retirement annuity under
2 this Rule 5.

3 The General Assembly has adopted the changes set forth in
4 Section 25 of this amendatory Act of the 91st General Assembly
5 in recognition that the decision of the Appellate Court for the
6 Fourth District in *Mattis v. State Universities Retirement*
7 *System et al.* might be deemed to give some right to the
8 plaintiff in that case. The changes made by Section 25 of this
9 amendatory Act of the 91st General Assembly are a legislative
10 implementation of the decision of the Appellate Court for the
11 Fourth District in *Mattis v. State Universities Retirement*
12 *System et al.* with respect to that plaintiff.

13 The changes made by Section 25 of this amendatory Act of
14 the 91st General Assembly apply without regard to whether the
15 person is in service as an employee on or after its effective
16 date.

17 (b) The retirement annuity provided under Rules 1 and 3
18 above shall be reduced by $1/2$ of 1% for each month the
19 participant is under age 60 at the time of retirement. However,
20 this reduction shall not apply in the following cases:

21 (1) For a disabled participant whose disability
22 benefits have been discontinued because he or she has
23 exhausted eligibility for disability benefits under clause
24 (6) of Section 15-152;

25 (2) For a participant who has at least the number of
26 years of service required to retire at any age under

1 subsection (a) of Section 15-135; or

2 (3) For that portion of a retirement annuity which has
3 been provided on account of service of the participant
4 during periods when he or she performed the duties of a
5 police officer or firefighter, if these duties were
6 performed for at least 5 years immediately preceding the
7 date the retirement annuity is to begin.

8 (c) The maximum retirement annuity provided under Rules 1,
9 2, 4, and 5 shall be the lesser of (1) the annual limit of
10 benefits as specified in Section 415 of the Internal Revenue
11 Code of 1986, as such Section may be amended from time to time
12 and as such benefit limits shall be adjusted by the
13 Commissioner of Internal Revenue, and (2) 80% of final rate of
14 earnings.

15 (d) An annuitant whose status as an employee terminates
16 after August 14, 1969 shall receive automatic increases in his
17 or her retirement annuity as follows:

18 Effective January 1 immediately following the date the
19 retirement annuity begins, the annuitant shall receive an
20 increase in his or her monthly retirement annuity of 0.125% of
21 the monthly retirement annuity provided under Rule 1, Rule 2,
22 Rule 3, Rule 4, or Rule 5, contained in this Section,
23 multiplied by the number of full months which elapsed from the
24 date the retirement annuity payments began to January 1, 1972,
25 plus 0.1667% of such annuity, multiplied by the number of full
26 months which elapsed from January 1, 1972, or the date the

1 retirement annuity payments began, whichever is later, to
2 January 1, 1978, plus 0.25% of such annuity multiplied by the
3 number of full months which elapsed from January 1, 1978, or
4 the date the retirement annuity payments began, whichever is
5 later, to the effective date of the increase.

6 The annuitant shall receive an increase in his or her
7 monthly retirement annuity on each January 1 thereafter during
8 the annuitant's life of 3% of the monthly annuity provided
9 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in
10 this Section. The change made under this subsection by P.A.
11 81-970 is effective January 1, 1980 and applies to each
12 annuitant whose status as an employee terminates before or
13 after that date.

14 Beginning January 1, 1990, all automatic annual increases
15 payable under this Section shall be calculated as a percentage
16 of the total annuity payable at the time of the increase,
17 including all increases previously granted under this Article.

18 The change made in this subsection by P.A. 85-1008 is
19 effective January 26, 1988, and is applicable without regard to
20 whether status as an employee terminated before that date.

21 On January 1, 2010, the monthly pension of an annuitant who
22 retired before January 1, 1980 shall be recalculated and
23 increased to reflect the amount the annuitant would have
24 received in January 2010 had the annuitant been receiving a 3%
25 increase for each year he or she received a monthly annuity
26 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in

1 this Section. Each January thereafter, he or she shall receive
2 an additional increase of 3% of the amount of the retirement
3 annuity then being received.

4 (e) If, on January 1, 1987, or the date the retirement
5 annuity payment period begins, whichever is later, the sum of
6 the retirement annuity provided under Rule 1 or Rule 2 of this
7 Section and the automatic annual increases provided under the
8 preceding subsection or Section 15-136.1, amounts to less than
9 the retirement annuity which would be provided by Rule 3, the
10 retirement annuity shall be increased as of January 1, 1987, or
11 the date the retirement annuity payment period begins,
12 whichever is later, to the amount which would be provided by
13 Rule 3 of this Section. Such increased amount shall be
14 considered as the retirement annuity in determining benefits
15 provided under other Sections of this Article. This paragraph
16 applies without regard to whether status as an employee
17 terminated before the effective date of this amendatory Act of
18 1987, provided that the annuitant was employed at least
19 one-half time during the period on which the final rate of
20 earnings was based.

21 (f) A participant is entitled to such additional annuity as
22 may be provided on an actuarially equivalent basis, by any
23 accumulated additional contributions to his or her credit.
24 However, the additional contributions made by the participant
25 toward the automatic increases in annuity provided under this
26 Section shall not be taken into account in determining the

1 amount of such additional annuity.

2 (g) If, (1) by law, a function of a governmental unit, as
3 defined by Section 20-107 of this Code, is transferred in whole
4 or in part to an employer, and (2) a participant transfers
5 employment from such governmental unit to such employer within
6 6 months after the transfer of the function, and (3) the sum of
7 (A) the annuity payable to the participant under Rule 1, 2, or
8 3 of this Section (B) all proportional annuities payable to the
9 participant by all other retirement systems covered by Article
10 20, and (C) the initial primary insurance amount to which the
11 participant is entitled under the Social Security Act, is less
12 than the retirement annuity which would have been payable if
13 all of the participant's pension credits validated under
14 Section 20-109 had been validated under this system, a
15 supplemental annuity equal to the difference in such amounts
16 shall be payable to the participant.

17 (h) On January 1, 1981, an annuitant who was receiving a
18 retirement annuity on or before January 1, 1971 shall have his
19 or her retirement annuity then being paid increased \$1 per
20 month for each year of creditable service. On January 1, 1982,
21 an annuitant whose retirement annuity began on or before
22 January 1, 1977, shall have his or her retirement annuity then
23 being paid increased \$1 per month for each year of creditable
24 service.

25 (i) On January 1, 1987, any annuitant whose retirement
26 annuity began on or before January 1, 1977, shall have the

1 monthly retirement annuity increased by an amount equal to 8¢
2 per year of creditable service times the number of years that
3 have elapsed since the annuity began.

4 (Source: P.A. 93-347, eff. 7-24-03; 94-4, eff. 6-1-05.)

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