

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 1. Short title. This Act may be cited as the  
5 Pension Fund Solvency Act of 2013.

6 Section 4. The Illinois Pension Code is amended by changing  
7 Sections 2-119.1, 14-114, 15-136, and 16-133.1 and by adding  
8 Sections 2-105.1, 2-105.2, 14-103.40, 14-103.41, 15-107.1,  
9 15-107.2, 16-106.4, and 16-106.5 as follows:

10 (40 ILCS 5/2-105.1 new)

11 Sec. 2-105.1. Tier I participant. "Tier I participant": A  
12 participant who first became a participant before January 1,  
13 2011.

14 (40 ILCS 5/2-105.2 new)

15 Sec. 2-105.2. Tier I retiree. "Tier I retiree" means a  
16 former Tier I participant who is receiving a retirement  
17 annuity.

18 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

19 Sec. 2-119.1. Automatic increase in retirement annuity.

20 (a) Except as provided in subsections (a-1) and (a-2), a A

1 participant who retires after June 30, 1967, and who has not  
2 received an initial increase under this Section before the  
3 effective date of this amendatory Act of 1991, shall, in  
4 January or July next following the first anniversary of  
5 retirement, whichever occurs first, and in the same month of  
6 each year thereafter, but in no event prior to age 60, have the  
7 amount of the originally granted retirement annuity increased  
8 as follows: for each year through 1971, 1 1/2%; for each year  
9 from 1972 through 1979, 2%; and for 1980 and each year  
10 thereafter, 3%. Annuitants who have received an initial  
11 increase under this subsection prior to the effective date of  
12 this amendatory Act of 1991 shall continue to receive their  
13 annual increases in the same month as the initial increase.

14 (a-1) Notwithstanding any other provision of this Article,  
15 for a Tier I retiree, the amount of each automatic annual  
16 increase in retirement annuity occurring on or after the  
17 effective date of this amendatory Act of the 98th General  
18 Assembly shall be the lesser of \$750 or 3% of the total annuity  
19 payable at the time of the increase, including previous  
20 increases granted.

21 (a-2) Notwithstanding any other provision of this Article,  
22 for a Tier I retiree, the monthly retirement annuity shall  
23 first be subject to annual increases on the January 1 occurring  
24 on or next after the attainment of age 67 or the January 1  
25 occurring on or next after the fifth anniversary of the annuity  
26 start date, whichever occurs earlier. If on the effective date

1 of this amendatory Act of the 98th General Assembly a Tier I  
2 retiree has already received an annual increase under this  
3 Section but does not yet meet the new eligibility requirements  
4 of this subsection, the annual increases already received shall  
5 continue in force, but no additional annual increase shall be  
6 granted until the Tier I retiree meets the new eligibility  
7 requirements.

8 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)  
9 and (a-2) apply without regard to whether or not the Tier I  
10 retiree is in active service under this Article on or after the  
11 effective date of this amendatory Act of the 98th General  
12 Assembly.

13 (b) Beginning January 1, 1990, for eligible participants  
14 who remain in service after attaining 20 years of creditable  
15 service, the 3% increases provided under subsection (a) shall  
16 begin to accrue on the January 1 next following the date upon  
17 which the participant (1) attains age 55, or (2) attains 20  
18 years of creditable service, whichever occurs later, and shall  
19 continue to accrue while the participant remains in service;  
20 such increases shall become payable on January 1 or July 1,  
21 whichever occurs first, next following the first anniversary of  
22 retirement. For any person who has service credit in the System  
23 for the entire period from January 15, 1969 through December  
24 31, 1992, regardless of the date of termination of service, the  
25 reference to age 55 in clause (1) of this subsection (b) shall  
26 be deemed to mean age 50.

1           This subsection (b) does not apply to any person who first  
2 becomes a member of the System after August 8, 2003 (the  
3 effective date of Public Act 93-494) ~~this amendatory Act of the~~  
4 ~~93rd General Assembly.~~

5           (b-5) Notwithstanding any other provision of this Article,  
6 a participant who first becomes a participant on or after  
7 January 1, 2011 (the effective date of Public Act 96-889)  
8 shall, in January or July next following the first anniversary  
9 of retirement, whichever occurs first, and in the same month of  
10 each year thereafter, but in no event prior to age 67, have the  
11 amount of the retirement annuity then being paid increased by  
12 3% or the annual unadjusted percentage increase in the Consumer  
13 Price Index for All Urban Consumers as determined by the Public  
14 Pension Division of the Department of Insurance under  
15 subsection (a) of Section 2-108.1, whichever is less.

16           (c) The foregoing provisions relating to automatic  
17 increases are not applicable to a participant who retires  
18 before having made contributions (at the rate prescribed in  
19 Section 2-126) for automatic increases for less than the  
20 equivalent of one full year. However, in order to be eligible  
21 for the automatic increases, such a participant may make  
22 arrangements to pay to the system the amount required to bring  
23 the total contributions for the automatic increase to the  
24 equivalent of one year's contributions based upon his or her  
25 last salary.

26           (d) A participant who terminated service prior to July 1,

1 1967, with at least 14 years of service is entitled to an  
2 increase in retirement annuity beginning January, 1976, and to  
3 additional increases in January of each year thereafter.

4 The initial increase shall be 1 1/2% of the originally  
5 granted retirement annuity multiplied by the number of full  
6 years that the annuitant was in receipt of such annuity prior  
7 to January 1, 1972, plus 2% of the originally granted  
8 retirement annuity for each year after that date. The  
9 subsequent annual increases shall be at the rate of 2% of the  
10 originally granted retirement annuity for each year through  
11 1979 and at the rate of 3% for 1980 and thereafter.

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

17 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11.)

18 (40 ILCS 5/14-103.40 new)

19 Sec. 14-103.40. Tier I member. "Tier I member": A member of  
20 this System who first became a member or participant before  
21 January 1, 2011 under any reciprocal retirement system or  
22 pension fund established under this Code other than a  
23 retirement system or pension fund established under Article 2,  
24 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/14-103.41 new)

2 Sec. 14-103.41. Tier I retiree. "Tier I retiree": A former  
3 Tier I member who is receiving a retirement annuity.

4 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

5 Sec. 14-114. Automatic increase in retirement annuity.

6 (a) Except as provided in subsections (a-1) and (a-2), any

7 ~~Any~~ person receiving a retirement annuity under this Article  
8 who retires having attained age 60, or who retires before age  
9 60 having at least 35 years of creditable service, or who  
10 retires on or after January 1, 2001 at an age which, when added  
11 to the number of years of his or her creditable service, equals  
12 at least 85, shall, on January 1 next following the first full  
13 year of retirement, have the amount of the then fixed and  
14 payable monthly retirement annuity increased 3%. Any person  
15 receiving a retirement annuity under this Article who retires  
16 before attainment of age 60 and with less than (i) 35 years of  
17 creditable service if retirement is before January 1, 2001, or  
18 (ii) the number of years of creditable service which, when  
19 added to the member's age, would equal 85, if retirement is on  
20 or after January 1, 2001, shall have the amount of the fixed  
21 and payable retirement annuity increased by 3% on the January 1  
22 occurring on or next following (1) attainment of age 60, or (2)  
23 the first anniversary of retirement, whichever occurs later.  
24 However, for persons who receive the alternative retirement  
25 annuity under Section 14-110, references in this subsection (a)

1 to attainment of age 60 shall be deemed to refer to attainment  
2 of age 55. For a person receiving early retirement incentives  
3 under Section 14-108.3 whose retirement annuity began after  
4 January 1, 1992 pursuant to an extension granted under  
5 subsection (e) of that Section, the first anniversary of  
6 retirement shall be deemed to be January 1, 1993. For a person  
7 who retires on or after June 28, 2001 and on or before October  
8 1, 2001, and whose retirement annuity is calculated, in whole  
9 or in part, under Section 14-110 or subsection (g) or (h) of  
10 Section 14-108, the first anniversary of retirement shall be  
11 deemed to be January 1, 2002.

12 On each January 1 following the date of the initial  
13 increase under this subsection, the employee's monthly  
14 retirement annuity shall be increased by an additional 3%.

15 Beginning January 1, 1990 and except as provided in  
16 subsections (a-1) and (a-2), all automatic annual increases  
17 payable under this Section shall be calculated as a percentage  
18 of the total annuity payable at the time of the increase,  
19 including previous increases granted under this Article.

20 (a-1) Notwithstanding any other provision of this Article,  
21 for a Tier I retiree, the amount of each automatic annual  
22 increase in retirement annuity occurring on or after the  
23 effective date of this amendatory Act of the 98th General  
24 Assembly shall be the lesser of \$600 (\$750 if the annuity is  
25 based primarily upon service as a noncovered employee) or 3% of  
26 the total annuity payable at the time of the increase,

1 including previous increases granted.

2 (a-2) Notwithstanding any other provision of this Article,  
3 for a Tier I retiree, the monthly retirement annuity shall  
4 first be subject to annual increases on the January 1 occurring  
5 on or next after the attainment of age 67 or the January 1  
6 occurring on or next after the fifth anniversary of the annuity  
7 start date, whichever occurs earlier. If on the effective date  
8 of this amendatory Act of the 98th General Assembly a Tier I  
9 retiree has already received an annual increase under this  
10 Section but does not yet meet the new eligibility requirements  
11 of this subsection, the annual increases already received shall  
12 continue in force, but no additional annual increase shall be  
13 granted until the Tier I retiree meets the new eligibility  
14 requirements.

15 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)  
16 and (a-2) apply without regard to whether or not the Tier I  
17 retiree is in active service under this Article on or after the  
18 effective date of this amendatory Act of the 98th General  
19 Assembly.

20 (b) The provisions of subsection (a) of this Section shall  
21 be applicable to an employee only if the employee makes the  
22 additional contributions required after December 31, 1969 for  
23 the purpose of the automatic increases for not less than the  
24 equivalent of one full year. If an employee becomes an  
25 annuitant before his additional contributions equal one full  
26 year's contributions based on his salary at the date of



1 retirement, the employee may pay the necessary balance of the  
2 contributions to the system, without interest, and be eligible  
3 for the increasing annuity authorized by this Section.

4 (c) The provisions of subsection (a) of this Section shall  
5 not be applicable to any annuitant who is on retirement on  
6 December 31, 1969, and thereafter returns to State service,  
7 unless the member has established at least one year of  
8 additional creditable service following reentry into service.

9 (d) In addition to other increases which may be provided by  
10 this Section, on January 1, 1981 any annuitant who was  
11 receiving a retirement annuity on or before January 1, 1971  
12 shall have his retirement annuity then being paid increased \$1  
13 per month for each year of creditable service. On January 1,  
14 1982, any annuitant who began receiving a retirement annuity on  
15 or before January 1, 1977, shall have his retirement annuity  
16 then being paid increased \$1 per month for each year of  
17 creditable service.

18 On January 1, 1987, any annuitant who began receiving a  
19 retirement annuity on or before January 1, 1977, shall have the  
20 monthly retirement annuity increased by an amount equal to 8¢  
21 per year of creditable service times the number of years that  
22 have elapsed since the annuity began.

23 (e) Every person who receives the alternative retirement  
24 annuity under Section 14-110 and who is eligible to receive the  
25 3% increase under subsection (a) on January 1, 1986, shall also  
26 receive on that date a one-time increase in retirement annuity

1 equal to the difference between (1) his actual retirement  
2 annuity on that date, including any increases received under  
3 subsection (a), and (2) the amount of retirement annuity he  
4 would have received on that date if the amendments to  
5 subsection (a) made by Public Act 84-162 had been in effect  
6 since the date of his retirement.

7 (Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01;  
8 92-651, eff. 7-11-02.)

9 (40 ILCS 5/15-107.1 new)

10 Sec. 15-107.1. Tier I participant. "Tier I participant": A  
11 participant under this Article, other than a participant in the  
12 self-managed plan under Section 15-158.2, who first became a  
13 member or participant before January 1, 2011 under any  
14 reciprocal retirement system or pension fund established under  
15 this Code other than a retirement system or pension fund  
16 established under Article 2, 3, 4, 5, 6, or 18 of this Code.

17 (40 ILCS 5/15-107.2 new)

18 Sec. 15-107.2. Tier I retiree. "Tier I retiree": A former  
19 Tier I participant who is receiving a retirement annuity.

20 A person does not become a Tier I retiree by virtue of  
21 receiving a reversionary, survivors, beneficiary, or  
22 disability annuity.

23 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

1           Sec. 15-136. Retirement annuities - Amount. The provisions  
2 of this Section 15-136 apply only to those participants who are  
3 participating in the traditional benefit package or the  
4 portable benefit package and do not apply to participants who  
5 are participating in the self-managed plan.

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

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

17           Rule 2: The retirement annuity shall be the sum of the  
18 following, determined from amounts credited to the participant  
19 in accordance with the actuarial tables and the effective rate  
20 of interest in effect at the time the retirement annuity  
21 begins:

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

25           (ii) an annuity from employer contributions of an  
26 amount equal to that which can be provided on an

1           actuarially equivalent basis from the accumulated normal  
2           contributions made by the participant under Section  
3           15-113.6 and Section 15-113.7 plus 1.4 times all other  
4           accumulated normal contributions made by the participant;  
5           and

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

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

15          The amount of a retirement annuity calculated under this  
16          Rule 2 shall be computed solely on the basis of the  
17          participant's accumulated normal contributions, as specified  
18          in this Rule and defined in Section 15-116. Neither an employee  
19          or employer contribution for early retirement under Section  
20          15-136.2 nor any other employer contribution shall be used in  
21          the calculation of the amount of a retirement annuity under  
22          this Rule 2.

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

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

3           Rule 3: The retirement annuity of a participant who is  
4 employed at least one-half time during the period on which his  
5 or her final rate of earnings is based, shall be equal to the  
6 participant's years of service not to exceed 30, multiplied by  
7 (1) \$96 if the participant's final rate of earnings is less  
8 than \$3,500, (2) \$108 if the final rate of earnings is at least  
9 \$3,500 but less than \$4,500, (3) \$120 if the final rate of  
10 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if  
11 the final rate of earnings is at least \$5,500 but less than  
12 \$6,500, (5) \$144 if the final rate of earnings is at least  
13 \$6,500 but less than \$7,500, (6) \$156 if the final rate of  
14 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if  
15 the final rate of earnings is at least \$8,500 but less than  
16 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or  
17 more, except that the annuity for those persons having made an  
18 election under Section 15-154(a-1) shall be calculated and  
19 payable under the portable retirement benefit program pursuant  
20 to the provisions of Section 15-136.4.

21           Rule 4: A participant who is at least age 50 and has 25 or  
22 more years of service as a police officer or firefighter, and a  
23 participant who is age 55 or over and has at least 20 but less  
24 than 25 years of service as a police officer or firefighter,  
25 shall be entitled to a retirement annuity of 2 1/4% of the  
26 final rate of earnings for each of the first 10 years of

1 service as a police officer or firefighter, 2 1/2% for each of  
2 the next 10 years of service as a police officer or  
3 firefighter, and 2 3/4% for each year of service as a police  
4 officer or firefighter in excess of 20. The retirement annuity  
5 for all other service shall be computed under Rule 1.

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

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

10 (ii) in the case of an individual who was a  
11 participating employee employed in the fire department of  
12 the University of Illinois's Champaign-Urbana campus  
13 immediately prior to the elimination of that fire  
14 department and who immediately after the elimination of  
15 that fire department transferred to another job with the  
16 University of Illinois, service performed as an employee of  
17 the University of Illinois in a position other than police  
18 officer or firefighter, from the date of that transfer  
19 until the employee's next termination of service with the  
20 University of Illinois.

21 Rule 5: The retirement annuity of a participant who elected  
22 early retirement under the provisions of Section 15-136.2 and  
23 who, on or before February 16, 1995, brought administrative  
24 proceedings pursuant to the administrative rules adopted by the  
25 System to challenge the calculation of his or her retirement  
26 annuity shall be the sum of the following, determined from

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

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

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

14 (iii) an annuity which can be provided on an  
15 actuarially equivalent basis from the employee  
16 contribution for early retirement under Section 15-136.2,  
17 and an annuity from employer contributions of an amount  
18 equal to that which can be provided on an actuarially  
19 equivalent basis from the employee contribution for early  
20 retirement under Section 15-136.2.

21 In no event shall a retirement annuity under this Rule 5 be  
22 lower than the amount obtained by adding (1) the monthly amount  
23 obtained by dividing the combined employee and employer  
24 contributions made under Section 15-136.2 by the System's  
25 annuity factor for the age of the participant at the beginning  
26 of the annuity payment period and (2) the amount equal to the

1 participant's annuity if calculated under Rule 1, reduced under  
2 Section 15-136(b) as if no contributions had been made under  
3 Section 15-136.2.

4 With respect to a participant who is qualified for a  
5 retirement annuity under this Rule 5 whose retirement annuity  
6 began before the effective date of this amendatory Act of the  
7 91st General Assembly, and for whom an employee contribution  
8 was made under Section 15-136.2, the System shall recalculate  
9 the retirement annuity under this Rule 5 and shall pay any  
10 additional amounts due in the manner provided in Section  
11 15-186.1 for benefits mistakenly set too low.

12 The amount of a retirement annuity calculated under this  
13 Rule 5 shall be computed solely on the basis of those  
14 contributions specifically set forth in this Rule 5. Except as  
15 provided in clause (iii) of this Rule 5, neither an employee  
16 nor employer contribution for early retirement under Section  
17 15-136.2, nor any other employer contribution, shall be used in  
18 the calculation of the amount of a retirement annuity under  
19 this Rule 5.

20 The General Assembly has adopted the changes set forth in  
21 Section 25 of this amendatory Act of the 91st General Assembly  
22 in recognition that the decision of the Appellate Court for the  
23 Fourth District in *Mattis v. State Universities Retirement*  
24 *System et al.* might be deemed to give some right to the  
25 plaintiff in that case. The changes made by Section 25 of this  
26 amendatory Act of the 91st General Assembly are a legislative



1 implementation of the decision of the Appellate Court for the  
2 Fourth District in *Mattis v. State Universities Retirement*  
3 *System et al.* with respect to that plaintiff.

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

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

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

16 (2) For a participant who has at least the number of  
17 years of service required to retire at any age under  
18 subsection (a) of Section 15-135; or

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

25 (c) The maximum retirement annuity provided under Rules 1,  
26 2, 4, and 5 shall be the lesser of (1) the annual limit of

1 benefits as specified in Section 415 of the Internal Revenue  
2 Code of 1986, as such Section may be amended from time to time  
3 and as such benefit limits shall be adjusted by the  
4 Commissioner of Internal Revenue, and (2) 80% of final rate of  
5 earnings.

6 (d) Subject to the provisions of subsection (d-1), an An  
7 annuitant whose status as an employee terminates after August  
8 14, 1969 shall receive automatic increases in his or her  
9 retirement annuity as follows:

10 Effective January 1 immediately following the date the  
11 retirement annuity begins, the annuitant shall receive an  
12 increase in his or her monthly retirement annuity of 0.125% of  
13 the monthly retirement annuity provided under Rule 1, Rule 2,  
14 Rule 3, Rule 4, or Rule 5, contained in this Section,  
15 multiplied by the number of full months which elapsed from the  
16 date the retirement annuity payments began to January 1, 1972,  
17 plus 0.1667% of such annuity, multiplied by the number of full  
18 months which elapsed from January 1, 1972, or the date the  
19 retirement annuity payments began, whichever is later, to  
20 January 1, 1978, plus 0.25% of such annuity multiplied by the  
21 number of full months which elapsed from January 1, 1978, or  
22 the date the retirement annuity payments began, whichever is  
23 later, to the effective date of the increase.

24 The annuitant shall receive an increase in his or her  
25 monthly retirement annuity on each January 1 thereafter during  
26 the annuitant's life of 3% of the monthly annuity provided

1 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in  
2 this Section. The change made under this subsection by P.A.  
3 81-970 is effective January 1, 1980 and applies to each  
4 annuitant whose status as an employee terminates before or  
5 after that date.

6 Beginning January 1, 1990 and except as provided in  
7 subsections (d-1) and (d-2), all automatic annual increases  
8 payable under this Section shall be calculated as a percentage  
9 of the total annuity payable at the time of the increase,  
10 including all increases previously granted under this Article.

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

14 (d-1) Notwithstanding any other provision of this Article,  
15 for a Tier I retiree, the amount of each automatic annual  
16 increase in retirement annuity occurring on or after the  
17 effective date of this amendatory Act of the 98th General  
18 Assembly shall be the lesser of \$750 or 3% of the total annuity  
19 payable at the time of the increase, including previous  
20 increases granted.

21 (d-2) Notwithstanding any other provision of this Article,  
22 for a Tier I retiree, the monthly retirement annuity shall  
23 first be subject to annual increases on the January 1 occurring  
24 on or next after the attainment of age 67 or the January 1  
25 occurring on or next after the fifth anniversary of the annuity  
26 start date, whichever occurs earlier. If on the effective date

1 of this amendatory Act of the 98th General Assembly a Tier I  
2 retiree has already received an annual increase under this  
3 Section but does not yet meet the new eligibility requirements  
4 of this subsection, the annual increases already received shall  
5 continue in force, but no additional annual increase shall be  
6 granted until the Tier I retiree meets the new eligibility  
7 requirements.

8 (d-3) Notwithstanding Section 1-103.1, subsections (d-1)  
9 and (d-2) apply without regard to whether or not the Tier I  
10 retiree is in active service under this Article on or after the  
11 effective date of this amendatory Act of the 98th General  
12 Assembly.

13 (e) If, on January 1, 1987, or the date the retirement  
14 annuity payment period begins, whichever is later, the sum of  
15 the retirement annuity provided under Rule 1 or Rule 2 of this  
16 Section and the automatic annual increases provided under the  
17 preceding subsection or Section 15-136.1, amounts to less than  
18 the retirement annuity which would be provided by Rule 3, the  
19 retirement annuity shall be increased as of January 1, 1987, or  
20 the date the retirement annuity payment period begins,  
21 whichever is later, to the amount which would be provided by  
22 Rule 3 of this Section. Such increased amount shall be  
23 considered as the retirement annuity in determining benefits  
24 provided under other Sections of this Article. This paragraph  
25 applies without regard to whether status as an employee  
26 terminated before the effective date of this amendatory Act of

1 1987, provided that the annuitant was employed at least  
2 one-half time during the period on which the final rate of  
3 earnings was based.

4 (f) A participant is entitled to such additional annuity as  
5 may be provided on an actuarially equivalent basis, by any  
6 accumulated additional contributions to his or her credit.  
7 However, the additional contributions made by the participant  
8 toward the automatic increases in annuity provided under this  
9 Section shall not be taken into account in determining the  
10 amount of such additional annuity.

11 (g) If, (1) by law, a function of a governmental unit, as  
12 defined by Section 20-107 of this Code, is transferred in whole  
13 or in part to an employer, and (2) a participant transfers  
14 employment from such governmental unit to such employer within  
15 6 months after the transfer of the function, and (3) the sum of  
16 (A) the annuity payable to the participant under Rule 1, 2, or  
17 3 of this Section (B) all proportional annuities payable to the  
18 participant by all other retirement systems covered by Article  
19 20, and (C) the initial primary insurance amount to which the  
20 participant is entitled under the Social Security Act, is less  
21 than the retirement annuity which would have been payable if  
22 all of the participant's pension credits validated under  
23 Section 20-109 had been validated under this system, a  
24 supplemental annuity equal to the difference in such amounts  
25 shall be payable to the participant.

26 (h) On January 1, 1981, an annuitant who was receiving a

1 retirement annuity on or before January 1, 1971 shall have his  
2 or her retirement annuity then being paid increased \$1 per  
3 month for each year of creditable service. On January 1, 1982,  
4 an annuitant whose retirement annuity began on or before  
5 January 1, 1977, shall have his or her retirement annuity then  
6 being paid increased \$1 per month for each year of creditable  
7 service.

8 (i) On January 1, 1987, any annuitant whose retirement  
9 annuity began on or before January 1, 1977, shall have the  
10 monthly retirement annuity increased by an amount equal to 8¢  
11 per year of creditable service times the number of years that  
12 have elapsed since the annuity began.

13 (Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12.)

14 (40 ILCS 5/16-106.4 new)

15 Sec. 16-106.4. Tier I member. "Tier I member": A member  
16 under this Article who first became a member or participant  
17 before January 1, 2011 under any reciprocal retirement system  
18 or pension fund established under this Code other than a  
19 retirement system or pension fund established under Article 2,  
20 3, 4, 5, 6, or 18 of this Code.

21 (40 ILCS 5/16-106.5 new)

22 Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former  
23 Tier I member who is receiving a retirement annuity.

1 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

2 Sec. 16-133.1. Automatic annual increase in annuity.

3 (a) Each member with creditable service and retiring on or  
4 after August 26, 1969 is entitled to the automatic annual  
5 increases in annuity provided under this Section while  
6 receiving a retirement annuity or disability retirement  
7 annuity from the system.

8 An annuitant shall first be entitled to an initial increase  
9 under this Section on the January 1 next following the first  
10 anniversary of retirement, or January 1 of the year next  
11 following attainment of age 61, whichever is later. At such  
12 time, the system shall pay an initial increase determined as  
13 follows or as provided in subsections (a-1) and (a-2):

14 (1) 1.5% of the originally granted retirement annuity  
15 or disability retirement annuity multiplied by the number  
16 of years elapsed, if any, from the date of retirement until  
17 January 1, 1972, plus

18 (2) 2% of the originally granted annuity multiplied by  
19 the number of years elapsed, if any, from the date of  
20 retirement or January 1, 1972, whichever is later, until  
21 January 1, 1978, plus

22 (3) 3% of the originally granted annuity multiplied by  
23 the number of years elapsed from the date of retirement or  
24 January 1, 1978, whichever is later, until the effective  
25 date of the initial increase.

26 However, the initial annual increase calculated under this

1 Section for the recipient of a disability retirement annuity  
2 granted under Section 16-149.2 shall be reduced by an amount  
3 equal to the total of all increases in that annuity received  
4 under Section 16-149.5 (but not exceeding 100% of the amount of  
5 the initial increase otherwise provided under this Section).

6 Following the initial increase, automatic annual increases  
7 in annuity shall be payable on each January 1 thereafter during  
8 the lifetime of the annuitant, determined as a percentage of  
9 the originally granted retirement annuity or disability  
10 retirement annuity for increases granted prior to January 1,  
11 1990, and calculated as a percentage of the total amount of  
12 annuity, including previous increases under this Section, for  
13 increases granted on or after January 1, 1990, as follows: 1.5%  
14 for periods prior to January 1, 1972, 2% for periods after  
15 December 31, 1971 and prior to January 1, 1978, and 3% for  
16 periods after December 31, 1977, or as provided in subsections  
17 (a-1) and (a-2).

18 (a-1) Notwithstanding any other provision of this Article,  
19 for a Tier I retiree, the amount of each automatic annual  
20 increase in retirement annuity occurring on or after the  
21 effective date of this amendatory Act of the 98th General  
22 Assembly shall be the lesser of \$750 or 3% of the total annuity  
23 payable at the time of the increase, including previous  
24 increases granted.

25 (a-2) Notwithstanding any other provision of this Article,  
26 for a Tier I retiree, the monthly retirement annuity shall



1 first be subject to annual increases on the January 1 occurring  
2 on or next after the attainment of age 67 or the January 1  
3 occurring on or next after the fifth anniversary of the annuity  
4 start date, whichever occurs earlier. If on the effective date  
5 of this amendatory Act of the 98th General Assembly a Tier I  
6 retiree has already received an annual increase under this  
7 Section but does not yet meet the new eligibility requirements  
8 of this subsection, the annual increases already received shall  
9 continue in force, but no additional annual increase shall be  
10 granted until the Tier I retiree meets the new eligibility  
11 requirements.

12 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)  
13 and (a-2) apply without regard to whether or not the Tier I  
14 retiree is in active service under this Article on or after the  
15 effective date of this amendatory Act of the 98th General  
16 Assembly.

17 (b) The automatic annual increases in annuity provided  
18 under this Section shall not be applicable unless a member has  
19 made contributions toward such increases for a period  
20 equivalent to one full year of creditable service. If a member  
21 contributes for service performed after August 26, 1969 but the  
22 member becomes an annuitant before such contributions amount to  
23 one full year's contributions based on the salary at the date  
24 of retirement, he or she may pay the necessary balance of the  
25 contributions to the system and be eligible for the automatic  
26 annual increases in annuity provided under this Section.

1           (c) Each member shall make contributions toward the cost of  
2 the automatic annual increases in annuity as provided under  
3 Section 16-152.

4           (d) An annuitant receiving a retirement annuity or  
5 disability retirement annuity on July 1, 1969, who subsequently  
6 re-enters service as a teacher is eligible for the automatic  
7 annual increases in annuity provided under this Section if he  
8 or she renders at least one year of creditable service  
9 following the latest re-entry.

10          (e) In addition to the automatic annual increases in  
11 annuity provided under this Section, an annuitant who meets the  
12 service requirements of this Section and whose retirement  
13 annuity or disability retirement annuity began on or before  
14 January 1, 1971 shall receive, on January 1, 1981, an increase  
15 in the annuity then being paid of one dollar per month for each  
16 year of creditable service. On January 1, 1982, an annuitant  
17 whose retirement annuity or disability retirement annuity  
18 began on or before January 1, 1977 shall receive an increase in  
19 the annuity then being paid of one dollar per month for each  
20 year of creditable service.

21          On January 1, 1987, any annuitant whose retirement annuity  
22 began on or before January 1, 1977, shall receive an increase  
23 in the monthly retirement annuity equal to 8¢ per year of  
24 creditable service times the number of years that have elapsed  
25 since the annuity began.

26          (Source: P.A. 91-927, eff. 12-14-00.)

1           Section 90. The State Mandates Act is amended by adding  
2           Section 8.37 as follows:

3           (30 ILCS 805/8.37 new)

4           Sec. 8.37. 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 98th General Assembly.

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