



Rep. Michael J. Madigan

Filed: 3/19/2013

09800HB1165ham006

LRB098 08854 JDS 43588 a

1 AMENDMENT TO HOUSE BILL 1165

2 AMENDMENT NO. _____. Amend House Bill 1165, AS AMENDED, by
3 inserting after the end of Section 1 the following:

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

8 (40 ILCS 5/2-105.1 new)

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

12 (40 ILCS 5/2-105.2 new)

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

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

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

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

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

24 (a-2) Notwithstanding any other provision of this Article,
25 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) Beginning January 1, 1990, for eligible participants
18 who remain in service after attaining 20 years of creditable
19 service, the 3% increases provided under subsection (a) shall
20 begin to accrue on the January 1 next following the date upon
21 which the participant (1) attains age 55, or (2) attains 20
22 years of creditable service, whichever occurs later, and shall
23 continue to accrue while the participant remains in service;
24 such increases shall become payable on January 1 or July 1,
25 whichever occurs first, next following the first anniversary of
26 retirement. For any person who has service credit in the System

1 for the entire period from January 15, 1969 through December
2 31, 1992, regardless of the date of termination of service, the
3 reference to age 55 in clause (1) of this subsection (b) shall
4 be deemed to mean age 50.

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

9 (b-5) Notwithstanding any other provision of this Article,
10 a participant who first becomes a participant on or after
11 January 1, 2011 (the effective date of Public Act 96-889)
12 shall, in January or July next following the first anniversary
13 of retirement, whichever occurs first, and in the same month of
14 each year thereafter, but in no event prior to age 67, have the
15 amount of the retirement annuity then being paid increased by
16 3% or the annual unadjusted percentage increase in the Consumer
17 Price Index for All Urban Consumers as determined by the Public
18 Pension Division of the Department of Insurance under
19 subsection (a) of Section 2-108.1, whichever is less.

20 (c) The foregoing provisions relating to automatic
21 increases are not applicable to a participant who retires
22 before having made contributions (at the rate prescribed in
23 Section 2-126) for automatic increases for less than the
24 equivalent of one full year. However, in order to be eligible
25 for the automatic increases, such a participant may make
26 arrangements to pay to the system the amount required to bring

1 the total contributions for the automatic increase to the
2 equivalent of one year's contributions based upon his or her
3 last salary.

4 (d) A participant who terminated service prior to July 1,
5 1967, with at least 14 years of service is entitled to an
6 increase in retirement annuity beginning January, 1976, and to
7 additional increases in January of each year thereafter.

8 The initial increase shall be 1 1/2% of the originally
9 granted retirement annuity multiplied by the number of full
10 years that the annuitant was in receipt of such annuity prior
11 to January 1, 1972, plus 2% of the originally granted
12 retirement annuity for each year after that date. The
13 subsequent annual increases shall be at the rate of 2% of the
14 originally granted retirement annuity for each year through
15 1979 and at the rate of 3% for 1980 and thereafter.

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

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

22 (40 ILCS 5/14-103.40 new)

23 Sec. 14-103.40. Tier I member. "Tier I member": A member of
24 this System who first became a member or participant before
25 January 1, 2011 under any reciprocal retirement system or

1 pension fund established under this Code other than a
2 retirement system or pension fund established under Article 2,
3 3, 4, 5, 6, or 18 of this Code.

4 (40 ILCS 5/14-103.41 new)

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

7 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

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

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

1 occurring on or next following (1) attainment of age 60, or (2)
2 the first anniversary of retirement, whichever occurs later.
3 However, for persons who receive the alternative retirement
4 annuity under Section 14-110, references in this subsection (a)
5 to attainment of age 60 shall be deemed to refer to attainment
6 of age 55. For a person receiving early retirement incentives
7 under Section 14-108.3 whose retirement annuity began after
8 January 1, 1992 pursuant to an extension granted under
9 subsection (e) of that Section, the first anniversary of
10 retirement shall be deemed to be January 1, 1993. For a person
11 who retires on or after June 28, 2001 and on or before October
12 1, 2001, and whose retirement annuity is calculated, in whole
13 or in part, under Section 14-110 or subsection (g) or (h) of
14 Section 14-108, the first anniversary of retirement shall be
15 deemed to be January 1, 2002.

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

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

24 (a-1) Notwithstanding any other provision of this Article,
25 for a Tier I retiree, the amount of each automatic annual
26 increase in retirement annuity occurring on or after the

1 effective date of this amendatory Act of the 98th General
2 Assembly shall be the lesser of \$600 (\$750 if the annuity is
3 based primarily upon service as a noncovered employee) or 3% of
4 the total annuity payable at the time of the increase,
5 including previous increases granted.

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

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

24 (b) The provisions of subsection (a) of this Section shall
25 be applicable to an employee only if the employee makes the
26 additional contributions required after December 31, 1969 for

1 the purpose of the automatic increases for not less than the
2 equivalent of one full year. If an employee becomes an
3 annuitant before his additional contributions equal one full
4 year's contributions based on his salary at the date of
5 retirement, the employee may pay the necessary balance of the
6 contributions to the system, without interest, and be eligible
7 for the increasing annuity authorized by this Section.

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

13 (d) In addition to other increases which may be provided by
14 this Section, on January 1, 1981 any annuitant who was
15 receiving a retirement annuity on or before January 1, 1971
16 shall have his retirement annuity then being paid increased \$1
17 per month for each year of creditable service. On January 1,
18 1982, any annuitant who began receiving a retirement annuity on
19 or before January 1, 1977, shall have his retirement annuity
20 then being paid increased \$1 per month for each year of
21 creditable service.

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

1 (e) Every person who receives the alternative retirement
2 annuity under Section 14-110 and who is eligible to receive the
3 3% increase under subsection (a) on January 1, 1986, shall also
4 receive on that date a one-time increase in retirement annuity
5 equal to the difference between (1) his actual retirement
6 annuity on that date, including any increases received under
7 subsection (a), and (2) the amount of retirement annuity he
8 would have received on that date if the amendments to
9 subsection (a) made by Public Act 84-162 had been in effect
10 since the date of his retirement.

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

13 (40 ILCS 5/15-107.1 new)

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

21 (40 ILCS 5/15-107.2 new)

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

24 A person does not become a Tier I retiree by virtue of

1 receiving a reversionary, survivors, beneficiary, or
2 disability annuity.

3 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

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

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

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

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

25 (i) the normal annuity which can be provided on an

1 actuarially equivalent basis, by the accumulated normal
2 contributions as of the date the annuity begins;

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

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

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

19 The amount of a retirement annuity calculated under this
20 Rule 2 shall be computed solely on the basis of the
21 participant's accumulated normal contributions, as specified
22 in this Rule and defined in Section 15-116. Neither an employee
23 or employer contribution for early retirement under Section
24 15-136.2 nor any other employer contribution shall be used in
25 the calculation of the amount of a retirement annuity under
26 this Rule 2.

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

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

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

25 Rule 4: A participant who is at least age 50 and has 25 or
26 more years of service as a police officer or firefighter, and a

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

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

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

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

25 Rule 5: The retirement annuity of a participant who elected
26 early retirement under the provisions of Section 15-136.2 and

1 who, on or before February 16, 1995, brought administrative
2 proceedings pursuant to the administrative rules adopted by the
3 System to challenge the calculation of his or her retirement
4 annuity shall be the sum of the following, determined from
5 amounts credited to the participant in accordance with the
6 actuarial tables and the prescribed rate of interest in effect
7 at the time the retirement annuity begins:

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

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

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

25 In no event shall a retirement annuity under this Rule 5 be
26 lower than the amount obtained by adding (1) the monthly amount

1 obtained by dividing the combined employee and employer
2 contributions made under Section 15-136.2 by the System's
3 annuity factor for the age of the participant at the beginning
4 of the annuity payment period and (2) the amount equal to the
5 participant's annuity if calculated under Rule 1, reduced under
6 Section 15-136(b) as if no contributions had been made under
7 Section 15-136.2.

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

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

24 The General Assembly has adopted the changes set forth in
25 Section 25 of this amendatory Act of the 91st General Assembly
26 in recognition that the decision of the Appellate Court for the

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

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

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

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

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

23 (3) For that portion of a retirement annuity which has
24 been provided on account of service of the participant
25 during periods when he or she performed the duties of a
26 police officer or firefighter, if these duties were

1 performed for at least 5 years immediately preceding the
2 date the retirement annuity is to begin.

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

10 (d) Subject to the provisions of subsection (d-1), an An
11 annuitant whose status as an employee terminates after August
12 14, 1969 shall receive automatic increases in his or her
13 retirement annuity as follows:

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

1 later, to the effective date of the increase.

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

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

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

18 (d-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 (d-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 (d-3) Notwithstanding Section 1-103.1, subsections (d-1)
13 and (d-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 (e) If, on January 1, 1987, or the date the retirement
18 annuity payment period begins, whichever is later, the sum of
19 the retirement annuity provided under Rule 1 or Rule 2 of this
20 Section and the automatic annual increases provided under the
21 preceding subsection or Section 15-136.1, amounts to less than
22 the retirement annuity which would be provided by Rule 3, the
23 retirement annuity shall be increased as of January 1, 1987, or
24 the date the retirement annuity payment period begins,
25 whichever is later, to the amount which would be provided by
26 Rule 3 of this Section. Such increased amount shall be

1 considered as the retirement annuity in determining benefits
2 provided under other Sections of this Article. This paragraph
3 applies without regard to whether status as an employee
4 terminated before the effective date of this amendatory Act of
5 1987, provided that the annuitant was employed at least
6 one-half time during the period on which the final rate of
7 earnings was based.

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

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

1 Section 20-109 had been validated under this system, a
2 supplemental annuity equal to the difference in such amounts
3 shall be payable to the participant.

4 (h) On January 1, 1981, an annuitant who was receiving a
5 retirement annuity on or before January 1, 1971 shall have his
6 or her retirement annuity then being paid increased \$1 per
7 month for each year of creditable service. On January 1, 1982,
8 an annuitant whose retirement annuity began on or before
9 January 1, 1977, shall have his or her retirement annuity then
10 being paid increased \$1 per month for each year of creditable
11 service.

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

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

18 (40 ILCS 5/16-106.4 new)

19 Sec. 16-106.4. Tier I member. "Tier I member": A member
20 under this Article who first became a member or participant
21 before January 1, 2011 under any reciprocal retirement system
22 or 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 5/16-106.5 new)

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

4 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

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

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

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

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

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

25 (3) 3% of the originally granted annuity multiplied by

1 the number of years elapsed from the date of retirement or
2 January 1, 1978, whichever is later, until the effective
3 date of the initial increase.

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

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

22 (a-1) Notwithstanding any other provision of this Article,
23 for a Tier I retiree, the amount of each automatic annual
24 increase in retirement annuity occurring on or after the
25 effective date of this amendatory Act of the 98th General
26 Assembly shall be the lesser of \$750 or 3% of the total annuity

1 payable at the time of the increase, including previous
2 increases granted.

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

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

21 (b) The automatic annual increases in annuity provided
22 under this Section shall not be applicable unless a member has
23 made contributions toward such increases for a period
24 equivalent to one full year of creditable service. If a member
25 contributes for service performed after August 26, 1969 but the
26 member becomes an annuitant before such contributions amount to

1 one full year's contributions based on the salary at the date
2 of retirement, he or she may pay the necessary balance of the
3 contributions to the system and be eligible for the automatic
4 annual increases in annuity provided under this Section.

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

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

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

25 On January 1, 1987, any annuitant whose retirement annuity
26 began on or before January 1, 1977, shall receive an increase

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

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