

# SB0777



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

SB0777

Introduced 2/4/2015, by Sen. Daniel Biss

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-112	from Ch. 108 1/2, par. 15-112
40 ILCS 5/15-126.2 new	
40 ILCS 5/15-154	from Ch. 108 1/2, par. 15-154
40 ILCS 5/15-157	from Ch. 108 1/2, par. 15-157

Amends the State Universities Article of the Illinois Pension Code. Adds a cross-reference to a provision relating to earnings for service before becoming a participant. Defines "plan year". In a provision concerning repayment of certain refunds, requires interest from the date the refund was issued rather than the date it was received. Clarifies a provision relating to the purchase of service credit by inactive participants.

LRB099 07693 EFG 27826 b

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 Sections 15-112, 15-154, and 15-157 and adding Section 15-126.2  
6 as follows:

7 (40 ILCS 5/15-112) (from Ch. 108 1/2, par. 15-112)

8 Sec. 15-112. Final rate of earnings. "Final rate of  
9 earnings":

10 (a) This subsection (a) applies only to a Tier 1 member.

11 For an employee who is paid on an hourly basis or who  
12 receives an annual salary in installments during 12 months of  
13 each academic year, the average annual earnings during the 48  
14 consecutive calendar month period ending with the last day of  
15 final termination of employment or the 4 consecutive academic  
16 years of service in which the employee's earnings were the  
17 highest, whichever is greater. For any other employee, the  
18 average annual earnings during the 4 consecutive academic years  
19 of service in which his or her earnings were the highest. For  
20 an employee with less than 48 months or 4 consecutive academic  
21 years of service, the average earnings during his or her entire  
22 period of service. The earnings of an employee with more than  
23 36 months of service under item (a) of Section 15-113.1 prior

1 to the date of becoming a participant are, for such period,  
2 considered equal to the average earnings during the last 36  
3 months of such service.

4 (b) This subsection (b) applies to a Tier 2 member.

5 For an employee who is paid on an hourly basis or who  
6 receives an annual salary in installments during 12 months of  
7 each academic year, the average annual earnings obtained by  
8 dividing by 8 the total earnings of the employee during the 96  
9 consecutive months in which the total earnings were the highest  
10 within the last 120 months prior to termination.

11 For any other employee, the average annual earnings during  
12 the 8 consecutive academic years within the 10 years prior to  
13 termination in which the employee's earnings were the highest.  
14 For an employee with less than 96 consecutive months or 8  
15 consecutive academic years of service, whichever is necessary,  
16 the average earnings during his or her entire period of  
17 service.

18 (c) For an employee on leave of absence with pay, or on  
19 leave of absence without pay who makes contributions during  
20 such leave, earnings are assumed to be equal to the basic  
21 compensation on the date the leave began.

22 (d) For an employee on disability leave, earnings are  
23 assumed to be equal to the basic compensation on the date  
24 disability occurs or the average earnings during the 24 months  
25 immediately preceding the month in which disability occurs,  
26 whichever is greater.

1           (e) For a Tier 1 member who retires on or after the  
2 effective date of this amendatory Act of 1997 with at least 20  
3 years of service as a firefighter or police officer under this  
4 Article, the final rate of earnings shall be the annual rate of  
5 earnings received by the participant on his or her last day as  
6 a firefighter or police officer under this Article, if that is  
7 greater than the final rate of earnings as calculated under the  
8 other provisions of this Section.

9           (f) If a Tier 1 member is an employee for at least 6 months  
10 during the academic year in which his or her employment is  
11 terminated, the annual final rate of earnings shall be 25% of  
12 the sum of (1) the annual basic compensation for that year, and  
13 (2) the amount earned during the 36 months immediately  
14 preceding that year, if this is greater than the final rate of  
15 earnings as calculated under the other provisions of this  
16 Section.

17           (g) In the determination of the final rate of earnings for  
18 an employee, that part of an employee's earnings for any  
19 academic year beginning after June 30, 1997, which exceeds the  
20 employee's earnings with that employer for the preceding year  
21 by more than 20 percent shall be excluded; in the event that an  
22 employee has more than one employer this limitation shall be  
23 calculated separately for the earnings with each employer. In  
24 making such calculation, only the basic compensation of  
25 employees shall be considered, without regard to vacation or  
26 overtime or to contracts for summer employment.

1 (h) The following are not considered as earnings in  
2 determining final rate of earnings: (1) severance or separation  
3 pay, (2) retirement pay, (3) payment for unused sick leave, and  
4 (4) payments from an employer for the period used in  
5 determining final rate of earnings for any purpose other than  
6 (i) services rendered, (ii) leave of absence or vacation  
7 granted during that period, and (iii) vacation of up to 56 work  
8 days allowed upon termination of employment; except that, if  
9 the benefit has been collectively bargained between the  
10 employer and the recognized collective bargaining agent  
11 pursuant to the Illinois Educational Labor Relations Act,  
12 payment received during a period of up to 2 academic years for  
13 unused sick leave may be considered as earnings in accordance  
14 with the applicable collective bargaining agreement, subject  
15 to the 20% increase limitation of this Section, and if the  
16 person first becomes a participant on or after the effective  
17 date of this amendatory Act of the 98th General Assembly,  
18 payments for unused sick or vacation time shall not be  
19 considered as earnings. Any unused sick leave considered as  
20 earnings under this Section shall not be taken into account in  
21 calculating service credit under Section 15-113.4.

22 (i) Intermittent periods of service shall be considered as  
23 consecutive in determining final rate of earnings.

24 (Source: P.A. 98-92, eff. 7-16-13; 98-599, eff. 6-1-14.)

25 (40 ILCS 5/15-126.2 new)

1       Sec. 15-126.2. Plan year. "Plan year": The 12-month period  
2       beginning on July 1 in any year, and ending on June 30 of the  
3       succeeding year.

4           (40 ILCS 5/15-154) (from Ch. 108 1/2, par. 15-154)

5           Sec. 15-154. Refunds.

6           (a) A participant whose status as an employee is  
7       terminated, regardless of cause, or who has been on lay off  
8       status for more than 120 days, and who is not on leave of  
9       absence, is entitled to a refund of contributions upon  
10      application; except that not more than one such refund  
11      application may be made during any academic year.

12          Except as set forth in subsections (a-1) and (a-2), the  
13      refund shall be the sum of the accumulated normal, additional,  
14      and survivors insurance contributions, plus the entire  
15      contribution made by the participant under Section 15-113.3,  
16      less the amount of interest credited on these contributions  
17      each year in excess of 4 1/2% of the amount on which interest  
18      was calculated.

19          (a-1) A person who elects, in accordance with the  
20      requirements of Section 15-134.5, to participate in the  
21      portable benefit package and who becomes a participating  
22      employee under that retirement program upon the conclusion of  
23      the one-year waiting period applicable to the portable benefit  
24      package election shall have his or her refund calculated in  
25      accordance with the provisions of subsection (a-2).

1 (a-2) The refund payable to a participant described in  
2 subsection (a-1) shall be the sum of the participant's  
3 accumulated normal and additional contributions, as defined in  
4 Sections 15-116 and 15-117, plus the entire contribution made  
5 by the participant under Section 15-113.3. If the participant  
6 terminates with 5 or more years of service for employment as  
7 defined in Section 15-113.1, he or she shall also be entitled  
8 to a distribution of employer contributions in an amount equal  
9 to the sum of the accumulated normal and additional  
10 contributions, as defined in Sections 15-116 and 15-117.

11 (b) Upon acceptance of a refund, the participant forfeits  
12 all accrued rights and credits in the System, and if  
13 subsequently reemployed, the participant shall be considered a  
14 new employee subject to all the qualifying conditions for  
15 participation and eligibility for benefits applicable to new  
16 employees. If such person again becomes a participating  
17 employee and continues as such for 2 years, or is employed by  
18 an employer and participates for at least 2 years in the  
19 Federal Civil Service Retirement System, all such rights,  
20 credits, and previous status as a participant shall be restored  
21 upon repayment of the amount of the refund, together with  
22 compound interest thereon from the date the refund was issued  
23 ~~received~~ to the date of repayment at the rate of 6% per annum  
24 through August 31, 1982, and at the effective rates after that  
25 date. When a participant in the portable benefit package who  
26 received a refund which included a distribution of employer

1 contributions repays a refund pursuant to this Section,  
2 one-half of the amount repaid shall be deemed the member's  
3 reinstated accumulated normal and additional contributions and  
4 the other half shall be allocated as an employer contribution  
5 to the System, except that any amount repaid for previously  
6 purchased military service credit under Section 15-113.3 shall  
7 be accounted for as such.

8 (c) If a participant covered under the traditional benefit  
9 package has made survivors insurance contributions, but has no  
10 survivors insurance beneficiary upon retirement, he or she  
11 shall be entitled to elect a refund of the accumulated  
12 survivors insurance contributions, or to elect an additional  
13 annuity the value of which is equal to the accumulated  
14 survivors insurance contributions. This election must be made  
15 prior to the date the person's retirement annuity is approved  
16 by the System.

17 (d) A participant, upon application, is entitled to a  
18 refund of his or her accumulated additional contributions  
19 attributable to the additional contributions described in the  
20 last sentence of subsection (c) of Section 15-157. Upon the  
21 acceptance of such a refund of accumulated additional  
22 contributions, the participant forfeits all rights and credits  
23 which may have accrued because of such contributions.

24 (e) A participant who terminates his or her employee status  
25 and elects to waive service credit under Section 15-154.2, is  
26 entitled to a refund of the accumulated normal, additional and



1 survivors insurance contributions, if any, which were credited  
2 the participant for this service, or to an additional annuity  
3 the value of which is equal to the accumulated normal,  
4 additional and survivors insurance contributions, if any;  
5 except that not more than one such refund application may be  
6 made during any academic year. Upon acceptance of this refund,  
7 the participant forfeits all rights and credits accrued because  
8 of this service.

9 (f) If a police officer or firefighter receives a  
10 retirement annuity under Rule 1 or 3 of Section 15-136, he or  
11 she shall be entitled at retirement to a refund of the  
12 difference between his or her accumulated normal contributions  
13 and the normal contributions which would have accumulated had  
14 such person filed a waiver of the retirement formula provided  
15 by Rule 4 of Section 15-136.

16 (g) If, at the time of retirement, a participant would be  
17 entitled to a retirement annuity under Rule 1, 2, 3, 4, or 5 of  
18 Section 15-136, or under Section 15-136.4, that exceeds the  
19 maximum specified in clause (1) of subsection (c) of Section  
20 15-136, he or she shall be entitled to a refund of the employee  
21 contributions, if any, paid under Section 15-157 after the date  
22 upon which continuance of such contributions would have  
23 otherwise caused the retirement annuity to exceed this maximum,  
24 plus compound interest at the effective rates.

25 (Source: P.A. 92-16, eff. 6-28-01; 92-424, eff. 8-17-01;  
26 93-347, eff. 7-24-03.)

1 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

2 Sec. 15-157. Employee contributions.

3 (a) Except as provided in subsection (a-5), each  
4 participating employee shall make contributions towards the  
5 retirement benefits payable under the retirement program  
6 applicable to the employee from each payment of earnings  
7 applicable to employment under this system on and after the  
8 date of becoming a participant as follows: Prior to September  
9 1, 1949, 3 1/2% of earnings; from September 1, 1949 to August  
10 31, 1955, 5%; from September 1, 1955 to August 31, 1969, 6%;  
11 from September 1, 1969, 6 1/2%. These contributions are to be  
12 considered as normal contributions for purposes of this  
13 Article.

14 Except as provided in subsection (a-5), each participant  
15 who is a police officer or firefighter shall make normal  
16 contributions of 8% of each payment of earnings applicable to  
17 employment as a police officer or firefighter under this system  
18 on or after September 1, 1981, unless he or she files with the  
19 board within 60 days after the effective date of this  
20 amendatory Act of 1991 or 60 days after the board receives  
21 notice that he or she is employed as a police officer or  
22 firefighter, whichever is later, a written notice waiving the  
23 retirement formula provided by Rule 4 of Section 15-136. This  
24 waiver shall be irrevocable. If a participant had met the  
25 conditions set forth in Section 15-132.1 prior to the effective

1 date of this amendatory Act of 1991 but failed to make the  
2 additional normal contributions required by this paragraph, he  
3 or she may elect to pay the additional contributions plus  
4 compound interest at the effective rate. If such payment is  
5 received by the board, the service shall be considered as  
6 police officer service in calculating the retirement annuity  
7 under Rule 4 of Section 15-136. While performing service  
8 described in clause (i) or (ii) of Rule 4 of Section 15-136, a  
9 participating employee shall be deemed to be employed as a  
10 firefighter for the purpose of determining the rate of employee  
11 contributions under this Section.

12 (a-5) Beginning July 1, 2014, in lieu of the contribution  
13 otherwise required under subsection (a), each Tier 1 member,  
14 other than a Tier 1 member who is a police officer or  
15 firefighter, shall contribute 6% of earnings toward the  
16 retirement benefits payable under the retirement programs  
17 applicable to the employee from each payment of earnings  
18 applicable to employment under this system.

19 Beginning July 1, 2014, in lieu of the contribution  
20 otherwise required under subsection (a), each Tier 1 member who  
21 is a police officer or firefighter shall contribute 7.5% of  
22 each payment of earnings applicable to employment as a police  
23 officer or firefighter under this system, unless he or she has  
24 filed a waiver with the board pursuant to subsection (a).

25 The contributions required under this subsection (a-5) are  
26 to be considered normal contributions for the purposes of this

1 Article.

2 (b) Starting September 1, 1969 and, in the case of Tier 1  
3 members, ending on June 30, 2014, each participating employee  
4 shall make additional contributions of 1/2 of 1% of earnings to  
5 finance a portion of the cost of the annual increases in  
6 retirement annuity provided under Section 15-136, except that  
7 with respect to participants in the self-managed plan this  
8 additional contribution shall be used to finance the benefits  
9 obtained under that retirement program.

10 (c) In addition to the amounts described in subsections (a)  
11 and (b) of this Section, each participating employee shall make  
12 contributions of 1% of earnings applicable under this system on  
13 and after August 1, 1959. The contributions made under this  
14 subsection (c) shall be considered as survivor's insurance  
15 contributions for purposes of this Article if the employee is  
16 covered under the traditional benefit package, and such  
17 contributions shall be considered as additional contributions  
18 for purposes of this Article if the employee is participating  
19 in the self-managed plan or has elected to participate in the  
20 portable benefit package and has completed the applicable  
21 one-year waiting period. Contributions in excess of \$80 during  
22 any fiscal year beginning before August 31, 1969 and in excess  
23 of \$120 during any fiscal year thereafter until September 1,  
24 1971 shall be considered as additional contributions for  
25 purposes of this Article.

26 (d) If the board by board rule so permits and subject to

1 such conditions and limitations as may be specified in its  
2 rules, a participant may make other additional contributions of  
3 such percentage of earnings or amounts as the participant shall  
4 elect in a written notice thereof received by the board.

5 (e) That fraction of a participant's total accumulated  
6 normal contributions, the numerator of which is equal to the  
7 number of years of service in excess of that which is required  
8 to qualify for the maximum retirement annuity, and the  
9 denominator of which is equal to the total service of the  
10 participant, shall be considered as accumulated additional  
11 contributions. The determination of the applicable maximum  
12 annuity and the adjustment in contributions required by this  
13 provision shall be made as of the date of the participant's  
14 retirement.

15 (f) Notwithstanding the foregoing, a participating  
16 employee shall not be required to make contributions under this  
17 Section after the date upon which continuance of such  
18 contributions would otherwise cause his or her retirement  
19 annuity to exceed the maximum retirement annuity as specified  
20 in clause (1) of subsection (c) of Section 15-136.

21 (g) A participant ~~participating employee~~ may make  
22 contributions for the purchase of service credit under this  
23 Article; however, only a participating employee may make  
24 optional contributions under subsection (b) of Section  
25 15-157.1 of this Article.

26 (h) A Tier 2 member shall not make contributions on

1 earnings that exceed the limitation as prescribed under  
2 subsection (b) of Section 15-111 of this Article.

3 (Source: P.A. 98-92, eff. 7-16-13; 98-599, eff. 6-1-14.)