

AN ACT concerning public employee benefits.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Illinois Pension Code is amended by changing Sections 7-154, 7-159, 15-139, 15-145, 15-154, and 16-143.2 as follows:

(40 ILCS 5/7-154) (from Ch. 108 1/2, par. 7-154)

Sec. 7-154. Surviving spouse annuities - Eligibility.

(a) A surviving spouse annuity shall be payable to the eligible surviving spouse of a participating employee, an employee annuitant, or a person who on the date of death would have been entitled to a retirement annuity, had he applied for such annuity, and who dies at any time when a surviving spouse annuity equals at least \$5 per month, provided:

(1) The surviving spouse (i) was married to the participating employee for at least one year on the date of death, or (ii) was married to the annuitant or person entitled to a retirement annuity for at least one year prior to the date of termination of service, or (iii) was married to the deceased annuitant for at least one year on the date of the deceased annuitant's death, if at the time of termination of service the deceased annuitant was married for at least one year to a spouse who does not

survive the deceased annuitant. (Item (iii) applies to the spouses of annuitants who die on or after the effective date of this amendatory Act of the 99th General Assembly, notwithstanding whether the annuitant was in service on or after that effective date or the effective date of Public Act 87-850.)

(2) The male deceased employee annuitant or such other person entitled to a retirement annuity had contributed to this fund for surviving spouse annuity purposes for at least 1 year or continuously since the effective date of the participating municipality or participating instrumentality.

(3) The female deceased employee annuitant or such other person entitled to a retirement annuity was in service on or after July 27, 1972, provided that the annuity shall not be computed on the basis of any retirement annuity effective before that date.

(4) If the employee dies before termination of service, the employee did not exclude the spouse from any death benefit or surviving spouse annuity pursuant to subsection (b) of Section 7-118. A designation of beneficiary naming a spouse and children jointly or a trust pursuant to subsection (b) of Section 7-118 shall preclude payment of a surviving spouse annuity.

(b) If a person is the spouse of a retiring participating employee on the date of the initial payment of a retirement

annuity and is qualified to receive a surviving spouse annuity upon the death of the employee and the surviving spouse contributions are not refunded to the employee, then a surviving spouse annuity shall be payable to that person even if the marriage to the employee is dissolved after that date.

(c) Eligibility of a surviving spouse shall be determined as of the date of death. Only one surviving spouse annuity shall be paid on account of the death of any employee.

(Source: P.A. 87-740; 87-850.)

(40 ILCS 5/7-159) (from Ch. 108 1/2, par. 7-159)

Sec. 7-159. Surviving spouse annuity - refund of survivor credits.

(a) Any employee annuitant who (1) upon the date a retirement annuity begins is not then married, or (2) is married to a person who would not qualify for surviving spouse annuity if the person died on such date, is entitled to a refund of the survivor credits including interest accumulated on the date the annuity begins, excluding survivor credits and interest thereon credited during periods of disability, and no spouse shall have a right to any surviving spouse annuity from this Fund. If the employee annuitant reenters service and upon subsequent retirement has a spouse who would qualify for a surviving spouse annuity, the employee annuitant may pay the fund the amount of the refund plus interest at the effective rate at the date of payment. The payment shall qualify the

spouse for a surviving spouse annuity and the amount paid shall be considered as survivor contributions.

(b) Instead of a refund under subsection (a), the retiring employee may elect to convert the amount of the refund into an annuity, payable separately from the retirement annuity. If the annuitant dies before the guaranteed amount has been distributed, the remainder shall be paid in a lump sum to the designated beneficiary of the annuitant. The Board shall adopt any rules necessary for the implementation of this subsection.

(c) An annuitant who retired prior to June 1, 2011 and received a refund of survivor credits under subsection (a), and who thereafter became, and remains, either:

(1) a party to a civil union or a party to a legal relationship that is recognized as a civil union or marriage under the Illinois Religious Freedom Protection and Civil Union Act on or after June 1, 2011; or

(2) a party to a marriage under the Illinois Marriage and Dissolution of Marriage Act on or after February 26, 2014; or

(3) a party to a marriage, civil union or other legal relationship that, at the time it was formed, was not legally recognized in Illinois but was subsequently recognized as a civil union or marriage under the Illinois Religious Freedom Protection and Civil Union Act on or after June 1, 2011, a marriage under the Illinois Marriage and Dissolution of Marriage Act on or after February 26,

2014, or both;
may, within a period of one year beginning 5 months after the effective date of this amendatory Act of the 99th General Assembly, make an election to re-establish rights to a surviving spouse annuity under Sections 7-154 through 7-158 (notwithstanding the eligibility requirements of paragraph (a) (1) of Section 7-154), by paying to the Fund: (1) the total amount of the refund received for survivor credits; and (2) interest thereon at the actuarially assumed rate of return from the date of the refund to the date of payment. Such election must be made prior to the date of death of the annuitant.

The Fund may allow the annuitant to repay this refund over a period of not more than 24 months. To the extent permitted by the Internal Revenue Code of 1986, as amended, for federal and State tax purposes, if a member pays in monthly installments by reducing the monthly benefit by the amount of the otherwise applicable contribution, the monthly amount by which the annuitant's benefit is reduced shall not be treated as a contribution by the annuitant but rather as a reduction of the annuitant's monthly benefit.

If an annuitant makes an election under this subsection (c) and the contributions required are not paid in full, an otherwise qualifying spouse shall be given the option to make an additional lump sum payment of the remaining contributions and qualify for a surviving spouse annuity. Otherwise, an additional refund representing contributions made hereunder

shall be paid at the annuitant's death and there shall be no surviving spouse annuity paid.

(Source: P.A. 90-766, eff. 8-14-98.)

(40 ILCS 5/15-139) (from Ch. 108 1/2, par. 15-139)

Sec. 15-139. Retirement annuities; cancellation; suspended during employment.

(a) If an annuitant returns to employment for an employer within 60 days after the beginning of the retirement annuity payment period, the retirement annuity shall be cancelled, and the annuitant shall refund to the System the total amount of the retirement annuity payments which he or she received. If the retirement annuity is cancelled, the participant shall continue to participate in the System.

(b) If an annuitant retires prior to age 60 and receives or becomes entitled to receive during any month compensation in excess of the monthly retirement annuity (including any automatic annual increases) for services performed after the date of retirement for any employer under this System, that portion of the monthly retirement annuity provided by employer contributions shall not be payable.

If an annuitant retires at age 60 or over and receives or becomes entitled to receive during any academic year compensation in excess of the difference between his or her highest annual earnings prior to retirement and his or her annual retirement annuity computed under Rule 1, Rule 2, Rule

3, or Rule 4 of Section 15-136, or under Section 15-136.4, for services performed after the date of retirement for any employer under this System, that portion of the monthly retirement annuity provided by employer contributions shall be reduced by an amount equal to the compensation that exceeds such difference.

However, any remuneration received for serving as a member of the Illinois Educational Labor Relations Board shall be excluded from "compensation" for the purposes of this subsection (b), and serving as a member of the Illinois Educational Labor Relations Board shall not be deemed to be a return to employment for the purposes of this Section. This provision applies without regard to whether service was terminated prior to the effective date of this amendatory Act of 1991.

"Academic year", as used in this subsection (b), means the 12-month period beginning September 1.

(c) If an employer certifies that an annuitant has been reemployed on a permanent and continuous basis or in a position in which the annuitant is expected to serve for at least 9 months, the annuitant shall resume his or her status as a participating employee and shall be entitled to all rights applicable to participating employees upon filing with the board an election to forgo all annuity payments during the period of reemployment. Upon subsequent retirement, the retirement annuity shall consist of the annuity which was

terminated by the reemployment, plus the additional retirement annuity based upon service granted during the period of reemployment, but the combined retirement annuity shall not exceed the maximum annuity applicable on the date of the last retirement.

The total service and earnings credited before and after the initial date of retirement shall be considered in determining eligibility of the employee or the employee's beneficiary to benefits under this Article, and in calculating final rate of earnings.

In determining the death benefit payable to a beneficiary of an annuitant who again becomes a participating employee under this Section, accumulated normal and additional contributions shall be considered as the sum of the accumulated normal and additional contributions at the date of initial retirement and the accumulated normal and additional contributions credited after that date, less the sum of the annuity payments received by the annuitant.

The survivors insurance benefits provided under Section 15-145 shall not be applicable to an annuitant who resumes his or her status as a participating employee, unless the annuitant, at the time of initial retirement, has a survivors insurance beneficiary who could qualify for such benefits or the annuitant repaid the survivors insurance contribution refund or additional annuity under subsection (c-5) of Section 15-154.

If the participant's employment is terminated because of circumstances other than death before 9 months from the date of reemployment, the provisions of this Section regarding resumption of status as a participating employee shall not apply. The normal and survivors insurance contributions which are deducted during this period shall be refunded to the annuitant without interest, and subsequent benefits under this Article shall be the same as those which were applicable prior to the date the annuitant resumed employment.

The amendments made to this Section by this amendatory Act of the 91st General Assembly apply without regard to whether the annuitant was in service on or after the effective date of this amendatory Act.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12; 98-92, eff. 7-16-13; 98-596, eff. 11-19-13.)

(40 ILCS 5/15-145) (from Ch. 108 1/2, par. 15-145)

Sec. 15-145. Survivors insurance benefits; conditions and amounts.

(a) The survivors insurance benefits provided under this Section shall be payable to the eligible survivors of a Tier 1 member covered under the traditional benefit package upon the death of (1) a participating employee with at least 1 1/2 years of service, (2) a participant who terminated employment with at least 10 years of service, and (3) an annuitant in receipt of a retirement annuity or disability retirement annuity under this

Article.

Service under the State Employees' Retirement System of Illinois, the Teachers' Retirement System of the State of Illinois and the Public School Teachers' Pension and Retirement Fund of Chicago shall be considered in determining eligibility for survivors benefits under this Section.

If by law, a function of a governmental unit, as defined by Section 20-107, is transferred in whole or in part to an employer, and an employee transfers employment from this governmental unit to such employer within 6 months after the transfer of this function, the service credits in the governmental unit's retirement system which have been validated under Section 20-109 shall be considered in determining eligibility for survivors benefits under this Section.

(b) A surviving spouse of a deceased participant, or of a deceased annuitant who did not take a refund or additional annuity consisting of accumulated survivors insurance contributions or who repaid the refund or additional annuity, shall receive a survivors annuity of 30% of the final rate of earnings. Payments shall begin on the day following the participant's or annuitant's death or the date the surviving spouse attains age 50, whichever is later, and continue until the death of the surviving spouse. The annuity shall be payable to the surviving spouse prior to attainment of age 50 if the surviving spouse has in his or her care a deceased

participant's or annuitant's dependent unmarried child under age 18 (under age 22 if a full-time student) who is eligible for a survivors annuity.

Remarriage of a surviving spouse prior to attainment of age 55 that occurs before the effective date of this amendatory Act of the 91st General Assembly shall disqualify him or her for the receipt of a survivors annuity until July 6, 2000.

A surviving spouse whose survivors annuity has been terminated due to remarriage may apply for reinstatement of that annuity. The reinstated annuity shall begin to accrue on July 6, 2000, except that if, on July 6, 2000, the annuity is payable to an eligible surviving child or parent, payment of the annuity to the surviving spouse shall not be reinstated until the annuity is no longer payable to any eligible surviving child or parent. The reinstated annuity shall include any one-time or annual increases received prior to the date of termination, as well as any increases that would otherwise have accrued from the date of termination to the date of reinstatement. An eligible surviving spouse whose expectation of receiving a survivors annuity was lost due to remarriage before attainment of age 50 shall also be entitled to reinstatement under this subsection, but the resulting survivors annuity shall not begin to accrue sooner than upon the surviving spouse's attainment of age 50.

The changes made to this subsection by this amendatory Act of the 92nd General Assembly (pertaining to remarriage prior to

age 55 or 50) apply without regard to whether the deceased participant or annuitant was in service on or after the effective date of this amendatory Act.

(c) Each dependent unmarried child under age 18 (under age 22 if a full-time student) of a deceased participant, or of a deceased annuitant who did not take a refund or additional annuity consisting of accumulated survivors insurance contributions or who repaid the refund or additional annuity, shall receive a survivors annuity equal to the sum of (1) 20% of the final rate of earnings, and (2) 10% of the final rate of earnings divided by the number of children entitled to this benefit. Payments shall begin on the day following the participant's or annuitant's death and continue until the child marries, dies, or attains age 18 (age 22 if a full-time student). If the child is in the care of a surviving spouse who is eligible for survivors insurance benefits, the child's benefit shall be paid to the surviving spouse.

Each unmarried child over age 18 of a deceased participant or of a deceased annuitant who had a survivor's insurance beneficiary at the time of his or her retirement, and who was dependent upon the participant or annuitant by reason of a physical or mental disability which began prior to the date the child attained age 18 (age 22 if a full-time student), shall receive a survivor's annuity equal to the sum of (1) 20% of the final rate of earnings, and (2) 10% of the final rate of earnings divided by the number of children entitled to

survivors benefits. Payments shall begin on the day following the participant's or annuitant's death and continue until the child marries, dies, or is no longer disabled. If the child is in the care of a surviving spouse who is eligible for survivors insurance benefits, the child's benefit may be paid to the surviving spouse. For the purposes of this Section, disability means inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of at least one year.

(d) Each dependent parent of a deceased participant, or of a deceased annuitant who did not take a refund or additional annuity consisting of accumulated survivors insurance contributions or who repaid the refund or additional annuity, shall receive a survivors annuity equal to the sum of (1) 20% of final rate of earnings, and (2) 10% of final rate of earnings divided by the number of parents who qualify for the benefit. Payments shall begin when the parent reaches age 55 or the day following the participant's or annuitant's death, whichever is later, and continue until the parent dies. Remarriage of a parent prior to attainment of age 55 shall disqualify the parent for the receipt of a survivors annuity.

(e) In addition to the survivors annuity provided above, each survivors insurance beneficiary shall, upon death of the participant or annuitant, receive a lump sum payment of \$1,000

divided by the number of such beneficiaries.

(f) The changes made in this Section by Public Act 81-712 pertaining to survivors annuities in cases of remarriage prior to age 55 shall apply to each survivors insurance beneficiary who remarries after June 30, 1979, regardless of the date that the participant or annuitant terminated his employment or died.

The change made to this Section by this amendatory Act of the 91st General Assembly, pertaining to remarriage prior to age 55, applies without regard to whether the deceased participant or annuitant was in service on or after the effective date of this amendatory Act of the 91st General Assembly.

(g) On January 1, 1981, any person who was receiving a survivors annuity on or before January 1, 1971 shall have the survivors annuity then being paid increased by 1% for each full year which has elapsed from the date the annuity began. On January 1, 1982, any survivor whose annuity began after January 1, 1971, but before January 1, 1981, shall have the survivor's annuity then being paid increased by 1% for each year which has elapsed from the date the survivor's annuity began. On January 1, 1987, any survivor who began receiving a survivor's annuity on or before January 1, 1977, shall have the monthly survivor's annuity increased by \$1 for each full year which has elapsed since the date the survivor's annuity began.

(h) If the sum of the lump sum and total monthly survivor benefits payable under this Section upon the death of a

participant amounts to less than the sum of the death benefits payable under items (2) and (3) of Section 15-141, the difference shall be paid in a lump sum to the beneficiary of the participant who is living on the date that this additional amount becomes payable.

(i) If the sum of the lump sum and total monthly survivor benefits payable under this Section upon the death of an annuitant receiving a retirement annuity or disability retirement annuity amounts to less than the death benefit payable under Section 15-142, the difference shall be paid to the beneficiary of the annuitant who is living on the date that this additional amount becomes payable.

(j) Effective on the later of (1) January 1, 1990, or (2) the January 1 on or next after the date on which the survivor annuity begins, if the deceased member died while receiving a retirement annuity, or in all other cases the January 1 nearest the first anniversary of the date the survivor annuity payments begin, every survivors insurance beneficiary shall receive an increase in his or her monthly survivors annuity of 3%. On each January 1 after the initial increase, the monthly survivors annuity shall be increased by 3% of the total survivors annuity provided under this Article, including previous increases provided by this subsection. Such increases shall apply to the survivors insurance beneficiaries of each participant and annuitant, whether or not the employment status of the participant or annuitant terminates before the effective date

of this amendatory Act of 1990. This subsection (j) also applies to persons receiving a survivor annuity under the portable benefit package.

(k) If the Internal Revenue Code of 1986, as amended, requires that the survivors benefits be payable at an age earlier than that specified in this Section the benefits shall begin at the earlier age, in which event, the survivor's beneficiary shall be entitled only to that amount which is equal to the actuarial equivalent of the benefits provided by this Section.

(l) The changes made to this Section and Section 15-131 by this amendatory Act of 1997, relating to benefits for certain unmarried children who are full-time students under age 22, apply without regard to whether the deceased member was in service on or after the effective date of this amendatory Act of 1997. These changes do not authorize the repayment of a refund or a re-election of benefits, and any benefit or increase in benefits resulting from these changes is not payable retroactively for any period before the effective date of this amendatory Act of 1997.

(Source: P.A. 98-92, eff. 7-16-13.)

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

Sec. 15-154. Refunds.

(a) A participant whose status as an employee is terminated, regardless of cause, or who has been on lay off

status for more than 120 days, and who is not on leave of absence, is entitled to a refund of contributions upon application; except that not more than one such refund application may be made during any academic year.

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

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

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

to the sum of the accumulated normal and additional contributions, as defined in Sections 15-116 and 15-117.

(b) Upon acceptance of a refund, the participant forfeits all accrued rights and credits in the System, and if subsequently reemployed, the participant shall be considered a new employee subject to all the qualifying conditions for participation and eligibility for benefits applicable to new employees. If such person again becomes a participating employee and continues as such for 2 years, or is employed by an employer and participates for at least 2 years in the Federal Civil Service Retirement System, all such rights, credits, and previous status as a participant shall be restored upon repayment of the amount of the refund, together with compound interest thereon from the date the refund was issued to the date of repayment at the rate of 6% per annum through August 31, 1982, and at the effective rates after that date. When a participant in the portable benefit package who received a refund which included a distribution of employer contributions repays a refund pursuant to this Section, one-half of the amount repaid shall be deemed the member's reinstated accumulated normal and additional contributions and the other half shall be allocated as an employer contribution to the System, except that any amount repaid for previously purchased military service credit under Section 15-113.3 shall be accounted for as such.

(c) Except as otherwise provided under subsection (c-5), if

~~If~~ a participant covered under the traditional benefit package has made survivors insurance contributions, but has no survivors insurance beneficiary upon retirement, he or she shall be entitled to elect a refund of the accumulated survivors insurance contributions, or to elect an additional annuity the value of which is equal to the accumulated survivors insurance contributions. This election must be made prior to the date the person's retirement annuity is approved by the System.

(c-5) Notwithstanding subsection (c), an annuitant who retired prior to June 1, 2011 and made the election under subsection (c), and who thereafter became, and remains, either:

(1) a party to a civil union or a party to a legal relationship that is recognized as a civil union or marriage under the Illinois Religious Freedom Protection and Civil Union Act on or after June 1, 2011; or

(2) a party to a marriage under the Illinois Marriage and Dissolution of Marriage Act on or after February 26, 2014; or

(3) a party to a marriage, civil union or other legal relationship that, at the time it was formed, was not legally recognized in Illinois but was subsequently recognized as a civil union or marriage under the Illinois Religious Freedom Protection and Civil Union Act on or after June 1, 2011, a marriage under the Illinois Marriage and Dissolution of Marriage Act on or after February 26,

2014, or both;
may make a one-time, irrevocable election to repay the refund
or additional annuity payments received under subsection (c),
together with compound interest thereon at the actuarially
assumed rate of return from the date the refund was issued or
the date each additional annuity payment was issued to the date
of repayment. The annuitant shall submit proof of party status
for item (1), (2), or (3) in the form of a valid marriage
certificate or a civil union certificate with any additional
requirements the Board prescribes by rulemaking. The election
must be received by the System (i) within a period of one year
beginning 5 months after the effective date of this amendatory
Act of the 99th General Assembly and (ii) prior to the date of
death of the annuitant.

To the extent permitted under the Internal Revenue Code of
1986, as amended, the full repayment shall be made within a
period beginning on the date of the election and ending on the
earlier of the 24th month thereafter or the date of the
annuitant's death. If an annuitant fails to make the repayment
within the required period, any payments made shall be
returned, without interest, to the annuitant (or to the
annuitant's estate if the payments ceased due to death), and
survivors insurance benefits under Section 15-145 shall not be
payable upon the annuitant's death.

Upon such repayment, all forfeited survivors insurance
benefit rights and credits under Section 15-145 shall be

restored. This repayment right shall not alter or modify any eligibility requirement for survivors insurance beneficiaries under this Article applicable upon the annuitant's death. The repayment shall be irrevocable. No person shall have a claim or right to the repaid amounts in a manner not otherwise provided for under this Article in the event that: the marriage, civil union, or other legal relationship described in this subsection is dissolved, annulled, or declared invalid by a court of competent jurisdiction; or the other party to the marriage, civil union, or other legal relationship predeceases the annuitant or otherwise fails to qualify as a survivors insurance beneficiary upon the annuitant's death.

For purposes of this subsection (c-5), the term "annuitant" shall include an annuitant who resumed his or her status as a participating employee under Section 15-139(c).

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

(e) A participant who terminates his or her employee status and elects to waive service credit under Section 15-154.2, is entitled to a refund of the accumulated normal, additional and survivors insurance contributions, if any, which were credited

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

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

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

(Source: P.A. 99-450, eff. 8-24-15.)

(40 ILCS 5/16-143.2) (from Ch. 108 1/2, par. 16-143.2)

Sec. 16-143.2. Refund of contributions for survivor benefits at retirement.

(a) If at the time of applying for a retirement annuity under Section 16-132, or while in receipt of such a retirement annuity, a member does not have a dependent beneficiary as defined in paragraph (3) of Section 16-140, such member may be granted, upon written request, a refund of actual contributions for survivor benefits, without interest. Members will be eligible for a refund of contributions for survivor benefits as provided in the previous sentence notwithstanding the fact that they began receiving retirement benefits prior to this amendatory Act of 1985. Acceptance of the refund will forfeit all rights to survivor benefits under Sections 16-140 through 16-143.

(b) Except as provided under subsection (c), an An annuitant who reestablishes membership following acceptance of refund of contributions for survivor benefits under subsection (a) of this Section may reinstate eligibility for benefits provided under Sections 16-140 through 16-143 only through: (1) repayment of such refund together with regular interest thereon from the date of the refund to the date of repayment, and (2) completion of one year of creditable service following acceptance of such refund. If membership is reestablished and the above conditions (1) and (2) are not met, an additional refund, representing contributions made following the previous refund will be provided upon the member's death or retirement,

whichever is applicable.

(c) Notwithstanding subsection (b), an annuitant who has received a refund under subsection (a) may, during a period of one year beginning 5 months after the effective date of this amendatory Act of the 99th General Assembly, make an election to reestablish rights to survivor benefits under Sections 16-140 through 16-143 by paying to the System:

(1) the total amount of the refund received for actual contributions; and

(2) interest on the amount of the refund at the actuarially assumed rate of return for the period starting on the date of receipt of the refund and ending when the annuitant has made an election under this subsection (c).

The System may allow an individual to repay this refund through: a tax-deferred lump sum payment in full; substantially equal monthly installments over a period of at least one but not more than 24 months by reducing the annuitant's monthly benefit over the established number of months by the amount of the otherwise applicable contribution; or a combination thereof. To the extent permitted under the Internal Revenue Code of 1986, as amended, for federal and State tax purposes, the monthly amount by which the annuitant's benefit is reduced shall not be treated as a contribution by the annuitant, but rather as a reduction of the annuitant's monthly benefit.

If a member makes an election under this subsection (c) and the contributions required in items (1) and (2) of this

subsection (c) are not paid in full, an additional one-time lump sum refund representing contributions made following the previous refund shall be provided to the named beneficiary or beneficiaries on file with the System or, if none, to the member's estate, when the member dies.

(Source: P.A. 87-794.)

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