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 5-238 and 6-229 as follows:

(40 ILCS 5/5-238)

Sec. 5-238. Provisions applicable to new hires; Tier 2.

(a) Notwithstanding any other provision of this Article, the provisions of this Section apply to a person who first becomes a policeman under this Article on or after January 1, 2011, and to certain qualified survivors of such a policeman. Such persons, and the benefits and restrictions that apply specifically to them under this Article, may be referred to as "Tier 2".

(b) A policeman who has withdrawn from service, has attained age 50 or more, and has 10 or more years of service in that capacity shall be entitled, upon proper application being received by the Fund, to receive a Tier 2 monthly retirement annuity for his service as a police officer. The Tier 2 monthly retirement annuity shall be computed by multiplying 2.5% for each year of such service by his or her final average salary, subject to an annuity reduction factor of one-half of 1% for each month that the police officer's age at retirement is under age 55. The Tier 2 monthly retirement annuity is in lieu of any age and service annuity or other form of retirement annuity under this Article.

The maximum retirement annuity under this subsection (b) shall be 75% of final average salary.

For the purposes of this subsection (b), "final average salary" means the <u>greater of: (i) the</u> average monthly salary obtained by dividing the total salary of the policeman during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period<u>; or (ii) the average monthly salary obtained by dividing the total salary of the policeman during the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest by the number of months of service in that period</u>.

Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual salary based on the plan year of a member or participant to whom this Section applies shall not exceed $106,800; however, <u>beginning July 1, 2025, the annual salary shall not exceed $141,407.74 and</u> that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) ~~one-half~~ the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

Nothing in this amendatory Act of the 104th General Assembly shall cause or otherwise result in any retroactive adjustment of any employee contributions.

(c) Notwithstanding any other provision of this Article, for a person who first becomes a policeman under this Article on or after January 1, 2011, eligibility for and the amount of the annuity to which the qualified surviving spouse, children, and parents are entitled under this subsection (c) shall be determined as follows:

(1) The surviving spouse of a deceased policeman to whom this Section applies shall be deemed qualified to receive a Tier 2 surviving spouse's annuity under this paragraph (1) if: (i) the deceased policeman meets the requirements specified under subdivision (A), (B), (C), or (D) of this paragraph (1); and (ii) the surviving spouse would not otherwise be excluded from receiving a widow's annuity under the eligibility requirements for a widow's annuity set forth in Section 5-146. The Tier 2 surviving spouse's annuity is in lieu of the widow's annuity determined under any other Section of this Article and is subject to the requirements of Section 5-147.1.

As used in this subsection (c), "earned annuity" means a Tier 2 monthly retirement annuity determined under subsection (b) of this Section, including any increases the policeman had received pursuant to Section 5-167.1.

(A) If the deceased policeman was receiving an earned annuity at the date of his or her death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be in the amount of 66 2/3% of the policeman's earned annuity at the date of death.

If the deceased policeman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the policeman's earned annuity at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a policeman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the policeman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(B) If the deceased policeman was not receiving an earned annuity but had at least 10 years of service at the time of death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be the greater of: (i) 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death; (ii) 54% of the policeman's monthly salary at the time of the policeman's death; or (iii) ~~(ii)~~ 66 2/3% of the Tier 2 monthly retirement annuity that the deceased policeman would have been eligible to receive under subsection (b) of this Section, based upon the actual service accrued through the day before the policeman's death, but determined as though the policeman was at least age 55 on the day before his or her death and retired on that day.

If the deceased policeman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the policeman's monthly salary at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a policeman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the policeman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(C) If the deceased policeman was an active policeman with at least 1 1/2 but less than 10 years of service at the time of death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be the greater of: (i) ~~in the amount of~~ 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death; or (ii) 54% of the policeman's monthly salary at the time of the policeman's death.

If the deceased policeman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the policeman's monthly salary at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a policeman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the policeman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(D) If the performance of an act or acts of duty results directly in the death of a policeman subject to this Section, or prevents him from subsequently resuming active service in the police department, and if the policeman's Tier 2 surviving spouse would otherwise meet the eligibility requirements for a compensation annuity or supplemental annuity granted under Section 5-144, then in addition to the Tier 2 surviving spouse's annuity provided under subdivision (A), (B), or (C) of this paragraph (1), whichever applies, the Tier 2 surviving spouse shall be qualified to receive compensation annuity or supplemental annuity, as would be provided under Section 5-144, in order to bring the total benefit up to the applicable 75% salary limitation provided in that Section, but subject to the Tier 2 salary cap provided under subsection (b) of this Section; except that no such annuity shall be paid to the surviving spouse of a policeman who dies while in receipt of disability benefits when the policeman's death was caused by an intervening illness or injury unrelated to the illness or injury that had prevented him from subsequently resuming active service in the police department.

(E) Notwithstanding any other provision of this Article, the monthly Tier 2 surviving spouse's annuity under subdivision (A) or (B) of this paragraph (1) shall be increased on the January 1 next occurring after (i) attainment of age 60 by the recipient of the Tier 2 surviving spouse's annuity or (ii) the first anniversary of the Tier 2 surviving spouse's annuity start date, whichever is later, and on each January 1 thereafter, by 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted Tier 2 surviving spouse's annuity. If the unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the annuity shall not be increased.

For the purposes of this Section, "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the pension funds.

(F) Notwithstanding the other provisions of this paragraph (1), for a qualified surviving spouse who is entitled to a Tier 2 surviving spouse's annuity under subdivision (A), (B), (C), or (D) of this paragraph (1), that Tier 2 surviving spouse's annuity shall not be less than the amount of the minimum widow's annuity established from time to time under Section 5-167.4.

(2) Surviving children of a deceased policeman subject to this Section who would otherwise meet the eligibility requirements for a child's annuity set forth in Sections 5-151 and 5-152 shall be deemed qualified to receive a Tier 2 child's annuity under this subsection (c), which shall be in lieu of, but in the same amount and paid in the same manner as, the child's annuity provided under those Sections; except that any salary used for computing a Tier 2 child's annuity shall be subject to the Tier 2 salary cap

provided under subsection (b) of this Section. For purposes of determining any pro rata reduction in child's annuities under this subsection (c), references in Section 5-152 to the combined annuities of the family shall be deemed to refer to the combined Tier 2 surviving spouse's annuity, if any, and the Tier 2 child's annuities payable under this subsection (c).

(3) Surviving parents of a deceased policeman subject to this Section who would otherwise meet the eligibility requirements for a parent's annuity set forth in Section 5-152 shall be deemed qualified to receive a Tier 2 parent's annuity under this subsection (c), which shall be in lieu of, but in the same amount and paid in the same manner as, the parent's annuity provided under Section 5-152.1; except that any salary used for computing a Tier 2 parent's annuity shall be subject to the Tier 2 salary cap provided under subsection (b) of this Section. For the purposes of this Section, a reference to "annuity" in Section 5-152.1 includes: (i) in the context of a widow, a Tier 2 surviving spouse's annuity and (ii) in the context of a child, a Tier 2 child's annuity.

Notwithstanding Section 1-103.1, the changes made to this subsection by this amendatory Act of the 104th General Assembly apply without regard to whether the deceased policeman was in service on or after the effective date of this amendatory Act of the 104th General Assembly. The changes made by this amendatory Act of the 104th General Assembly shall not diminish the survivor's benefits described in this Section.

(d) The General Assembly finds and declares that the provisions of this Section, as enacted by Public Act 96-1495, require clarification relating to necessary eligibility standards and the manner of determining and paying the intended Tier 2 benefits and contributions in order to enable the Fund to unambiguously implement and administer benefits for Tier 2 members. The changes to this Section and the conforming changes to Sections 5-153, 5-155, 5-163, 5-167.1 (except for the changes to subsection (a) of that Section), 5-169, and 5-170 made by this amendatory Act of the 99th General Assembly are enacted to clarify the provisions of this Section as enacted by Public Act 96-1495, and are hereby declared to represent and be consistent with the original and continuing intent of this Section and Public Act 96-1495.

(e) The changes to Sections 5-153, 5-155, 5-163, 5-167.1 (except for the changes to subsection (a) of that Section), 5-169, and 5-170 made by this amendatory Act of the 99th General Assembly are intended to be retroactive to January 1, 2011 (the effective date of Public Act 96-1495) and, for the purposes of Section 1-103.1 of this Code, they apply without regard to whether the relevant policeman was in service on or after the effective date of this amendatory Act of the 99th General Assembly.

(Source: P.A. 99-905, eff. 11-29-16.)

(40 ILCS 5/6-229)

Sec. 6-229. Provisions applicable to new hires; Tier 2.

(a) Notwithstanding any other provision of this Article, the provisions of this Section apply to a person who first becomes a fireman under this Article on or after January 1, 2011, and to certain qualified survivors of such a fireman. Such persons, and the benefits and restrictions that apply specifically to them under this Article, may be referred to as "Tier 2".

(b) A fireman who has withdrawn from service, has attained age 50 or more, and has 10 or more years of service in that capacity shall be entitled, upon proper application being received by the Fund, to receive a Tier 2 monthly retirement annuity for his service as a fireman. The Tier 2 monthly retirement annuity shall be computed by multiplying 2.5% for each year of such service by his or her final average salary, subject to an annuity reduction factor of one-half of 1% for each month that the fireman's age at retirement is under age 55. The Tier 2 monthly retirement annuity is in lieu of any age and service annuity or other form of retirement annuity under this Article.

The maximum retirement annuity under this subsection (b) shall be 75% of final average salary.

For the purposes of this subsection (b), "final average salary" means the greater of (1) the average monthly salary obtained by dividing the total salary of the fireman during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period or (2) the average monthly salary obtained by dividing the total salary of the fireman during the 48 consecutive months of service within the last 60 months of service in which the total salary was the highest by the number of months of service in that period.

Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual salary based on the plan year of a member or participant to whom this Section applies shall not exceed $106,800; however, beginning July 1, 2025, the annual salary shall not exceed $141,407.74 and that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) ~~one-half~~ the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

Nothing in this amendatory Act of the 104th General Assembly shall cause or otherwise result in any retroactive adjustment of any employee contributions.

(b-5) For the purposes of this Section, "consumer price index-u" means the index published by the Bureau of Labor

Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the retirement systems and pension funds by November 1 of each year.

(c) Notwithstanding any other provision of this Article, for a person who first becomes a fireman under this Article on or after January 1, 2011, eligibility for and the amount of the annuity to which the qualified surviving spouse, children, and parents of the fireman are entitled under this subsection (c) shall be determined as follows:

(1) The surviving spouse of a deceased fireman to whom this Section applies shall be deemed qualified to receive a Tier 2 surviving spouse's annuity under this paragraph (1) if: (i) the deceased fireman meets the requirements specified under subdivision (A), (B), (C), or (D) of this paragraph (1); and (ii) the surviving spouse would not otherwise be excluded from receiving a widow's annuity under the eligibility requirements for a widow's annuity set forth in Section 6-142. The Tier 2 surviving spouse's annuity is in lieu of the widow's annuity determined under any other Section of this Article and is subject to the requirements of Section 6-143.2.

As used in this subsection (c), "earned pension" means a Tier 2 monthly retirement annuity determined under subsection (b) of this Section, including any increases the fireman had received pursuant to Section 6-164.

(A) If the deceased fireman was receiving an earned pension at the date of his or her death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be in the amount of 66 2/3% of the fireman's earned pension at the date of death.

If the deceased fireman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the fireman's earned annuity at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a fireman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the fireman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(B) If the deceased fireman was not receiving an earned pension but had at least 10 years of service at the time of death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be the greater of: (i) 30% of the salary attached to the rank of first class firefighter in the classified career service at the time of the fireman's death; (ii) 54% of the fireman's monthly salary at the time of the fireman's death; or (iii) ~~(ii)~~ 66 2/3% of the Tier 2 monthly retirement annuity that the deceased fireman would have been eligible to receive under subsection (b) of this Section, based upon the actual service accrued through the day before the fireman's death, but determined as though the fireman was at least age 55 on the day before his or her death and retired on that day.

If the deceased fireman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the fireman's monthly salary at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a fireman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the fireman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(C) If the deceased fireman was an active fireman with at least 1 1/2 but less than 10 years of service at the time of death, the Tier 2 surviving spouse's annuity under this paragraph (1) shall be the greater of: (i) ~~in the amount of~~ 30% of the salary attached to the rank of first class firefighter in the classified career service at the time of the fireman's death; or (ii) 54% of the fireman's monthly salary at the time of the fireman's death.

If the deceased fireman was a parent of a child or children, including any child who has been conceived but not yet born, and there is a surviving spouse, 12% of the fireman's monthly salary at the date of death shall be granted to the guardian of any such minor child or children for each such child until attainment of age 18. Upon the death of the surviving spouse leaving one or more children under the age of 18, or upon the death of a fireman leaving one or more children under the age of 18 but no surviving spouse, a monthly pension of 20% of the fireman's monthly salary at the date of death shall be granted to the duly appointed guardian of each such child for the support and maintenance of each such child until the child reaches age 18. The benefit in this paragraph is in lieu of a benefit under paragraph (2) of this subsection (c) but does not apply if the beneficiary is entitled to receive a greater benefit under paragraph (2) of this subsection (c).

(D) Notwithstanding subdivisions (A), (B), and (C) of this paragraph (1), if the performance of an act or acts of duty results directly in the death of a fireman subject to this Section, or prevents him from subsequently resuming active service in the fire department, then a surviving spouse who would otherwise meet the eligibility requirements for a death in the line of duty widow's annuity granted under Section 6-140 shall be deemed to be qualified for a Tier 2 surviving spouse's annuity under this subdivision (D); except that no such annuity shall be paid to the surviving spouse of a fireman who dies while in receipt of disability benefits when the fireman's death was caused by an intervening illness or injury unrelated to the illness or injury that had prevented him from subsequently resuming active service in the fire department. The Tier 2 surviving spouse's annuity calculated under this subdivision (D) shall be in lieu of, but in the same amount and paid in the same manner as, the widow's annuity provided under Section 6-140; except that the salary used for computing a Tier 2 surviving spouse's annuity under this subdivision (D) shall be subject to the Tier 2 salary cap provided under subsection (b) of this Section.

(E) Notwithstanding any other provision of this Article, the monthly Tier 2 surviving spouse's annuity under subdivision (A) or (B) of this paragraph (1) shall be increased on the January 1 next occurring after (i) attainment of age 60 by the recipient of the Tier 2 surviving spouse's annuity or (ii) the first anniversary of the Tier 2 surviving spouse's annuity start date, whichever is later, and on each January 1 thereafter, by 3% or one-half the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with September preceding each November 1, whichever is less, of the originally granted Tier 2 surviving spouse's annuity. If the annual unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the annuity shall not be increased.

(F) Notwithstanding the other provisions of this paragraph (1), for a qualified surviving spouse who is entitled to a Tier 2 surviving spouse's annuity under subdivision (A), (B), (C), or (D) of this paragraph (1), that Tier 2 surviving spouse's annuity shall not be less than the amount of the minimum widow's annuity established from time to time under Section 6-128.4.

(2) Surviving children of a deceased fireman subject to this Section who would otherwise meet the eligibility requirements for a child's annuity set forth in Sections 6-147 and 6-148 shall be deemed qualified to receive a Tier 2 child's annuity under this subsection (c), which shall be in lieu of, but in the same amount and paid in the same manner as, the child's annuity provided under those Sections; except that any salary used for computing a Tier 2 child's annuity shall be subject to the Tier 2 salary cap provided under subsection (b) of this Section. For purposes of determining any pro rata reduction in child's annuities under this subsection (c), references in Section 6-148 to the combined annuities of the family shall be deemed to refer to the combined Tier 2 surviving spouse's annuity, if any, and the Tier 2 child's annuities payable

under this subsection (c).

(3) Surviving parents of a deceased fireman subject to this Section who would otherwise meet the eligibility requirements for a parent's annuity set forth in Section 6-149 shall be deemed qualified to receive a Tier 2 parent's annuity under this subsection (c), which shall be in lieu of, but in the same amount and paid in the same manner as, the parent's annuity provided under Section 6-149; except that any salary used for computing a Tier 2 parent's annuity shall be subject to the Tier 2 salary cap provided under subsection (b) of this Section. For the purposes of this Section, a reference to "annuity" in Section 6-149 includes: (i) in the context of a widow, a Tier 2 surviving spouse's annuity and (ii) in the context of a child, a Tier 2 child's annuity.

Notwithstanding Section 1-103.1, the changes made to this subsection by this amendatory Act of the 104th General Assembly apply without regard to whether the deceased fireman was in service on or after the effective date of this amendatory Act of the 104th General Assembly. The changes made by this amendatory Act of the 104th General Assembly shall not diminish the survivor's benefits described in this Section.

(d) The General Assembly finds and declares that the provisions of this Section, as enacted by Public Act 96-1495, require clarification relating to necessary eligibility standards and the manner of determining and paying the intended Tier 2 benefits and contributions in order to enable the Fund to unambiguously implement and administer benefits for Tier 2 members. The changes to this Section and the conforming changes to Sections 6-150, 6-158, 6-164 (except for the changes to subsection (a) of that Section), 6-166, and 6-167 made by this amendatory Act of the 99th General Assembly are enacted to clarify the provisions of this Section as enacted by Public Act 96-1495, and are hereby declared to represent and be consistent with the original and continuing intent of this Section and Public Act 96-1495.

(e) The changes to Sections 6-150, 6-158, 6-164 (except for the changes to subsection (a) of that Section), 6-166, and 6-167 made by this amendatory Act of the 99th General Assembly are intended to be retroactive to January 1, 2011 (the effective date of Public Act 96-1495) and, for the purposes of Section 1-103.1 of this Code, they apply without regard to whether the relevant fireman was in service on or after the effective date of this amendatory Act of the 99th General Assembly.

(Source: P.A. 103-579, eff. 12-8-23.)

Section 90. The State Mandates Act is amended by adding Section 8.49 as follows:

(30 ILCS 805/8.49 new)

Sec. 8.49. Exempt mandate. Notwithstanding Sections 6 and

8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 104th General Assembly.

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