



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4797

Introduced 1/18/2006, by Rep. Robert S. Molaro

SYNOPSIS AS INTRODUCED:

40 ILCS 5/17-119	from Ch. 108 1/2, par. 17-119
40 ILCS 5/17-119.2 new	
40 ILCS 5/17-122	from Ch. 108 1/2, par. 17-122
30 ILCS 805/8.30 new	

Amends the Chicago Teacher Article of the Illinois Pension Code. Provides for a one-time increase in certain retirement and survivor's annuities. Declares it to be the public policy of this State and the intention of the General Assembly to protect annuitants against significant decreases in the purchasing power of retirement and survivor's annuities. Directs the retirement system to review and report on significant changes in purchasing power. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 16200 AMC 51444 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT in relation to 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 17-119 and 17-122 and adding Section 17-119.2 as
6 follows:

7 (40 ILCS 5/17-119) (from Ch. 108 1/2, par. 17-119)
8 Sec. 17-119. Automatic annual increase in pension.

9 (a) Each teacher retiring on or after September 1, 1959, is
10 entitled to the annual increase in pension, defined herein,
11 while he is receiving a pension from the Fund.

12 1. The term "base pension" means a service retirement
13 or disability retirement pension in the amount fixed and
14 payable at the date of retirement of a teacher.

15 2. The annual increase in pension shall be at the rate
16 of 1 1/2% of base pension. This increase shall first occur
17 in January of the year next following the first anniversary
18 of retirement. At such time the Fund shall pay the pro rata
19 part of the increase for the period from the first
20 anniversary date to the date of the first increase in
21 pension. Beginning January 1, 1972, the rate of annual
22 increase in pension shall be 2% of the base pension.
23 Beginning January 1, 1979, the rate of annual increase in
24 pension shall be 3% of the base pension. Beginning January
25 1, 1990, all automatic annual increases payable under this
26 Section shall be calculated as a percentage of the total
27 pension payable at the time of the increase, including all
28 increases previously granted under this Article,
29 notwithstanding Section 17-157.

30 3. An increase in pension shall be granted only if the
31 retired teacher is age 60 or over. If the teacher attains
32 age 60 after retirement, the increase in pension shall

1 begin in January of the year following the 61st birthday.
2 At such time the Fund also shall pay the pro rata part of
3 the increase from the 61st birthday to the date of first
4 increase in pension.

5 (b) In addition to other increases which may be provided by
6 this Section, on January 1, 1981 any teacher who was receiving
7 a retirement pension on or before January 1, 1971 shall have
8 his retirement pension then being paid increased \$1 per month
9 for each year of creditable service. On January 1, 1982, any
10 teacher whose retirement pension began on or before January 1,
11 1977, shall have his retirement pension then being paid
12 increased \$1 per month for each year of creditable service.

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

18 (c) On July 1, 2006, every pensioner who began receiving a
19 retirement pension before January 1, 1980 shall have the
20 monthly retirement pension increased by whichever of the
21 following percentages is applicable:

22 5% if the annuity began in 1979;

23 10% if the annuity began in 1978;

24 14% if the annuity began in 1977;

25 14% if the annuity began in 1976;

26 18% if the annuity began in 1975;

27 23% if the annuity began in 1974;

28 32% if the annuity began in 1973 or before.

29 The increase under this subsection shall be calculated as a
30 percentage of the amount of the retirement pension payable on
31 June 30, 2006, including any increases previously received
32 under this Article, and shall be included in the calculation of
33 increases granted thereafter under subsection (a). Section
34 17-157 does not apply to the increase provided under this
35 subsection.

36 (Source: P.A. 90-566, eff. 1-2-98.)

1 (40 ILCS 5/17-119.2 new)

2 Sec. 17-119.2. Reduction of purchasing power; policy;
3 report; increase.

4 (a) The General Assembly finds and declares that:

5 (1) The purchasing power of a fixed annuity can be
6 eroded over time by the effects of inflation and increases
7 in the general cost of living.

8 (2) For a person whose income consists primarily of a
9 fixed annuity, the reduction in purchasing power resulting
10 from increases in the cost of living can become
11 catastrophic over time, transforming a once-comfortable
12 retirement into a time of poverty and need.

13 (3) The State of Illinois is concerned about the
14 effects that a significant reduction in purchasing power
15 can have on the quality of life of retired employees and
16 their survivors.

17 (4) The General Assembly has previously addressed this
18 concern by providing for automatic annual increases in
19 retirement and survivor's pensions under this Article.
20 Recognizing that these automatic annual increases, by
21 themselves, are not a complete answer in times of high
22 inflation, the General Assembly has also, from time to
23 time, provided specific one-time increases in pensions for
24 certain categories of pensioners.

25 (b) It is the public policy of this State and the intention
26 of the General Assembly to protect pensioners against
27 significant decreases in the purchasing power of the retirement
28 and survivor's pensions granted under this Article.

29 (c) The Fund shall regularly review the changes that have
30 occurred in the purchasing power of the retirement and
31 survivor's pensions being paid under this Article, and it shall
32 report to the General Assembly, the Governor, and the Economic
33 and Fiscal Commission whenever it determines that the original
34 purchasing power of those pensions has been reduced by 20% or
35 more for any category or group of pensioners. The Fund may

1 include in the report its recommendations, if any, for
2 legislative action to address its findings.

3 (d) As used in this Section, the term "retirement and
4 survivor's pensions" means all service retirement pensions,
5 disability retirement pensions, survivor's pensions, and
6 children's pensions.

7 (40 ILCS 5/17-122) (from Ch. 108 1/2, par. 17-122)

8 Sec. 17-122. Survivor's and children's pensions - Amount.

9 (a) Upon the death of a teacher who has completed at least
10 1 1/2 years of contributing service with either this Fund or
11 the State Universities Retirement System or the Teachers'
12 Retirement System of the State of Illinois, provided his death
13 occurred while (a) in active service covered by the Fund or
14 during his first 18 months of continuous employment without a
15 break in service under any other participating system as
16 defined in the Illinois Retirement Systems Reciprocal Act
17 except the State Universities Retirement System and the
18 Teachers' Retirement System of the State of Illinois, (b) on a
19 creditable leave of absence, (c) on a noncreditable leave of
20 absence of no more than one year, or (d) a pension was deferred
21 or pending provided the teacher had at least 10 years of
22 validated service credit, or upon the death of a pensioner
23 otherwise qualified for such benefit, the surviving spouse and
24 unmarried minor children of the deceased teacher under age 18
25 shall be entitled to pensions, under the conditions stated
26 hereinafter. Such survivor's and children's pensions shall be
27 based on the average of the 4 highest consecutive years of
28 salary in the last 10 years of service or on the average salary
29 for total service, if total service has been less than 4 years,
30 according to the following percentages:

31 30% of average salary or 50% of the retirement pension
32 earned by the teacher, whichever is larger, subject to the
33 prescribed maximum monthly payment, for a surviving spouse
34 alone on attainment of age 50;

35 60% of average salary for a surviving spouse and

1 eligible minor children of the deceased teacher.

2 If no eligible spouse survives, or the surviving spouse
3 remarries, or the parent of the children of the deceased member
4 is otherwise ineligible for a survivor's pension, a children's
5 pension for eligible minor children under age 18 shall be paid
6 to their parent or legal guardian for their benefit according
7 to the following percentages:

8 30% of average salary for one child;

9 60% of average salary for 2 or more children.

10 (b) On January 1, 1981, any survivor or child who was
11 receiving a survivor's or children's pension on or before
12 January 1, 1971, shall have his survivor's or children's
13 pension then being paid increased by 1% for each full year
14 which has elapsed from the date the pension began. On January
15 1, 1982, any survivor or child whose pension began after
16 January 1, 1971, but before January 1, 1981, shall have his
17 survivor's or children's pension then being paid increased 1%
18 for each full year which has elapsed from the date the pension
19 began. On January 1, 1987, any survivor or child whose pension
20 began on or before January 1, 1977, shall have the monthly
21 survivor's or children's pension increased by \$1 for each full
22 year which has elapsed since the pension began.

23 (c) On July 1, 2006, every survivor or child who began
24 receiving a survivor's or children's pension before January 1,
25 1980 shall have the monthly pension increased by whichever of
26 the following percentages is applicable:

27 5% if the annuity began in 1979;

28 10% if the annuity began in 1978;

29 14% if the annuity began in 1977;

30 14% if the annuity began in 1976;

31 18% if the annuity began in 1975;

32 23% if the annuity began in 1974;

33 32% if the annuity began in 1973 or before.

34 In the case of the survivor of a deceased annuitant who
35 died while receiving a retirement annuity, "original annuity"
36 means the deceased annuitant's retirement pension; in all other

1 cases, "original annuity" means the survivor's or children's
2 pension.

3 The increase under this subsection shall be calculated as a
4 percentage of the amount of the survivor's or children's
5 pension payable on June 30, 2006, including any increases
6 previously received under this Article, and shall be included
7 in the calculation of increases granted thereafter under
8 subsection (d). Section 17-157 does not apply to the increase
9 provided under this subsection.

10 (d) Beginning January 1, 1990, every survivor's and
11 children's pension shall be increased (1) on each January 1
12 occurring on or after the commencement of the pension if the
13 deceased teacher died while receiving a retirement pension, or
14 (2) in other cases, on each January 1 occurring on or after the
15 first anniversary of the commencement of the pension, by an
16 amount equal to 3% of the current amount of the pension,
17 including all increases previously granted under this Article,
18 notwithstanding Section 17-157. Such increases shall apply
19 without regard to whether the deceased teacher was in service
20 on or after the effective date of this amendatory Act of 1991,
21 but shall not accrue for any period prior to January 1, 1990.

22 (e) Subject to the minimum established below, the maximum
23 amount of pension for a surviving spouse alone or one minor
24 child shall be \$400 per month, and the maximum combined
25 pensions for a surviving spouse and children of the deceased
26 teacher shall be \$600 per month, with individual pensions
27 adjusted for all beneficiaries pro rata to conform with this
28 limitation. If proration is unnecessary the minimum survivor's
29 and children's pensions shall be \$40 per month. The minimum
30 total survivor's and children's pension payable upon the death
31 of a contributor or annuitant which occurs after December 31,
32 1986, shall be 50% of the earned retirement pension of such
33 contributor or annuitant, calculated without early retirement
34 discount in the case of death in service.

35 On death after retirement, the total survivor's and
36 children's pensions shall not exceed the monthly retirement or

1 disability pension paid to the deceased retirant. Survivor's
2 and children's benefits described in this Section shall apply
3 to all service and disability pensioners eligible for a pension
4 as of July 1, 1981.

5 (Source: P.A. 90-32, eff. 6-27-97; 90-566, eff. 1-2-98.)

6 Section 90. The State Mandates Act is amended by adding
7 Section 8.30 as follows:

8 (30 ILCS 805/8.30 new)

9 Sec. 8.30. Exempt mandate. Notwithstanding Sections 6 and 8
10 of this Act, no reimbursement by the State is required for the
11 implementation of any mandate created by this amendatory Act of
12 the 94th General Assembly.

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