



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4887

Introduced 1/19/2006, by Rep. Michael P. McAuliffe

SYNOPSIS AS INTRODUCED:

40 ILCS 5/5-167.1	from Ch. 108 1/2, par. 5-167.1
40 ILCS 5/5-167.2	from Ch. 108 1/2, par. 5-167.2
30 ILCS 805/8.30 new	

Amends the Chicago Police Article of the Illinois Pension Code. Compounds the automatic annual increase in retirement annuity. Also increases it to 3%, reduces the minimum age to 55, and removes the 30% maximum increase limitation for all annuitants. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 17528 AMC 52824 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 5-167.1 and 5-167.2 as follows:

6 (40 ILCS 5/5-167.1) (from Ch. 108 1/2, par. 5-167.1)

7 Sec. 5-167.1. Automatic increase in annuity; retirement
8 from service after September 1, 1967.

9 (a) A policeman who retires from service after September 1,
10 1967 with at least 20 years of service credit shall, upon
11 either the first of the month following the first anniversary
12 of his date of retirement if he is age 60 (age 55 if born before
13 January 1, 1955) or over on that anniversary date, or upon the
14 first of the month following his attainment of age 60 (age 55
15 if born before January 1, 1955) if it occurs after the first
16 anniversary of his retirement date, have his then fixed and
17 payable monthly annuity increased by 1 1/2% and such first
18 fixed annuity as granted at retirement increased by an
19 additional 1 1/2% in January of each year thereafter up to a
20 maximum increase of 30%. Beginning January 1, 1983 for
21 policemen born before January 1, 1930, and beginning January 1,
22 1988 for policemen born on or after January 1, 1930 but before
23 January 1, 1940, and beginning January 1, 1996 for policemen
24 born on or after January 1, 1940 but before January 1, 1945,
25 and beginning January 1, 2000 for policemen born on or after
26 January 1, 1945 but before January 1, 1950, and beginning
27 January 1, 2005 for policemen born on or after January 1, 1950
28 but before January 1, 1955, such increases shall be 3% and such
29 policemen shall not be subject to the 30% maximum increase.

30 Beginning January 1, 2007, regardless of the policeman's
31 date of birth, all annual increases under this subsection shall
32 be at the rate of 3% of the current amount of the annuity,

1 including any previous increases granted under this Article,
2 and the 30% maximum no longer applies.

3 Any policeman born before January 1, 1945 who qualifies for
4 a minimum annuity and retires after September 1, 1967 but has
5 not received the initial increase under this subsection before
6 January 1, 1996 is entitled to receive the initial increase
7 under this subsection on (1) January 1, 1996, (2) the first
8 anniversary of the date of retirement, or (3) attainment of age
9 55, whichever occurs last. The changes to this Section made by
10 Public Act 89-12 apply beginning January 1, 1996 and without
11 regard to whether the policeman or annuitant terminated service
12 before the effective date of that Act.

13 Any policeman born before January 1, 1950 who qualifies for
14 a minimum annuity and retires after September 1, 1967 but has
15 not received the initial increase under this subsection before
16 January 1, 2000 is entitled to receive the initial increase
17 under this subsection on (1) January 1, 2000, (2) the first
18 anniversary of the date of retirement, or (3) attainment of age
19 55, whichever occurs last. The changes to this Section made by
20 this amendatory Act of the 92nd General Assembly apply without
21 regard to whether the policeman or annuitant terminated service
22 before the effective date of this amendatory Act.

23 Any policeman born before January 1, 1955 who qualifies for
24 a minimum annuity and retires after September 1, 1967 but has
25 not received the initial increase under this subsection before
26 January 1, 2005 is entitled to receive the initial increase
27 under this subsection on (1) January 1, 2005, (2) the first
28 anniversary of the date of retirement, or (3) attainment of age
29 55, whichever occurs last. The changes to this Section made by
30 this amendatory Act of the 94th General Assembly apply without
31 regard to whether the policeman or annuitant terminated service
32 before the effective date of this amendatory Act.

33 Notwithstanding the other provisions of this subsection,
34 any policeman who qualifies for a minimum annuity and retires
35 after September 1, 1967 but has not received the initial
36 increase under this subsection before January 1, 2007 is

1 entitled to receive the initial increase under this subsection
2 on (1) January 1, 2007, (2) the first anniversary of the date
3 of retirement, or (3) attainment of age 55, whichever occurs
4 last. The changes to this Section made by this amendatory Act
5 of the 94th General Assembly apply without regard to whether
6 the policeman or annuitant terminated service before the
7 effective date of this amendatory Act.

8 (b) Subsection (a) of this Section is not applicable to an
9 employee receiving a term annuity.

10 (c) To help defray the cost of such increases in annuity,
11 there shall be deducted, beginning September 1, 1967, from each
12 payment of salary to a policeman, 1/2 of 1% of each salary
13 payment concurrently with and in addition to the salary
14 deductions otherwise made for annuity purposes.

15 The city, in addition to the contributions otherwise made
16 by it for annuity purposes under other provisions of this
17 Article, shall make matching contributions concurrently with
18 such salary deductions.

19 Each such 1/2 of 1% deduction from salary and each such
20 contribution by the city of 1/2 of 1% of salary shall be
21 credited to the Automatic Increase Reserve, to be used to
22 defray the cost of the 1 1/2% annuity increase provided by this
23 Section. Any balance in such reserve as of the beginning of
24 each calendar year shall be credited with interest at the rate
25 of 3% per annum.

26 Such deductions from salary and city contributions shall
27 continue while the policeman is in service.

28 The salary deductions provided in this Section are not
29 subject to refund, except to the policeman himself, in any case
30 in which a policeman withdraws prior to qualification for
31 minimum annuity and applies for refund or applies for annuity,
32 and also where a term annuity becomes payable. In such cases,
33 the total of such salary deductions shall be refunded to the
34 policeman, without interest, and charged to the Automatic
35 Increase Reserve.

36 (Source: P.A. 94-719, eff. 1-6-06.)

1 (40 ILCS 5/5-167.2) (from Ch. 108 1/2, par. 5-167.2)

2 Sec. 5-167.2. Retirement before September 1, 1967. A
3 retired policeman, qualifying for minimum annuity or who
4 retired from service with 20 or more years of service, before
5 September 1, 1967, shall, in January of the year following the
6 year he attains the age of 65, or in January of the year 1970,
7 if then more than 65 years of age, have his then fixed and
8 payable monthly annuity increased by an amount equal to 2% of
9 the original grant of annuity, for each year the policeman was
10 in receipt of annuity payments after the year in which he
11 attains, or did attain the age of 63. An additional 2% increase
12 in such then fixed and payable original granted annuity shall
13 accrue in each January thereafter. Beginning January 1, 1986,
14 the rate of such increase shall be 3% instead of 2%. Beginning
15 January 1, 2007, all annual increases under this paragraph
16 shall be at the rate of 3% of the current amount of the
17 annuity, including any previous increases granted under this
18 Article. The change made to this Section by this amendatory Act
19 of the 94th General Assembly is not limited to persons in
20 service on or after its effective date.

21 The provisions of the preceding paragraph of this Section
22 apply only to a retired policeman eligible for such increases
23 in his annuity who contributes to the Fund a sum equal to \$5
24 for each full year of credited service upon which his annuity
25 was computed. All such sums contributed shall be placed in a
26 Supplementary Payment Reserve and shall be used for the
27 purposes of such Fund account.

28 Beginning with the monthly annuity payment due in July,
29 1982, the fixed and granted monthly annuity payment for any
30 policeman who retired from the service, before September 1,
31 1976, at age 50 or over with 20 or more years of service and
32 entitled to an annuity on January 1, 1974, shall be not less
33 than \$400. It is the intent of the General Assembly that the
34 change made in this Section by this amendatory Act of 1982
35 shall apply retroactively to July 1, 1982.

1 Beginning with the monthly annuity payment due on January
2 1, 1986, the fixed and granted monthly annuity payment for any
3 policeman who retired from the service before January 1, 1986,
4 at age 50 or over with 20 or more years of service, or any
5 policeman who retired from service due to termination of
6 disability and who is entitled to an annuity on January 1,
7 1986, shall be not less than \$475.

8 Beginning with the monthly annuity payment due on January
9 1, 1992, the fixed and granted monthly annuity payment for any
10 policeman who retired from the service before January 1, 1992,
11 at age 50 or over with 20 or more years of service, and for any
12 policeman who retired from service due to termination of
13 disability and who is entitled to an annuity on January 1,
14 1992, shall be not less than \$650.

15 Beginning with the monthly annuity payment due on January
16 1, 1993, the fixed and granted monthly annuity payment for any
17 policeman who retired from the service before January 1, 1993,
18 at age 50 or over with 20 or more years of service, and for any
19 policeman who retired from service due to termination of
20 disability and who is entitled to an annuity on January 1,
21 1993, shall be not less than \$750.

22 Beginning with the monthly annuity payment due on January
23 1, 1994, the fixed and granted monthly annuity payment for any
24 policeman who retired from the service before January 1, 1994,
25 at age 50 or over with 20 or more years of service, and for any
26 policeman who retired from service due to termination of
27 disability and who is entitled to an annuity on January 1,
28 1994, shall be not less than \$850.

29 Beginning with the monthly annuity payment due on January
30 1, 2004, the fixed and granted monthly annuity payment for any
31 policeman who retired from the service before January 1, 2004,
32 at age 50 or over with 20 or more years of service, and for any
33 policeman who retired from service due to termination of
34 disability and who is entitled to an annuity on January 1,
35 2004, shall be not less than \$950.

36 Beginning with the monthly annuity payment due on January

1 1, 2005, the fixed and granted monthly annuity payment for any
2 policeman who retired from the service before January 1, 2005,
3 at age 50 or over with 20 or more years of service, and for any
4 policeman who retired from service due to termination of
5 disability and who is entitled to an annuity on January 1,
6 2005, shall be not less than \$1,050.

7 The difference in amount between the original fixed and
8 granted monthly annuity of any such policeman on the date of
9 his retirement from the service and the monthly annuity
10 provided for in the immediately preceding paragraph shall be
11 paid as a supplement in the manner set forth in the immediately
12 following paragraph.

13 To defray the annual cost of the increases indicated in the
14 preceding part of this Section, the annual interest income
15 accruing from investments held by this Fund, exclusive of gains
16 or losses on sales or exchanges of assets during the year, over
17 and above 4% a year shall be used to the extent necessary and
18 available to finance the cost of such increases for the
19 following year and such amount shall be transferred as of the
20 end of each year beginning with the year 1969 to a Fund account
21 designated as the Supplementary Payment Reserve from the
22 Interest and Investment Reserve set forth in Section 5-207.

23 In the event the funds in the Supplementary Payment Reserve
24 in any year arising from: (1) the interest income accruing in
25 the preceding year above 4% a year and (2) the contributions by
26 retired persons are insufficient to make the total payments to
27 all persons entitled to the annuity specified in this Section
28 and (3) any interest earnings over 4% a year beginning with the
29 year 1969 which were not previously used to finance such
30 increases and which were transferred to the Prior Service
31 Annuity Reserve, may be used to the extent necessary and
32 available to provide sufficient funds to finance such increases
33 for the current year and such sums shall be transferred from
34 the Prior Service Annuity Reserve. In the event the total money
35 available in the Supplementary Payment Reserve from such
36 sources are insufficient to make the total payments to all

1 persons entitled to such increases for the year, a
2 proportionate amount computed as the ratio of the money
3 available to the total of the total payments specified for that
4 year shall be paid to each person for that year.

5 The Fund shall be obligated for the payment of the
6 increases in annuity as provided for in this Section only to
7 the extent that the assets for such purpose are available.

8 (Source: P.A. 93-654, eff. 1-16-04.)

9 Section 90. The State Mandates Act is amended by adding
10 Section 8.30 as follows:

11 (30 ILCS 805/8.30 new)

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

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