



**94TH GENERAL ASSEMBLY**  
**State of Illinois**  
**2005 and 2006**  
**SB1228**

Introduced 2/18/2005, by Sen. Richard J. Winkel, Jr.

**SYNOPSIS AS INTRODUCED:**

40 ILCS 5/7-141.1

Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. In the provisions restricting the return to employment after receiving early retirement benefits, excludes elective office. Effective immediately.

LRB094 10852 AMC 41378 b

PENSION IMPACT  
NOTE ACT MAY  
APPLY

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 Section 7-141.1 as follows:

6 (40 ILCS 5/7-141.1)

7 Sec. 7-141.1. Early retirement incentive.

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

9 (1) Units of local government across the State have  
10 been functioning under a financial crisis.

11 (2) This financial crisis is expected to continue.

12 (3) Units of local government must depend on additional  
13 sources of revenue and, when those sources are not  
14 forthcoming, must establish cost-saving programs.

15 (4) An early retirement incentive designed  
16 specifically to target highly-paid senior employees could  
17 result in significant annual cost savings.

18 (5) The early retirement incentive should be made  
19 available only to those units of local government that  
20 determine that an early retirement incentive is in their  
21 best interest.

22 (6) A unit of local government adopting a program of  
23 early retirement incentives under this Section is  
24 encouraged to implement personnel procedures to prohibit,  
25 for at least 5 years, the rehiring (whether on payroll or  
26 by independent contract) of employees who receive early  
27 retirement incentives.

28 (7) A unit of local government adopting a program of  
29 early retirement incentives under this Section is also  
30 encouraged to replace as few of the participating employees  
31 as possible and to hire replacement employees for salaries  
32 totaling no more than 80% of the total salaries formerly

1       paid to the employees who participate in the early  
2       retirement program.

3       It is the primary purpose of this Section to encourage  
4       units of local government that can realize true cost savings,  
5       or have determined that an early retirement program is in their  
6       best interest, to implement an early retirement program.

7       (b) Until the effective date of this amendatory Act of  
8       1997, this Section does not apply to any employer that is a  
9       city, village, or incorporated town, nor to the employees of  
10      any such employer. Beginning on the effective date of this  
11      amendatory Act of 1997, any employer under this Article,  
12      including an employer that is a city, village, or incorporated  
13      town, may establish an early retirement incentive program for  
14      its employees under this Section. The decision of a city,  
15      village, or incorporated town to consider or establish an early  
16      retirement program is at the sole discretion of that city,  
17      village, or incorporated town, and nothing in this amendatory  
18      Act of 1997 limits or otherwise diminishes this discretion.  
19      Nothing contained in this Section shall be construed to require  
20      a city, village, or incorporated town to establish an early  
21      retirement program and no city, village, or incorporated town  
22      may be compelled to implement such a program.

23      The benefits provided in this Section are available only to  
24      members employed by a participating employer that has filed  
25      with the Board of the Fund a resolution or ordinance expressly  
26      providing for the creation of an early retirement incentive  
27      program under this Section for its employees and specifying the  
28      effective date of the early retirement incentive program.  
29      Subject to the limitation in subsection (h), an employer may  
30      adopt a resolution or ordinance providing a program of early  
31      retirement incentives under this Section at any time.

32      The resolution or ordinance shall be in substantially the  
33      following form:

34                                   RESOLUTION (ORDINANCE) NO. ....

35                                   A RESOLUTION (ORDINANCE) ADOPTING AN EARLY

## 1 RETIREMENT INCENTIVE PROGRAM FOR EMPLOYEES

## 2 IN THE ILLINOIS MUNICIPAL RETIREMENT FUND

3 WHEREAS, Section 7-141.1 of the Illinois Pension Code  
4 provides that a participating employer may elect to adopt an  
5 early retirement incentive program offered by the Illinois  
6 Municipal Retirement Fund by adopting a resolution or  
7 ordinance; and

8 WHEREAS, The goal of adopting an early retirement program  
9 is to realize a substantial savings in personnel costs by  
10 offering early retirement incentives to employees who have  
11 accumulated many years of service credit; and

12 WHEREAS, Implementation of the early retirement program  
13 will provide a budgeting tool to aid in controlling payroll  
14 costs; and

15 WHEREAS, The (name of governing body) has determined that  
16 the adoption of an early retirement incentive program is in the  
17 best interests of the (name of participating employer);  
18 therefore be it

19 RESOLVED (ORDAINED) by the (name of governing body) of  
20 (name of participating employer) that:

21 (1) The (name of participating employer) does hereby adopt  
22 the Illinois Municipal Retirement Fund early retirement  
23 incentive program as provided in Section 7-141.1 of the  
24 Illinois Pension Code. The early retirement incentive program  
25 shall take effect on (date).

26 (2) In order to help achieve a true cost savings, a person  
27 who retires under the early retirement incentive program shall  
28 lose those incentives if he or she later accepts employment  
29 with any IMRF employer in a position for which participation in  
30 IMRF is required or is elected by the employee.

31 (3) In order to utilize an early retirement incentive as a  
32 budgeting tool, the (name of participating employer) will use  
33 its best efforts either to limit the number of employees who  
34 replace the employees who retire under the early retirement  
35 program or to limit the salaries paid to the employees who  
36 replace the employees who retire under the early retirement

1 program.

2 (4) The effective date of each employee's retirement under  
3 this early retirement program shall be set by (name of  
4 employer) and shall be no earlier than the effective date of  
5 the program and no later than one year after that effective  
6 date; except that the employee may require that the retirement  
7 date set by the employer be no later than the June 30 next  
8 occurring after the effective date of the program and no  
9 earlier than the date upon which the employee qualifies for  
10 retirement.

11 (5) To be eligible for the early retirement incentive under  
12 this Section, the employee must have attained age 50 and have  
13 at least 20 years of creditable service by his or her  
14 retirement date.

15 (6) The (clerk or secretary) shall promptly file a  
16 certified copy of this resolution (ordinance) with the Board of  
17 Trustees of the Illinois Municipal Retirement Fund.

18 CERTIFICATION

19 I, (name), the (clerk or secretary) of the (name of  
20 participating employer) of the County of (name), State of  
21 Illinois, do hereby certify that I am the keeper of the books  
22 and records of the (name of employer) and that the foregoing is  
23 a true and correct copy of a resolution (ordinance) duly  
24 adopted by the (governing body) at a meeting duly convened and  
25 held on (date).

26 SEAL

27 (Signature of clerk or secretary)

28 (c) To be eligible for the benefits provided under an early  
29 retirement incentive program adopted under this Section, a  
30 member must:

31 (1) be a participating employee of this Fund who, on  
32 the effective date of the program, (i) is in active payroll  
33 status as an employee of a participating employer that has  
34 filed the required ordinance or resolution with the Board,  
35 (ii) is on layoff status from such a position with a right

1 of re-employment or recall to service, (iii) is on a leave  
2 of absence from such a position, or (iv) is on disability  
3 but has not been receiving benefits under Section 7-146 or  
4 7-150 for a period of more than 2 years from the date of  
5 application;

6 (2) have never previously received a retirement  
7 annuity under this Article or under the Retirement Systems  
8 Reciprocal Act using service credit established under this  
9 Article;

10 (3) (blank);

11 (4) have at least 20 years of creditable service in the  
12 Fund by the date of retirement, without the use of any  
13 creditable service established under this Section;

14 (5) have attained age 50 by the date of retirement,  
15 without the use of any age enhancement received under this  
16 Section; and

17 (6) be eligible to receive a retirement annuity under  
18 this Article by the date of retirement, for which purpose  
19 the age enhancement and creditable service established  
20 under this Section may be considered.

21 (d) The employer shall determine the retirement date for  
22 each employee participating in the early retirement program  
23 adopted under this Section. The retirement date shall be no  
24 earlier than the effective date of the program and no later  
25 than one year after that effective date, except that the  
26 employee may require that the retirement date set by the  
27 employer be no later than the June 30 next occurring after the  
28 effective date of the program and no earlier than the date upon  
29 which the employee qualifies for retirement. The employer shall  
30 give each employee participating in the early retirement  
31 program at least 30 days written notice of the employee's  
32 designated retirement date, unless the employee waives this  
33 notice requirement.

34 (e) An eligible person may establish up to 5 years of  
35 creditable service under this Section. In addition, for each  
36 period of creditable service established under this Section, a

1 person shall have his or her age at retirement deemed enhanced  
2 by an equivalent period.

3 The creditable service established under this Section may  
4 be used for all purposes under this Article and the Retirement  
5 Systems Reciprocal Act, except for the computation of final  
6 rate of earnings and the determination of earnings, salary, or  
7 compensation under this or any other Article of the Code.

8 The age enhancement established under this Section may be  
9 used for all purposes under this Article (including calculation  
10 of the reduction imposed under subdivision (a)1b(iv) of Section  
11 7-142), except for purposes of a reversionary annuity under  
12 Section 7-145 and any distributions required because of age.  
13 The age enhancement established under this Section may be used  
14 in calculating a proportionate annuity payable by this Fund  
15 under the Retirement Systems Reciprocal Act, but shall not be  
16 used in determining benefits payable under other Articles of  
17 this Code under the Retirement Systems Reciprocal Act.

18 (f) For all creditable service established under this  
19 Section, the member must pay to the Fund an employee  
20 contribution consisting of 4.5% of the member's highest annual  
21 salary rate used in the determination of the final rate of  
22 earnings for retirement annuity purposes for each year of  
23 creditable service granted under this Section. For creditable  
24 service established under this Section by a person who is a  
25 sheriff's law enforcement employee to be deemed service as a  
26 sheriff's law enforcement employee, the employee contribution  
27 shall be at the rate of 6.5% of highest annual salary per year  
28 of creditable service granted. Contributions for fractions of a  
29 year of service shall be prorated. Any amounts that are  
30 disregarded in determining the final rate of earnings under  
31 subdivision (d) (5) of Section 7-116 (the 125% rule) shall also  
32 be disregarded in determining the required contribution under  
33 this subsection (f).

34 The employee contribution shall be paid to the Fund as  
35 follows: If the member is entitled to a lump sum payment for  
36 accumulated vacation, sick leave, or personal leave upon

1 withdrawal from service, the employer shall deduct the employee  
2 contribution from that lump sum and pay the deducted amount  
3 directly to the Fund. If there is no such lump sum payment or  
4 the required employee contribution exceeds the net amount of  
5 the lump sum payment, then the remaining amount due, at the  
6 option of the employee, may either be paid to the Fund before  
7 the annuity commences or deducted from the retirement annuity  
8 in 24 equal monthly installments.

9 (g) An annuitant who has received any age enhancement or  
10 creditable service under this Section and thereafter accepts  
11 employment with or enters into a personal services contract  
12 with an employer under this Article thereby forfeits that age  
13 enhancement and creditable service; except that this  
14 restriction does not apply to service in an elective office, so  
15 long as the annuitant does not participate in this Fund with  
16 respect to that office. A person forfeiting early retirement  
17 incentives under this subsection (i) must repay to the Fund  
18 that portion of the retirement annuity already received which  
19 is attributable to the early retirement incentives that are  
20 being forfeited, (ii) shall not be eligible to participate in  
21 any future early retirement program adopted under this Section,  
22 and (iii) is entitled to a refund of the employee contribution  
23 paid under subsection (f). The Board shall deduct the required  
24 repayment from the refund and may impose a reasonable payment  
25 schedule for repaying the amount, if any, by which the required  
26 repayment exceeds the refund amount.

27 (h) The additional unfunded liability accruing as a result  
28 of the adoption of a program of early retirement incentives  
29 under this Section by an employer shall be amortized over a  
30 period of 10 years beginning on January 1 of the second  
31 calendar year following the calendar year in which the latest  
32 date for beginning to receive a retirement annuity under the  
33 program (as determined by the employer under subsection (d) of  
34 this Section) occurs; except that the employer may provide for  
35 a shorter amortization period (of no less than 5 years) by  
36 adopting an ordinance or resolution specifying the length of



1 the amortization period and submitting a certified copy of the  
2 ordinance or resolution to the Fund no later than 6 months  
3 after the effective date of the program. An employer, at its  
4 discretion, may accelerate payments to the Fund.

5 An employer may provide more than one early retirement  
6 incentive program for its employees under this Section.  
7 However, an employer that has provided an early retirement  
8 incentive program for its employees under this Section may not  
9 provide another early retirement incentive program under this  
10 Section until the liability arising from the earlier program  
11 has been fully paid to the Fund.

12 (Source: P.A. 90-32, eff. 6-27-97; 91-887, eff. 7-6-00.)

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