



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB2362

Introduced 1/18/2006, by Sen. Iris Y. Martinez

SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-142	from Ch. 108 1/2, par. 7-142
40 ILCS 5/7-173	from Ch. 108 1/2, par. 7-173
40 ILCS 5/7-173.3 new	

Amends the IMRF Article of the Illinois Pension Code. Increases the regular retirement formula to 1.96% of final earnings for the first 15 years of service and 2.28% of final earnings for each additional year of service for service earned on or after January 1, 2007. For service earned before January 1, 2007, authorizes augmentation of the old retirement formula by payment of a specified contribution. Increases the normal employee contribution rate by 0.5% of earnings, beginning January 1, 2007. Effective immediately.

LRB094 17149 AMC 52437 b

FISCAL NOTE ACT
MAY APPLY

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 Sections 7-142 and 7-173 and adding Section 7-173.3 as follows:

6 (40 ILCS 5/7-142) (from Ch. 108 1/2, par. 7-142)

7 Sec. 7-142. Retirement annuities - Amount.

8 (a) The amount of a retirement annuity shall be the sum of
9 the following, determined in accordance with the actuarial
10 tables in effect at the time of the grant of the annuity:

11 1. For employees with 8 or more years of service, an
12 annuity computed pursuant to subparagraphs a or b of this
13 subparagraph 1, whichever is the higher, and for employees
14 with less than 8 years of service the annuity computed
15 pursuant to subparagraph a:

16 a. The monthly annuity which can be provided from
17 the total accumulated normal, municipality and prior
18 service credits, as of the attained age of the employee
19 on the date the annuity begins provided that such
20 annuity shall not exceed 75% of the final rate of
21 earnings of the employee.

22 b. ~~(i)~~ The monthly annuity amount determined as
23 follows:

24 (i) For creditable service earned before
25 January 1, 2007 that has not been augmented under
26 Section 7-173.3, by multiplying (a) 1 2/3% for
27 annuitants with not more than 15 years or (b) 1
28 2/3% of the employee's final rate of earnings for
29 each of the first 15 years of creditable service
30 and 2% for each year in excess of 15 years, with
31 any remaining fraction of a year for annuitants
32 with more than 15 years by the number of years plus

1 ~~fractional years, prorated on the a basis of months~~
2 ~~of creditable service and multiply the product~~
3 ~~thereof by the employee's final rate of earnings.~~

4 For creditable service earned on or after
5 January 1, 2007 and creditable service earned
6 before that date that has been augmented under
7 Section 7-173.3, 1.96% of the employee's final
8 rate of earnings for each of the first 15 years of
9 creditable service and 2.28% for each year in
10 excess of 15 years, with any remaining fraction of
11 a year prorated on the basis of months.

12 (ii) For the sole purpose of computing the
13 formula (and not for the purposes of the
14 limitations hereinafter stated) \$125 shall be
15 considered the final rate of earnings in all cases
16 where the final rate of earnings is less than such
17 amount.

18 (iii) The monthly annuity computed in
19 accordance with this subparagraph b~~7~~ shall not
20 exceed an amount equal to 75% of the final rate of
21 earnings.

22 (iv) For employees who have less than 35
23 years of service, the annuity computed in
24 accordance with this subparagraph b (as reduced by
25 application of subparagraph (iii) above) shall be
26 reduced by 0.25% thereof (0.5% if service was
27 terminated before January 1, 1988) for each month
28 or fraction thereof (1) that the employee's age is
29 less than 60 years, or (2) if the employee has at
30 least 30 years of service credit, that the
31 employee's service credit is less than 35 years,
32 whichever is less, on the date the annuity begins.

33 2. The annuity which can be provided from the total
34 accumulated additional credits as of the attained age of
35 the employee on the date the annuity begins.

36 (b) If payment of an annuity begins prior to the earliest

1 age at which the employee will become eligible for an old age
2 insurance benefit under the Federal Social Security Act, he may
3 elect that the annuity payments from this fund shall exceed
4 those payable after his attaining such age by an amount,
5 computed as determined by rules of the Board, but not in excess
6 of his estimated Social Security Benefit, determined as of the
7 effective date of the annuity, provided that in no case shall
8 the total annuity payments made by this fund exceed in
9 actuarial value the annuity which would have been payable had
10 no such election been made.

11 (c) The retirement annuity shall be increased each year by
12 2%, not compounded, of the monthly amount of annuity, taking
13 into consideration any adjustment under paragraph (b) of this
14 Section. This increase shall be effective each January 1 and
15 computed from the effective date of the retirement annuity, the
16 first increase being .167% of the monthly amount times the
17 number of months from the effective date to January 1.
18 Beginning January 1, 1984 and thereafter, the retirement
19 annuity shall be increased by 3% each year, not compounded.
20 This increase shall not be applicable to annuitants who are not
21 in service on or after September 8, 1971.

22 (Source: P.A. 91-357, eff. 7-29-99.)

23 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

24 Sec. 7-173. Contributions by employees.

25 (a) Each participating employee shall make contributions
26 to the fund as follows:

27 1. For retirement annuity purposes, normal
28 contributions of 3 3/4% of earnings for service before
29 January 1, 2007 and 4.25% of earnings for service on or
30 after January 1, 2007.

31 2. Additional contributions of such percentages of
32 each payment of earnings, as shall be elected by the
33 employee for retirement annuity purposes, but not in excess
34 of 10%. The selected rate shall be applicable to all
35 earnings beginning on the first day of the second month

1 following receipt by the Board of written notice of
2 election to make such contributions. Additional
3 contributions at the selected rate shall be made
4 concurrently with normal contributions.

5 3. Survivor contributions, by each participating
6 employee, of 3/4% of each payment of earnings.

7 (b) Each employee shall make contributions to the fund for
8 federal Social Security taxes, for periods during which he is a
9 covered employee, as required by the Social Security Enabling
10 Act. For participating employees, such contributions shall be
11 in addition to those required under paragraph (a) of this
12 Section.

13 (c) Contributions shall be deducted from each
14 corresponding payment of earnings paid to each employee and
15 shall be remitted to the board by the participating
16 municipality or participating instrumentality making such
17 payment. The remittance, together with a report of the earnings
18 and contributions shall be made as directed by the board. For
19 township treasurers and employees of township treasurers
20 qualifying as employees hereunder, the contributions herein
21 required as deductions from salary shall be withheld by the
22 school township trustees from funds available for the payment
23 of the compensation of such treasurers and employees as
24 provided in the School Code and remitted to the board.

25 (d) An employee who has made additional contributions under
26 paragraph (a)2 of this Section may upon retirement or at any
27 time prior thereto, elect to withdraw the total of such
28 additional contributions including interest credited thereon
29 to the end of the preceding calendar year.

30 (e) Failure to make the deductions for employee
31 contributions provided in paragraph (c) of this Section shall
32 not relieve the employee from liability for such contributions.
33 The amount of such liability may be deducted, with interest
34 charged under Section 7-209, from any annuities or benefits
35 payable hereunder to the employee or any other person receiving
36 an annuity or benefit by reason of such employee's

1 participation.

2 (f) A participating employee who has at least 40 years of
3 creditable service in the Fund may elect to cease making the
4 contributions required under this Section. The status of the
5 employee under this Article shall be unaffected by this
6 election, except that the employee shall not receive any
7 additional creditable service for the periods of employment
8 following the election. An election under this subsection
9 relieves the employer from making additional employer
10 contributions in relation to that employee.

11 (Source: P.A. 87-1265.)

12 (40 ILCS 5/7-173.3 new)

13 Sec. 7-173.3. Optional contribution for augmented
14 retirement rate.

15 (a) A member of the Fund may qualify for the augmented rate
16 under subdivision (a)1.b.(i) of Section 7-142 for all years of
17 creditable service earned before January 1, 2007 by making the
18 optional contribution specified in subsection (b) of this
19 Section. A member may not elect to qualify for the augmented
20 rate for only a portion of his or her creditable service earned
21 before January 1, 2007.

22 (b) The contribution shall be an amount equal to 1.79% of
23 the member's salary rate during the 12 consecutive months
24 immediately prior to but not including the year in which the
25 application occurs, multiplied by the number of years of
26 creditable service earned by the member before January 1, 2007.

27 The contribution required by this subsection shall be paid
28 in one of the following ways or in a combination of the
29 following ways that does not extend over more than 5 years:

30 (i) in a lump sum on or before the date of retirement;

31 (ii) in substantially equal installments over a period
32 of time not to exceed 5 years, as a deduction from salary;

33 (iii) in substantially equal monthly installments over
34 a 24-month period, by reducing the annuitant's monthly
35 benefit over a 24-month period by the amount of the

1 otherwise applicable contribution. For federal and
2 Illinois tax purposes, the monthly amount by which the
3 annuitant's benefit is reduced shall not be treated as a
4 contribution by the annuitant, but rather as a reduction of
5 the annuitant's monthly benefit.

6 (c) If the member fails to make the full contribution under
7 this Section in a timely fashion, the payments made under this
8 Section shall be refunded to the member, without interest. If
9 the member dies before making the full contribution, the
10 payments made under this Section, together with regular
11 interest thereon, shall be refunded to the member's designated
12 beneficiary.

13 (d) For purposes of this Section and the retirement formula
14 in Section 7-142, optional creditable service established by a
15 member shall be deemed to have been earned at the time of the
16 employment or other qualifying event upon which the service is
17 based, rather than at the time the credit was established in
18 this Fund.

19 (e) The contributions required under this Section are the
20 responsibility of the employee and not the employer. However,
21 an employer may specifically agree, through collective
22 bargaining or otherwise, to make the contributions required by
23 this Section on behalf of its employees.

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