



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

SB2652

Introduced 1/20/2006, by Sen. James A. DeLeo

#### 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 17482 AMC 52777 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.