

## 95TH GENERAL ASSEMBLY State of Illinois 2007 and 2008 HB1023

Introduced 2/8/2007, by Rep. Raymond Poe

## SYNOPSIS AS INTRODUCED:

40 ILCS	5/7-118	from	Ch.	108	1/2,	par.	7-118
40 ILCS	5/7-158	from	Ch.	108	1/2,	par.	7-158
40 ILCS	5/7-164	from	Ch.	108	1/2,	par.	7-164
40 ILCS	5/7-172	from	Ch.	108	1/2,	par.	7-172
40 ILCS	5/7-205	from	Ch.	108	1/2,	par.	7-205
40 ILCS	5/7-206	from	Ch.	108	1/2,	par.	7-206
30 ILCS	805/8.31 new						

Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. Increases the death benefit from \$3,000 to \$5,000. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB095 04924 AMC 24990 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.

## Be it enacted by the People of the State of Illinois, represented in the General Assembly:

- Section 5. The Illinois Pension Code is amended by changing Sections 7-118, 7-158, 7-164, 7-172, 7-205, and 7-206 as follows:
- 7 (40 ILCS 5/7-118) (from Ch. 108 1/2, par. 7-118)
- 8 Sec. 7-118. "Beneficiary":
- 9 (a) The surviving spouse of an employee or of an employee annuitant, or if no surviving spouse survives, the person or 10 persons designated by a participating employee or employee 11 annuitant, or if no person so designated survives, or if no 12 designation is on file, the estate of the employee or employee 13 14 annuitant. The person or persons designated by a beneficiary annuitant, or if no person designated survives, or if no 15 16 designation is on file, the estate of the beneficiary 17 annuitant. The estate of a surviving spouse annuitant where the employee or employee annuitant filed no designation, or no 18 person designated survives at the death of a surviving spouse 19 annuitant. Designations of beneficiaries shall be in writing on 20 21 forms prescribed by the board and effective upon filing in the 22 fund offices. The designation forms shall provide for contingent beneficiaries. Divorce, dissolution or annulment of 23

- marriage revokes the designation of an employee's former spouse as a beneficiary on a designation executed before entry of judgment for divorce, dissolution or annulment of marriage.
  - (b) Notwithstanding the foregoing, an employee, former employee who has not yet received a retirement annuity or separation benefit, or employee annuitant may elect to name any person, trust or charity to be the primary beneficiary of any death benefit payable by reason of his death. Such election shall state specifically whether it is his intention to exclude the spouse, shall be in writing, and may be revoked at any time. Such election or revocation shall take effect upon being filed in the fund offices.
  - (c) If a surviving spouse annuity is payable to a former spouse upon the death of an employee annuitant, the former spouse, unless designated by the employee annuitant after dissolution of the marriage, shall not be the beneficiary for the purposes of the \$5,000 \&3,000 \delta death benefit payable under subparagraph 6 of Section 7-164. This benefit shall be paid to the designated beneficiary of the employee annuitant or, if there is no designation, then to the estate of the employee annuitant.
- 22 (Source: P.A. 89-136, eff. 7-14-95; 90-448, eff. 8-16-97.)
- 23 (40 ILCS 5/7-158) (from Ch. 108 1/2, par. 7-158)
- Sec. 7-158. Surviving spouse annuities Options. In lieu of the surviving spouse annuity an eligible surviving spouse

- 1 shall have the option of receiving other benefits as follows:
  - 1. The surviving spouse of a participating employee may elect to receive either a single sum death benefit or a surviving spouse annuity and the \$5,000 \$3,000 death benefit provided in Sections 7-163 and 7-164.
    - 2. The surviving spouse of an employee, who has separated from service and would have been entitled to a retirement annuity on date of death, may elect to receive either a single sum death benefit or a surviving spouse annuity and the \$5,000 \$3,000 death benefit provided in Sections 7-163 and 7-164.
    - 3. If any surviving spouse annuity is payable prior to the earliest age at which the recipient will become eligible for a widows' or widowers' insurance benefit under the Federal Social Security Act, the recipient may elect that the annuity payments from this fund shall exceed those payable after attaining such age by an amount not in excess of the estimated Social Security Benefit, determined as of the effective date of the surviving spouse annuity, provided that in no case shall the total annuity payments made by this fund exceed in actuarial value the annuity which would have been paid had no such election been made.
    - 4. The surviving spouse of a participating employee, whose annuity was suspended upon return to employment and who had one year or more of service after his return, may apply the additional service credits to a supplemental surviving spouse annuity and receive the \$5,000 \$3,000 death benefit or apply

- 1 the additional service credits to a single sum death benefit
- 2 and forego the \$5,000 \$3,000 death benefit payable upon the
- 3 death of an annuitant.
- 5. The surviving spouse of a participating employee, whose
- 5 annuity was suspended upon return to employment and who had
- 6 less than one year of service after his return, shall have the
- 7 additional service credits applied towards a supplemental
- 8 surviving spouse annuity and shall receive the \$5,000 \$3,000
- 9 death benefit.
- 10 (Source: P.A. 85-941.)
- 11 (40 ILCS 5/7-164) (from Ch. 108 1/2, par. 7-164)
- 12 Sec. 7-164. Death benefits Amount. The amount of the
- death benefit shall be:
- 14 1. Upon the death of an employee with at least one year of
- 15 service occurring while in an employment relationship
- 16 (including employees drawing disability benefits) with a
- 17 participating municipality or participating instrumentality,
- an amount equal to the sum of:
- 19 (a) The employee's normal, additional and survivor
- credits, including interest credited thereto through the
- 21 end of the preceding calendar year, but excluding credits
- and interest thereon allowed for periods of disability.
- (b) An amount equal to the employee's annual final rate
- of earnings. An employee who dies as a result of injuries
- connected with his duties shall be considered to have a

- 1 year of service for purposes of this benefit.
- 2 2. Upon the death of an employee with less than  $\frac{1}{2}$  one year
- 3 of service occurring while in the service of any participating
- 4 municipality or instrumentality, an amount equal to the sum of
- 5 his accumulated normal, additional and survivor credits on the
- 6 date of death, excluding those credits and interest thereon
- 7 allowed during periods of disability.
- 8 3. Upon the death of an employee who has separated from
- 9 service and was not entitled to a retirement annuity on the
- 10 date of death, an amount equal to the sum of his accumulated
- 11 normal, survivor and additional credits on the date of death
- 12 excluding those credits and interest thereon allowed during
- 13 periods of disability.
- 4. Upon the death of an employee in an employment
- relationship, or an employee who has service and was entitled
- 16 to a retirement annuity on the date of death, when a surviving
- spouse or child annuity is awarded, \$5,000 \(\frac{\pma\_3,000}{2}\).
- 18 5. Upon the death of an employee, who has separated from
- service and was entitled to a retirement annuity on the date of
- death, and no surviving spouse or child annuity is awarded,
- \$5,000 \\$3,000 plus an amount equal to his accumulated normal,
- 22 survivor and additional credits on the date of death, excluding
- 23 those credits and interest earned thereon allowed during
- 24 periods of disability.
- 25 6. Upon the death of an employee annuitant, \$5,000 \$3,000
- and, unless a surviving spouse, child or reversionary annuity

is payable, the sum of (i) the excess of the normal and survivor credits, excluding those allowed during periods of disability, which the annuitant had as of the effective date of his annuity over the total annuities paid pursuant to paragraph (a) 1 of Section 7-142 to the date of death, plus (ii) the excess of the additional credits, excluding any such credits used to create a reversionary annuity, used to provide the annuity granted pursuant to paragraph (a) 2 of Section 7-142 over the total annuity payments made pursuant thereto to the time of death.

- 7. Upon the death of an annuitant receiving a reversionary annuity or of a person designated to receive a reversionary annuity prior to the receipt of such annuity the sum of the additional credits of the person creating the reversionary annuity as of the effective date of his own retirement annuity over the reversionary annuity payments, if any, made prior to the date of death of such annuitant or person designated to receive the reversionary annuity.
- 8. Upon the death of an annuitant receiving a beneficiary annuity which was effective before January 1, 1986, the excess of the death benefit which was used to provide the annuity, over the sum of all annuity payments made to the beneficiary. Upon the death of an annuitant receiving a beneficiary annuity effective January 1, 1986 or thereafter, the sum of (i) the excess of the normal and survivor credits, excluding those allowed during periods of disability, which the annuitant had

- as of the effective date of his annuity over the total annuities paid pursuant to paragraph (c) of Section 7-165, to date of death, plus (ii) the excess of the additional credits, excluding any such credits used to create a reversionary annuity, used to provide the annuity granted pursuant to paragraph (d) of Section 7-165 over the total annuity payments made pursuant thereto to the time of death.
  - 9. Upon the marriage prior to reaching age 55 (except for a surviving spouse who remarries after December 31, 2000) or death of a person receiving a surviving spouse annuity, unless a child annuity is payable, the sum of (i) the excess of the normal and survivor credits, excluding those credits and interest thereon allowed during periods of disability, attributable to the employee at the effective date of the annuity or date of death, whichever first occurred, over the total of all annuity payments attributable to paragraph (a) 1 of Section 7-142 made to the employee or surviving spouse plus (ii) the excess of the additional credits, excluding any such credits used to create a reversionary annuity or used to provide the annuity attributable to paragraph (a) 2 of Section 7-142 over the total of such payments.
    - 10. Upon the marriage, death or attainment of age 18 of a child receiving a child annuity, if no other child annuities are payable, the sum of (i) the excess of the normal and survivor credits excluding those credits and interest thereon allowed during periods of disability, of the employee at the

- effective date of the annuity or date of death, whichever first occurred, over the total annuity payments attributable to paragraph (a) 1 of Section 7-142 made to the employee, surviving spouse and children plus (ii) the excess of the additional credits, excluding any such credits used to create a reversionary annuity, used to provide the annuity attributable to paragraph (a) 2 of Section 7-142 over the total annuity payments made to the employee, surviving spouse and children, pursuant thereto.
- 11. Upon the death of the participating employee whose annuity was suspended upon his return to employment:
  - a. If a surviving spouse or child annuity is awarded, \$5,000 \$3,000;
  - b. If no surviving spouse or child annuity is awarded and he had less than one year's service upon return, \$5,000 \$3,000 plus the excess of the normal, survivor and additional credits, including interest thereon, but excluding those allowed during a period of disability, at the effective date of the suspended annuity, plus those allowed after his return, over all annuity payments made to the employee;
  - c. If no surviving spouse or child annuity is awarded and he has one year or more of service upon return, the higher of (a) the payment under subparagraph b of this paragraph or (b) the payment under paragraph 1 of this Section, taking into consideration only the service and

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- credits allowed after his return, plus the excess of the normal, survivor and additional credits, including interest thereon, excluding those allowed during periods of disability, at the effective date of his suspended annuity over all annuity payments made to the employee.
  - 12. The \$3,000 or \$5,000 death benefit provided in paragraphs 4 and 6 shall not be payable to beneficiaries of persons who terminated service prior to September 8, 1971, unless the payment or agreement for payment provided by Section 7-144.2 of this Article is made prior to the date of death.
- 13. The increase in certain death benefits from \$1,000 to \$3,000 provided by this amendatory Act of 1987 shall apply only to deaths occurring on or after January 1, 1988.
- The increase in certain death benefits from \$3,000 to

  \$5,000 provided by this amendatory Act of the 95th General

  Assembly applies to deaths that occur on or after the effective

  date of this amendatory Act, without regard to whether the

  deceased person was in service on or after that date.
- 19 (Source: P.A. 91-887, eff. 7-6-00.)
- 20 (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)
- Sec. 7-172. Contributions by participating municipalities and participating instrumentalities.
- 23 (a) Each participating municipality and each participating 24 instrumentality shall make payment to the fund as follows:
- 25 1. municipality contributions in an amount determined

- by applying the municipality contribution rate to each payment of earnings paid to each of its participating employees;
  - 2. an amount equal to the employee contributions provided by paragraphs (a) and (b) of Section 7-173, whether or not the employee contributions are withheld as permitted by that Section;
  - 3. all accounts receivable, together with interest charged thereon, as provided in Section 7-209;
  - 4. if it has no participating employees with current earnings, an amount payable which, over a period of 20 years beginning with the year following an award of benefit, will amortize, at the effective rate for that year, any negative balance in its municipality reserve resulting from the award. This amount when established will be payable as a separate contribution whether or not it later has participating employees.
  - (b) A separate municipality contribution rate shall be determined for each calendar year for all participating municipalities together with all instrumentalities thereof. The municipality contribution rate shall be determined for participating instrumentalities as if they were participating municipalities. The municipality contribution rate shall be the sum of the following percentages:
  - 1. The percentage of earnings of all the participating employees of all participating municipalities and

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participating instrumentalities which, if paid over the entire period of their service, will be sufficient when combined with all employee contributions available for the payment of benefits, to provide all annuities for participating employees, and the \$5,000 \$3,000 death benefit payable under Sections 7-158 and 7-164, such percentage to be known as the normal cost rate.

- 2. The percentage of earnings of the participating of each participating municipality emplovees participating instrumentalities necessary to adjust for the difference between the present value of all benefits, excluding temporary and total and permanent disability and death benefits, to be provided for its participating employees and the sum of its accumulated municipality contributions and the accumulated employee contributions and the present value of expected future employee and municipality contributions pursuant to subparagraph 1 of this paragraph (b). This adjustment shall be spread over the remainder of the period that is allowable under generally accepted accounting principles.
- 3. The percentage of earnings of the participating employees of all municipalities and participating instrumentalities necessary to provide the present value of all temporary and total and permanent disability benefits granted during the most recent year for which information is available.

- 4. The percentage of earnings of the participating employees of all participating municipalities and participating instrumentalities necessary to provide the present value of the net single sum death benefits expected to become payable from the reserve established under Section 7-206 during the year for which this rate is fixed.
- 5. The percentage of earnings necessary to meet any deficiency arising in the Terminated Municipality Reserve.
- (c) A separate municipality contribution rate shall be computed for each participating municipality or participating instrumentality for its sheriff's law enforcement employees.

A separate municipality contribution rate shall be computed for the sheriff's law enforcement employees of each forest preserve district that elects to have such employees. For the period from January 1, 1986 to December 31, 1986, such rate shall be the forest preserve district's regular rate plus 2%.

In the event that the Board determines that there is an actuarial deficiency in the account of any municipality with respect to a person who has elected to participate in the Fund under Section 3-109.1 of this Code, the Board may adjust the municipality's contribution rate so as to make up that deficiency over such reasonable period of time as the Board may determine.

(d) The Board may establish a separate municipality contribution rate for all employees who are program

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participants employed under the federal Comprehensive all Employment Training Act by of the participating municipalities and instrumentalities. The Board may also provide that, in lieu of a separate municipality rate for these employees, a portion of the municipality contributions for such program participants shall be refunded or an extra charge assessed so that the amount of municipality contributions retained or received by the fund for all CETA program participants shall be an amount equal to that which would be provided by the separate municipality contribution rate for all such program participants. Refunds shall be made to prime sponsors of programs upon submission of a claim therefor and shall extra charges be assessed to participating municipalities and instrumentalities. In establishing the municipality contribution rate as provided in paragraph (b) of this Section, the use of a separate municipality contribution rate for program participants or the refund of a portion of the municipality contributions, as the case may be, may be considered.

(e) Computations of municipality contribution rates for the following calendar year shall be made prior to the beginning of each year, from the information available at the time the computations are made, and on the assumption that the employees in each participating municipality or participating instrumentality at such time will continue in service until the end of such calendar year at their respective rates of earnings

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- 2 (f) Any municipality which is the recipient of State allocations representing that municipality's contributions for 3 retirement annuity purposes on behalf of its employees as 5 provided in Section 12-21.16 of the Illinois Public Aid Code 6 shall pay the allocations so received to the Board for such 7 purpose. Estimates of State allocations to be received during any taxable year shall be considered in the determination of 8 9 the municipality's tax rate for that year under Section 7-171. 10 If a special tax is levied under Section 7-171, none of the 11 proceeds may be used to reimburse the municipality for the 12 amount of State allocations received and paid to the Board. Any 13 multiple-county or consolidated health department receives contributions from a county under Section 11.2 of "An 14 15 Act in relation to establishment and maintenance of county and multiple-county health departments", approved July 9, 1943, as 16 17 amended, or distributions under Section 3 of the Department of Public Health Act, shall use these only for municipality 18 19 contributions by the health department.
  - (g) Municipality contributions for the several purposes specified shall, for township treasurers and employees in the offices of the township treasurers who meet the qualifying conditions for coverage hereunder, be allocated among the several school districts and parts of school districts serviced by such treasurers and employees in the proportion which the amount of school funds of each district or part of a district

1 handled by the treasurer bears to the total amount of all 2 school funds handled by the treasurer.

From the funds subject to allocation among districts and parts of districts pursuant to the School Code, the trustees shall withhold the proportionate share of the liability for municipality contributions imposed upon such districts by this Section, in respect to such township treasurers and employees and remit the same to the Board.

The municipality contribution rate for an educational service center shall initially be the same rate for each year as the regional office of education or school district which serves as its administrative agent. When actuarial data become available, a separate rate shall be established as provided in subparagraph (i) of this Section.

The municipality contribution rate for a public agency, other than a vocational education cooperative, formed under the Intergovernmental Cooperation Act shall initially be the average rate for the municipalities which are parties to the intergovernmental agreement. When actuarial data become available, a separate rate shall be established as provided in subparagraph (i) of this Section.

(h) Each participating municipality and participating instrumentality shall make the contributions in the amounts provided in this Section in the manner prescribed from time to time by the Board and all such contributions shall be obligations of the respective participating municipalities and

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participating instrumentalities to this fund. The failure to deduct any employee contributions shall not relieve the participating municipality or participating instrumentality of obligation to this fund. Delinquent payments contributions due under this Section may, with interest, be recovered by civil action against the participating municipalities participating instrumentalities. or Municipality contributions, other than the amount necessary for employee contributions and Social Security contributions, for periods of service by employees from whose earnings no deductions were made for employee contributions to the fund, may be charged to the municipality reserve for the municipality or participating instrumentality.

- (i) Contributions by participating instrumentalities shall be determined as provided herein except that the percentage derived under subparagraph 2 of paragraph (b) of this Section, and the amount payable under subparagraph 5 of paragraph (a) of this Section, shall be based on an amortization period of 10 years.
- (j) Notwithstanding the other provisions of this Section, the additional unfunded liability accruing as a result of this amendatory Act of the 94th General Assembly shall be amortized over a period of 30 years beginning on January 1 of the second calendar year following the calendar year in which this amendatory Act takes effect, except that the employer may provide for a longer amortization period by adopting a

- 1 resolution or ordinance specifying a 35-year or 40-year period
- 2 and submitting a certified copy of the ordinance or resolution
- 3 to the fund no later than June 1 of the calendar year following
- 4 the calendar year in which this amendatory Act takes effect.
- 5 (Source: P.A. 94-712, eff. 6-1-06.)
- 6 (40 ILCS 5/7-205) (from Ch. 108 1/2, par. 7-205)
- Sec. 7-205. Reserves for annuities. Appropriate reserves shall be created for payment of all annuities granted under
- 9 this Article at the time such annuities are granted and in
- 10 amounts determined to be necessary under actuarial tables
- 11 adopted by the Board upon recommendation of the actuary of the
- 12 fund. All annuities payable shall be charged to the annuity
- 13 reserve.
- 1. Amounts credited to annuity reserves shall be derived by
- 15 transfer of all the employee credits from the appropriate
- 16 employee reserves and by charges to the municipality reserve of
- 17 those municipalities in which the retiring employee has
- 18 accumulated service. If a retiring employee has accumulated
- 19 service in more than one participating municipality or
- 20 participating instrumentality, aggregate municipality charges
- 21 shall be prorated on a basis of the employee's earnings in case
- 22 of concurrent service and creditable service in other cases.
- 23 2. Supplemental annuities shall be handled as a separate
- 24 annuity and amounts to be credited to the annuity reserve
- 25 therefor shall be derived in the same manner as a regular

- 1 annuity.
- 2 3. When a retirement annuity is granted to an employee with
- a spouse eligible for a surviving spouse annuity, there shall
- 4 be credited to the annuity reserve an amount to fund the cost
- of both the retirement and surviving spouse annuity as a joint
- 6 and survivors annuity.
- 7 4. Beginning January 1, 1989, when a retirement annuity is
- 8 awarded, an amount equal to the present value of the \$3,000 or
- 9 \$5,000 death benefit payable upon the death of the annuitant
- 10 shall be transferred to the annuity reserve from the
- 11 appropriate municipality reserves in the same manner as the
- 12 transfer for annuities.
- 5. All annuity reserves shall be revalued annually as of
- 14 December 31. Beginning as of December 31, 1973, adjustment
- 15 required therein by such revaluation shall be charged or
- 16 credited to the earnings and experience variation reserve.
- 17 6. There shall be credited to the annuity reserve all of
- the payments made by annuitants under Section 7-144.2, plus an
- 19 additional amount from the earnings and experience variation
- 20 reserve to fund the cost of the incremental annuities granted
- 21 to annuitants making these payments.
- 7. As of December 31, 1972, the excess in the annuity
- 23 reserve shall be transferred to the municipality reserves. An
- 24 amount equal to the deficiency in the reserve of participating
- 25 municipalities and participating instrumentalities which have
- 26 no participating employees shall be allocated to their

- 1 reserves. The remainder shall be allocated in amounts
- 2 proportionate to the present value, as of January 1, 1972, of
- 3 annuities of annuitants of the remaining participating
- 4 municipalities and participating instrumentalities.
- 5 (Source: P.A. 89-136, eff. 7-14-95.)
- 6 (40 ILCS 5/7-206) (from Ch. 108 1/2, par. 7-206)
- 7 Sec. 7-206. Death Reserve. All death benefit payments
- 8 shall be charged to the Death Reserve, other than the \$3,000 or
- 9 \$5,000 death benefits paid after December 31, 1988 upon the
- 10 death of an annuitant. All contributions for death purposes
- under Section 7-172(b)4 shall be credited to the same reserve.
- 12 Whenever the balance in such reserve at the close of a year
- 13 exceeds 100% of the average annual charges to this account
- 14 during the 3 preceding calendar years, the basic actuarial
- 15 assumptions upon which municipality contribution rates for
- these purposes are based, shall be reviewed and revised in such
- 17 manner as is deemed necessary to reduce such balance.
- 18 (Source: P.A. 89-136, eff. 7-14-95.)
- 19 Section 90. The State Mandates Act is amended by adding
- 20 Section 8.31 as follows:
- 21 (30 ILCS 805/8.31 new)
- Sec. 8.31. Exempt mandate. Notwithstanding Sections 6 and 8
- of this Act, no reimbursement by the State is required for the

- 1 <u>implementation of any mandate created by this amendatory Act of</u>
- 2 <u>the 95th General Assembly.</u>
- 3 Section 99. Effective date. This Act takes effect upon
- 4 becoming law.