



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB1697

Introduced 2/22/2007, by Rep. Robert S. Molaro

SYNOPSIS AS INTRODUCED:

40 ILCS 5/14-119	from Ch. 108 1/2, par. 14-119
40 ILCS 5/14-121	from Ch. 108 1/2, par. 14-121
40 ILCS 5/14-130	from Ch. 108 1/2, par. 14-130
40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
40 ILCS 5/14-152.2 new	

Amends the State Employee Article of the Illinois Pension Code. Provides that, beginning January 1, 2008, the social security offset shall no longer be applied to any widow's or survivor's annuities. Provides that the retirement contribution for covered employees is increased 0.5% to remove the Social Security offset from their widow's or survivor's annuity, thus making their total contribution for that purpose 1.0%. Provides that, on or before January 1, 2008 and at future dates as established by the State Employees' Retirement System of Illinois, the covered employee may elect not to increase or to decrease his or her contribution, thus making his or her widow's or survivor's annuity subject to the Social Security offset. Provides that, after January 1, 2008, any contributions already made to the System for the purpose of removing the Social Security offset shall not be refunded and any election with reference to the Social Security offset shall be made within the limitations specified by the System. Specifies that the increased contributions are included in certain refunds. Specifies the required funding for the new benefit increase; specifies the effects of expiration if the General Assembly fails to extend the new benefit increase. Effective immediately.

LRB095 07041 AMC 31868 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT concerning 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 14-119, 14-121, 14-130, and 14-133 and by adding
6 Section 14-152.2 as follows:

7 (40 ILCS 5/14-119) (from Ch. 108 1/2, par. 14-119)

8 Sec. 14-119. Amount of widow's annuity.

9 (a) The widow's annuity shall be 50% of the amount of
10 retirement annuity payable to the member on the date of death
11 while on retirement if an annuitant, or on the date of his
12 death while in service if an employee, regardless of his age on
13 such date, or on the date of withdrawal if death occurred after
14 termination of service under the conditions prescribed in the
15 preceding Section.

16 (b) If an eligible widow, regardless of age, has in her
17 care any unmarried child or children of the member under age 18
18 (under age 22 if a full-time student), the widow's annuity
19 shall be increased in the amount of 5% of the retirement
20 annuity for each such child, but the combined payments for a
21 widow and children shall not exceed 66 2/3% of the member's
22 earned retirement annuity.

23 The amount of retirement annuity from which the widow's

1 annuity is derived shall be that earned by the member without
2 regard to whether he attained age 60 prior to his withdrawal
3 under the conditions stated or prior to his death.

4 (c) Adopted children shall be considered as children of the
5 member only if the proceedings for adoption were commenced at
6 least 1 year prior to the member's death.

7 Marriage of a child shall render the child ineligible for
8 further consideration in the increase in the amount of the
9 widow's annuity.

10 Attainment of age 18 (age 22 if a full-time student) shall
11 render a child ineligible for further consideration in the
12 increase of the widow's annuity, but the annuity to the widow
13 shall be continued thereafter, without regard to her age at
14 that time.

15 (d) Until January 1, 2008 (or as otherwise provided in
16 Sections 14-133 and 14-152.2), a widow's annuity payable on
17 account of any covered employee who has ~~shall have~~ been a
18 covered employee for at least 18 months shall be reduced by 1/2
19 of the amount of survivors benefits to which his beneficiaries
20 are eligible under the provisions of the Federal Social
21 Security Act, except that (1) the amount of any widow's annuity
22 payable under this Article shall not be reduced by reason of
23 any increase under that Act which occurs after the offset
24 required by this subsection is first applied to that annuity,
25 and (2) for benefits granted on or after January 1, 1992, the
26 offset under this subsection (d) shall not exceed 50% of the

1 amount of widow's annuity otherwise payable.

2 Beginning January 1, 2008 (and except as otherwise provided
3 in Sections 14-133 and 14-152.2), the offset under this
4 subsection (d) shall no longer be applied to any widow's
5 annuity.

6 (e) Upon the death of a recipient of a widow's annuity the
7 excess, if any, of the member's accumulated contributions plus
8 credited interest over all annuity payments to the member and
9 widow, exclusive of the \$500 lump sum payment, shall be paid to
10 the named beneficiary of the widow, or if none has been named,
11 to the estate of the widow, provided no reversionary annuity is
12 payable.

13 (f) On January 1, 1981, any recipient of a widow's annuity
14 who was receiving a widow's annuity on or before January 1,
15 1971, shall have her widow's annuity then being paid increased
16 by 1% for each full year which has elapsed from the date the
17 widow's annuity began. On January 1, 1982, any recipient of a
18 widow's annuity who began receiving a widow's annuity after
19 January 1, 1971, but before January 1, 1981, shall have her
20 widow's annuity then being paid increased by 1% for each full
21 year which has elapsed from the date the widow's annuity began.
22 On January 1, 1987, any recipient of a widow's annuity who
23 began receiving the widow's annuity on or before January 1,
24 1977, shall have the monthly widow's annuity increased by \$1
25 for each full year which has elapsed since the date the annuity
26 began.

1 (g) Beginning January 1, 1990, every widow's annuity shall
2 be increased (1) on each January 1 occurring on or after the
3 commencement of the annuity if the deceased member died while
4 receiving a retirement annuity, or (2) in other cases, on each
5 January 1 occurring on or after the first anniversary of the
6 commencement of the annuity, by an amount equal to 3% of the
7 current amount of the annuity, including any previous increases
8 under this Article. Such increases shall apply without regard
9 to whether the deceased member was in service on or after the
10 effective date of Public Act 86-1488, but shall not accrue for
11 any period prior to January 1, 1990.

12 (Source: P.A. 90-448, eff. 8-16-97.)

13 (40 ILCS 5/14-121) (from Ch. 108 1/2, par. 14-121)

14 Sec. 14-121. Amount of survivors annuity. A survivors
15 annuity beneficiary shall be entitled upon death of the member
16 to a single sum payment of \$1,000, payable pro rata among all
17 persons entitled thereto, together with a survivors annuity
18 payable at the rates and under the conditions specified in this
19 Article.

20 (a) If the survivors annuity beneficiary is a spouse, the
21 survivors annuity shall be 30% of final average compensation
22 subject to a maximum payment of \$400 per month.

23 (b) If an eligible child or children under the care of a
24 spouse also survives the member, such spouse as natural
25 guardian of the child or children shall receive, in addition to

1 the foregoing annuity, 20% of final average compensation on
2 account of each such child and 10% of final average
3 compensation divided pro rata among such children, subject to a
4 maximum payment on account of all survivor annuity
5 beneficiaries of \$600 per month, or 80% of the member's final
6 average compensation, whichever is the lesser.

7 (c) If the survivors annuity beneficiary or beneficiaries
8 consists of an unmarried child or children, the amount of
9 survivors annuity shall be 20% of final average compensation to
10 each child, and 10% of final average compensation divided pro
11 rata among all such children entitled to such annuity, subject
12 to a maximum payment to all children combined of \$600 per month
13 or 80% of the member's final average compensation, whichever is
14 the lesser.

15 (d) If the survivors annuity beneficiary is one or more
16 dependent parents, the annuity shall be 20% of final average
17 compensation to each parent and 10% of final average
18 compensation divided pro rata among the parents who qualify for
19 this annuity, subject to a maximum payment to both dependent
20 parents of \$400 per month.

21 (e) The survivors annuity to the spouse, children or
22 dependent parents of a member whose death occurs after the date
23 of last withdrawal, or after retirement, or while in service
24 following reentry into service after retirement but before
25 completing 1 1/2 years of additional creditable service, shall
26 not exceed the lesser of 80% of the member's earned retirement

1 annuity at the date of death or the maximum previously
2 established in this Section.

3 (f) In applying the limitation prescribed on the combined
4 payments to 2 or more survivors annuity beneficiaries, the
5 annuity on account of each beneficiary shall be reduced pro
6 rata until such time as the number of beneficiaries makes the
7 reduction no longer applicable.

8 (g) Until January 1, 2008 (or as otherwise provided in
9 Sections 14-133 and 14-152.2), a survivors annuity payable on
10 account of any covered employee who has ~~shall have~~ been a
11 covered employee for at least 18 months at date of death or
12 last withdrawal, whichever is the later, shall be reduced by
13 1/2 of the survivors benefits to which his beneficiaries are
14 eligible under the federal Social Security Act, except that (1)
15 the survivors annuity payable under this Article shall not be
16 reduced by any increase under that Act which occurs after the
17 offset required by this subsection is first applied to that
18 annuity, (2) for benefits granted on or after January 1, 1992,
19 the offset under this subsection (g) shall not exceed 50% of
20 the amount of survivors annuity otherwise payable.

21 Beginning January 1, 2008 (and except as otherwise provided
22 in Section 14-133 and 14-152.2), the offset under this
23 subsection (g) shall no longer be applied to any survivors
24 annuity.

25 (h) The minimum payment to a beneficiary hereunder shall be
26 \$60 per month, which shall be reduced in accordance with the

1 limitation prescribed on the combined payments to all
2 beneficiaries of a member.

3 (i) Subject to the conditions set forth in Section 14-120,
4 the minimum total survivors annuity benefit payable to the
5 survivors annuity beneficiaries of a deceased member or
6 annuitant whose death occurs on or after January 1, 1984, shall
7 be 50% of the amount of retirement annuity that was or would
8 have been payable to the deceased on the date of death,
9 regardless of the age of the deceased on such date. If the
10 minimum total benefit provided by this subsection exceeds the
11 maximum otherwise imposed by this Section, the minimum total
12 benefit shall nevertheless be payable. Any increase in the
13 total survivors annuity benefit resulting from the operation of
14 this subsection shall be divided among the survivors annuity
15 beneficiaries of the deceased in proportion to their shares of
16 the total survivors annuity benefit otherwise payable under
17 this Section.

18 (j) Any survivors annuity beneficiary whose annuity
19 terminates due to any condition specified in this Article other
20 than death shall be entitled to a refund of the excess, if any,
21 of the accumulated contributions of the member plus credited
22 interest over all payments to the member and beneficiary or
23 beneficiaries, exclusive of the single sum payment of \$1,000,
24 provided no future survivors or reversionary annuity benefits
25 are payable.

26 (k) Upon the death of the last eligible recipient of a

1 survivors annuity the excess, if any, of the member's
2 accumulated contributions plus credited interest over all
3 annuity payments to the member and survivors exclusive of the
4 single sum payment of \$1000, shall be paid to the named
5 beneficiary of the last eligible survivor, or if none has been
6 named, to the estate of the last eligible survivor, provided no
7 reversionary annuity is payable.

8 (l) On January 1, 1981, any survivor who was receiving a
9 survivors annuity on or before January 1, 1971, shall have his
10 survivors annuity then being paid increased by 1% for each full
11 year which has elapsed from the date the annuity began. On
12 January 1, 1982, any survivor who began receiving a survivor's
13 annuity after January 1, 1971, but before January 1, 1981,
14 shall have his survivor's annuity then being paid increased by
15 1% for each full year that has elapsed from the date the
16 annuity began. On January 1, 1987, any survivor who began
17 receiving a survivor's annuity on or before January 1, 1977,
18 shall have the monthly survivor's annuity increased by \$1 for
19 each full year which has elapsed since the date the survivor's
20 annuity began.

21 (m) Beginning January 1, 1990, every survivor's annuity
22 shall be increased (1) on each January 1 occurring on or after
23 the commencement of the annuity if the deceased member died
24 while receiving a retirement annuity, or (2) in other cases, on
25 each January 1 occurring on or after the first anniversary of
26 the commencement of the annuity, by an amount equal to 3% of

1 the current amount of the annuity, including any previous
2 increases under this Article. Such increases shall apply
3 without regard to whether the deceased member was in service on
4 or after the effective date of Public Act 86-1488, but shall
5 not accrue for any period prior to January 1, 1990.

6 (Source: P.A. 86-273; 86-1488; 87-794.)

7 (40 ILCS 5/14-130) (from Ch. 108 1/2, par. 14-130)

8 Sec. 14-130. Refunds; rules.

9 (a) Upon withdrawal a member is entitled to receive, upon
10 written request, a refund of the member's contributions,
11 including credits granted while in receipt of disability
12 benefits, without credited interest. The board, in its
13 discretion may withhold payment of the refund of a member's
14 contributions for a period not to exceed 1 year after the
15 member has ceased to be an employee.

16 For purposes of this Section, a member will be considered
17 to have withdrawn from service if a change in, or transfer of,
18 his position results in his becoming ineligible for continued
19 membership in this System and eligible for membership in
20 another public retirement system under this Act.

21 (b) A member receiving a refund forfeits and relinquishes
22 all accrued rights in the System, including all accumulated
23 creditable service. If the person again becomes a member of the
24 System and establishes at least 2 years of creditable service,
25 the member may repay all the moneys previously refunded or a

1 portion of the moneys previously refunded representing
2 contributions for one or more whole months of creditable
3 service. If a member repays a portion of moneys previously
4 refunded, he or she may later repay some or all of the
5 remaining portion of those previously refunded moneys.
6 However, a former member may restore credits previously
7 forfeited by acceptance of a refund without returning to
8 service by applying in writing and repaying to the System, by
9 April 1, 1993, the amount of the refund plus regular interest
10 calculated from the date of refund to the date of repayment.

11 The repayment of refunds issued prior to January 1, 1984
12 shall consist of the amount refunded plus 5% interest per annum
13 compounded annually for the period from the date of the refund
14 to the end of the month in which repayment is made. The
15 repayment of refunds issued after January 1, 1984 shall consist
16 of the amount refunded plus regular interest for the period
17 from the date of refund to the end of the month in which
18 repayment is made. The repayment of the refund of a person who
19 accepts an alternative retirement cancellation payment under
20 Section 14-108.5 shall consist of the entire amount paid to the
21 person under subsection (c) of Section 14-108.5 plus regular
22 interest for the period from the date of the refund to the end
23 of the month in which repayment is made. However, in the case
24 of a refund that is repaid in a lump sum between January 1,
25 1991 and July 1, 1991, repayment shall consist of the amount
26 refunded plus interest at the rate of 2.5% per annum compounded

1 annually from the date of the refund to the end of the month in
2 which repayment is made.

3 Upon repayment, the member shall receive credit for the
4 service for which the refund has been repaid, and the
5 corresponding member contributions and regular interest that
6 was forfeited by acceptance of the refund, as well as regular
7 interest for the period of non-membership. Such repayment shall
8 be made in full before retirement either in a lump sum or in
9 installment payments in accordance with such rules as may be
10 adopted by the board.

11 (b-5) The Board may adopt rules governing the repayment of
12 refunds and establishment of credits in cases involving awards
13 of back pay or reinstatement. The rules may authorize repayment
14 of a refund in installment payments and may waive the payment
15 of interest on refund amounts repaid in full within a specified
16 period.

17 (c) A member no longer in service who is unmarried and does
18 not have an eligible survivors annuity beneficiary on the date
19 of application therefor is entitled to a refund of
20 contributions for widow's annuity or survivors annuity
21 purposes, or both, as the case may be, including the increased
22 amounts paid pursuant to the increase in contribution rates for
23 widow or survivors annuity purposes under Section 14-133 by
24 this amendatory Act of the 95th General Assembly, without
25 interest. A widow's annuity or survivors annuity shall not be
26 payable upon the death of a person who has received this

1 refund, unless prior to that death the amount of the refund has
2 been repaid to the System, together with regular interest from
3 the date of the refund to the date of repayment.

4 (d) Any member who has service credit in any position for
5 which an alternative retirement annuity is provided and in
6 relation to which an increase in the rate of employee
7 contribution is required, shall be entitled to a refund,
8 without interest, of that part of the member's employee
9 contribution which results from that increase in the employee
10 rate if the member does not qualify for that alternative
11 retirement annuity at the time of retirement.

12 (Source: P.A. 93-839, eff. 7-30-04; 94-455, eff. 8-4-05.)

13 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)
14 Sec. 14-133. Contributions on behalf of members.

15 (a) Each participating employee shall make contributions
16 to the System, based on the employee's compensation, as
17 follows:

18 (1) Covered employees, except as indicated below, 3.5%
19 for retirement annuity, and 0.5% for a widow or survivors
20 annuity. After January 1, 2008, the retirement
21 contribution for covered employees is increased 0.5% to
22 remove the Social Security offset from their widow's or
23 survivor's annuity, thus making their total contribution
24 for that purpose 1.0%. On or before January 1, 2008 and at
25 future dates as established by the System, the covered

1 employee may elect not to increase or to decrease his or
2 her contribution under this paragraph (1), thus making his
3 or her widow's or survivor's annuity subject to the Social
4 Security offset. After January 1, 2008, any contributions
5 already made to the System for the purpose of removing the
6 Social Security offset shall not be refunded and any
7 election with reference to the Social Security offset shall
8 be made within the limitations specified by the System.†

9 (2) Noncovered employees, except as indicated below,
10 7% for retirement annuity and 1% for a widow or survivors
11 annuity.†

12 (3) Noncovered employees serving in a position in which
13 "eligible creditable service" as defined in Section 14-110
14 may be earned, 1% for a widow or survivors annuity plus the
15 following amount for retirement annuity: 8.5% through
16 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
17 in 2004 and thereafter.†

18 (4) Covered employees serving in a position in which
19 "eligible creditable service" as defined in Section 14-110
20 may be earned, 0.5% for a widow or survivors annuity, plus
21 the following amount for retirement annuity: 5% through
22 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
23 and thereafter. After January 1, 2008, the retirement
24 contribution for covered employees is increased 0.5% to
25 remove the Social Security offset from their widow's or
26 survivor's annuity, thus making their total contribution

1 for that purpose 1.0%. On or before January 1, 2008 and at
2 future dates as established by the System, the covered
3 employee may elect not to increase or to decrease his or
4 her contribution under this paragraph (4), thus making his
5 or her widow's or survivor's annuity subject to the Social
6 Security offset. After January 1, 2008, any contributions
7 already made to the System for the purpose of removing the
8 Social Security offset shall not be refunded and any
9 election with reference to the Social Security offset shall
10 be made within the limitations specified by the System.†

11 (5) Each security employee of the Department of
12 Corrections or of the Department of Human Services who is a
13 covered employee, 0.5% for a widow or survivors annuity,
14 plus the following amount for retirement annuity: 5%
15 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
16 in 2004 and thereafter. After January 1, 2008, the
17 retirement contribution for covered employees is increased
18 0.5% to remove the Social Security offset from their
19 widow's or survivor's annuity, thus making their total
20 contribution for that purpose 1.0%. On or before January 1,
21 2008 and at future dates as established by the System, the
22 covered employee may elect not to increase or to decrease
23 his or her contribution under this paragraph (5), thus
24 making his or her widow's or survivor's annuity subject to
25 the Social Security offset. After January 1, 2008, any
26 contributions already made to the System for the purpose of

1 removing the Social Security offset shall not be refunded
2 and any election with reference to the Social Security
3 offset shall be made within the limitations specified by
4 the System.†

5 (6) Each security employee of the Department of
6 Corrections or of the Department of Human Services who is
7 not a covered employee, 1% for a widow or survivors annuity
8 plus the following amount for retirement annuity: 8.5%
9 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
10 11.5% in 2004 and thereafter.

11 (b) Contributions shall be in the form of a deduction from
12 compensation and shall be made notwithstanding that the
13 compensation paid in cash to the employee shall be reduced
14 thereby below the minimum prescribed by law or regulation. Each
15 member is deemed to consent and agree to the deductions from
16 compensation provided for in this Article, and shall receipt in
17 full for salary or compensation.

18 (c) The increase in contributions by covered members for
19 widow or survivors annuity purposes provided by this amendatory
20 Act of the 95th General Assembly does not apply to persons who
21 first become members of the System on or after January 1, 2013,
22 if the new benefit increase created by this amendatory Act
23 expires in accordance with Section 14-152.1(d) and Section
24 14-152.2.

25 (Source: P.A. 92-14, eff. 6-28-01.)

1 (40 ILCS 5/14-152.2 new)

2 Sec. 14-152.2. New benefit increases. The General Assembly
3 finds and declares that the amendment to Sections 14-119 and
4 14-121 made by this amendatory Act of the 95th General
5 Assembly, which removes the social security offset from widow's
6 and survivor's annuities beginning January 1, 2008,
7 constitutes a new benefit increase within the meaning of
8 Section 14-152.1. Funding for this new benefit increase will be
9 provided by the additional employee contributions made under
10 Section 14-133 by this amendatory Act.

11 Unless this new benefit increase is extended by the General
12 Assembly, it will expire on January 1, 2013. If this new
13 benefit increase expires:

14 (i) for persons who first become members of the System
15 on or after the January 1, 2013 expiration date (and their
16 widows and survivors), the social security offsets under
17 Section 14-119(d) and Section 14-121(g), as they existed
18 immediately prior to the effective date of this amendatory
19 Act, are reinstated, and the increase in contributions by
20 covered members for widow or survivors annuity purposes
21 under Section 14-133 does not apply; and

22 (ii) for persons who first become members of the System
23 before January 1, 2013 and made the required elective
24 contributions under Section 14-133 (and their widows and
25 survivors), the social security offsets under Section
26 14-119(d) and Section 14-121(g) remain inapplicable after

1 January 1, 2008 and the increase in contributions by
2 covered members for widow or survivors annuity purposes
3 under Section 14-133 remains in effect.

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.