



## 95TH GENERAL ASSEMBLY

### State of Illinois

### 2007 and 2008

### SB1985

Introduced 2/7/2008, by Sen. Kwame Raoul

#### 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	

Amends the State Employee Article of the Illinois Pension Code. Provides that, beginning January 1, 2009, the social security offset shall no longer be applied to specified 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, 2009 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, 2009, 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 14944 AMC 40889 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, 14-133, and 14-152.2 as  
6 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) Marriage of a child shall render the child ineligible  
5 for further consideration in the increase in the amount of the  
6 widow's annuity.

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

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

25 Beginning January 1, 2009, the offset under this subsection  
26 (d) shall no longer be applied to any widow's annuity of any

1 person who began receiving retirement benefits or a widow's  
2 annuity prior to January 1, 1998.

3 Beginning January 1, 2009, when elective active employee  
4 participation, as specified under Section 14-133, reaches or  
5 exceeds 50% of all eligible active employees, as determined by  
6 the System, the offset under this subsection (d) shall no  
7 longer be applied to the widow's annuity of any person who  
8 began receiving retirement benefits or a widow's annuity on or  
9 after January 1, 1998 and before the effective date of this  
10 amendatory Act of the 95th General Assembly.

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

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

1 On January 1, 1987, any recipient of a widow's annuity who  
2 began receiving the widow's annuity on or before January 1,  
3 1977, shall have the monthly widow's annuity increased by \$1  
4 for each full year which has elapsed since the date the annuity  
5 began.

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

17 (Source: P.A. 95-279, eff. 1-1-08.)

18 (40 ILCS 5/14-121) (from Ch. 108 1/2, par. 14-121)

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

25 (a) If the survivors annuity beneficiary is a spouse, the

1 survivors annuity shall be 30% of final average compensation  
2 subject to a maximum payment of \$400 per month.

3 (b) If an eligible child or children under the care of a  
4 spouse also survives the member, such spouse as natural  
5 guardian of the child or children shall receive, in addition to  
6 the foregoing annuity, 20% of final average compensation on  
7 account of each such child and 10% of final average  
8 compensation divided pro rata among such children, subject to a  
9 maximum payment on account of all survivor annuity  
10 beneficiaries of \$600 per month, or 80% of the member's final  
11 average compensation, whichever is the lesser.

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

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

26 (e) The survivors annuity to the spouse, children or

1 dependent parents of a member whose death occurs after the date  
2 of last withdrawal, or after retirement, or while in service  
3 following reentry into service after retirement but before  
4 completing 1 1/2 years of additional creditable service, shall  
5 not exceed the lesser of 80% of the member's earned retirement  
6 annuity at the date of death or the maximum previously  
7 established in this Section.

8 (f) In applying the limitation prescribed on the combined  
9 payments to 2 or more survivors annuity beneficiaries, the  
10 annuity on account of each beneficiary shall be reduced pro  
11 rata until such time as the number of beneficiaries makes the  
12 reduction no longer applicable.

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

26 Beginning January 1, 2009, the offset under this subsection

1 (g) shall no longer be applied to any widow's annuity of any  
2 person who began receiving retirement benefits or a widow's  
3 annuity prior to January 1, 1998.

4 Beginning January 1, 2009, when elective active employee  
5 participation, as specified under Section 14-133, reaches or  
6 exceeds 50% of all eligible active employees, as determined by  
7 the System, the offset under this subsection (g) shall no  
8 longer be applied to the widow's annuity of any person who  
9 began receiving retirement benefits or a widow's annuity on or  
10 after January 1, 1998 and before the effective date of this  
11 amendatory Act of the 95th General Assembly.

12 (h) The minimum payment to a beneficiary hereunder shall be  
13 \$60 per month, which shall be reduced in accordance with the  
14 limitation prescribed on the combined payments to all  
15 beneficiaries of a member.

16 (i) Subject to the conditions set forth in Section 14-120,  
17 the minimum total survivors annuity benefit payable to the  
18 survivors annuity beneficiaries of a deceased member or  
19 annuitant whose death occurs on or after January 1, 1984, shall  
20 be 50% of the amount of retirement annuity that was or would  
21 have been payable to the deceased on the date of death,  
22 regardless of the age of the deceased on such date. If the  
23 minimum total benefit provided by this subsection exceeds the  
24 maximum otherwise imposed by this Section, the minimum total  
25 benefit shall nevertheless be payable. Any increase in the  
26 total survivors annuity benefit resulting from the operation of



1 this subsection shall be divided among the survivors annuity  
2 beneficiaries of the deceased in proportion to their shares of  
3 the total survivors annuity benefit otherwise payable under  
4 this Section.

5 (j) Any survivors annuity beneficiary whose annuity  
6 terminates due to any condition specified in this Article other  
7 than death shall be entitled to a refund of the excess, if any,  
8 of the accumulated contributions of the member plus credited  
9 interest over all payments to the member and beneficiary or  
10 beneficiaries, exclusive of the single sum payment of \$1,000,  
11 provided no future survivors or reversionary annuity benefits  
12 are payable.

13 (k) Upon the death of the last eligible recipient of a  
14 survivors annuity the excess, if any, of the member's  
15 accumulated contributions plus credited interest over all  
16 annuity payments to the member and survivors exclusive of the  
17 single sum payment of \$1000, shall be paid to the named  
18 beneficiary of the last eligible survivor, or if none has been  
19 named, to the estate of the last eligible survivor, provided no  
20 reversionary annuity is payable.

21 (l) On January 1, 1981, any survivor who was receiving a  
22 survivors annuity on or before January 1, 1971, shall have his  
23 survivors annuity then being paid increased by 1% for each full  
24 year which has elapsed from the date the annuity began. On  
25 January 1, 1982, any survivor who began receiving a survivor's  
26 annuity after January 1, 1971, but before January 1, 1981,

1 shall have his survivor's annuity then being paid increased by  
2 1% for each full year that has elapsed from the date the  
3 annuity began. On January 1, 1987, any survivor who began  
4 receiving a survivor's annuity on or before January 1, 1977,  
5 shall have the monthly survivor's annuity increased by \$1 for  
6 each full year which has elapsed since the date the survivor's  
7 annuity began.

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

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

20 (40 ILCS 5/14-130) (from Ch. 108 1/2, par. 14-130)

21 Sec. 14-130. Refunds; rules.

22 (a) Upon withdrawal a member is entitled to receive, upon  
23 written request, a refund of the member's contributions,  
24 including credits granted while in receipt of disability  
25 benefits, without credited interest. The board, in its

1 discretion may withhold payment of the refund of a member's  
2 contributions for a period not to exceed 1 year after the  
3 member has ceased to be an employee.

4 For purposes of this Section, a member will be considered  
5 to have withdrawn from service if a change in, or transfer of,  
6 his position results in his becoming ineligible for continued  
7 membership in this System and eligible for membership in  
8 another public retirement system under this Act.

9 (b) A member receiving a refund forfeits and relinquishes  
10 all accrued rights in the System, including all accumulated  
11 creditable service. If the person again becomes a member of the  
12 System and establishes at least 2 years of creditable service,  
13 the member may repay all the moneys previously refunded or a  
14 portion of the moneys previously refunded representing  
15 contributions for one or more whole months of creditable  
16 service. If a member repays a portion of moneys previously  
17 refunded, he or she may later repay some or all of the  
18 remaining portion of those previously refunded moneys.  
19 However, a former member may restore credits previously  
20 forfeited by acceptance of a refund without returning to  
21 service by applying in writing and repaying to the System, by  
22 April 1, 1993, the amount of the refund plus regular interest  
23 calculated from the date of refund to the date of repayment.

24 The repayment of refunds issued prior to January 1, 1984  
25 shall consist of the amount refunded plus 5% interest per annum  
26 compounded annually for the period from the date of the refund

1 to the end of the month in which repayment is made. The  
2 repayment of refunds issued after January 1, 1984 shall consist  
3 of the amount refunded plus regular interest for the period  
4 from the date of refund to the end of the month in which  
5 repayment is made. The repayment of the refund of a person who  
6 accepts an alternative retirement cancellation payment under  
7 Section 14-108.5 shall consist of the entire amount paid to the  
8 person under subsection (c) of Section 14-108.5 plus regular  
9 interest for the period from the date of the refund to the end  
10 of the month in which repayment is made. However, in the case  
11 of a refund that is repaid in a lump sum between January 1,  
12 1991 and July 1, 1991, repayment shall consist of the amount  
13 refunded plus interest at the rate of 2.5% per annum compounded  
14 annually from the date of the refund to the end of the month in  
15 which repayment is made.

16 Upon repayment, the member shall receive credit for the  
17 service for which the refund has been repaid, and the  
18 corresponding member contributions and regular interest that  
19 was forfeited by acceptance of the refund, as well as regular  
20 interest for the period of non-membership. Such repayment shall  
21 be made in full before retirement either in a lump sum or in  
22 installment payments in accordance with such rules as may be  
23 adopted by the board.

24 (b-5) The Board may adopt rules governing the repayment of  
25 refunds and establishment of credits in cases involving awards  
26 of back pay or reinstatement. The rules may authorize repayment

1 of a refund in installment payments and may waive the payment  
2 of interest on refund amounts repaid in full within a specified  
3 period.

4 (c) A member no longer in service who is unmarried and does  
5 not have an eligible survivors annuity beneficiary on the date  
6 of application therefor is entitled to a refund of  
7 contributions for widow's annuity or survivors annuity  
8 purposes, or both, as the case may be, including the increased  
9 amounts paid pursuant to the increase in contribution rates for  
10 widow or survivors annuity purposes under Section 14-133 by  
11 this amendatory Act of the 95th General Assembly, without  
12 interest. A widow's annuity or survivors annuity shall not be  
13 payable upon the death of a person who has received this  
14 refund, unless prior to that death the amount of the refund has  
15 been repaid to the System, together with regular interest from  
16 the date of the refund to the date of repayment.

17 (d) Any member who has service credit in any position for  
18 which an alternative retirement annuity is provided and in  
19 relation to which an increase in the rate of employee  
20 contribution is required, shall be entitled to a refund,  
21 without interest, of that part of the member's employee  
22 contribution which results from that increase in the employee  
23 rate if the member does not qualify for that alternative  
24 retirement annuity at the time of retirement.

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

1 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

2 Sec. 14-133. Contributions on behalf of members.

3 (a) Each participating employee shall make contributions  
4 to the System, based on the employee's compensation, as  
5 follows:

6 (1) Covered employees, except as indicated below, 3.5%  
7 for retirement annuity, and 0.5% for a widow or survivors  
8 annuity. After January 1, 2009, the retirement  
9 contribution for covered employees is increased 0.5% to  
10 remove the Social Security offset from their widow's or  
11 survivor's annuity, thus making their total contribution  
12 for that purpose 1.0%. On or before January 1, 2009 and at  
13 future dates as established by the System, the covered  
14 employee may elect not to increase or to decrease his or  
15 her contribution under this paragraph (1), thus making his  
16 or her widow's or survivor's annuity subject to the Social  
17 Security offset. After January 1, 2009, any contributions  
18 already made to the System for the purpose of removing the  
19 Social Security offset shall not be refunded and any  
20 election with reference to the Social Security offset shall  
21 be made within the limitations specified by the System.†

22 (2) Noncovered employees, except as indicated below,  
23 7% for retirement annuity and 1% for a widow or survivors  
24 annuity.†

25 (3) Noncovered employees serving in a position in which  
26 "eligible creditable service" as defined in Section 14-110

1 may be earned, 1% for a widow or survivors annuity plus the  
2 following amount for retirement annuity: 8.5% through  
3 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%  
4 in 2004 and thereafter.†

5 (4) Covered employees serving in a position in which  
6 "eligible creditable service" as defined in Section 14-110  
7 may be earned, 0.5% for a widow or survivors annuity, plus  
8 the following amount for retirement annuity: 5% through  
9 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004  
10 and thereafter. After January 1, 2009, the retirement  
11 contribution for covered employees is increased 0.5% to  
12 remove the Social Security offset from their widow's or  
13 survivor's annuity, thus making their total contribution  
14 for that purpose 1.0%. On or before January 1, 2009 and at  
15 future dates as established by the System, the covered  
16 employee may elect not to increase or to decrease his or  
17 her contribution under this paragraph (4), thus making his  
18 or her widow's or survivor's annuity subject to the Social  
19 Security offset. After January 1, 2009, any contributions  
20 already made to the System for the purpose of removing the  
21 Social Security offset shall not be refunded and any  
22 election with reference to the Social Security offset shall  
23 be made within the limitations specified by the System.†

24 (5) Each security employee of the Department of  
25 Corrections or of the Department of Human Services who is a  
26 covered employee, 0.5% for a widow or survivors annuity,

1 plus the following amount for retirement annuity: 5%  
2 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%  
3 in 2004 and thereafter. After January 1, 2009, the  
4 retirement contribution for covered employees is increased  
5 0.5% to remove the Social Security offset from their  
6 widow's or survivor's annuity, thus making their total  
7 contribution for that purpose 1.0%. On or before January 1,  
8 2009 and at future dates as established by the System, the  
9 covered employee may elect not to increase or to decrease  
10 his or her contribution under this paragraph (5), thus  
11 making his or her widow's or survivor's annuity subject to  
12 the Social Security offset. After January 1, 2009, any  
13 contributions already made to the System for the purpose of  
14 removing the Social Security offset shall not be refunded  
15 and any election with reference to the Social Security  
16 offset shall be made within the limitations specified by  
17 the System.†

18 (6) Each security employee of the Department of  
19 Corrections or of the Department of Human Services who is  
20 not a covered employee, 1% for a widow or survivors annuity  
21 plus the following amount for retirement annuity: 8.5%  
22 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and  
23 11.5% in 2004 and thereafter.

24 (b) Contributions shall be in the form of a deduction from  
25 compensation and shall be made notwithstanding that the  
26 compensation paid in cash to the employee shall be reduced



1 thereby below the minimum prescribed by law or regulation. Each  
2 member is deemed to consent and agree to the deductions from  
3 compensation provided for in this Article, and shall receipt in  
4 full for salary or compensation.

5 (c) The increase in contributions by covered members for  
6 widow or survivors annuity purposes provided by this amendatory  
7 Act of the 95th General Assembly does not apply to persons who  
8 first become members of the System on or after January 1, 2014,  
9 if the new benefit increase created by this amendatory Act  
10 expires in accordance with Section 14-152.1(d) and Section  
11 14-152.2.

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

13 (40 ILCS 5/14-152.2)

14 Sec. 14-152.2. New benefit increases.

15 (a) The General Assembly finds and declares that the  
16 amendment to Section 14-104 made by this amendatory Act of the  
17 95th General Assembly that allows members to establish  
18 creditable service for certain participation in the University  
19 of Illinois Government Public Service Internship Program  
20 (GPSI) constitutes a new benefit increase within the meaning of  
21 Section 14-152.1. Funding for this new benefit increase will be  
22 provided by additional employee contributions under subsection  
23 (r) of Section 14-104.

24 (b) The General Assembly finds and declares that the  
25 amendment to Sections 14-119 and 14-121 made by this amendatory

1 Act of the 95th General Assembly, which removes certain social  
2 security offset from widow's and survivor's annuities  
3 beginning January 1, 2009, constitutes a new benefit increase  
4 within the meaning of Section 14-152.1. Funding for this new  
5 benefit increase will be provided by the additional employee  
6 contributions made under Section 14-133 by this amendatory Act.

7 Unless this new benefit increase is extended by the General  
8 Assembly, it will expire on January 1, 2014. If this new  
9 benefit increase expires:

10 (i) for persons who first become members of the System  
11 on or after the January 1, 2014 expiration date (and their  
12 widows and survivors), the social security offsets under  
13 Section 14-119(d) and Section 14-121(g), as they existed  
14 immediately prior to the effective date of this amendatory  
15 Act, are reinstated, and the increase in contributions by  
16 covered members for widow or survivors annuity purposes  
17 under Section 14-133 does not apply; and

18 (ii) for persons who first become members of the System  
19 before January 1, 2014 and made the required elective  
20 contributions under Section 14-133 (and their widows and  
21 survivors), the social security offsets under Section  
22 14-119(d) and Section 14-121(g) remain inapplicable after  
23 January 1, 2009 and the increase in contributions by  
24 covered members for widow or survivors annuity purposes  
25 under Section 14-133 remains in effect.

26 (Source: P.A. 95-652, eff. 10-11-07.)

1           Section 99. Effective date. This Act takes effect upon  
2           becoming law.