

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 Section 7-141.1 as follows:

(40 ILCS 5/7-141.1)

Sec. 7-141.1. Early retirement incentive.

(a) The General Assembly finds and declares that:

(1) Units of local government across the State have been functioning under a financial crisis.

(2) This financial crisis is expected to continue.

(3) Units of local government must depend on additional sources of revenue and, when those sources are not forthcoming, must establish cost-saving programs.

(4) An early retirement incentive designed specifically to target highly-paid senior employees could result in significant annual cost savings.

(5) The early retirement incentive should be made available only to those units of local government that determine that an early retirement incentive is in their best interest.

(6) A unit of local government adopting a program of early retirement incentives under this Section is encouraged to implement personnel procedures to prohibit, for at least 5 years, the rehiring (whether on payroll or by independent contract) of employees who receive early retirement incentives.

(7) A unit of local government adopting a program of early retirement incentives under this Section is also encouraged to replace as few of the participating employees as possible and to hire replacement employees for salaries totaling no more than 80% of the total salaries formerly

paid to the employees who participate in the early retirement program.

It is the primary purpose of this Section to encourage units of local government that can realize true cost savings, or have determined that an early retirement program is in their best interest, to implement an early retirement program.

(b) Until the effective date of this amendatory Act of 1997, this Section does not apply to any employer that is a city, village, or incorporated town, nor to the employees of any such employer. Beginning on the effective date of this amendatory Act of 1997, any employer under this Article, including an employer that is a city, village, or incorporated town, may establish an early retirement incentive program for its employees under this Section. The decision of a city, village, or incorporated town to consider or establish an early retirement program is at the sole discretion of that city, village, or incorporated town, and nothing in this amendatory Act of 1997 limits or otherwise diminishes this discretion. Nothing contained in this Section shall be construed to require a city, village, or incorporated town to establish an early retirement program and no city, village, or incorporated town may be compelled to implement such a program.

The benefits provided in this Section are available only to members employed by a participating employer that has filed with the Board of the Fund a resolution or ordinance expressly providing for the creation of an early retirement incentive program under this Section for its employees and specifying the effective date of the early retirement incentive program. Subject to the limitation in subsection (h), an employer may adopt a resolution or ordinance providing a program of early retirement incentives under this Section at any time.

The resolution or ordinance shall be in substantially the following form:

RESOLUTION (ORDINANCE) NO.

A RESOLUTION (ORDINANCE) ADOPTING AN EARLY

RETIREMENT INCENTIVE PROGRAM FOR EMPLOYEES
IN THE ILLINOIS MUNICIPAL RETIREMENT FUND

WHEREAS, Section 7-141.1 of the Illinois Pension Code provides that a participating employer may elect to adopt an early retirement incentive program offered by the Illinois Municipal Retirement Fund by adopting a resolution or ordinance; and

WHEREAS, The goal of adopting an early retirement program is to realize a substantial savings in personnel costs by offering early retirement incentives to employees who have accumulated many years of service credit; and

WHEREAS, Implementation of the early retirement program will provide a budgeting tool to aid in controlling payroll costs; and

WHEREAS, The (name of governing body) has determined that the adoption of an early retirement incentive program is in the best interests of the (name of participating employer); therefore be it

RESOLVED (ORDAINED) by the (name of governing body) of (name of participating employer) that:

(1) The (name of participating employer) does hereby adopt the Illinois Municipal Retirement Fund early retirement incentive program as provided in Section 7-141.1 of the Illinois Pension Code. The early retirement incentive program shall take effect on (date).

(2) In order to help achieve a true cost savings, a person who retires under the early retirement incentive program shall lose those incentives if he or she later accepts employment with any IMRF employer in a position for which participation in IMRF is required or is elected by the employee.

(3) In order to utilize an early retirement incentive as a budgeting tool, the (name of participating employer) will use its best efforts either to limit the number of employees who replace the employees who retire under the early retirement program or to limit the salaries paid to the employees who replace the employees who retire under the early retirement

program.

(4) The effective date of each employee's retirement under this early retirement program shall be set by (name of employer) and shall be no earlier than the effective date of the program and no later than one year after that effective date; except that the employee may require that the retirement date set by the employer be no later than the June 30 next occurring after the effective date of the program and no earlier than the date upon which the employee qualifies for retirement.

(5) To be eligible for the early retirement incentive under this Section, the employee must have attained age 50 and have at least 20 years of creditable service by his or her retirement date.

(6) The (clerk or secretary) shall promptly file a certified copy of this resolution (ordinance) with the Board of Trustees of the Illinois Municipal Retirement Fund.

CERTIFICATION

I, (name), the (clerk or secretary) of the (name of participating employer) of the County of (name), State of Illinois, do hereby certify that I am the keeper of the books and records of the (name of employer) and that the foregoing is a true and correct copy of a resolution (ordinance) duly adopted by the (governing body) at a meeting duly convened and held on (date).

SEAL

(Signature of clerk or secretary)

(c) To be eligible for the benefits provided under an early retirement incentive program adopted under this Section, a member must:

- (1) be a participating employee of this Fund who, on the effective date of the program, (i) is in active payroll status as an employee of a participating employer that has filed the required ordinance or resolution with the Board, (ii) is on layoff status from such a position with a right

of re-employment or recall to service, (iii) is on a leave of absence from such a position, or (iv) is on disability but has not been receiving benefits under Section 7-146 or 7-150 for a period of more than 2 years from the date of application;

(2) have never previously received a retirement annuity under this Article or under the Retirement Systems Reciprocal Act using service credit established under this Article;

(3) (blank);

(4) have at least 20 years of creditable service in the Fund by the date of retirement, without the use of any creditable service established under this Section;

(5) have attained age 50 by the date of retirement, without the use of any age enhancement received under this Section; and

(6) be eligible to receive a retirement annuity under this Article by the date of retirement, for which purpose the age enhancement and creditable service established under this Section may be considered.

(d) The employer shall determine the retirement date for each employee participating in the early retirement program adopted under this Section. The retirement date shall be no earlier than the effective date of the program and no later than one year after that effective date, except that the employee may require that the retirement date set by the employer be no later than the June 30 next occurring after the effective date of the program and no earlier than the date upon which the employee qualifies for retirement. The employer shall give each employee participating in the early retirement program at least 30 days written notice of the employee's designated retirement date, unless the employee waives this notice requirement.

(e) An eligible person may establish up to 5 years of creditable service under this Section. In addition, for each period of creditable service established under this Section, a

person shall have his or her age at retirement deemed enhanced by an equivalent period.

The creditable service established under this Section may be used for all purposes under this Article and the Retirement Systems Reciprocal Act, except for the computation of final rate of earnings and the determination of earnings, salary, or compensation under this or any other Article of the Code.

The age enhancement established under this Section may be used for all purposes under this Article (including calculation of the reduction imposed under subdivision (a)1b(iv) of Section 7-142), except for purposes of a reversionary annuity under Section 7-145 and any distributions required because of age. The age enhancement established under this Section may be used in calculating a proportionate annuity payable by this Fund under the Retirement Systems Reciprocal Act, but shall not be used in determining benefits payable under other Articles of this Code under the Retirement Systems Reciprocal Act.

(f) For all creditable service established under this Section, the member must pay to the Fund an employee contribution consisting of 4.5% of the member's highest annual salary rate used in the determination of the final rate of earnings for retirement annuity purposes for each year of creditable service granted under this Section. For creditable service established under this Section by a person who is a sheriff's law enforcement employee to be deemed service as a sheriff's law enforcement employee, the employee contribution shall be at the rate of 6.5% of highest annual salary per year of creditable service granted. Contributions for fractions of a year of service shall be prorated. Any amounts that are disregarded in determining the final rate of earnings under subdivision (d) (5) of Section 7-116 (the 125% rule) shall also be disregarded in determining the required contribution under this subsection (f).

The employee contribution shall be paid to the Fund as follows: If the member is entitled to a lump sum payment for accumulated vacation, sick leave, or personal leave upon

withdrawal from service, the employer shall deduct the employee contribution from that lump sum and pay the deducted amount directly to the Fund. If there is no such lump sum payment or the required employee contribution exceeds the net amount of the lump sum payment, then the remaining amount due, at the option of the employee, may either be paid to the Fund before the annuity commences or deducted from the retirement annuity in 24 equal monthly installments.

(g) An annuitant who has received any age enhancement or creditable service under this Section and thereafter accepts employment with or enters into a personal services contract with an employer under this Article thereby forfeits that age enhancement and creditable service; except that this restriction does not apply to service in an elective office, so long as the annuitant does not participate in this Fund with respect to that office. A person forfeiting early retirement incentives under this subsection (i) must repay to the Fund that portion of the retirement annuity already received which is attributable to the early retirement incentives that are being forfeited, (ii) shall not be eligible to participate in any future early retirement program adopted under this Section, and (iii) is entitled to a refund of the employee contribution paid under subsection (f). The Board shall deduct the required repayment from the refund and may impose a reasonable payment schedule for repaying the amount, if any, by which the required repayment exceeds the refund amount.

(h) The additional unfunded liability accruing as a result of the adoption of a program of early retirement incentives under this Section by an employer shall be amortized over a period of 10 years beginning on January 1 of the second calendar year following the calendar year in which the latest date for beginning to receive a retirement annuity under the program (as determined by the employer under subsection (d) of this Section) occurs; except that the employer may provide for a shorter amortization period (of no less than 5 years) by adopting an ordinance or resolution specifying the length of

the amortization period and submitting a certified copy of the ordinance or resolution to the Fund no later than 6 months after the effective date of the program. An employer, at its discretion, may accelerate payments to the Fund.

An employer may provide more than one early retirement incentive program for its employees under this Section. However, an employer that has provided an early retirement incentive program for its employees under this Section may not provide another early retirement incentive program under this Section until the liability arising from the earlier program has been fully paid to the Fund.

(Source: P.A. 90-32, eff. 6-27-97; 91-887, eff. 7-6-00.)

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