

93RD GENERAL ASSEMBLY State of Illinois 2003 and 2004 HB4317

Introduced 2/2/2004, by Kurt M. Granberg

SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-116	from Ch. 108 1/2, par. 7-116
40 ILCS 5/7-142	from Ch. 108 1/2, par. 7-142
40 ILCS 5/7-142.1	from Ch. 108 1/2, par. 7-142.1
40 ILCS 5/7-144.3	from Ch. 108 1/2, par. 7-144.3
40 ILCS 5/7-152	from Ch. 108 1/2, par. 7-152
40 ILCS 5/7-156	from Ch. 108 $1/2$, par. 7-156
40 ILCS 5/7-169	from Ch. 108 1/2, par. 7-169
40 ILCS 5/7-173.1	from Ch. 108 1/2, par. 7-173.1
30 ILCS 805/8.28 new	

Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. Allows a sheriff's law enforcement employee (SLEP) to convert up to 10 years of non-SLEP service credit into SLEP credit by paying the difference in employee contributions, plus interest. Increases the SLEP retirement formula to 2.5% of the final rate of earnings for each year of SLEP service. Allows a person with at least 20 years of SLEP credit to have the pension based on his or her salary rate on the last day of SLEP service. Compounds the 3% annual increase in retirement annuities for SLEPs who retire on or after July 1, 2004; specifies that those retirees do not receive a supplemental benefit payment (13th check). Increases the basic disability benefit for a sheriff's law enforcement employee whose disability is the result of sickness, accident, or injury incurred in or resulting from the performance of an act of duty, from 50% to 65% of the final rate of earnings. Increases the SLEP surviving spouse benefit to 66% of the deceased SLEP's retirement annuity. Removes the 2-year service requirement for earning new benefits after a return to service as a SLEP. Increases the additional employee contribution paid by SLEPs to 3.1% of salary. Also eliminates the reduction in benefit imposed on a surviving spouse who is more than 5 years younger than the deceased member, for the surviving spouse of any member who dies on or after the effective date. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB093 19390 LRD 45128 b

FISCAL NOTE ACT MAY APPLY PENSION IMPACT NOTE ACT MAY APPLY STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

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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:

- 4 Section 5. The Illinois Pension Code is amended by changing
- 5 Sections 7-116, 7-142, 7-142.1, 7-144.3, 7-152, 7-156, 7-169,
- 6 and 7-173.1 as follows:
- 7 (40 ILCS 5/7-116) (from Ch. 108 1/2, par. 7-116)
- 8 Sec. 7-116. "Final rate of earnings":
 - (a) For retirement and survivor annuities, the monthly earnings obtained by dividing the total earnings received by the employee during the period of either (1) the 48 consecutive months of service within the last 120 months of service in which his total earnings were the highest or (2) the employee's total period of service, by the number of months of service in such period.
 - (b) For death benefits, the higher of the rate determined under paragraph (a) of this Section or total earnings received in the last 12 months of service divided by twelve. If the deceased employee has less than 12 months of service, the monthly final rate shall be the monthly rate of pay the employee was receiving when he began service.
 - (c) For disability benefits, the total earnings of a participating employee in the last 12 calendar months of service prior to the date he becomes disabled divided by 12.
- 25 (d) For persons who have at least 20 years of service
 26 credit as a sheriff's law enforcement employee, the rate of
 27 earnings on the last day of service in that capacity, the
 28 average rate of earnings during any 12 consecutive months
 29 within the last 48 months of service in that capacity, or the
 30 rate determined under the other provisions of this Section,
 31 whichever is greater.
- 32 (e) In computing the final rate of earnings: (1) the

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earnings rate for all periods of prior service shall be considered equal to the average earnings rate for the last 3 calendar years of prior service for which creditable service is received under Section 7-139 or, if there is less than 3 years of creditable prior service, the average for the total prior service period for which creditable service is received under Section 7-139; (2) for out of state service and authorized leave, the earnings rate shall be the rate upon which service credits are granted; (3) periods of military leave shall not be considered; (4) the earnings rate for all periods of disability shall be considered equal to the rate of earnings upon which the employee's disability benefits are computed for such periods; (5) the earnings to be considered for each of the final three months of the final earnings period shall not exceed 125% of the highest earnings of any other month in the final earnings period; and (6) the annual amount of final rate of earnings shall be the monthly amount multiplied by the number of months of service normally required by the position in a year.

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

- 21 (40 ILCS 5/7-142) (from Ch. 108 1/2, par. 7-142)
- 22 Sec. 7-142. Retirement annuities Amount.
 - (a) The amount of a retirement annuity shall be the sum of the following, determined in accordance with the actuarial tables in effect at the time of the grant of the annuity:
 - 1. For employees with 8 or more years of service, an annuity computed pursuant to subparagraphs a or b of this subparagraph 1, whichever is the higher, and for employees with less than 8 years of service the annuity computed pursuant to subparagraph a:
 - a. The monthly annuity which can be provided from the total accumulated normal, municipality and prior service credits, as of the attained age of the employee on the date the annuity begins provided that such annuity shall not exceed 75% of the final rate of

earnings of the employee.

- b. (i) The monthly annuity amount determined as follows by multiplying (a) 1 2/3% for annuitants with not more than 15 years or (b) 1 2/3% for the first 15 years and 2% for each year in excess of 15 years for annuitants with more than 15 years by the number of years plus fractional years, prorated on a basis of months, of creditable service and multiply the product thereof by the employee's final rate of earnings.
- (ii) For the sole purpose of computing the formula (and not for the purposes of the limitations hereinafter stated) \$125 shall be considered the final rate of earnings in all cases where the final rate of earnings is less than such amount.
- (iii) The monthly annuity computed in accordance with this subparagraph b, shall not exceed an amount equal to 75% of the final rate of earnings.
- (iv) For employees who have less than 35 years of service, the annuity computed in accordance with this subparagraph b (as reduced by application of subparagraph (iii) above) shall be reduced by 0.25% thereof (0.5% if service was terminated before January 1, 1988) for each month or fraction thereof (1) that the employee's age is less than 60 years, or (2) if the employee has at least 30 years of service credit, that the employee's service credit is less than 35 years, whichever is less, on the date the annuity begins.
- 2. The annuity which can be provided from the total accumulated additional credits as of the attained age of the employee on the date the annuity begins.
- (b) If payment of an annuity begins prior to the earliest age at which the employee will become eligible for an old age insurance benefit under the Federal Social Security Act, he may elect that the annuity payments from this fund shall exceed those payable after his attaining such age by an amount, computed as determined by rules of the Board, but not in excess

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of his estimated Social Security Benefit, determined as of the effective date of the 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 payable had no such election been made.

(c) The retirement annuity shall be increased each year by 2%, not compounded, of the monthly amount of annuity, taking into consideration any adjustment under paragraph (b) of this Section. This increase shall be effective each January 1 and computed from the effective date of the retirement annuity, the first increase being 0.167% .167% of the monthly amount times the number of months from the effective date to January 1. Beginning January 1, 1984 and thereafter, the retirement annuity (including any retirement annuity calculated under Section 7-142.1 or 7-145.1) shall be increased by 3% each year, not compounded; except that for a person who retires on or after July 1, 2004 with a retirement annuity calculated under Section 7-142.1 (or under Section 7-145.1, if the annuitant was otherwise eligible to have the retirement annuity calculated under Section 7-142.1), the annual increases under this Section shall be 3% of the total amount of the retirement annuity payable at the time of the increase, including any increases previously granted under this Article.

This increase shall not be applicable to annuitants who are not in service on or after September 8, 1971.

(Source: P.A. 91-357, eff. 7-29-99.)

27 (40 ILCS 5/7-142.1) (from Ch. 108 1/2, par. 7-142.1)

Sec. 7-142.1. Sheriff's law enforcement employees.

(a) In lieu of the retirement annuity provided by subparagraph 1 of paragraph (a) of Section 7-142:

Any sheriff's law enforcement employee who has 20 or more years of service in that capacity and who terminates service prior to January 1, 1988 shall be entitled at his option to receive a monthly retirement annuity for his service as a sheriff's law enforcement employee computed by multiplying 2%

1 for each year of such service up to 10 years, 2 1/4% for each

year of such service above 10 years and up to 20 years, and 2

3 1/2% for each year of such service above 20 years, by his

annual final rate of earnings and dividing by 12.

Any sheriff's law enforcement employee who has 20 or more years of service in that capacity and who terminates service on or after January 1, 1988 and before July 1, 2004 shall be entitled at his option to receive a monthly retirement annuity for his service as a sheriff's law enforcement employee computed by multiplying 2.5% for each year of such service up to 20 years, 2% for each year of such service above 20 years and up to 30 years, and 1% for each year of such service above 30 years, by his annual final rate of earnings and dividing by 12.

Any sheriff's law enforcement employee who has 20 or more years of service in that capacity and who terminates service on or after July 1, 2004 shall be entitled at his or her option to receive a monthly retirement annuity for service as a sheriff's law enforcement employee computed by multiplying 2.5% for each year of such service by his annual final rate of earnings and dividing by 12.

If a sheriff's law enforcement employee has service in any other capacity, his retirement annuity for service as a sheriff's law enforcement employee may be computed under this Section and the retirement annuity for his other service under Section 7-142.

In no case shall the total monthly retirement annuity exceed 75% of the monthly final rate of earnings.

(b) Whenever continued group insurance coverage is elected in accordance with the provisions of Section 367h of the Illinois Insurance Code, as now or hereafter amended, the total monthly premium for such continued group insurance coverage or such portion thereof as is not paid by the municipality shall, upon request of the person electing such continued group insurance coverage, be deducted from any monthly pension benefit otherwise payable to such person pursuant to this

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Section, to be remitted by the Fund to the insurance company or other entity providing the group insurance coverage.

(c) A sheriff's law enforcement employee who has service in any other capacity may convert up to 10 years of that service into service as a sheriff's law enforcement employee by paying to the Fund an amount equal to the additional contribution required under Section 7-173.1, plus interest at the prescribed rate from the date of the service to the date of payment.

9 (Source: P.A. 85-941.)

10 (40 ILCS 5/7-144.3) (from Ch. 108 1/2, par. 7-144.3)

Sec. 7-144.3. Supplemental benefit payment.

- (a) A supplemental benefit payment, consisting of a sum calculated as provided in subsection (c), shall be payable to each eligible retirement annuitant and surviving spouse annuitant on July 1, 1993, and on each subsequent July $1.\div$ except that if this Code is amended to change the uncompounded annual increase in retirement annuity granted in subsection (c) of Section 7 142 to a compounded annual increase, No supplemental benefit shall be paid under this Section to a person who retires on or after July 1, 2004 with a retirement annuity calculated under Section 7-142.1 (or under Section 7-145.1, if the annuitant was otherwise eligible to have the retirement annuity calculated under Section 7-142.1); but this exclusion does not apply to the surviving spouses of those persons on any July 1 occurring on or after the effective date of that amendment. The amount of the supplemental benefit payment, and a person's eligibility to receive the supplemental benefit payment, shall be redetermined for each year in which the benefit is payable.
- (b) To be eligible to receive a supplemental benefit payment, a person must be entitled to receive a retirement annuity or surviving spouse annuity from the Fund on the July 1 supplemental benefit payment date, and must have been receiving that annuity during each of the 12 months immediately preceding that date; except that a surviving spouse annuitant whose

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- surviving spouse annuity began less than one year before the

 July 1 supplemental benefit payment date shall be eligible if

 the deceased spouse received a retirement annuity from the Fund

 during the period from the previous July 1 until the start of

 the surviving spouse annuity.
 - (c) The amount of the supplemental benefit payment shall be determined by the Board as follows:
 - (1) The total amount available for the payment of supplemental benefit payments under this Section in any year shall be 0.62% of the last annual participating payroll for all participating municipalities and participating instrumentalities in the Fund, as determined and reconciled by the Fund.
 - (2) The amount of the supplemental benefit payment to each eligible person shall be a portion of the total amount available under paragraph (1), equal to that portion of the total amount payable by the Fund to all eligible persons for retirement and surviving spouse annuities in the June preceding the July 1 supplemental benefit payment date, that is payable to the eligible person in that month.
 - (3) Notwithstanding paragraph (2), the amount of any supplemental benefit payment paid to an annuitant under this Section shall not exceed any benefit limitations established by the federal government for qualified public pension plans.
 - (Source: P.A. 87-850.)
- 27 (40 ILCS 5/7-152) (from Ch. 108 1/2, par. 7-152)
- Sec. 7-152. Disability benefits Amount. The amount of the monthly temporary and total and permanent disability benefits shall be 50% of the participating employee's final rate of earnings on the date disability was incurred, subject to the following adjustments:
- 33 (a) If the participating employee has a reduced rate of 34 earnings at the time his employment ceases because of 35 disability, the rate of earnings shall be computed on the basis

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of his last 12 month period of full-time employment.

If the participating employee is eligible disability benefit under the federal Social Security Act, the amount of monthly disability benefits shall be reduced, but not to less than \$10 a month, by the amount he would be eligible to receive as a disability benefit under the federal Social Security Act, whether or not because of service as a covered employee under this Article. The reduction shall be effective as of the month the employee is eligible for Social Security disability benefits. The Board may make such reduction if it appears that the employee may be so eligible pending determination of eligibility and make an appropriate adjustment if necessary after such determination. employee, because of his refusal to accept rehabilitation services under the federal Rehabilitation Act of 1973 or the federal Social Security Act, or because he is receiving workers' compensation benefits, has his Social Security benefits reduced or terminated, the disability benefit shall be reduced as if the employee were receiving his full Social Security disability benefit.

(c) If the employee (i) is over the age for a full Social Security old-age insurance benefit, (ii) was not eligible for a Social Security disability benefit immediately before reaching that age, and (iii) is eligible for a full Social Security old-age insurance benefit, then the amount of the monthly disability benefit shall be reduced, but not to less than \$10 a month, by the amount of the old-age insurance benefit to which the employee is entitled, whether or not the employee applies for the Social Security old-age insurance benefit. This reduction shall be made in the month after the month in which the employee attains the age for a full Social Security old-age insurance benefit. However, if the employee was receiving a Social Security disability benefit before reaching the age for full Social Security old-age insurance benefit, disability benefits after that age shall be determined under subsection (b) of this Section.

- (d) The amount of disability benefits shall not be reduced by reason of any increase, other than one resulting from a correction in the employee's wage records, in the amount of disability or old-age insurance benefits under the federal Social Security Act which takes effect after the month of the initial reduction under paragraph (b) or (c) of this Section.
- (e) If the employee in any month receives compensation from gainful employment which is more than 25% of the final rate of earnings on which his disability benefits are based, the temporary disability benefit payable for that month shall be reduced by an amount equal to such excess.
- (f) An employee who has been disabled for at least 30 days may return to work for the employer on a part-time basis for a trial work period of up to one year, during which the disability shall be deemed to continue. Service credit shall continue to accrue and the disability benefit shall continue to be paid during the trial work period, but the benefit shall be reduced by the amount of earnings received by the disabled employee. Return to service on a full-time basis shall terminate the trial work period. The reduction under this subsection (f) shall be in lieu of the reduction, if any, required under subsection (e).
- (g) Beginning January 1, 1988, every total and permanent disability benefit shall be increased by 3% of the original amount of the benefit, not compounded, on each January 1 following the later of (1) the date the total and permanent disability benefit begins, or (2) the date the total and permanent disability benefit would have begun if the employee had been paid a temporary disability benefit for 30 months.
- (h) Beginning July 1, 2004, the basic disability benefit for a sheriff's law enforcement employee whose disability is the result of sickness, accident, or injury incurred in or resulting from the performance of an act of duty shall be 65% of the employee's final rate of earnings on the date the disability was incurred, rather than the 50% otherwise provided under this Section. A sheriff's law enforcement employee who

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pursuant thereto.

- 1 meets the requirement of this subsection (h) and is receiving a
- 2 <u>disability benefit on that date shall have the benefit</u>
- 3 increased accordingly.
- 4 (Source: P.A. 92-424, eff. 8-17-01.)
- 5 (40 ILCS 5/7-156) (from Ch. 108 1/2, par. 7-156)
- 6 Sec. 7-156. Surviving spouse annuities amount.
- 7 (a) The amount of surviving spouse annuity shall be:
- 1. Upon the death of an employee annuitant or such person 8 9 entitled, upon application, to a retirement annuity at date of 10 death, (i) an amount equal to 1/2 of the retirement annuity (in 11 the case of such a person who dies on or after July 1, 2004 with at least 20 years of service as a sheriff's law enforcement 12 employee, 66% of the retirement annuity) which was or would 13 14 have been payable exclusive of the amount so payable which was 15 provided from additional credits, and disregarding any 16 election made under paragraph (b) of Section 7-142, plus (ii) an annuity which could be provided at the then attained age of 17 18 the surviving spouse and under actuarial tables then in effect, 19 from the excess of the additional credits, (excluding any such credits used to create a reversionary annuity) used to provide 20 the annuity granted pursuant to paragraph (a) (2) of Section 21 22 7-142 of this article over the total annuity payments made
 - 2. Upon the death of a participating employee on or after attainment of age 55, an amount equal to 1/2 of the retirement annuity (in the case of such a person who dies on or after July 1, 2004 with at least 20 years of service as a sheriff's law enforcement employee, 66% of the retirement annuity) which he could have had as of the date of death had he then retired and applied for annuity, exclusive of the portion thereof which could have been provided from additional credits, and disregarding paragraph (b) of Section 7-142, plus an amount equal to the annuity which could be provided from the total of his accumulated additional credits at date of death, on the basis of the attained age of the surviving spouse on such date.

3. Upon the death of a participating employee before age 55, an amount equal to 1/2 of the retirement annuity (in the case of such a person who dies on or after July 1, 2004 with at least 20 years of service as a sheriff's law enforcement employee, 66% of the retirement annuity) which he could have had as of his attained age on the date of death, had he then retired and applied for annuity, and the provisions of this Article that no such annuity shall begin until the employee has attained at least age 55 were not applicable, exclusive of the portion thereof which could have been provided from additional credits and disregarding paragraph (b) of Section 7-142, plus an amount equal to the annuity which could be provided from the total of his accumulated additional credits at date of death, on the basis of the attained age of the surviving spouse on such date.

In the case of the surviving spouse of a person who dies before the effective date of this amendatory Act of the 93rd General Assembly, if the a surviving spouse is more than 5 years younger than the deceased, that portion of the annuity which is not based on additional credits shall be reduced in the ratio of the value of a life annuity of \$1 per year at an age of 5 years less than the attained age of the deceased, at the earlier of the date of the death or the date his retirement annuity begins, to the value of a life annuity of \$1 per year at the attained age of the surviving spouse on such date, according to actuarial tables approved by the Board. This reduction does not apply to the surviving spouse of a person who dies on or after the effective date of this amendatory Act of the 93rd General Assembly.

In computing the amount of a surviving spouse annuity, incremental increases of retirement annuities to the date of death of the employee annuitant shall be considered.

(b) Each surviving spouse annuity payable on January 1, 1988 shall be increased on that date by 3% of the original amount of the annuity. Each surviving spouse annuity that begins after January 1, 1988 shall be increased on the January

- 1 1 next occurring after the annuity begins, by an amount equal
- 2 to (i) 3% of the original amount thereof if the deceased
- 3 employee was receiving a retirement annuity at the time of his
- death; otherwise (ii) 0.167% of the original amount thereof for
- 5 each complete month which has elapsed since the date the
- 6 annuity began.
- 7 On each January 1 after the date of the initial increase
- 8 under this subsection, each surviving spouse annuity shall be
- 9 increased by 3% of the originally granted amount of the
- 10 annuity.
- 11 (Source: P.A. 85-941.)
- 12 (40 ILCS 5/7-169) (from Ch. 108 1/2, par. 7-169)
- Sec. 7-169. Separation benefits; repayments. If ar
- 14 employee who has received a separation benefit subsequently
- 15 becomes a participating employee, and renders at least 2 years
- of contributing service from the date of such re-entry, he may
- 17 pay to the fund the amount of the separation benefit, plus
- 18 interest at the effective rate for each year from the date of
- 19 payment of the separation benefit to the date of repayment.
- 20 Upon payment his creditable service shall be reinstated and the
- 21 payment shall be credited to his account as normal
- 22 contributions. <u>Beginning July 1, 2004, the requirement of</u>
- 23 returning to service for at least 2 years does not apply to
- 24 persons who return to service as a sheriff's law enforcement
- employee.
- 26 (Source: P.A. 84-1028.)
- 27 (40 ILCS 5/7-173.1) (from Ch. 108 1/2, par. 7-173.1)
- Sec. 7-173.1. Additional contribution by sheriff's law
- enforcement employees.
- 30 (a) Each sheriff's law enforcement employee shall make an
- 31 additional contribution of 1% of earnings, which shall be
- 32 considered as normal contributions. For earnings on or after
- July 1, 1988, the additional contribution shall be 2% of
- earnings. For earnings on or after July 1, 2004, the additional

- 1 <u>contribution shall be 3.1% of earnings; this increase is</u>
- 2 intended to defray the employee's portion of the cost of the
- 3 benefit increases provided by this amendatory Act of the 93rd
- 4 <u>General Assembly.</u>

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- 5 This additional contribution shall be payable for 6 retroactive service periods which the employee elects to 7 establish and to periods of authorized leave of absence.
- (b) If the employee is awarded a retirement annuity under 9 Section 7-142 and not under Section 7-142.1, then the additional contribution required under this Section shall be 10 11 refunded with interest or paid as provided in subsection (c). 12 If the employee returns to a participating status as a sheriff's law enforcement employee, the employee may repay the 13 amount refunded with interest and upon subsequent retirement be 14 entitled to a recomputation of the retirement annuity under 15 16 Section 7-142.1 if the total service as a sheriff's law

enforcement employee meets the requirements of that Section.

- (c) Instead of a refund under subsection (b), the retiring employee may elect to convert the amount of the refund into an annuity, payable separately from the retirement annuity. If the annuitant dies before the guaranteed amount has been distributed, the remainder shall be paid in a lump sum to the designated beneficiary of the annuitant. The Board shall adopt any rules necessary for the implementation of this subsection.
- 25 (Source: P.A. 90-766, eff. 8-14-98.)
- Section 90. The State Mandates Act is amended by adding Section 8.28 as follows:
- 28 (30 ILCS 805/8.28 new)
- Sec. 8.28. Exempt mandate. Notwithstanding Sections 6 and 8

 of this Act, no reimbursement by the State is required for the

 implementation of any mandate created by this amendatory Act of
- 32 the 93rd General Assembly.
- 33 Section 99. Effective date. This Act takes effect upon

1 becoming law.