



**93RD GENERAL ASSEMBLY**  
**State of Illinois**  
**2003 and 2004**

Introduced 2/4/2004, by Denny Jacobs

**SYNOPSIS AS INTRODUCED:**

40 ILCS 5/15-136  
40 ILCS 5/15-157

from Ch. 108 1/2, par. 15-136  
from Ch. 108 1/2, par. 15-157

Amends the State Universities Article of the Illinois Pension Code. Increases the retirement formula for a participant who has 20 or more years of service as a police officer or firefighter. Also increases the employee contributions for participants who are police officers or firefighters by a total of 3% of earnings, in 3 annual increments. Effective immediately.

LRB093 19389 LRD 45127 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT in relation to 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 15-136 and 15-157 as follows:

6 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

7 Sec. 15-136. Retirement annuities - Amount. The provisions  
8 of this Section 15-136 apply only to those participants who are  
9 participating in the traditional benefit package or the  
10 portable benefit package and do not apply to participants who  
11 are participating in the self-managed plan.

12 (a) The amount of a participant's retirement annuity,  
13 expressed in the form of a single-life annuity, shall be  
14 determined by whichever of the following rules is applicable  
15 and provides the largest annuity:

16 Rule 1: The retirement annuity shall be 1.67% of final rate  
17 of earnings for each of the first 10 years of service, 1.90%  
18 for each of the next 10 years of service, 2.10% for each year  
19 of service in excess of 20 but not exceeding 30, and 2.30% for  
20 each year in excess of 30; or for persons who retire on or  
21 after January 1, 1998, 2.2% of the final rate of earnings for  
22 each year of service.

23 Rule 2: The retirement annuity shall be the sum of the  
24 following, determined from amounts credited to the participant  
25 in accordance with the actuarial tables and the prescribed rate  
26 of interest in effect at the time the retirement annuity  
27 begins:

28 (i) the normal annuity which can be provided on an  
29 actuarially equivalent basis, by the accumulated normal  
30 contributions as of the date the annuity begins;

31 (ii) an annuity from employer contributions of an  
32 amount equal to that which can be provided on an

1 actuarially equivalent basis from the accumulated normal  
2 contributions made by the participant under Section  
3 15-113.6 and Section 15-113.7 plus 1.4 times all other  
4 accumulated normal contributions made by the participant;  
5 and

6 (iii) the annuity that can be provided on an  
7 actuarially equivalent basis from the entire contribution  
8 made by the participant under Section 15-113.3.

9 With respect to a police officer or firefighter who retires  
10 on or after August 14, 1998, the accumulated normal  
11 contributions taken into account under clauses (i) and (ii) of  
12 this Rule 2 shall include the additional normal contributions  
13 made by the police officer or firefighter under Section  
14 15-157(a).

15 The amount of a retirement annuity calculated under this  
16 Rule 2 shall be computed solely on the basis of the  
17 participant's accumulated normal contributions, as specified  
18 in this Rule and defined in Section 15-116. Neither an employee  
19 or employer contribution for early retirement under Section  
20 15-136.2 nor any other employer contribution shall be used in  
21 the calculation of the amount of a retirement annuity under  
22 this Rule 2.

23 This amendatory Act of the 91st General Assembly is a  
24 clarification of existing law and applies to every participant  
25 and annuitant without regard to whether status as an employee  
26 terminates before the effective date of this amendatory Act.

27 Rule 3: The retirement annuity of a participant who is  
28 employed at least one-half time during the period on which his  
29 or her final rate of earnings is based, shall be equal to the  
30 participant's years of service not to exceed 30, multiplied by  
31 (1) \$96 if the participant's final rate of earnings is less  
32 than \$3,500, (2) \$108 if the final rate of earnings is at least  
33 \$3,500 but less than \$4,500, (3) \$120 if the final rate of  
34 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if  
35 the final rate of earnings is at least \$5,500 but less than  
36 \$6,500, (5) \$144 if the final rate of earnings is at least

1 \$6,500 but less than \$7,500, (6) \$156 if the final rate of  
2 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if  
3 the final rate of earnings is at least \$8,500 but less than  
4 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or  
5 more, except that the annuity for those persons having made an  
6 election under Section 15-154(a-1) shall be calculated and  
7 payable under the portable retirement benefit program pursuant  
8 to the provisions of Section 15-136.4.

9 Rule 4: A participant who is at least age 50 and has 25 or  
10 more years of service as a police officer or firefighter, and a  
11 participant who is age 55 or over and has at least 20 but less  
12 than 25 years of service as a police officer or firefighter,  
13 shall be entitled to a retirement annuity of 3% ~~2-1/4%~~ of the  
14 final rate of earnings ~~for each of the first 10 years of~~  
15 ~~service as a police officer or firefighter, 2 1/2% for each of~~  
16 ~~the next 10 years of service as a police officer or~~  
17 ~~firefighter, and 2-3/4% for each year of service as a police~~  
18 ~~officer or firefighter in excess of 20.~~ The retirement annuity  
19 for all other service shall be computed under Rule 1.

20 For purposes of this Rule 4, a participant's service as a  
21 firefighter shall also include the following:

22 (i) service that is performed while the person is an  
23 employee under subsection (h) of Section 15-107; and

24 (ii) in the case of an individual who was a  
25 participating employee employed in the fire department of  
26 the University of Illinois's Champaign-Urbana campus  
27 immediately prior to the elimination of that fire  
28 department and who immediately after the elimination of  
29 that fire department transferred to another job with the  
30 University of Illinois, service performed as an employee of  
31 the University of Illinois in a position other than police  
32 officer or firefighter, from the date of that transfer  
33 until the employee's next termination of service with the  
34 University of Illinois.

35 Rule 5: The retirement annuity of a participant who elected  
36 early retirement under the provisions of Section 15-136.2 and

1 who, on or before February 16, 1995, brought administrative  
2 proceedings pursuant to the administrative rules adopted by the  
3 System to challenge the calculation of his or her retirement  
4 annuity shall be the sum of the following, determined from  
5 amounts credited to the participant in accordance with the  
6 actuarial tables and the prescribed rate of interest in effect  
7 at the time the retirement annuity begins:

8 (i) the normal annuity which can be provided on an  
9 actuarially equivalent basis, by the accumulated normal  
10 contributions as of the date the annuity begins; and

11 (ii) an annuity from employer contributions of an  
12 amount equal to that which can be provided on an  
13 actuarially equivalent basis from the accumulated normal  
14 contributions made by the participant under Section  
15 15-113.6 and Section 15-113.7 plus 1.4 times all other  
16 accumulated normal contributions made by the participant;  
17 and

18 (iii) an annuity which can be provided on an  
19 actuarially equivalent basis from the employee  
20 contribution for early retirement under Section 15-136.2,  
21 and an annuity from employer contributions of an amount  
22 equal to that which can be provided on an actuarially  
23 equivalent basis from the employee contribution for early  
24 retirement under Section 15-136.2.

25 In no event shall a retirement annuity under this Rule 5 be  
26 lower than the amount obtained by adding (1) the monthly amount  
27 obtained by dividing the combined employee and employer  
28 contributions made under Section 15-136.2 by the System's  
29 annuity factor for the age of the participant at the beginning  
30 of the annuity payment period and (2) the amount equal to the  
31 participant's annuity if calculated under Rule 1, reduced under  
32 Section 15-136(b) as if no contributions had been made under  
33 Section 15-136.2.

34 With respect to a participant who is qualified for a  
35 retirement annuity under this Rule 5 whose retirement annuity  
36 began before the effective date of this amendatory Act of the

1 91st General Assembly, and for whom an employee contribution  
2 was made under Section 15-136.2, the System shall recalculate  
3 the retirement annuity under this Rule 5 and shall pay any  
4 additional amounts due in the manner provided in Section  
5 15-186.1 for benefits mistakenly set too low.

6 The amount of a retirement annuity calculated under this  
7 Rule 5 shall be computed solely on the basis of those  
8 contributions specifically set forth in this Rule 5. Except as  
9 provided in clause (iii) of this Rule 5, neither an employee  
10 nor employer contribution for early retirement under Section  
11 15-136.2, nor any other employer contribution, shall be used in  
12 the calculation of the amount of a retirement annuity under  
13 this Rule 5.

14 The General Assembly has adopted the changes set forth in  
15 Section 25 of this amendatory Act of the 91st General Assembly  
16 in recognition that the decision of the Appellate Court for the  
17 Fourth District in *Mattis v. State Universities Retirement*  
18 *System et al.* might be deemed to give some right to the  
19 plaintiff in that case. The changes made by Section 25 of this  
20 amendatory Act of the 91st General Assembly are a legislative  
21 implementation of the decision of the Appellate Court for the  
22 Fourth District in *Mattis v. State Universities Retirement*  
23 *System et al.* with respect to that plaintiff.

24 The changes made by Section 25 of this amendatory Act of  
25 the 91st General Assembly apply without regard to whether the  
26 person is in service as an employee on or after its effective  
27 date.

28 (b) The retirement annuity provided under Rules 1 and 3  
29 above shall be reduced by 1/2 of 1% for each month the  
30 participant is under age 60 at the time of retirement. However,  
31 this reduction shall not apply in the following cases:

32 (1) For a disabled participant whose disability  
33 benefits have been discontinued because he or she has  
34 exhausted eligibility for disability benefits under clause  
35 (6) of Section 15-152;

36 (2) For a participant who has at least the number of

1 years of service required to retire at any age under  
2 subsection (a) of Section 15-135; or

3 (3) For that portion of a retirement annuity which has  
4 been provided on account of service of the participant  
5 during periods when he or she performed the duties of a  
6 police officer or firefighter, if these duties were  
7 performed for at least 5 years immediately preceding the  
8 date the retirement annuity is to begin.

9 (c) The maximum retirement annuity provided under Rules 1,  
10 2, 4, and 5 shall be the lesser of (1) the annual limit of  
11 benefits as specified in Section 415 of the Internal Revenue  
12 Code of 1986, as such Section may be amended from time to time  
13 and as such benefit limits shall be adjusted by the  
14 Commissioner of Internal Revenue, and (2) 80% of final rate of  
15 earnings.

16 (d) An annuitant whose status as an employee terminates  
17 after August 14, 1969 shall receive automatic increases in his  
18 or her retirement annuity as follows:

19 Effective January 1 immediately following the date the  
20 retirement annuity begins, the annuitant shall receive an  
21 increase in his or her monthly retirement annuity of 0.125% of  
22 the monthly retirement annuity provided under Rule 1, Rule 2,  
23 Rule 3, Rule 4, or Rule 5, contained in this Section,  
24 multiplied by the number of full months which elapsed from the  
25 date the retirement annuity payments began to January 1, 1972,  
26 plus 0.1667% of such annuity, multiplied by the number of full  
27 months which elapsed from January 1, 1972, or the date the  
28 retirement annuity payments began, whichever is later, to  
29 January 1, 1978, plus 0.25% of such annuity multiplied by the  
30 number of full months which elapsed from January 1, 1978, or  
31 the date the retirement annuity payments began, whichever is  
32 later, to the effective date of the increase.

33 The annuitant shall receive an increase in his or her  
34 monthly retirement annuity on each January 1 thereafter during  
35 the annuitant's life of 3% of the monthly annuity provided  
36 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in

1 this Section. The change made under this subsection by P.A.  
2 81-970 is effective January 1, 1980 and applies to each  
3 annuitant whose status as an employee terminates before or  
4 after that date.

5 Beginning January 1, 1990, all automatic annual increases  
6 payable under this Section shall be calculated as a percentage  
7 of the total annuity payable at the time of the increase,  
8 including all increases previously granted under this Article.

9 The change made in this subsection by P.A. 85-1008 is  
10 effective January 26, 1988, and is applicable without regard to  
11 whether status as an employee terminated before that date.

12 (e) If, on January 1, 1987, or the date the retirement  
13 annuity payment period begins, whichever is later, the sum of  
14 the retirement annuity provided under Rule 1 or Rule 2 of this  
15 Section and the automatic annual increases provided under the  
16 preceding subsection or Section 15-136.1, amounts to less than  
17 the retirement annuity which would be provided by Rule 3, the  
18 retirement annuity shall be increased as of January 1, 1987, or  
19 the date the retirement annuity payment period begins,  
20 whichever is later, to the amount which would be provided by  
21 Rule 3 of this Section. Such increased amount shall be  
22 considered as the retirement annuity in determining benefits  
23 provided under other Sections of this Article. This paragraph  
24 applies without regard to whether status as an employee  
25 terminated before the effective date of this amendatory Act of  
26 1987, provided that the annuitant was employed at least  
27 one-half time during the period on which the final rate of  
28 earnings was based.

29 (f) A participant is entitled to such additional annuity as  
30 may be provided on an actuarially equivalent basis, by any  
31 accumulated additional contributions to his or her credit.  
32 However, the additional contributions made by the participant  
33 toward the automatic increases in annuity provided under this  
34 Section shall not be taken into account in determining the  
35 amount of such additional annuity.

36 (g) If, (1) by law, a function of a governmental unit, as



1 defined by Section 20-107 of this Code, is transferred in whole  
2 or in part to an employer, and (2) a participant transfers  
3 employment from such governmental unit to such employer within  
4 6 months after the transfer of the function, and (3) the sum of  
5 (A) the annuity payable to the participant under Rule 1, 2, or  
6 3 of this Section (B) all proportional annuities payable to the  
7 participant by all other retirement systems covered by Article  
8 20, and (C) the initial primary insurance amount to which the  
9 participant is entitled under the Social Security Act, is less  
10 than the retirement annuity which would have been payable if  
11 all of the participant's pension credits validated under  
12 Section 20-109 had been validated under this system, a  
13 supplemental annuity equal to the difference in such amounts  
14 shall be payable to the participant.

15 (h) On January 1, 1981, an annuitant who was receiving a  
16 retirement annuity on or before January 1, 1971 shall have his  
17 or her retirement annuity then being paid increased \$1 per  
18 month for each year of creditable service. On January 1, 1982,  
19 an annuitant whose retirement annuity began on or before  
20 January 1, 1977, shall have his or her retirement annuity then  
21 being paid increased \$1 per month for each year of creditable  
22 service.

23 (i) On January 1, 1987, any annuitant whose retirement  
24 annuity began on or before January 1, 1977, shall have the  
25 monthly retirement annuity increased by an amount equal to 8¢  
26 per year of creditable service times the number of years that  
27 have elapsed since the annuity began.

28 (Source: P.A. 92-16, eff. 6-28-01; 93-347, eff. 7-24-03.)

29 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

30 Sec. 15-157. Employee Contributions.

31 (a) Each participating employee shall make contributions  
32 towards the retirement benefits payable under the retirement  
33 program applicable to the employee from each payment of  
34 earnings applicable to employment under this system on and  
35 after the date of becoming a participant as follows: Prior to

1 September 1, 1949, 3 1/2% of earnings; from September 1, 1949  
2 to August 31, 1955, 5%; from September 1, 1955 to August 31,  
3 1969, 6%; from September 1, 1969, 6 1/2%. These contributions  
4 are to be considered as normal contributions for purposes of  
5 this Article.

6 Each participant who is a police officer or firefighter  
7 shall make normal contributions of 8% through December 31,  
8 2004, 9% in 2005, 10% in 2006, and 11% in 2007 and thereafter,  
9 of each payment of earnings applicable to employment as a  
10 police officer or firefighter under this system on or after  
11 September 1, 1981, unless he or she files with the board within  
12 60 days after the effective date of this amendatory Act of 1991  
13 or 60 days after the board receives notice that he or she is  
14 employed as a police officer or firefighter, whichever is  
15 later, a written notice waiving the retirement formula provided  
16 by Rule 4 of Section 15-136. This waiver shall be irrevocable.  
17 If a participant had met the conditions set forth in Section  
18 15-132.1 prior to the effective date of this amendatory Act of  
19 1991 but failed to make the additional normal contributions  
20 required by this paragraph, he or she may elect to pay the  
21 additional contributions plus compound interest at the  
22 effective rate. If such payment is received by the board, the  
23 service shall be considered as police officer service in  
24 calculating the retirement annuity under Rule 4 of Section  
25 15-136. While performing service described in clause (i) or  
26 (ii) of Rule 4 of Section 15-136, a participating employee  
27 shall be deemed to be employed as a firefighter for the purpose  
28 of determining the rate of employee contributions under this  
29 Section.

30 (b) Starting September 1, 1969, each participating  
31 employee shall make additional contributions of 1/2 of 1% of  
32 earnings to finance a portion of the cost of the annual  
33 increases in retirement annuity provided under Section 15-136,  
34 except that with respect to participants in the self-managed  
35 plan this additional contribution shall be used to finance the  
36 benefits obtained under that retirement program.

1 (c) In addition to the amounts described in subsections (a)  
2 and (b) of this Section, each participating employee shall make  
3 contributions of 1% of earnings applicable under this system on  
4 and after August 1, 1959. The contributions made under this  
5 subsection (c) shall be considered as survivor's insurance  
6 contributions for purposes of this Article if the employee is  
7 covered under the traditional benefit package, and such  
8 contributions shall be considered as additional contributions  
9 for purposes of this Article if the employee is participating  
10 in the self-managed plan or has elected to participate in the  
11 portable benefit package and has completed the applicable  
12 one-year waiting period. Contributions in excess of \$80 during  
13 any fiscal year beginning before August 31, 1969 and in excess  
14 of \$120 during any fiscal year thereafter until September 1,  
15 1971 shall be considered as additional contributions for  
16 purposes of this Article.

17 (d) If the board by board rule so permits and subject to  
18 such conditions and limitations as may be specified in its  
19 rules, a participant may make other additional contributions of  
20 such percentage of earnings or amounts as the participant shall  
21 elect in a written notice thereof received by the board.

22 (e) That fraction of a participant's total accumulated  
23 normal contributions, the numerator of which is equal to the  
24 number of years of service in excess of that which is required  
25 to qualify for the maximum retirement annuity, and the  
26 denominator of which is equal to the total service of the  
27 participant, shall be considered as accumulated additional  
28 contributions. The determination of the applicable maximum  
29 annuity and the adjustment in contributions required by this  
30 provision shall be made as of the date of the participant's  
31 retirement.

32 (f) Notwithstanding the foregoing, a participating  
33 employee shall not be required to make contributions under this  
34 Section after the date upon which continuance of such  
35 contributions would otherwise cause his or her retirement  
36 annuity to exceed the maximum retirement annuity as specified

1 in clause (1) of subsection (c) of Section 15-136.

2 (g) A participating employee may make contributions for the  
3 purchase of service credit under this Article.

4 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,  
5 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;  
6 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

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