

**SB2448**



**95TH GENERAL ASSEMBLY**

**State of Illinois**

**2007 and 2008**

**SB2448**

Introduced 2/15/2008, by Sen. Gary Forby

**SYNOPSIS AS INTRODUCED:**

See Index

Amends the General Assembly, State Employees, State Universities, Downstate Teachers, and Judges Articles of the Illinois Pension Code. Declares it to be the public policy of this State and the intention of the General Assembly to protect annuitants against significant decreases in the purchasing power of retirement and survivor's annuities. Directs the Systems to review and report on significant changes in purchasing power. Provides for a one-time increase in certain retirement and survivor's annuities. Includes language exempting the changes from provisions concerning new benefit increases. Effective immediately.

LRB095 14428 AMC 40333 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

**A BILL FOR**

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 2-119.01, 2-121.1, 2-124, 2-162, 14-108, 14-109,  
6 14-121, 14-131, 14-152.1, 15-136, 15-136.3, 15-145, 15-155,  
7 15-198, 16-133, 16-136.2, 16-143.1, 16-158, 16-203, 18-125,  
8 18-128.01, 18-131, and 18-169 and adding Sections 2-119.2,  
9 14-109.1, 15-137.1, 16-136.5, and 18-125.2 as follows:

10 (40 ILCS 5/2-119.01) (from Ch. 108 1/2, par. 2-119.01)

11 Sec. 2-119.01. Retirement annuities - Amount.

12 (a) For a participant in service after June 30, 1977 who  
13 has not made contributions to this System after January 1,  
14 1982, the annual retirement annuity is 3% for each of the first  
15 8 years of service, plus 4% for each of the next 4 years of  
16 service, plus 5% for each year of service in excess of 12  
17 years, based on the participant's highest salary for annuity  
18 purposes. The maximum retirement annuity payable shall be 80%  
19 of the participant's highest salary for annuity purposes.

20 (b) For a participant in service after June 30, 1977 who  
21 has made contributions to this System on or after January 1,  
22 1982, the annual retirement annuity is 3% for each of the first  
23 4 years of service, plus 3 1/2% for each of the next 2 years of

1 service, plus 4% for each of the next 2 years of service, plus  
2 4 1/2% for each of the next 4 years of service, plus 5% for each  
3 year of service in excess of 12 years, of the participant's  
4 highest salary for annuity purposes. The maximum retirement  
5 annuity payable shall be 85% of the participant's highest  
6 salary for annuity purposes.

7 (c) On July 1, 2008, every annuitant who began receiving a  
8 retirement annuity before January 1, 1980 shall have the  
9 monthly retirement annuity increased by whichever of the  
10 following percentages is applicable:

11 5% if the annuity began in 1979;

12 10% if the annuity began in 1978;

13 14% if the annuity began in 1977;

14 14% if the annuity began in 1976;

15 18% if the annuity began in 1975;

16 23% if the annuity began in 1974;

17 32% if the annuity began in 1973 or before.

18 The increase under this subsection shall be calculated as a  
19 percentage of the amount of the retirement annuity payable on  
20 June 30, 2008, including any increases previously received  
21 under this Article, and shall be included in the calculation of  
22 increases granted thereafter under Section 2-119.1.

23 (Source: P.A. 86-1488.)

24 (40 ILCS 5/2-119.2 new)

25 Sec. 2-119.2. Reduction of purchasing power; policy;

1 report; increase.

2 (a) The General Assembly finds and declares that:

3 (1) The purchasing power of a fixed annuity can be  
4 eroded over time by the effects of inflation and increases  
5 in the general cost of living.

6 (2) For a person whose income consists primarily of a  
7 fixed annuity, the reduction in purchasing power resulting  
8 from increases in the cost of living can become  
9 catastrophic over time, transforming a once-comfortable  
10 retirement into a time of poverty and need.

11 (3) The State of Illinois is concerned about the  
12 effects that a significant reduction in purchasing power  
13 can have on the quality of life of retired employees and  
14 their survivors.

15 (4) The General Assembly has previously addressed this  
16 concern by providing for automatic annual increases in  
17 retirement and survivor's annuities under this Article.  
18 Recognizing that these automatic annual increases, by  
19 themselves, are not a complete answer in times of high  
20 inflation, the General Assembly has also, from time to  
21 time, provided specific one-time increases in annuities  
22 for certain categories of annuitants.

23 (b) It is the public policy of this State and the intention  
24 of the General Assembly to protect annuitants against  
25 significant decreases in the purchasing power of the retirement  
26 and survivor's annuities granted under this Article.

1       (c) The System shall regularly review the changes that have  
2 occurred in the purchasing power of the retirement and  
3 survivor's annuities being paid under this Article, and it  
4 shall report to the General Assembly, the Governor, and the  
5 Commission on Government Forecasting and Accountability  
6 whenever it determines that the original purchasing power of  
7 those annuities has been reduced by 20% or more for any  
8 category or group of annuitants. The System may include in the  
9 report its recommendations, if any, for legislative action to  
10 address its findings.

11       (d) As used in this Section, the term "retirement and  
12 survivor's annuities" means all retirement annuities and those  
13 survivors insurance benefits payable in the form of an annuity.

14       (40 ILCS 5/2-121.1) (from Ch. 108 1/2, par. 2-121.1)

15       Sec. 2-121.1. Survivor's annuity - amount.

16       (a) A surviving spouse shall be entitled to 66 2/3% of the  
17 amount of retirement annuity to which the participant or  
18 annuitant was entitled on the date of death, without regard to  
19 whether the participant had attained age 55 prior to his or her  
20 death, subject to a minimum payment of 10% of salary. If a  
21 surviving spouse, regardless of age, has in his or her care at  
22 the date of death any eligible child or children of the  
23 participant, the survivor's annuity shall be the greater of the  
24 following: (1) 66 2/3% of the amount of retirement annuity to  
25 which the participant or annuitant was entitled on the date of

1 death, or (2) 30% of the participant's salary increased by 10%  
2 of salary on account of each such child, subject to a total  
3 payment for the surviving spouse and children of 50% of salary.  
4 If eligible children survive but there is no surviving spouse,  
5 or if the surviving spouse dies or becomes disqualified by  
6 remarriage while eligible children survive, each eligible  
7 child shall be entitled to an annuity of 20% of salary, subject  
8 to a maximum total payment for all such children of 50% of  
9 salary.

10 However, the survivor's annuity payable under this Section  
11 shall not be less than 100% of the amount of retirement annuity  
12 to which the participant or annuitant was entitled on the date  
13 of death, if he or she is survived by a dependent disabled  
14 child.

15 The salary to be used for determining these benefits shall  
16 be the salary used for determining the amount of retirement  
17 annuity as provided in Section 2-119.01.

18 (b) Upon the death of a participant after the termination  
19 of service or upon death of an annuitant, the maximum total  
20 payment to a surviving spouse and eligible children, or to  
21 eligible children alone if there is no surviving spouse, shall  
22 be 75% of the retirement annuity to which the participant or  
23 annuitant was entitled, unless there is a dependent disabled  
24 child among the survivors.

25 (c) When a child ceases to be an eligible child, the  
26 annuity to that child, or to the surviving spouse on account of

1 that child, shall thereupon cease, and the annuity payable to  
2 the surviving spouse or other eligible children shall be  
3 recalculated if necessary.

4 Upon the ineligibility of the last eligible child, the  
5 annuity shall immediately revert to the amount payable upon  
6 death of a participant or annuitant who leaves no eligible  
7 children. If the surviving spouse is then under age 50, the  
8 annuity as revised shall be deferred until the attainment of  
9 age 50.

10 (d) Beginning January 1, 1990, every survivor's annuity  
11 shall be increased (1) on each January 1 occurring on or after  
12 the commencement of the annuity if the deceased member died  
13 while receiving a retirement annuity, or (2) in other cases, on  
14 each January 1 occurring on or after the first anniversary of  
15 the commencement of the annuity, by an amount equal to 3% of  
16 the current amount of the annuity, including any previous  
17 increases under this Article. Such increases shall apply  
18 without regard to whether the deceased member was in service on  
19 or after the effective date of this amendatory Act of 1991, but  
20 shall not accrue for any period prior to January 1, 1990.

21 (e) Notwithstanding any other provision of this Article,  
22 beginning January 1, 1990, the minimum survivor's annuity  
23 payable to any person who is entitled to receive a survivor's  
24 annuity under this Article shall be \$300 per month, without  
25 regard to whether or not the deceased participant was in  
26 service on the effective date of this amendatory Act of 1989.

1 (f) In the case of a proportional survivor's annuity  
2 arising under the Retirement Systems Reciprocal Act where the  
3 amount payable by the System on January 1, 1993 is less than  
4 \$300 per month, the amount payable by the System shall be  
5 increased beginning on that date by a monthly amount equal to  
6 \$2 for each full year that has expired since the annuity began.

7 (g) On July 1, 2008, every recipient of a survivor's  
8 annuity whose original annuity began before January 1, 1980  
9 shall have the monthly survivor's annuity increased by  
10 whichever of the following percentages is applicable:

11 5% if the original annuity began in 1979;

12 10% if the original annuity began in 1978;

13 14% if the original annuity began in 1977;

14 14% if the original annuity began in 1976;

15 18% if the original annuity began in 1975;

16 23% if the original annuity began in 1974;

17 32% if the original annuity began in 1973 or before.

18 In the case of the survivor of a deceased annuitant who  
19 died while receiving a retirement annuity, "original annuity"  
20 means the deceased annuitant's retirement annuity; in all other  
21 cases, "original annuity" means the survivor's annuity.

22 The increase under this subsection shall be calculated as a  
23 percentage of the amount of the survivor's annuity payable on  
24 June 30, 2008, including any increases previously received  
25 under this Article, and shall be included in the calculation of  
26 increases granted thereafter under subsection (d).



1 (Source: P.A. 91-887, eff. 7-6-00.)

2 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

3 Sec. 2-124. Contributions by State.

4 (a) The State shall make contributions to the System by  
5 appropriations of amounts which, together with the  
6 contributions of participants, interest earned on investments,  
7 and other income will meet the cost of maintaining and  
8 administering the System on a 90% funded basis in accordance  
9 with actuarial recommendations.

10 (b) The Board shall determine the amount of State  
11 contributions required for each fiscal year on the basis of the  
12 actuarial tables and other assumptions adopted by the Board and  
13 the prescribed rate of interest, using the formula in  
14 subsection (c). The minimum contribution to the System to be  
15 made by the State for each fiscal year shall be the sum of the  
16 amount determined under subsection (c).

17 (c) For State fiscal years 2011 through 2045, the minimum  
18 contribution to the System to be made by the State for each  
19 fiscal year shall be an amount determined by the System to be  
20 sufficient to bring the total assets of the System up to 90% of  
21 the total actuarial liabilities of the System by the end of  
22 State fiscal year 2045. In making these determinations, the  
23 required State contribution shall be calculated each year as a  
24 level percentage of payroll over the years remaining to and  
25 including fiscal year 2045 and shall be determined under the

1 projected unit credit actuarial cost method.

2 For State fiscal years 1996 through 2005, the State  
3 contribution to the System, as a percentage of the applicable  
4 employee payroll, shall be increased in equal annual increments  
5 so that by State fiscal year 2011, the State is contributing at  
6 the rate required under this Section.

7 Notwithstanding any other provision of this Article, the  
8 total required State contribution for State fiscal year 2006 is  
9 \$4,157,000.

10 Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2007 is  
12 \$5,220,300.

13 For each of State fiscal years 2008 through 2010, the State  
14 contribution to the System, as a percentage of the applicable  
15 employee payroll, shall be increased in equal annual increments  
16 from the required State contribution for State fiscal year  
17 2007, so that by State fiscal year 2011, the State is  
18 contributing at the rate otherwise required under this Section.

19 Beginning in State fiscal year 2046, the minimum State  
20 contribution for each fiscal year shall be the amount needed to  
21 maintain the total assets of the System at 90% of the total  
22 actuarial liabilities of the System.

23 Amounts received by the System pursuant to Section 25 of  
24 the Budget Stabilization Act in any fiscal year do not reduce  
25 and do not constitute payment of any portion of the minimum  
26 State contribution required under this Article in that fiscal

1 year. Such amounts shall not reduce, and shall not be included  
2 in the calculation of, the required State contributions under  
3 this Article in any future year until the System has reached a  
4 funding ratio of at least 90%. A reference in this Article to  
5 the "required State contribution" or any substantially similar  
6 term does not include or apply to any amounts payable to the  
7 System under Section 25 of the Budget Stabilization Act.

8 Notwithstanding any other provision of this Section, the  
9 required State contribution for State fiscal year 2005 and for  
10 fiscal year 2008 and each fiscal year thereafter, as calculated  
11 under this Section and certified under Section 2-134, shall not  
12 exceed an amount equal to (i) the amount of the required State  
13 contribution that would have been calculated under this Section  
14 for that fiscal year if the System had not received any  
15 payments under subsection (d) of Section 7.2 of the General  
16 Obligation Bond Act, minus (ii) the portion of the State's  
17 total debt service payments for that fiscal year on the bonds  
18 issued for the purposes of that Section 7.2, as determined and  
19 certified by the Comptroller, that is the same as the System's  
20 portion of the total moneys distributed under subsection (d) of  
21 Section 7.2 of the General Obligation Bond Act. In determining  
22 this maximum for State fiscal years 2008 through 2010, however,  
23 the amount referred to in item (i) shall be increased, as a  
24 percentage of the applicable employee payroll, in equal  
25 increments calculated from the sum of the required State  
26 contribution for State fiscal year 2007 plus the applicable

1 portion of the State's total debt service payments for fiscal  
2 year 2007 on the bonds issued for the purposes of Section 7.2  
3 of the General Obligation Bond Act, so that, by State fiscal  
4 year 2011, the State is contributing at the rate otherwise  
5 required under this Section.

6 (Source: P.A. 93-2, eff. 4-7-03; 94-4, eff. 6-1-05; 94-839,  
7 eff. 6-6-06.)

8 (40 ILCS 5/2-162)

9 Sec. 2-162. Application and expiration of new benefit  
10 increases.

11 (a) As used in this Section, "new benefit increase" means  
12 an increase in the amount of any benefit provided under this  
13 Article, or an expansion of the conditions of eligibility for  
14 any benefit under this Article, that results from an amendment  
15 to this Code that takes effect after June 1, 2005 (the  
16 effective date of Public Act 94-4) ~~this amendatory Act of the~~  
17 ~~94th General Assembly~~. "New benefit increase", however, does  
18 not include any benefit increase resulting from the changes  
19 made to this Article by this amendatory Act of the 95th General  
20 Assembly.

21 (b) Notwithstanding any other provision of this Code or any  
22 subsequent amendment to this Code, every new benefit increase  
23 is subject to this Section and shall be deemed to be granted  
24 only in conformance with and contingent upon compliance with  
25 the provisions of this Section.

1           (c) The Public Act enacting a new benefit increase must  
2 identify and provide for payment to the System of additional  
3 funding at least sufficient to fund the resulting annual  
4 increase in cost to the System as it accrues.

5           Every new benefit increase is contingent upon the General  
6 Assembly providing the additional funding required under this  
7 subsection. The Commission on Government Forecasting and  
8 Accountability shall analyze whether adequate additional  
9 funding has been provided for the new benefit increase and  
10 shall report its analysis to the Public Pension Division of the  
11 Department of Financial and Professional Regulation. A new  
12 benefit increase created by a Public Act that does not include  
13 the additional funding required under this subsection is null  
14 and void. If the Public Pension Division determines that the  
15 additional funding provided for a new benefit increase under  
16 this subsection is or has become inadequate, it may so certify  
17 to the Governor and the State Comptroller and, in the absence  
18 of corrective action by the General Assembly, the new benefit  
19 increase shall expire at the end of the fiscal year in which  
20 the certification is made.

21           (d) Every new benefit increase shall expire 5 years after  
22 its effective date or on such earlier date as may be specified  
23 in the language enacting the new benefit increase or provided  
24 under subsection (c). This does not prevent the General  
25 Assembly from extending or re-creating a new benefit increase  
26 by law.

1           (e) Except as otherwise provided in the language creating  
2 the new benefit increase, a new benefit increase that expires  
3 under this Section continues to apply to persons who applied  
4 and qualified for the affected benefit while the new benefit  
5 increase was in effect and to the affected beneficiaries and  
6 alternate payees of such persons, but does not apply to any  
7 other person, including without limitation a person who  
8 continues in service after the expiration date and did not  
9 apply and qualify for the affected benefit while the new  
10 benefit increase was in effect.

11       (Source: P.A. 94-4, eff. 6-1-05.)

12           (40 ILCS 5/14-108) (from Ch. 108 1/2, par. 14-108)

13           Sec. 14-108. Amount of retirement annuity. A member who has  
14 contributed to the System for at least 12 months shall be  
15 entitled to a prior service annuity for each year of certified  
16 prior service credited to him, except that a member shall  
17 receive 1/3 of the prior service annuity for each year of  
18 service for which contributions have been made and all of such  
19 annuity shall be payable after the member has made  
20 contributions for a period of 3 years. Proportionate amounts  
21 shall be payable for service of less than a full year after  
22 completion of at least 12 months.

23           The total period of service to be considered in  
24 establishing the measure of prior service annuity shall include  
25 service credited in the Teachers' Retirement System of the

1 State of Illinois and the State Universities Retirement System  
2 for which contributions have been made by the member to such  
3 systems; provided that at least 1 year of the total period of 3  
4 years prescribed for the allowance of a full measure of prior  
5 service annuity shall consist of membership service in this  
6 system for which credit has been granted.

7 (a) In the case of a member who retires on or after January  
8 1, 1998 and is a noncovered employee, the retirement annuity  
9 for membership service and prior service shall be 2.2% of final  
10 average compensation for each year of service. Any service  
11 credit established as a covered employee shall be computed as  
12 stated in paragraph (b).

13 (b) In the case of a member who retires on or after January  
14 1, 1998 and is a covered employee, the retirement annuity for  
15 membership service and prior service shall be computed as  
16 stated in paragraph (a) for all service credit established as a  
17 noncovered employee; for service credit established as a  
18 covered employee it shall be 1.67% of final average  
19 compensation for each year of service.

20 (c) For a member retiring after attaining age 55 but before  
21 age 60 with at least 30 but less than 35 years of creditable  
22 service if retirement is before January 1, 2001, or with at  
23 least 25 but less than 30 years of creditable service if  
24 retirement is on or after January 1, 2001, the retirement  
25 annuity shall be reduced by 1/2 of 1% for each month that the  
26 member's age is under age 60 at the time of retirement.

1           (d) A retirement annuity shall not exceed 75% of final  
2 average compensation, subject to such extension as may result  
3 from the application of Section 14-114 or Section 14-115.

4           (e) The retirement annuity payable to any covered employee  
5 who is a member of the System and in service on January 1,  
6 1969, or in service thereafter in 1969 as a result of  
7 legislation enacted by the Illinois General Assembly  
8 transferring the member to State employment from county  
9 employment in a county Department of Public Aid in counties of  
10 3,000,000 or more population, under a plan of coordination with  
11 the Old Age, Survivors and Disability provisions thereof, if  
12 not fully insured for Old Age Insurance payments under the  
13 Federal Old Age, Survivors and Disability Insurance provisions  
14 at the date of acceptance of a retirement annuity, shall not be  
15 less than the amount for which the member would have been  
16 eligible if coordination were not applicable.

17           (f) The retirement annuity payable to any covered employee  
18 who is a member of the System and in service on January 1,  
19 1969, or in service thereafter in 1969 as a result of the  
20 legislation designated in the immediately preceding paragraph,  
21 if fully insured for Old Age Insurance payments under the  
22 Federal Social Security Act at the date of acceptance of a  
23 retirement annuity, shall not be less than an amount which when  
24 added to the Primary Insurance Benefit payable to the member  
25 upon attainment of age 65 under such Federal Act, will equal  
26 the annuity which would otherwise be payable if the coordinated



1 plan of coverage were not applicable.

2 (g) In the case of a member who is a noncovered employee,  
3 the retirement annuity for membership service as a security  
4 employee of the Department of Corrections or security employee  
5 of the Department of Human Services shall be: if retirement  
6 occurs on or after January 1, 2001, 3% of final average  
7 compensation for each year of creditable service; or if  
8 retirement occurs before January 1, 2001, 1.9% of final average  
9 compensation for each of the first 10 years of service, 2.1%  
10 for each of the next 10 years of service, 2.25% for each year  
11 of service in excess of 20 but not exceeding 30, and 2.5% for  
12 each year in excess of 30; except that the annuity may be  
13 calculated under subsection (a) rather than this subsection (g)  
14 if the resulting annuity is greater.

15 (h) In the case of a member who is a covered employee, the  
16 retirement annuity for membership service as a security  
17 employee of the Department of Corrections or security employee  
18 of the Department of Human Services shall be: if retirement  
19 occurs on or after January 1, 2001, 2.5% of final average  
20 compensation for each year of creditable service; if retirement  
21 occurs before January 1, 2001, 1.67% of final average  
22 compensation for each of the first 10 years of service, 1.90%  
23 for each of the next 10 years of service, 2.10% for each year  
24 of service in excess of 20 but not exceeding 30, and 2.30% for  
25 each year in excess of 30.

26 (i) For the purposes of this Section and Section 14-133 of

1 this Act, the term "security employee of the Department of  
2 Corrections" and the term "security employee of the Department  
3 of Human Services" shall have the meanings ascribed to them in  
4 subsection (c) of Section 14-110.

5 (j) The retirement annuity computed pursuant to paragraphs  
6 (g) or (h) shall be applicable only to those security employees  
7 of the Department of Corrections and security employees of the  
8 Department of Human Services who have at least 20 years of  
9 membership service and who are not eligible for the alternative  
10 retirement annuity provided under Section 14-110. However,  
11 persons transferring to this System under Section 14-108.2 or  
12 14-108.2c who have service credit under Article 16 of this Code  
13 may count such service toward establishing their eligibility  
14 under the 20-year service requirement of this subsection; but  
15 such service may be used only for establishing such  
16 eligibility, and not for the purpose of increasing or  
17 calculating any benefit.

18 (k) (Blank).

19 (l) The changes to this Section made by this amendatory Act  
20 of 1997 (changing certain retirement annuity formulas from a  
21 stepped rate to a flat rate) apply to members who retire on or  
22 after January 1, 1998, without regard to whether employment  
23 terminated before the effective date of this amendatory Act of  
24 1997. An annuity shall not be calculated in steps by using the  
25 new flat rate for some steps and the superseded stepped rate  
26 for other steps of the same type of service.

1       (m) On July 1, 2008, every annuitant who began receiving a  
2       retirement annuity before January 1, 1980 shall have the  
3       monthly retirement annuity increased by whichever of the  
4       following percentages is applicable:

5               5% if the annuity began in 1979;

6               10% if the annuity began in 1978;

7               14% if the annuity began in 1977;

8               14% if the annuity began in 1976;

9               18% if the annuity began in 1975;

10              23% if the annuity began in 1974;

11              32% if the annuity began in 1973 or before.

12       The increase under this subsection shall be calculated as a  
13       percentage of the amount of the retirement annuity payable on  
14       June 30, 2008, including any increases previously received  
15       under this Article, and shall be included in the calculation of  
16       increases granted thereafter under Section 14-114.

17       (Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01.)

18               (40 ILCS 5/14-109) (from Ch. 108 1/2, par. 14-109)

19               Sec. 14-109. Minimum retirement annuity.

20               (a) Beginning January 1, 1987, any person who is receiving  
21       a monthly retirement annuity under this Article which, after  
22       inclusion of (1) all one-time and automatic annual increases to  
23       which the person is entitled, (2) any supplemental annuity  
24       payable under Section 14-115, and (3) any amount deducted under  
25       Section 14-113 to provide a reversionary annuity, is less than

1 the minimum monthly retirement benefit amount specified in  
2 subsection (b) of this Section, shall be entitled to a monthly  
3 supplemental payment equal to the difference.

4 (b) For purposes of the calculation in subsection (a):

5 (1) Until January 1, 1997, the minimum monthly  
6 retirement benefit amount is the sum of \$15 for each year  
7 of service as a noncovered employee, plus \$7.50 for each  
8 year of service as a covered employee, up to a maximum of  
9 30 years of service.

10 (2) Beginning January 1, 1997, the minimum monthly  
11 retirement benefit amount is the sum of \$25 for each year  
12 of service as a noncovered employee, plus \$15 for each year  
13 of service as a covered employee, up to a maximum of 30  
14 years of service, plus the amount of the increase received  
15 by the annuitant under subsection (m) of Section 14-108, if  
16 any.

17 (c) This Section applies to all persons receiving a  
18 retirement annuity under this Article, without regard to  
19 whether or not employment terminated prior to the effective  
20 date of this amendatory Act of 1996.

21 (Source: P.A. 89-616, eff. 8-9-96.)

22 (40 ILCS 5/14-109.1 new)

23 Sec. 14-109.1. Reduction of purchasing power; policy;  
24 report; increase.

25 (a) The General Assembly finds and declares that:

1           (1) The purchasing power of a fixed annuity can be  
2           eroded over time by the effects of inflation and increases  
3           in the general cost of living.

4           (2) For a person whose income consists primarily of a  
5           fixed annuity, the reduction in purchasing power resulting  
6           from increases in the cost of living can become  
7           catastrophic over time, transforming a once-comfortable  
8           retirement into a time of poverty and need.

9           (3) The State of Illinois is concerned about the  
10           effects that a significant reduction in purchasing power  
11           can have on the quality of life of retired employees and  
12           their survivors.

13           (4) The General Assembly has previously addressed this  
14           concern by providing for automatic annual increases in  
15           retirement and survivor's annuities under this Article.  
16           Recognizing that these automatic annual increases, by  
17           themselves, are not a complete answer in times of high  
18           inflation, the General Assembly has also, from time to  
19           time, provided specific one-time increases in annuities  
20           for certain categories of annuitants.

21           (b) It is the public policy of this State and the intention  
22           of the General Assembly to protect annuitants against  
23           significant decreases in the purchasing power of the retirement  
24           and survivor's annuities granted under this Article.

25           (c) The System shall regularly review the changes that have  
26           occurred in the purchasing power of the retirement and

1 survivor's annuities being paid under this Article, and it  
2 shall report to the General Assembly, the Governor, and the  
3 Commission on Government Forecasting and Accountability  
4 whenever it determines that the original purchasing power of  
5 those annuities has been reduced by 20% or more for any  
6 category or group of annuitants. The System may include in the  
7 report its recommendations, if any, for legislative action to  
8 address its findings.

9 (d) As used in this Section, the term "retirement and  
10 survivor's annuities" means all retirement annuities and those  
11 survivors insurance benefits payable in the form of an annuity.

12 (40 ILCS 5/14-121) (from Ch. 108 1/2, par. 14-121)

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

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

22 (b) If an eligible child or children under the care of a  
23 spouse also survives the member, such spouse as natural  
24 guardian of the child or children shall receive, in addition to  
25 the foregoing annuity, 20% of final average compensation on

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

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

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

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

1 established in this Section.

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

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

19 (h) The minimum payment to a beneficiary hereunder shall be  
20 \$60 per month, which shall be reduced in accordance with the  
21 limitation prescribed on the combined payments to all  
22 beneficiaries of a member.

23 (i) Subject to the conditions set forth in Section 14-120,  
24 the minimum total survivors annuity benefit payable to the  
25 survivors annuity beneficiaries of a deceased member or  
26 annuitant whose death occurs on or after January 1, 1984, shall



1 be 50% of the amount of retirement annuity that was or would  
2 have been payable to the deceased on the date of death,  
3 regardless of the age of the deceased on such date. If the  
4 minimum total benefit provided by this subsection exceeds the  
5 maximum otherwise imposed by this Section, the minimum total  
6 benefit shall nevertheless be payable. Any increase in the  
7 total survivors annuity benefit resulting from the operation of  
8 this subsection shall be divided among the survivors annuity  
9 beneficiaries of the deceased in proportion to their shares of  
10 the total survivors annuity benefit otherwise payable under  
11 this Section.

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

20 (k) Upon the death of the last eligible recipient of a  
21 survivors annuity the excess, if any, of the member's  
22 accumulated contributions plus credited interest over all  
23 annuity payments to the member and survivors exclusive of the  
24 single sum payment of \$1000, shall be paid to the named  
25 beneficiary of the last eligible survivor, or if none has been  
26 named, to the estate of the last eligible survivor, provided no

1 reversionary annuity is payable.

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

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

26 (n) On July 1, 2008, every recipient of a survivor's

1 annuity whose original annuity began before January 1, 1980  
2 shall have the monthly survivor's annuity increased by  
3 whichever of the following percentages is applicable:

4 5% if the original annuity began in 1979;

5 10% if the original annuity began in 1978;

6 14% if the original annuity began in 1977;

7 14% if the original annuity began in 1976;

8 18% if the original annuity began in 1975;

9 23% if the original annuity began in 1974;

10 32% if the original annuity began in 1973 or before.

11 In the case of the survivor of a deceased annuitant who  
12 died while receiving a retirement annuity, "original annuity"  
13 means the deceased annuitant's retirement annuity; in all other  
14 cases, "original annuity" means the survivor's annuity.

15 The increase under this subsection shall be calculated as a  
16 percentage of the amount of the survivor's annuity payable on  
17 June 30, 2008, including any increases previously received  
18 under this Article, and shall be included in the calculation of  
19 increases granted thereafter under subsection (m).

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

21 (40 ILCS 5/14-131) (from Ch. 108 1/2, par. 14-131)

22 Sec. 14-131. Contributions by State.

23 (a) The State shall make contributions to the System by  
24 appropriations of amounts which, together with other employer  
25 contributions from trust, federal, and other funds, employee

1 contributions, investment income, and other income, will be  
2 sufficient to meet the cost of maintaining and administering  
3 the System on a 90% funded basis in accordance with actuarial  
4 recommendations.

5 For the purposes of this Section and Section 14-135.08,  
6 references to State contributions refer only to employer  
7 contributions and do not include employee contributions that  
8 are picked up or otherwise paid by the State or a department on  
9 behalf of the employee.

10 (b) The Board shall determine the total amount of State  
11 contributions required for each fiscal year on the basis of the  
12 actuarial tables and other assumptions adopted by the Board,  
13 using the formula in subsection (e). The minimum contribution  
14 to the System to be made by the State for each fiscal year  
15 shall be the sum of the amount determined under subsection (e).

16 The Board shall also determine a State contribution rate  
17 for each fiscal year, expressed as a percentage of payroll,  
18 based on the total required State contribution for that fiscal  
19 year (less the amount received by the System from  
20 appropriations under Section 8.12 of the State Finance Act and  
21 Section 1 of the State Pension Funds Continuing Appropriation  
22 Act, if any, for the fiscal year ending on the June 30  
23 immediately preceding the applicable November 15 certification  
24 deadline), the estimated payroll (including all forms of  
25 compensation) for personal services rendered by eligible  
26 employees, and the recommendations of the actuary.

1           For the purposes of this Section and Section 14.1 of the  
2 State Finance Act, the term "eligible employees" includes  
3 employees who participate in the System, persons who may elect  
4 to participate in the System but have not so elected, persons  
5 who are serving a qualifying period that is required for  
6 participation, and annuitants employed by a department as  
7 described in subdivision (a) (1) or (a) (2) of Section 14-111.

8           (c) Contributions shall be made by the several departments  
9 for each pay period by warrants drawn by the State Comptroller  
10 against their respective funds or appropriations based upon  
11 vouchers stating the amount to be so contributed. These amounts  
12 shall be based on the full rate certified by the Board under  
13 Section 14-135.08 for that fiscal year. From the effective date  
14 of this amendatory Act of the 93rd General Assembly through the  
15 payment of the final payroll from fiscal year 2004  
16 appropriations, the several departments shall not make  
17 contributions for the remainder of fiscal year 2004 but shall  
18 instead make payments as required under subsection (a-1) of  
19 Section 14.1 of the State Finance Act. The several departments  
20 shall resume those contributions at the commencement of fiscal  
21 year 2005.

22           (d) If an employee is paid from trust funds or federal  
23 funds, the department or other employer shall pay employer  
24 contributions from those funds to the System at the certified  
25 rate, unless the terms of the trust or the federal-State  
26 agreement preclude the use of the funds for that purpose, in

1 which case the required employer contributions shall be paid by  
2 the State. From the effective date of this amendatory Act of  
3 the 93rd General Assembly through the payment of the final  
4 payroll from fiscal year 2004 appropriations, the department or  
5 other employer shall not pay contributions for the remainder of  
6 fiscal year 2004 but shall instead make payments as required  
7 under subsection (a-1) of Section 14.1 of the State Finance  
8 Act. The department or other employer shall resume payment of  
9 contributions at the commencement of fiscal year 2005.

10 (e) For State fiscal years 2011 through 2045, the minimum  
11 contribution to the System to be made by the State for each  
12 fiscal year shall be an amount determined by the System to be  
13 sufficient to bring the total assets of the System up to 90% of  
14 the total actuarial liabilities of the System by the end of  
15 State fiscal year 2045. In making these determinations, the  
16 required State contribution shall be calculated each year as a  
17 level percentage of payroll over the years remaining to and  
18 including fiscal year 2045 and shall be determined under the  
19 projected unit credit actuarial cost method.

20 For State fiscal years 1996 through 2005, the State  
21 contribution to the System, as a percentage of the applicable  
22 employee payroll, shall be increased in equal annual increments  
23 so that by State fiscal year 2011, the State is contributing at  
24 the rate required under this Section; except that (i) for State  
25 fiscal year 1998, for all purposes of this Code and any other  
26 law of this State, the certified percentage of the applicable

1 employee payroll shall be 5.052% for employees earning eligible  
2 creditable service under Section 14-110 and 6.500% for all  
3 other employees, notwithstanding any contrary certification  
4 made under Section 14-135.08 before the effective date of this  
5 amendatory Act of 1997, and (ii) in the following specified  
6 State fiscal years, the State contribution to the System shall  
7 not be less than the following indicated percentages of the  
8 applicable employee payroll, even if the indicated percentage  
9 will produce a State contribution in excess of the amount  
10 otherwise required under this subsection and subsection (a):  
11 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY  
12 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

13 Notwithstanding any other provision of this Article, the  
14 total required State contribution to the System for State  
15 fiscal year 2006 is \$203,783,900.

16 Notwithstanding any other provision of this Article, the  
17 total required State contribution to the System for State  
18 fiscal year 2007 is \$344,164,400.

19 For each of State fiscal years 2008 through 2010, the State  
20 contribution to the System, as a percentage of the applicable  
21 employee payroll, shall be increased in equal annual increments  
22 from the required State contribution for State fiscal year  
23 2007, so that by State fiscal year 2011, the State is  
24 contributing at the rate otherwise required under this Section.

25 Beginning in State fiscal year 2046, the minimum State  
26 contribution for each fiscal year shall be the amount needed to

1 maintain the total assets of the System at 90% of the total  
2 actuarial liabilities of the System.

3       Amounts received by the System pursuant to Section 25 of  
4 the Budget Stabilization Act in any fiscal year do not reduce  
5 and do not constitute payment of any portion of the minimum  
6 State contribution required under this Article in that fiscal  
7 year. Such amounts shall not reduce, and shall not be included  
8 in the calculation of, the required State contributions under  
9 this Article in any future year until the System has reached a  
10 funding ratio of at least 90%. A reference in this Article to  
11 the "required State contribution" or any substantially similar  
12 term does not include or apply to any amounts payable to the  
13 System under Section 25 of the Budget Stabilization Act.

14       Notwithstanding any other provision of this Section, the  
15 required State contribution for State fiscal year 2005 and for  
16 fiscal year 2008 and each fiscal year thereafter, as calculated  
17 under this Section and certified under Section 14-135.08, shall  
18 not exceed an amount equal to (i) the amount of the required  
19 State contribution that would have been calculated under this  
20 Section for that fiscal year if the System had not received any  
21 payments under subsection (d) of Section 7.2 of the General  
22 Obligation Bond Act, minus (ii) the portion of the State's  
23 total debt service payments for that fiscal year on the bonds  
24 issued for the purposes of that Section 7.2, as determined and  
25 certified by the Comptroller, that is the same as the System's  
26 portion of the total moneys distributed under subsection (d) of



1 Section 7.2 of the General Obligation Bond Act. In determining  
2 this maximum for State fiscal years 2008 through 2010, however,  
3 the amount referred to in item (i) shall be increased, as a  
4 percentage of the applicable employee payroll, in equal  
5 increments calculated from the sum of the required State  
6 contribution for State fiscal year 2007 plus the applicable  
7 portion of the State's total debt service payments for fiscal  
8 year 2007 on the bonds issued for the purposes of Section 7.2  
9 of the General Obligation Bond Act, so that, by State fiscal  
10 year 2011, the State is contributing at the rate otherwise  
11 required under this Section.

12 (f) After the submission of all payments for eligible  
13 employees from personal services line items in fiscal year 2004  
14 have been made, the Comptroller shall provide to the System a  
15 certification of the sum of all fiscal year 2004 expenditures  
16 for personal services that would have been covered by payments  
17 to the System under this Section if the provisions of this  
18 amendatory Act of the 93rd General Assembly had not been  
19 enacted. Upon receipt of the certification, the System shall  
20 determine the amount due to the System based on the full rate  
21 certified by the Board under Section 14-135.08 for fiscal year  
22 2004 in order to meet the State's obligation under this  
23 Section. The System shall compare this amount due to the amount  
24 received by the System in fiscal year 2004 through payments  
25 under this Section and under Section 6z-61 of the State Finance  
26 Act. If the amount due is more than the amount received, the

1 difference shall be termed the "Fiscal Year 2004 Shortfall" for  
2 purposes of this Section, and the Fiscal Year 2004 Shortfall  
3 shall be satisfied under Section 1.2 of the State Pension Funds  
4 Continuing Appropriation Act. If the amount due is less than  
5 the amount received, the difference shall be termed the "Fiscal  
6 Year 2004 Overpayment" for purposes of this Section, and the  
7 Fiscal Year 2004 Overpayment shall be repaid by the System to  
8 the Pension Contribution Fund as soon as practicable after the  
9 certification.

10 (Source: P.A. 93-2, eff. 4-7-03; 93-665, eff. 3-5-04; 94-4,  
11 eff. 6-1-05; 94-839, eff. 6-6-06.)

12 (40 ILCS 5/14-152.1)

13 Sec. 14-152.1. Application and expiration of new benefit  
14 increases.

15 (a) As used in this Section, "new benefit increase" means  
16 an increase in the amount of any benefit provided under this  
17 Article, or an expansion of the conditions of eligibility for  
18 any benefit under this Article, that results from an amendment  
19 to this Code that takes effect after June 1, 2005 (the  
20 effective date of Public Act 94-4) ~~this amendatory Act of the~~  
21 ~~94th General Assembly~~. "New benefit increase", however, does  
22 not include any benefit increase resulting from the changes  
23 made to this Article by this amendatory Act of the 95th General  
24 Assembly.

25 (b) Notwithstanding any other provision of this Code or any

1 subsequent amendment to this Code, every new benefit increase  
2 is subject to this Section and shall be deemed to be granted  
3 only in conformance with and contingent upon compliance with  
4 the provisions of this Section.

5 (c) The Public Act enacting a new benefit increase must  
6 identify and provide for payment to the System of additional  
7 funding at least sufficient to fund the resulting annual  
8 increase in cost to the System as it accrues.

9 Every new benefit increase is contingent upon the General  
10 Assembly providing the additional funding required under this  
11 subsection. The Commission on Government Forecasting and  
12 Accountability shall analyze whether adequate additional  
13 funding has been provided for the new benefit increase and  
14 shall report its analysis to the Public Pension Division of the  
15 Department of Financial and Professional Regulation. A new  
16 benefit increase created by a Public Act that does not include  
17 the additional funding required under this subsection is null  
18 and void. If the Public Pension Division determines that the  
19 additional funding provided for a new benefit increase under  
20 this subsection is or has become inadequate, it may so certify  
21 to the Governor and the State Comptroller and, in the absence  
22 of corrective action by the General Assembly, the new benefit  
23 increase shall expire at the end of the fiscal year in which  
24 the certification is made.

25 (d) Every new benefit increase shall expire 5 years after  
26 its effective date or on such earlier date as may be specified

1 in the language enacting the new benefit increase or provided  
2 under subsection (c). This does not prevent the General  
3 Assembly from extending or re-creating a new benefit increase  
4 by law.

5 (e) Except as otherwise provided in the language creating  
6 the new benefit increase, a new benefit increase that expires  
7 under this Section continues to apply to persons who applied  
8 and qualified for the affected benefit while the new benefit  
9 increase was in effect and to the affected beneficiaries and  
10 alternate payees of such persons, but does not apply to any  
11 other person, including without limitation a person who  
12 continues in service after the expiration date and did not  
13 apply and qualify for the affected benefit while the new  
14 benefit increase was in effect.

15 (Source: P.A. 94-4, eff. 6-1-05.)

16 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

17 Sec. 15-136. Retirement annuities - Amount. The provisions  
18 of this Section 15-136 apply only to those participants who are  
19 participating in the traditional benefit package or the  
20 portable benefit package and do not apply to participants who  
21 are participating in the self-managed plan.

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

1           Rule 1: The retirement annuity shall be 1.67% of final rate  
2 of earnings for each of the first 10 years of service, 1.90%  
3 for each of the next 10 years of service, 2.10% for each year  
4 of service in excess of 20 but not exceeding 30, and 2.30% for  
5 each year in excess of 30; or for persons who retire on or  
6 after January 1, 1998, 2.2% of the final rate of earnings for  
7 each year of service.

8           Rule 2: The retirement annuity shall be the sum of the  
9 following, determined from amounts credited to the participant  
10 in accordance with the actuarial tables and the prescribed rate  
11 of interest in effect at the time the retirement annuity  
12 begins:

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

16           (ii) an annuity from employer contributions of an  
17 amount equal to that which can be provided on an  
18 actuarially equivalent basis from the accumulated normal  
19 contributions made by the participant under Section  
20 15-113.6 and Section 15-113.7 plus 1.4 times all other  
21 accumulated normal contributions made by the participant;  
22 and

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

26           With respect to a police officer or firefighter who retires

1 on or after August 14, 1998, the accumulated normal  
2 contributions taken into account under clauses (i) and (ii) of  
3 this Rule 2 shall include the additional normal contributions  
4 made by the police officer or firefighter under Section  
5 15-157(a).

6 The amount of a retirement annuity calculated under this  
7 Rule 2 shall be computed solely on the basis of the  
8 participant's accumulated normal contributions, as specified  
9 in this Rule and defined in Section 15-116. Neither an employee  
10 or 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 2.

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

18 This Rule 2 does not apply to a person who first becomes an  
19 employee under this Article on or after July 1, 2005.

20 Rule 3: The retirement annuity of a participant who is  
21 employed at least one-half time during the period on which his  
22 or her final rate of earnings is based, shall be equal to the  
23 participant's years of service not to exceed 30, multiplied by  
24 (1) \$96 if the participant's final rate of earnings is less  
25 than \$3,500, (2) \$108 if the final rate of earnings is at least  
26 \$3,500 but less than \$4,500, (3) \$120 if the final rate of

1 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if  
2 the final rate of earnings is at least \$5,500 but less than  
3 \$6,500, (5) \$144 if the final rate of earnings is at least  
4 \$6,500 but less than \$7,500, (6) \$156 if the final rate of  
5 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if  
6 the final rate of earnings is at least \$8,500 but less than  
7 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or  
8 more, except that the annuity for those persons having made an  
9 election under Section 15-154(a-1) shall be calculated and  
10 payable under the portable retirement benefit program pursuant  
11 to the provisions of Section 15-136.4.

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

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

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

1           (ii) in the case of an individual who was a  
2 participating employee employed in the fire department of  
3 the University of Illinois's Champaign-Urbana campus  
4 immediately prior to the elimination of that fire  
5 department and who immediately after the elimination of  
6 that fire department transferred to another job with the  
7 University of Illinois, service performed as an employee of  
8 the University of Illinois in a position other than police  
9 officer or firefighter, from the date of that transfer  
10 until the employee's next termination of service with the  
11 University of Illinois.

12           Rule 5: The retirement annuity of a participant who elected  
13 early retirement under the provisions of Section 15-136.2 and  
14 who, on or before February 16, 1995, brought administrative  
15 proceedings pursuant to the administrative rules adopted by the  
16 System to challenge the calculation of his or her retirement  
17 annuity shall be the sum of the following, determined from  
18 amounts credited to the participant in accordance with the  
19 actuarial tables and the prescribed rate of interest in effect  
20 at the time the retirement annuity begins:

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

24           (ii) an annuity from employer contributions of an  
25 amount equal to that which can be provided on an  
26 actuarially equivalent basis from the accumulated normal



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

5 (iii) an annuity which can be provided on an  
6 actuarially equivalent basis from the employee  
7 contribution for early retirement under Section 15-136.2,  
8 and an annuity from employer contributions of an amount  
9 equal to that which can be provided on an actuarially  
10 equivalent basis from the employee contribution for early  
11 retirement under Section 15-136.2.

12 In no event shall a retirement annuity under this Rule 5 be  
13 lower than the amount obtained by adding (1) the monthly amount  
14 obtained by dividing the combined employee and employer  
15 contributions made under Section 15-136.2 by the System's  
16 annuity factor for the age of the participant at the beginning  
17 of the annuity payment period and (2) the amount equal to the  
18 participant's annuity if calculated under Rule 1, reduced under  
19 Section 15-136(b) as if no contributions had been made under  
20 Section 15-136.2.

21 With respect to a participant who is qualified for a  
22 retirement annuity under this Rule 5 whose retirement annuity  
23 began before the effective date of this amendatory Act of the  
24 91st General Assembly, and for whom an employee contribution  
25 was made under Section 15-136.2, the System shall recalculate  
26 the retirement annuity under this Rule 5 and shall pay any

1 additional amounts due in the manner provided in Section  
2 15-186.1 for benefits mistakenly set too low.

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

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

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

25 (b) The retirement annuity provided under Rules 1 and 3  
26 above shall be reduced by 1/2 of 1% for each month the

1 participant is under age 60 at the time of retirement. However,  
2 this reduction shall not apply in the following cases:

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

7 (2) For a participant who has at least the number of  
8 years of service required to retire at any age under  
9 subsection (a) of Section 15-135; or

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

16 (c) The maximum retirement annuity provided under Rules 1,  
17 2, 4, and 5 shall be the lesser of (1) the annual limit of  
18 benefits as specified in Section 415 of the Internal Revenue  
19 Code of 1986, as such Section may be amended from time to time  
20 and as such benefit limits shall be adjusted by the  
21 Commissioner of Internal Revenue, and (2) 80% of final rate of  
22 earnings.

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

26 Effective January 1 immediately following the date the

1 retirement annuity begins, the annuitant shall receive an  
2 increase in his or her monthly retirement annuity of 0.125% of  
3 the monthly retirement annuity provided under Rule 1, Rule 2,  
4 Rule 3, Rule 4, or Rule 5, contained in this Section,  
5 multiplied by the number of full months which elapsed from the  
6 date the retirement annuity payments began to January 1, 1972,  
7 plus 0.1667% of such annuity, multiplied by the number of full  
8 months which elapsed from January 1, 1972, or the date the  
9 retirement annuity payments began, whichever is later, to  
10 January 1, 1978, plus 0.25% of such annuity multiplied by the  
11 number of full months which elapsed from January 1, 1978, or  
12 the date the retirement annuity payments began, whichever is  
13 later, to the effective date of the increase.

14 The annuitant shall receive an increase in his or her  
15 monthly retirement annuity on each January 1 thereafter during  
16 the annuitant's life of 3% of the monthly annuity provided  
17 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in  
18 this Section. The change made under this subsection by P.A.  
19 81-970 is effective January 1, 1980 and applies to each  
20 annuitant whose status as an employee terminates before or  
21 after that date.

22 Beginning January 1, 1990, all automatic annual increases  
23 payable under this Section shall be calculated as a percentage  
24 of the total annuity payable at the time of the increase,  
25 including all increases previously granted under this Article.

26 The change made in this subsection by P.A. 85-1008 is

1 effective January 26, 1988, and is applicable without regard to  
2 whether status as an employee terminated before that date.

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

20 (f) A participant is entitled to such additional annuity as  
21 may be provided on an actuarially equivalent basis, by any  
22 accumulated additional contributions to his or her credit.  
23 However, the additional contributions made by the participant  
24 toward the automatic increases in annuity provided under this  
25 Section shall not be taken into account in determining the  
26 amount of such additional annuity.

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

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

24 (i) On January 1, 1987, any annuitant whose retirement  
25 annuity began on or before January 1, 1977, shall have the  
26 monthly retirement annuity increased by an amount equal to 8¢

1 per year of creditable service times the number of years that  
2 have elapsed since the annuity began.

3 (j) On July 1, 2008, every annuitant who began receiving a  
4 retirement annuity before January 1, 1980 shall have the  
5 monthly retirement annuity increased by whichever of the  
6 following percentages is applicable:

7 5% if the annuity began in 1979;

8 10% if the annuity began in 1978;

9 14% if the annuity began in 1977;

10 14% if the annuity began in 1976;

11 18% if the annuity began in 1975;

12 23% if the annuity began in 1974;

13 32% if the annuity began in 1973 or before.

14 The increase under this subsection shall be calculated as a  
15 percentage of the amount of the retirement annuity payable on  
16 June 30, 2008, including any increases previously received  
17 under this Article, and shall be included in the calculation of  
18 increases granted thereafter under subsection (d).

19 (Source: P.A. 93-347, eff. 7-24-03; 94-4, eff. 6-1-05.)

20 (40 ILCS 5/15-136.3)

21 Sec. 15-136.3. Minimum retirement annuity.

22 (a) Beginning January 1, 1997, any person who is receiving  
23 a monthly retirement annuity under this Article which, after  
24 inclusion of (1) all one-time and automatic annual increases to  
25 which the person is entitled, (2) any supplemental annuity

1 payable under Section 15-136.1, and (3) any amount deducted  
2 under Section 15-138 or 15-140 to provide a reversionary  
3 annuity, is less than the minimum monthly retirement benefit  
4 amount specified in subsection (b) of this Section, shall be  
5 entitled to a monthly supplemental payment equal to the  
6 difference.

7 (b) For purposes of the calculation in subsection (a), the  
8 minimum monthly retirement benefit amount is the sum of \$25 for  
9 each year of service credit, up to a maximum of 30 years of  
10 service, plus the amount of the increase received by the  
11 annuitant under subsection (j) of Section 15-136, if any.

12 (c) This Section applies to all persons receiving a  
13 retirement annuity under this Article, without regard to  
14 whether or not employment terminated prior to the effective  
15 date of this Section.

16 (Source: P.A. 89-616, eff. 8-9-96.)

17 (40 ILCS 5/15-137.1 new)

18 Sec. 15-137.1. Reduction of purchasing power; policy;  
19 report; increase.

20 (a) The General Assembly finds and declares that:

21 (1) The purchasing power of a fixed annuity can be  
22 eroded over time by the effects of inflation and increases  
23 in the general cost of living.

24 (2) For a person whose income consists primarily of a  
25 fixed annuity, the reduction in purchasing power resulting



1 from increases in the cost of living can become  
2 catastrophic over time, transforming a once-comfortable  
3 retirement into a time of poverty and need.

4 (3) The State of Illinois is concerned about the  
5 effects that a significant reduction in purchasing power  
6 can have on the quality of life of retired employees and  
7 their survivors.

8 (4) The General Assembly has previously addressed this  
9 concern by providing for automatic annual increases in  
10 retirement and survivor's annuities under this Article.  
11 Recognizing that these automatic annual increases, by  
12 themselves, are not a complete answer in times of high  
13 inflation, the General Assembly has also, from time to  
14 time, provided specific one-time increases in annuities  
15 for certain categories of annuitants.

16 (b) It is the public policy of this State and the intention  
17 of the General Assembly to protect annuitants against  
18 significant decreases in the purchasing power of the retirement  
19 and survivor's annuities granted under this Article.

20 (c) The System shall regularly review the changes that have  
21 occurred in the purchasing power of the retirement and  
22 survivor's annuities being paid under this Article, and it  
23 shall report to the General Assembly, the Governor, and the  
24 Commission on Government Forecasting and Accountability  
25 whenever it determines that the original purchasing power of  
26 those annuities has been reduced by 20% or more for any

1 category or group of annuitants. The System may include in the  
2 report its recommendations, if any, for legislative action to  
3 address its findings.

4 (d) As used in this Section, the term "retirement and  
5 survivor's annuities" means all retirement annuities and those  
6 survivors insurance benefits payable in the form of an annuity.

7 (e) This Section does not apply to any benefits under the  
8 self-managed plan.

9 (40 ILCS 5/15-145) (from Ch. 108 1/2, par. 15-145)

10 Sec. 15-145. Survivors insurance benefits; conditions and  
11 amounts.

12 (a) The survivors insurance benefits provided under this  
13 Section shall be payable to the eligible survivors of a  
14 participant covered under the traditional benefit package upon  
15 the death of (1) a participating employee with at least 1 1/2  
16 years of service, (2) a participant who terminated employment  
17 with at least 10 years of service, and (3) an annuitant in  
18 receipt of a retirement annuity or disability retirement  
19 annuity under this Article.

20 Service under the State Employees' Retirement System of  
21 Illinois, the Teachers' Retirement System of the State of  
22 Illinois and the Public School Teachers' Pension and Retirement  
23 Fund of Chicago shall be considered in determining eligibility  
24 for survivors benefits under this Section.

25 If by law, a function of a governmental unit, as defined by

1 Section 20-107, is transferred in whole or in part to an  
2 employer, and an employee transfers employment from this  
3 governmental unit to such employer within 6 months after the  
4 transfer of this function, the service credits in the  
5 governmental unit's retirement system which have been  
6 validated under Section 20-109 shall be considered in  
7 determining eligibility for survivors benefits under this  
8 Section.

9 (b) A surviving spouse of a deceased participant, or of a  
10 deceased annuitant who did not take a refund or additional  
11 annuity consisting of accumulated survivors insurance  
12 contributions, shall receive a survivors annuity of 30% of the  
13 final rate of earnings. Payments shall begin on the day  
14 following the participant's or annuitant's death or the date  
15 the surviving spouse attains age 50, whichever is later, and  
16 continue until the death of the surviving spouse. The annuity  
17 shall be payable to the surviving spouse prior to attainment of  
18 age 50 if the surviving spouse has in his or her care a  
19 deceased participant's or annuitant's dependent unmarried  
20 child under age 18 (under age 22 if a full-time student) who is  
21 eligible for a survivors annuity.

22 Remarriage of a surviving spouse prior to attainment of age  
23 55 that occurs before the effective date of this amendatory Act  
24 of the 91st General Assembly shall disqualify him or her for  
25 the receipt of a survivors annuity until July 6, 2000.

26 A surviving spouse whose survivors annuity has been

1 terminated due to remarriage may apply for reinstatement of  
2 that annuity. The reinstated annuity shall begin to accrue on  
3 July 6, 2000, except that if, on July 6, 2000, the annuity is  
4 payable to an eligible surviving child or parent, payment of  
5 the annuity to the surviving spouse shall not be reinstated  
6 until the annuity is no longer payable to any eligible  
7 surviving child or parent. The reinstated annuity shall include  
8 any one-time or annual increases received prior to the date of  
9 termination, as well as any increases that would otherwise have  
10 accrued from the date of termination to the date of  
11 reinstatement. An eligible surviving spouse whose expectation  
12 of receiving a survivors annuity was lost due to remarriage  
13 before attainment of age 50 shall also be entitled to  
14 reinstatement under this subsection, but the resulting  
15 survivors annuity shall not begin to accrue sooner than upon  
16 the surviving spouse's attainment of age 50.

17 The changes made to this subsection by this amendatory Act  
18 of the 92nd General Assembly (pertaining to remarriage prior to  
19 age 55 or 50) apply without regard to whether the deceased  
20 participant or annuitant was in service on or after the  
21 effective date of this amendatory Act.

22 (c) Each dependent unmarried child under age 18 (under age  
23 22 if a full-time student) of a deceased participant, or of a  
24 deceased annuitant who did not take a refund or additional  
25 annuity consisting of accumulated survivors insurance  
26 contributions, shall receive a survivors annuity equal to the

1 sum of (1) 20% of the final rate of earnings, and (2) 10% of the  
2 final rate of earnings divided by the number of children  
3 entitled to this benefit. Payments shall begin on the day  
4 following the participant's or annuitant's death and continue  
5 until the child marries, dies, or attains age 18 (age 22 if a  
6 full-time student). If the child is in the care of a surviving  
7 spouse who is eligible for survivors insurance benefits, the  
8 child's benefit shall be paid to the surviving spouse.

9 Each unmarried child over age 18 of a deceased participant  
10 or of a deceased annuitant who had a survivor's insurance  
11 beneficiary at the time of his or her retirement, and who was  
12 dependent upon the participant or annuitant by reason of a  
13 physical or mental disability which began prior to the date the  
14 child attained age 18 (age 22 if a full-time student), shall  
15 receive a survivor's annuity equal to the sum of (1) 20% of the  
16 final rate of earnings, and (2) 10% of the final rate of  
17 earnings divided by the number of children entitled to  
18 survivors benefits. Payments shall begin on the day following  
19 the participant's or annuitant's death and continue until the  
20 child marries, dies, or is no longer disabled. If the child is  
21 in the care of a surviving spouse who is eligible for survivors  
22 insurance benefits, the child's benefit may be paid to the  
23 surviving spouse. For the purposes of this Section, disability  
24 means inability to engage in any substantial gainful activity  
25 by reason of any medically determinable physical or mental  
26 impairment that can be expected to result in death or that has

1 lasted or can be expected to last for a continuous period of at  
2 least one year.

3 (d) Each dependent parent of a deceased participant, or of  
4 a deceased annuitant who did not take a refund or additional  
5 annuity consisting of accumulated survivors insurance  
6 contributions, shall receive a survivors annuity equal to the  
7 sum of (1) 20% of final rate of earnings, and (2) 10% of final  
8 rate of earnings divided by the number of parents who qualify  
9 for the benefit. Payments shall begin when the parent reaches  
10 age 55 or the day following the participant's or annuitant's  
11 death, whichever is later, and continue until the parent dies.  
12 Remarriage of a parent prior to attainment of age 55 shall  
13 disqualify the parent for the receipt of a survivors annuity.

14 (e) In addition to the survivors annuity provided above,  
15 each survivors insurance beneficiary shall, upon death of the  
16 participant or annuitant, receive a lump sum payment of \$1,000  
17 divided by the number of such beneficiaries.

18 (f) The changes made in this Section by Public Act 81-712  
19 pertaining to survivors annuities in cases of remarriage prior  
20 to age 55 shall apply to each survivors insurance beneficiary  
21 who remarries after June 30, 1979, regardless of the date that  
22 the participant or annuitant terminated his employment or died.

23 The change made to this Section by this amendatory Act of  
24 the 91st General Assembly, pertaining to remarriage prior to  
25 age 55, applies without regard to whether the deceased  
26 participant or annuitant was in service on or after the

1 effective date of this amendatory Act of the 91st General  
2 Assembly.

3 (g) On January 1, 1981, any person who was receiving a  
4 survivors annuity on or before January 1, 1971 shall have the  
5 survivors annuity then being paid increased by 1% for each full  
6 year which has elapsed from the date the annuity began. On  
7 January 1, 1982, any survivor whose annuity began after January  
8 1, 1971, but before January 1, 1981, shall have the survivor's  
9 annuity then being paid increased by 1% for each year which has  
10 elapsed from the date the survivor's annuity began. On January  
11 1, 1987, any survivor who began receiving a survivor's annuity  
12 on or before January 1, 1977, shall have the monthly survivor's  
13 annuity increased by \$1 for each full year which has elapsed  
14 since the date the survivor's annuity began.

15 (g-1) On July 1, 2008, every recipient of a survivor's  
16 annuity whose original annuity began before January 1, 1980  
17 shall have the monthly survivor's annuity increased by  
18 whichever of the following percentages is applicable:

19 5% if the original annuity began in 1979;

20 10% if the original annuity began in 1978;

21 14% if the original annuity began in 1977;

22 14% if the original annuity began in 1976;

23 18% if the original annuity began in 1975;

24 23% if the original annuity began in 1974;

25 32% if the original annuity began in 1973 or before.

26 In the case of the survivor of a deceased annuitant who

1 died while receiving a retirement annuity, "original annuity"  
2 means the deceased annuitant's retirement annuity; in all other  
3 cases, "original annuity" means the survivor's annuity.

4 The increase under this subsection shall be calculated as a  
5 percentage of the amount of the survivor's annuity payable on  
6 June 30, 2008, including any increases previously received  
7 under this Article, and shall be included in the calculation of  
8 increases granted thereafter under subsection (j).

9 (h) If the sum of the lump sum and total monthly survivor  
10 benefits payable under this Section upon the death of a  
11 participant amounts to less than the sum of the death benefits  
12 payable under items (2) and (3) of Section 15-141, the  
13 difference shall be paid in a lump sum to the beneficiary of  
14 the participant who is living on the date that this additional  
15 amount becomes payable.

16 (i) If the sum of the lump sum and total monthly survivor  
17 benefits payable under this Section upon the death of an  
18 annuitant receiving a retirement annuity or disability  
19 retirement annuity amounts to less than the death benefit  
20 payable under Section 15-142, the difference shall be paid to  
21 the beneficiary of the annuitant who is living on the date that  
22 this additional amount becomes payable.

23 (j) Effective on the later of (1) January 1, 1990, or (2)  
24 the January 1 on or next after the date on which the survivor  
25 annuity begins, if the deceased member died while receiving a  
26 retirement annuity, or in all other cases the January 1 nearest



1 the first anniversary of the date the survivor annuity payments  
2 begin, every survivors insurance beneficiary shall receive an  
3 increase in his or her monthly survivors annuity of 3%. On each  
4 January 1 after the initial increase, the monthly survivors  
5 annuity shall be increased by 3% of the total survivors annuity  
6 provided under this Article, including previous increases  
7 provided by this subsection. Such increases shall apply to the  
8 survivors insurance beneficiaries of each participant and  
9 annuitant, whether or not the employment status of the  
10 participant or annuitant terminates before the effective date  
11 of this amendatory Act of 1990. This subsection (j) also  
12 applies to persons receiving a survivor annuity under the  
13 portable benefit package.

14 (k) If the Internal Revenue Code of 1986, as amended,  
15 requires that the survivors benefits be payable at an age  
16 earlier than that specified in this Section the benefits shall  
17 begin at the earlier age, in which event, the survivor's  
18 beneficiary shall be entitled only to that amount which is  
19 equal to the actuarial equivalent of the benefits provided by  
20 this Section.

21 (l) The changes made to this Section and Section 15-131 by  
22 this amendatory Act of 1997, relating to benefits for certain  
23 unmarried children who are full-time students under age 22,  
24 apply without regard to whether the deceased member was in  
25 service on or after the effective date of this amendatory Act  
26 of 1997. These changes do not authorize the repayment of a

1 refund or a re-election of benefits, and any benefit or  
2 increase in benefits resulting from these changes is not  
3 payable retroactively for any period before the effective date  
4 of this amendatory Act of 1997.

5 (Source: P.A. 91-887, eff. 7-6-00; 92-749, eff. 8-2-02.)

6 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

7 Sec. 15-155. Employer contributions.

8 (a) The State of Illinois shall make contributions by  
9 appropriations of amounts which, together with the other  
10 employer contributions from trust, federal, and other funds,  
11 employee contributions, income from investments, and other  
12 income of this System, will be sufficient to meet the cost of  
13 maintaining and administering the System on a 90% funded basis  
14 in accordance with actuarial recommendations.

15 The Board shall determine the amount of State contributions  
16 required for each fiscal year on the basis of the actuarial  
17 tables and other assumptions adopted by the Board and the  
18 recommendations of the actuary, using the formula in subsection  
19 (a-1). The minimum contribution to the System to be made by the  
20 State for each fiscal year shall be the sum of the amount  
21 determined under subsection (a-1).

22 (a-1) For State fiscal years 2011 through 2045, the minimum  
23 contribution to the System to be made by the State for each  
24 fiscal year shall be an amount determined by the System to be  
25 sufficient to bring the total assets of the System up to 90% of

1 the total actuarial liabilities of the System by the end of  
2 State fiscal year 2045. In making these determinations, the  
3 required State contribution shall be calculated each year as a  
4 level percentage of payroll over the years remaining to and  
5 including fiscal year 2045 and shall be determined under the  
6 projected unit credit actuarial cost method.

7 For State fiscal years 1996 through 2005, the State  
8 contribution to the System, as a percentage of the applicable  
9 employee payroll, shall be increased in equal annual increments  
10 so that by State fiscal year 2011, the State is contributing at  
11 the rate required under this Section.

12 Notwithstanding any other provision of this Article, the  
13 total required State contribution for State fiscal year 2006 is  
14 \$166,641,900.

15 Notwithstanding any other provision of this Article, the  
16 total required State contribution for State fiscal year 2007 is  
17 \$252,064,100.

18 For each of State fiscal years 2008 through 2010, the State  
19 contribution to the System, as a percentage of the applicable  
20 employee payroll, shall be increased in equal annual increments  
21 from the required State contribution for State fiscal year  
22 2007, so that by State fiscal year 2011, the State is  
23 contributing at the rate otherwise required under this Section.

24 Beginning in State fiscal year 2046, the minimum State  
25 contribution for each fiscal year shall be the amount needed to  
26 maintain the total assets of the System at 90% of the total

1 actuarial liabilities of the System.

2       Amounts received by the System pursuant to Section 25 of  
3 the Budget Stabilization Act in any fiscal year do not reduce  
4 and do not constitute payment of any portion of the minimum  
5 State contribution required under this Article in that fiscal  
6 year. Such amounts shall not reduce, and shall not be included  
7 in the calculation of, the required State contributions under  
8 this Article in any future year until the System has reached a  
9 funding ratio of at least 90%. A reference in this Article to  
10 the "required State contribution" or any substantially similar  
11 term does not include or apply to any amounts payable to the  
12 System under Section 25 of the Budget Stabilization Act.

13       Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under Section 15-165, shall  
17 not exceed an amount equal to (i) the amount of the required  
18 State contribution that would have been calculated under this  
19 Section for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued for the purposes of that Section 7.2, as determined and  
24 certified by the Comptroller, that is the same as the System's  
25 portion of the total moneys distributed under subsection (d) of  
26 Section 7.2 of the General Obligation Bond Act. In determining

1 this maximum for State fiscal years 2008 through 2010, however,  
2 the amount referred to in item (i) shall be increased, as a  
3 percentage of the applicable employee payroll, in equal  
4 increments calculated from the sum of the required State  
5 contribution for State fiscal year 2007 plus the applicable  
6 portion of the State's total debt service payments for fiscal  
7 year 2007 on the bonds issued for the purposes of Section 7.2  
8 of the General Obligation Bond Act, so that, by State fiscal  
9 year 2011, the State is contributing at the rate otherwise  
10 required under this Section.

11 (b) If an employee is paid from trust or federal funds, the  
12 employer shall pay to the Board contributions from those funds  
13 which are sufficient to cover the accruing normal costs on  
14 behalf of the employee. However, universities having employees  
15 who are compensated out of local auxiliary funds, income funds,  
16 or service enterprise funds are not required to pay such  
17 contributions on behalf of those employees. The local auxiliary  
18 funds, income funds, and service enterprise funds of  
19 universities shall not be considered trust funds for the  
20 purpose of this Article, but funds of alumni associations,  
21 foundations, and athletic associations which are affiliated  
22 with the universities included as employers under this Article  
23 and other employers which do not receive State appropriations  
24 are considered to be trust funds for the purpose of this  
25 Article.

26 (b-1) The City of Urbana and the City of Champaign shall

1 each make employer contributions to this System for their  
2 respective firefighter employees who participate in this  
3 System pursuant to subsection (h) of Section 15-107. The rate  
4 of contributions to be made by those municipalities shall be  
5 determined annually by the Board on the basis of the actuarial  
6 assumptions adopted by the Board and the recommendations of the  
7 actuary, and shall be expressed as a percentage of salary for  
8 each such employee. The Board shall certify the rate to the  
9 affected municipalities as soon as may be practical. The  
10 employer contributions required under this subsection shall be  
11 remitted by the municipality to the System at the same time and  
12 in the same manner as employee contributions.

13 (c) Through State fiscal year 1995: The total employer  
14 contribution shall be apportioned among the various funds of  
15 the State and other employers, whether trust, federal, or other  
16 funds, in accordance with actuarial procedures approved by the  
17 Board. State of Illinois contributions for employers receiving  
18 State appropriations for personal services shall be payable  
19 from appropriations made to the employers or to the System. The  
20 contributions for Class I community colleges covering earnings  
21 other than those paid from trust and federal funds, shall be  
22 payable solely from appropriations to the Illinois Community  
23 College Board or the System for employer contributions.

24 (d) Beginning in State fiscal year 1996, the required State  
25 contributions to the System shall be appropriated directly to  
26 the System and shall be payable through vouchers issued in

1 accordance with subsection (c) of Section 15-165, except as  
2 provided in subsection (g).

3 (e) The State Comptroller shall draw warrants payable to  
4 the System upon proper certification by the System or by the  
5 employer in accordance with the appropriation laws and this  
6 Code.

7 (f) Normal costs under this Section means liability for  
8 pensions and other benefits which accrues to the System because  
9 of the credits earned for service rendered by the participants  
10 during the fiscal year and expenses of administering the  
11 System, but shall not include the principal of or any  
12 redemption premium or interest on any bonds issued by the Board  
13 or any expenses incurred or deposits required in connection  
14 therewith.

15 (g) If the amount of a participant's earnings for any  
16 academic year used to determine the final rate of earnings,  
17 determined on a full-time equivalent basis, exceeds the amount  
18 of his or her earnings with the same employer for the previous  
19 academic year, determined on a full-time equivalent basis, by  
20 more than 6%, the participant's employer shall pay to the  
21 System, in addition to all other payments required under this  
22 Section and in accordance with guidelines established by the  
23 System, the present value of the increase in benefits resulting  
24 from the portion of the increase in earnings that is in excess  
25 of 6%. This present value shall be computed by the System on  
26 the basis of the actuarial assumptions and tables used in the

1 most recent actuarial valuation of the System that is available  
2 at the time of the computation. The System may require the  
3 employer to provide any pertinent information or  
4 documentation.

5 Whenever it determines that a payment is or may be required  
6 under this subsection (g), the System shall calculate the  
7 amount of the payment and bill the employer for that amount.  
8 The bill shall specify the calculations used to determine the  
9 amount due. If the employer disputes the amount of the bill, it  
10 may, within 30 days after receipt of the bill, apply to the  
11 System in writing for a recalculation. The application must  
12 specify in detail the grounds of the dispute and, if the  
13 employer asserts that the calculation is subject to subsection  
14 (h) or (i) of this Section, must include an affidavit setting  
15 forth and attesting to all facts within the employer's  
16 knowledge that are pertinent to the applicability of subsection  
17 (h) or (i). Upon receiving a timely application for  
18 recalculation, the System shall review the application and, if  
19 appropriate, recalculate the amount due.

20 The employer contributions required under this subsection  
21 (f) may be paid in the form of a lump sum within 90 days after  
22 receipt of the bill. If the employer contributions are not paid  
23 within 90 days after receipt of the bill, then interest will be  
24 charged at a rate equal to the System's annual actuarially  
25 assumed rate of return on investment compounded annually from  
26 the 91st day after receipt of the bill. Payments must be



1 concluded within 3 years after the employer's receipt of the  
2 bill.

3 (h) This subsection (h) applies only to payments made or  
4 salary increases given on or after June 1, 2005 but before July  
5 1, 2011. The changes made by Public Act 94-1057 shall not  
6 require the System to refund any payments received before July  
7 31, 2006 (the effective date of Public Act 94-1057).

8 When assessing payment for any amount due under subsection  
9 (g), the System shall exclude earnings increases paid to  
10 participants under contracts or collective bargaining  
11 agreements entered into, amended, or renewed before June 1,  
12 2005.

13 When assessing payment for any amount due under subsection  
14 (g), the System shall exclude earnings increases paid to a  
15 participant at a time when the participant is 10 or more years  
16 from retirement eligibility under Section 15-135.

17 When assessing payment for any amount due under subsection  
18 (g), the System shall exclude earnings increases resulting from  
19 overload work, including a contract for summer teaching, or  
20 overtime when the employer has certified to the System, and the  
21 System has approved the certification, that: (i) in the case of  
22 overloads (A) the overload work is for the sole purpose of  
23 academic instruction in excess of the standard number of  
24 instruction hours for a full-time employee occurring during the  
25 academic year that the overload is paid and (B) the earnings  
26 increases are equal to or less than the rate of pay for

1 academic instruction computed using the participant's current  
2 salary rate and work schedule; and (ii) in the case of  
3 overtime, the overtime was necessary for the educational  
4 mission.

5 When assessing payment for any amount due under subsection  
6 (g), the System shall exclude any earnings increase resulting  
7 from (i) a promotion for which the employee moves from one  
8 classification to a higher classification under the State  
9 Universities Civil Service System, (ii) a promotion in academic  
10 rank for a tenured or tenure-track faculty position, or (iii) a  
11 promotion that the Illinois Community College Board has  
12 recommended in accordance with subsection (k) of this Section.  
13 These earnings increases shall be excluded only if the  
14 promotion is to a position that has existed and been filled by  
15 a member for no less than one complete academic year and the  
16 earnings increase as a result of the promotion is an increase  
17 that results in an amount no greater than the average salary  
18 paid for other similar positions.

19 (i) When assessing payment for any amount due under  
20 subsection (g), the System shall exclude any salary increase  
21 described in subsection (h) of this Section given on or after  
22 July 1, 2011 but before July 1, 2014 under a contract or  
23 collective bargaining agreement entered into, amended, or  
24 renewed on or after June 1, 2005 but before July 1, 2011.  
25 Notwithstanding any other provision of this Section, any  
26 payments made or salary increases given after June 30, 2014

1 shall be used in assessing payment for any amount due under  
2 subsection (g) of this Section.

3 (j) The System shall prepare a report and file copies of  
4 the report with the Governor and the General Assembly by  
5 January 1, 2007 that contains all of the following information:

6 (1) The number of recalculations required by the  
7 changes made to this Section by Public Act 94-1057 for each  
8 employer.

9 (2) The dollar amount by which each employer's  
10 contribution to the System was changed due to  
11 recalculations required by Public Act 94-1057.

12 (3) The total amount the System received from each  
13 employer as a result of the changes made to this Section by  
14 Public Act 94-4.

15 (4) The increase in the required State contribution  
16 resulting from the changes made to this Section by Public  
17 Act 94-1057.

18 (k) The Illinois Community College Board shall adopt rules  
19 for recommending lists of promotional positions submitted to  
20 the Board by community colleges and for reviewing the  
21 promotional lists on an annual basis. When recommending  
22 promotional lists, the Board shall consider the similarity of  
23 the positions submitted to those positions recognized for State  
24 universities by the State Universities Civil Service System.  
25 The Illinois Community College Board shall file a copy of its  
26 findings with the System. The System shall consider the

1 findings of the Illinois Community College Board when making  
2 determinations under this Section. The System shall not exclude  
3 any earnings increases resulting from a promotion when the  
4 promotion was not submitted by a community college. Nothing in  
5 this subsection (k) shall require any community college to  
6 submit any information to the Community College Board.

7 (Source: P.A. 94-4, eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057,  
8 eff. 7-31-06; 95-331, eff. 8-21-07.)

9 (40 ILCS 5/15-198)

10 Sec. 15-198. Application and expiration of new benefit  
11 increases.

12 (a) As used in this Section, "new benefit increase" means  
13 an increase in the amount of any benefit provided under this  
14 Article, or an expansion of the conditions of eligibility for  
15 any benefit under this Article, that results from an amendment  
16 to this Code that takes effect after June 1, 2005 (the  
17 effective date of Public Act 94-4) ~~this amendatory Act of the~~  
18 ~~94th General Assembly~~. "New benefit increase", however, does  
19 not include any benefit increase resulting from the changes  
20 made to this Article by this amendatory Act of the 95th General  
21 Assembly.

22 (b) Notwithstanding any other provision of this Code or any  
23 subsequent amendment to this Code, every new benefit increase  
24 is subject to this Section and shall be deemed to be granted  
25 only in conformance with and contingent upon compliance with

1 the provisions of this Section.

2 (c) The Public Act enacting a new benefit increase must  
3 identify and provide for payment to the System of additional  
4 funding at least sufficient to fund the resulting annual  
5 increase in cost to the System as it accrues.

6 Every new benefit increase is contingent upon the General  
7 Assembly providing the additional funding required under this  
8 subsection. The Commission on Government Forecasting and  
9 Accountability shall analyze whether adequate additional  
10 funding has been provided for the new benefit increase and  
11 shall report its analysis to the Public Pension Division of the  
12 Department of Financial and Professional Regulation. A new  
13 benefit increase created by a Public Act that does not include  
14 the additional funding required under this subsection is null  
15 and void. If the Public Pension Division determines that the  
16 additional funding provided for a new benefit increase under  
17 this subsection is or has become inadequate, it may so certify  
18 to the Governor and the State Comptroller and, in the absence  
19 of corrective action by the General Assembly, the new benefit  
20 increase shall expire at the end of the fiscal year in which  
21 the certification is made.

22 (d) Every new benefit increase shall expire 5 years after  
23 its effective date or on such earlier date as may be specified  
24 in the language enacting the new benefit increase or provided  
25 under subsection (c). This does not prevent the General  
26 Assembly from extending or re-creating a new benefit increase

1 by law.

2 (e) Except as otherwise provided in the language creating  
3 the new benefit increase, a new benefit increase that expires  
4 under this Section continues to apply to persons who applied  
5 and qualified for the affected benefit while the new benefit  
6 increase was in effect and to the affected beneficiaries and  
7 alternate payees of such persons, but does not apply to any  
8 other person, including without limitation a person who  
9 continues in service after the expiration date and did not  
10 apply and qualify for the affected benefit while the new  
11 benefit increase was in effect.

12 (Source: P.A. 94-4, eff. 6-1-05.)

13 (40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)  
14 Sec. 16-133. Retirement annuity; amount.

15 (a) The amount of the retirement annuity shall be (i) in  
16 the case of a person who first became a teacher under this  
17 Article before July 1, 2005, the larger of the amounts  
18 determined under paragraphs (A) and (B) below, or (ii) in the  
19 case of a person who first becomes a teacher under this Article  
20 on or after July 1, 2005, the amount determined under the  
21 applicable provisions of paragraph (B):

22 (A) An amount consisting of the sum of the following:

23 (1) An amount that can be provided on an  
24 actuarially equivalent basis by the member's  
25 accumulated contributions at the time of retirement;

1 and

2 (2) The sum of (i) the amount that can be provided  
3 on an actuarially equivalent basis by the member's  
4 accumulated contributions representing service prior  
5 to July 1, 1947, and (ii) the amount that can be  
6 provided on an actuarially equivalent basis by the  
7 amount obtained by multiplying 1.4 times the member's  
8 accumulated contributions covering service subsequent  
9 to June 30, 1947; and

10 (3) If there is prior service, 2 times the amount  
11 that would have been determined under subparagraph (2)  
12 of paragraph (A) above on account of contributions  
13 which would have been made during the period of prior  
14 service creditable to the member had the System been in  
15 operation and had the member made contributions at the  
16 contribution rate in effect prior to July 1, 1947.

17 This paragraph (A) does not apply to a person who first  
18 becomes a teacher under this Article on or after July 1,  
19 2005.

20 (B) An amount consisting of the greater of the  
21 following:

22 (1) For creditable service earned before July 1,  
23 1998 that has not been augmented under Section  
24 16-129.1: 1.67% of final average salary for each of the  
25 first 10 years of creditable service, 1.90% of final  
26 average salary for each year in excess of 10 but not

1 exceeding 20, 2.10% of final average salary for each  
2 year in excess of 20 but not exceeding 30, and 2.30% of  
3 final average salary for each year in excess of 30; and

4 For creditable service earned on or after July 1,  
5 1998 by a member who has at least 24 years of  
6 creditable service on July 1, 1998 and who does not  
7 elect to augment service under Section 16-129.1: 2.2%  
8 of final average salary for each year of creditable  
9 service earned on or after July 1, 1998 but before the  
10 member reaches a total of 30 years of creditable  
11 service and 2.3% of final average salary for each year  
12 of creditable service earned on or after July 1, 1998  
13 and after the member reaches a total of 30 years of  
14 creditable service; and

15 For all other creditable service: 2.2% of final  
16 average salary for each year of creditable service; or

17 (2) 1.5% of final average salary for each year of  
18 creditable service plus the sum \$7.50 for each of the  
19 first 20 years of creditable service.

20 The amount of the retirement annuity determined under this  
21 paragraph (B) shall be reduced by 1/2 of 1% for each month  
22 that the member is less than age 60 at the time the  
23 retirement annuity begins. However, this reduction shall  
24 not apply (i) if the member has at least 35 years of  
25 creditable service, or (ii) if the member retires on  
26 account of disability under Section 16-149.2 of this



1 Article with at least 20 years of creditable service, or  
2 (iii) if the member (1) has earned during the period  
3 immediately preceding the last day of service at least one  
4 year of contributing creditable service as an employee of a  
5 department as defined in Section 14-103.04, (2) has earned  
6 at least 5 years of contributing creditable service as an  
7 employee of a department as defined in Section 14-103.04,  
8 (3) retires on or after January 1, 2001, and (4) retires  
9 having attained an age which, when added to the number of  
10 years of his or her total creditable service, equals at  
11 least 85. Portions of years shall be counted as decimal  
12 equivalents.

13 (b) For purposes of this Section, final average salary  
14 shall be the average salary for the highest 4 consecutive years  
15 within the last 10 years of creditable service as determined  
16 under rules of the board. The minimum final average salary  
17 shall be considered to be \$2,400 per year.

18 In the determination of final average salary for members  
19 other than elected officials and their appointees when such  
20 appointees are allowed by statute, that part of a member's  
21 salary for any year beginning after June 30, 1979 which exceeds  
22 the member's annual full-time salary rate with the same  
23 employer for the preceding year by more than 20% shall be  
24 excluded. The exclusion shall not apply in any year in which  
25 the member's creditable earnings are less than 50% of the  
26 preceding year's mean salary for downstate teachers as

1 determined by the survey of school district salaries provided  
2 in Section 2-3.103 of the School Code.

3 (c) In determining the amount of the retirement annuity  
4 under paragraph (B) of this Section, a fractional year shall be  
5 granted proportional credit.

6 (d) The retirement annuity determined under paragraph (B)  
7 of this Section shall be available only to members who render  
8 teaching service after July 1, 1947 for which member  
9 contributions are required, and to annuitants who re-enter  
10 under the provisions of Section 16-150.

11 (e) The maximum retirement annuity provided under  
12 paragraph (B) of this Section shall be 75% of final average  
13 salary.

14 (f) A member retiring after the effective date of this  
15 amendatory Act of 1998 shall receive a pension equal to 75% of  
16 final average salary if the member is qualified to receive a  
17 retirement annuity equal to at least 74.6% of final average  
18 salary under this Article or as proportional annuities under  
19 Article 20 of this Code.

20 (g) On July 1, 2008, every annuitant who began receiving a  
21 retirement annuity before January 1, 1980 shall have the  
22 monthly retirement annuity increased by whichever of the  
23 following percentages is applicable:

24 5% if the annuity began in 1979;

25 10% if the annuity began in 1978;

26 14% if the annuity began in 1977;

1           14% if the annuity began in 1976;

2           18% if the annuity began in 1975;

3           23% if the annuity began in 1974;

4           32% if the annuity began in 1973 or before.

5           The increase under this subsection shall be calculated as a  
6 percentage of the amount of the retirement annuity payable on  
7 June 30, 2008, including any increases previously received  
8 under this Article, and shall be included in the calculation of  
9 increases granted thereafter under Section 16-133.1.

10         (Source: P.A. 94-4, eff. 6-1-05.)

11           (40 ILCS 5/16-136.2) (from Ch. 108 1/2, par. 16-136.2)

12           Sec. 16-136.2. Minimum retirement annuity.

13           (a) Any annuitant receiving a retirement annuity under this  
14 Article is entitled to such additional amount of retirement  
15 annuity under this Section, if necessary, that is sufficient to  
16 provide a minimum retirement annuity of \$10 per month for each  
17 year of creditable service forming the basis of the retirement  
18 annuity, up to \$300 per month for 30 or more years of  
19 creditable service. Effective January 1, 1984, the minimum  
20 retirement annuity under this Section is \$15 per month per year  
21 of service up to \$450 per month. Beginning January 1, 1996, the  
22 minimum retirement annuity payable under this Section shall be  
23 \$25 per month for each year of creditable service, up to a  
24 maximum of \$750 per month for 30 or more years of creditable  
25 service, plus the amount of the increase received by the

1 annuitant under subsection (g) of Section 16-133, if any.

2 An annuitant entitled to an increase in retirement annuity  
3 under this Section shall be entitled to such increase in  
4 retirement annuity effective the later of (1) September 1  
5 following attainment of age 60; (2) September 1 following the  
6 first anniversary in retirement; or (3) the first of the month  
7 following receipt of the required qualifying contribution from  
8 the annuitant.

9 (b) An annuitant who qualifies for an additional amount of  
10 retirement annuity under subsection (a) of this Section must  
11 make a one-time payment of 1% of the monthly average salary for  
12 each full year of the creditable service forming the basis of  
13 the retirement annuity or, if the retirement annuity was not  
14 computed using average salary, 1% of the original monthly  
15 retirement annuity for each full year of service forming the  
16 basis of the retirement annuity.

17 (c) The minimum retirement annuity provided under this  
18 Section shall continue to be paid only to the extent that funds  
19 are available in the minimum retirement annuity reserve  
20 established under Section 16-186.3.

21 (d) The annual increase provided on and after September 1,  
22 1977 under Section 16-136.1 and on and after January 1, 1978  
23 under Section 16-133.1 shall be paid in addition to the minimum  
24 retirement annuity. Where an initial increase is first payable  
25 on or after September 1, 1977, only that portion of the  
26 increase based on the period in retirement after August 31,

1 1976, under Section 16-136.1 and after December 31, 1976, under  
2 Section 16-133.1 may be added to the minimum retirement  
3 annuity.

4 (Source: P.A. 89-21, eff. 6-6-95; 89-25, eff. 6-21-95.)

5 (40 ILCS 5/16-136.5 new)

6 Sec. 16-136.5. Reduction of purchasing power; policy;  
7 report; increase.

8 (a) The General Assembly finds and declares that:

9 (1) The purchasing power of a fixed annuity can be  
10 eroded over time by the effects of inflation and increases  
11 in the general cost of living.

12 (2) For a person whose income consists primarily of a  
13 fixed annuity, the reduction in purchasing power resulting  
14 from increases in the cost of living can become  
15 catastrophic over time, transforming a once-comfortable  
16 retirement into a time of poverty and need.

17 (3) The State of Illinois is concerned about the  
18 effects that a significant reduction in purchasing power  
19 can have on the quality of life of retired employees and  
20 their survivors.

21 (4) The General Assembly has previously addressed this  
22 concern by providing for automatic annual increases in  
23 retirement and survivor's annuities under this Article.  
24 Recognizing that these automatic annual increases, by  
25 themselves, are not a complete answer in times of high

1 inflation, the General Assembly has also, from time to  
2 time, provided specific one-time increases in annuities  
3 for certain categories of annuitants.

4 (b) It is the public policy of this State and the intention  
5 of the General Assembly to protect annuitants against  
6 significant decreases in the purchasing power of the retirement  
7 and survivor's annuities granted under this Article.

8 (c) The System shall regularly review the changes that have  
9 occurred in the purchasing power of the retirement and  
10 survivor's annuities being paid under this Article, and it  
11 shall report to the General Assembly, the Governor, and the  
12 Commission on Government Forecasting and Accountability  
13 whenever it determines that the original purchasing power of  
14 those annuities has been reduced by 20% or more for any  
15 category or group of annuitants. The System may include in the  
16 report its recommendations, if any, for legislative action to  
17 address its findings.

18 (d) As used in this Section, the term "retirement and  
19 survivor's annuities" means all retirement annuities and those  
20 survivors insurance benefits payable in the form of an annuity.

21 (40 ILCS 5/16-143.1) (from Ch. 108 1/2, par. 16-143.1)  
22 Sec. 16-143.1. Increase in survivor benefits.

23 (a) Beginning January 1, 1990, each survivor's benefit and  
24 each reversionary annuity payable under Section 16-136 shall be  
25 increased by 3% of the currently payable amount thereof (1) on

1 each January 1 occurring on or after the commencement of the  
2 annuity if the deceased teacher died while receiving a  
3 retirement or disability retirement annuity, or (2) in other  
4 cases, on each January 1 occurring on or after the first  
5 anniversary of the granting of the benefit, without regard to  
6 whether the deceased teacher was in service on or after the  
7 effective date of this amendatory Act of 1991, but such  
8 increases shall not accrue for any period prior to January 1,  
9 1990.

10 (b) On January 1, 1981, any beneficiary who was receiving a  
11 survivor's monthly benefit on or before January 1, 1971, shall  
12 have the benefit then being paid increased by 1% for each full  
13 year elapsed from the date the survivor's benefit began. On  
14 January 1, 1982, any beneficiary who began receiving a  
15 survivor's monthly benefit after January 1, 1971, but before  
16 January 1, 1981 shall have the benefit then being paid  
17 increased by 1% for each year elapsed from the date the  
18 survivor's benefit began.

19 On January 1, 1987, any beneficiary whose monthly  
20 survivor's benefit began on or before January 1, 1977, shall  
21 have the monthly survivor's benefit increased by \$1 for each  
22 full year which has elapsed since the date the survivor's  
23 benefit began.

24 (c) On July 1, 2008, every recipient of a survivor's  
25 annuity whose original annuity began before January 1, 1980  
26 shall have the monthly survivor's annuity increased by

1 whichever of the following percentages is applicable:

2 5% if the original annuity began in 1979;

3 10% if the original annuity began in 1978;

4 14% if the original annuity began in 1977;

5 14% if the original annuity began in 1976;

6 18% if the original annuity began in 1975;

7 23% if the original annuity began in 1974;

8 32% if the original annuity began in 1973 or before.

9 In the case of the survivor of a deceased annuitant who  
10 died while receiving a retirement annuity, "original annuity"  
11 means the deceased annuitant's retirement annuity; in all other  
12 cases, "original annuity" means the survivor's annuity.

13 The increase under this subsection shall be calculated as a  
14 percentage of the amount of the survivor's annuity payable on  
15 June 30, 2008, including any increases previously received  
16 under this Article, and shall be included in the calculation of  
17 increases granted thereafter under subsection (a).

18 (Source: P.A. 86-273; 86-1488.)

19 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

20 Sec. 16-158. Contributions by State and other employing  
21 units.

22 (a) The State shall make contributions to the System by  
23 means of appropriations from the Common School Fund and other  
24 State funds of amounts which, together with other employer  
25 contributions, employee contributions, investment income, and



1 other income, will be sufficient to meet the cost of  
2 maintaining and administering the System on a 90% funded basis  
3 in accordance with actuarial recommendations.

4 The Board shall determine the amount of State contributions  
5 required for each fiscal year on the basis of the actuarial  
6 tables and other assumptions adopted by the Board and the  
7 recommendations of the actuary, using the formula in subsection  
8 (b-3). The minimum contribution to the System to be made by the  
9 State for each fiscal year shall be the sum of the amount  
10 determined under subsection (b-3).

11 (a-1) Annually, on or before November 15, the Board shall  
12 certify to the Governor the amount of the required State  
13 contribution for the coming fiscal year. The certification  
14 shall include a copy of the actuarial recommendations upon  
15 which it is based.

16 On or before May 1, 2004, the Board shall recalculate and  
17 recertify to the Governor the amount of the required State  
18 contribution to the System for State fiscal year 2005, taking  
19 into account the amounts appropriated to and received by the  
20 System under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act.

22 On or before July 1, 2005, the Board shall recalculate and  
23 recertify to the Governor the amount of the required State  
24 contribution to the System for State fiscal year 2006, taking  
25 into account the changes in required State contributions made  
26 by this amendatory Act of the 94th General Assembly.

1           (b) Through State fiscal year 1995, the State contributions  
2 shall be paid to the System in accordance with Section 18-7 of  
3 the School Code.

4           (b-1) Beginning in State fiscal year 1996, on the 15th day  
5 of each month, or as soon thereafter as may be practicable, the  
6 Board shall submit vouchers for payment of State contributions  
7 to the System, in a total monthly amount of one-twelfth of the  
8 required annual State contribution certified under subsection  
9 (a-1). From the effective date of this amendatory Act of the  
10 93rd General Assembly through June 30, 2004, the Board shall  
11 not submit vouchers for the remainder of fiscal year 2004 in  
12 excess of the fiscal year 2004 certified contribution amount  
13 determined under this Section after taking into consideration  
14 the transfer to the System under subsection (a) of Section  
15 6z-61 of the State Finance Act. These vouchers shall be paid by  
16 the State Comptroller and Treasurer by warrants drawn on the  
17 funds appropriated to the System for that fiscal year.

18           If in any month the amount remaining unexpended from all  
19 other appropriations to the System for the applicable fiscal  
20 year (including the appropriations to the System under Section  
21 8.12 of the State Finance Act and Section 1 of the State  
22 Pension Funds Continuing Appropriation Act) is less than the  
23 amount lawfully vouchered under this subsection, the  
24 difference shall be paid from the Common School Fund under the  
25 continuing appropriation authority provided in Section 1.1 of  
26 the State Pension Funds Continuing Appropriation Act.

1 (b-2) Allocations from the Common School Fund apportioned  
2 to school districts not coming under this System shall not be  
3 diminished or affected by the provisions of this Article.

4 (b-3) For State fiscal years 2011 through 2045, the minimum  
5 contribution to the System to be made by the State for each  
6 fiscal year shall be an amount determined by the System to be  
7 sufficient to bring the total assets of the System up to 90% of  
8 the total actuarial liabilities of the System by the end of  
9 State fiscal year 2045. In making these determinations, the  
10 required State contribution shall be calculated each year as a  
11 level percentage of payroll over the years remaining to and  
12 including fiscal year 2045 and shall be determined under the  
13 projected unit credit actuarial cost method.

14 For State fiscal years 1996 through 2005, the State  
15 contribution to the System, as a percentage of the applicable  
16 employee payroll, shall be increased in equal annual increments  
17 so that by State fiscal year 2011, the State is contributing at  
18 the rate required under this Section; except that in the  
19 following specified State fiscal years, the State contribution  
20 to the System shall not be less than the following indicated  
21 percentages of the applicable employee payroll, even if the  
22 indicated percentage will produce a State contribution in  
23 excess of the amount otherwise required under this subsection  
24 and subsection (a), and notwithstanding any contrary  
25 certification made under subsection (a-1) before the effective  
26 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%

1 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
2 2003; and 13.56% in FY 2004.

3 Notwithstanding any other provision of this Article, the  
4 total required State contribution for State fiscal year 2006 is  
5 \$534,627,700.

6 Notwithstanding any other provision of this Article, the  
7 total required State contribution for State fiscal year 2007 is  
8 \$738,014,500.

9 For each of State fiscal years 2008 through 2010, the State  
10 contribution to the System, as a percentage of the applicable  
11 employee payroll, shall be increased in equal annual increments  
12 from the required State contribution for State fiscal year  
13 2007, so that by State fiscal year 2011, the State is  
14 contributing at the rate otherwise required under this Section.

15 Beginning in State fiscal year 2046, the minimum State  
16 contribution for each fiscal year shall be the amount needed to  
17 maintain the total assets of the System at 90% of the total  
18 actuarial liabilities of the System.

19 Amounts received by the System pursuant to Section 25 of  
20 the Budget Stabilization Act in any fiscal year do not reduce  
21 and do not constitute payment of any portion of the minimum  
22 State contribution required under this Article in that fiscal  
23 year. Such amounts shall not reduce, and shall not be included  
24 in the calculation of, the required State contributions under  
25 this Article in any future year until the System has reached a  
26 funding ratio of at least 90%. A reference in this Article to

1 the "required State contribution" or any substantially similar  
2 term does not include or apply to any amounts payable to the  
3 System under Section 25 of the Budget Stabilization Act.

4 Notwithstanding any other provision of this Section, the  
5 required State contribution for State fiscal year 2005 and for  
6 fiscal year 2008 and each fiscal year thereafter, as calculated  
7 under this Section and certified under subsection (a-1), shall  
8 not exceed an amount equal to (i) the amount of the required  
9 State contribution that would have been calculated under this  
10 Section for that fiscal year if the System had not received any  
11 payments under subsection (d) of Section 7.2 of the General  
12 Obligation Bond Act, minus (ii) the portion of the State's  
13 total debt service payments for that fiscal year on the bonds  
14 issued for the purposes of that Section 7.2, as determined and  
15 certified by the Comptroller, that is the same as the System's  
16 portion of the total moneys distributed under subsection (d) of  
17 Section 7.2 of the General Obligation Bond Act. In determining  
18 this maximum for State fiscal years 2008 through 2010, however,  
19 the amount referred to in item (i) shall be increased, as a  
20 percentage of the applicable employee payroll, in equal  
21 increments calculated from the sum of the required State  
22 contribution for State fiscal year 2007 plus the applicable  
23 portion of the State's total debt service payments for fiscal  
24 year 2007 on the bonds issued for the purposes of Section 7.2  
25 of the General Obligation Bond Act, so that, by State fiscal  
26 year 2011, the State is contributing at the rate otherwise

1 required under this Section.

2 (c) Payment of the required State contributions and of all  
3 pensions, retirement annuities, death benefits, refunds, and  
4 other benefits granted under or assumed by this System, and all  
5 expenses in connection with the administration and operation  
6 thereof, are obligations of the State.

7 If members are paid from special trust or federal funds  
8 which are administered by the employing unit, whether school  
9 district or other unit, the employing unit shall pay to the  
10 System from such funds the full accruing retirement costs based  
11 upon that service, as determined by the System. Employer  
12 contributions, based on salary paid to members from federal  
13 funds, may be forwarded by the distributing agency of the State  
14 of Illinois to the System prior to allocation, in an amount  
15 determined in accordance with guidelines established by such  
16 agency and the System.

17 (d) Effective July 1, 1986, any employer of a teacher as  
18 defined in paragraph (8) of Section 16-106 shall pay the  
19 employer's normal cost of benefits based upon the teacher's  
20 service, in addition to employee contributions, as determined  
21 by the System. Such employer contributions shall be forwarded  
22 monthly in accordance with guidelines established by the  
23 System.

24 However, with respect to benefits granted under Section  
25 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
26 of Section 16-106, the employer's contribution shall be 12%

1 (rather than 20%) of the member's highest annual salary rate  
2 for each year of creditable service granted, and the employer  
3 shall also pay the required employee contribution on behalf of  
4 the teacher. For the purposes of Sections 16-133.4 and  
5 16-133.5, a teacher as defined in paragraph (8) of Section  
6 16-106 who is serving in that capacity while on leave of  
7 absence from another employer under this Article shall not be  
8 considered an employee of the employer from which the teacher  
9 is on leave.

10 (e) Beginning July 1, 1998, every employer of a teacher  
11 shall pay to the System an employer contribution computed as  
12 follows:

13 (1) Beginning July 1, 1998 through June 30, 1999, the  
14 employer contribution shall be equal to 0.3% of each  
15 teacher's salary.

16 (2) Beginning July 1, 1999 and thereafter, the employer  
17 contribution shall be equal to 0.58% of each teacher's  
18 salary.

19 The school district or other employing unit may pay these  
20 employer contributions out of any source of funding available  
21 for that purpose and shall forward the contributions to the  
22 System on the schedule established for the payment of member  
23 contributions.

24 These employer contributions are intended to offset a  
25 portion of the cost to the System of the increases in  
26 retirement benefits resulting from this amendatory Act of 1998.

1 Each employer of teachers is entitled to a credit against  
2 the contributions required under this subsection (e) with  
3 respect to salaries paid to teachers for the period January 1,  
4 2002 through June 30, 2003, equal to the amount paid by that  
5 employer under subsection (a-5) of Section 6.6 of the State  
6 Employees Group Insurance Act of 1971 with respect to salaries  
7 paid to teachers for that period.

8 The additional 1% employee contribution required under  
9 Section 16-152 by this amendatory Act of 1998 is the  
10 responsibility of the teacher and not the teacher's employer,  
11 unless the employer agrees, through collective bargaining or  
12 otherwise, to make the contribution on behalf of the teacher.

13 If an employer is required by a contract in effect on May  
14 1, 1998 between the employer and an employee organization to  
15 pay, on behalf of all its full-time employees covered by this  
16 Article, all mandatory employee contributions required under  
17 this Article, then the employer shall be excused from paying  
18 the employer contribution required under this subsection (e)  
19 for the balance of the term of that contract. The employer and  
20 the employee organization shall jointly certify to the System  
21 the existence of the contractual requirement, in such form as  
22 the System may prescribe. This exclusion shall cease upon the  
23 termination, extension, or renewal of the contract at any time  
24 after May 1, 1998.

25 (f) If the amount of a teacher's salary for any school year  
26 used to determine final average salary exceeds the member's



1 annual full-time salary rate with the same employer for the  
2 previous school year by more than 6%, the teacher's employer  
3 shall pay to the System, in addition to all other payments  
4 required under this Section and in accordance with guidelines  
5 established by the System, the present value of the increase in  
6 benefits resulting from the portion of the increase in salary  
7 that is in excess of 6%. This present value shall be computed  
8 by the System on the basis of the actuarial assumptions and  
9 tables used in the most recent actuarial valuation of the  
10 System that is available at the time of the computation. If a  
11 teacher's salary for the 2005-2006 school year is used to  
12 determine final average salary under this subsection (f), then  
13 the changes made to this subsection (f) by Public Act 94-1057  
14 shall apply in calculating whether the increase in his or her  
15 salary is in excess of 6%. For the purposes of this Section,  
16 change in employment under Section 10-21.12 of the School Code  
17 on or after June 1, 2005 shall constitute a change in employer.  
18 The System may require the employer to provide any pertinent  
19 information or documentation. The changes made to this  
20 subsection (f) by this amendatory Act of the 94th General  
21 Assembly apply without regard to whether the teacher was in  
22 service on or after its effective date.

23 Whenever it determines that a payment is or may be required  
24 under this subsection, the System shall calculate the amount of  
25 the payment and bill the employer for that amount. The bill  
26 shall specify the calculations used to determine the amount

1 due. If the employer disputes the amount of the bill, it may,  
2 within 30 days after receipt of the bill, apply to the System  
3 in writing for a recalculation. The application must specify in  
4 detail the grounds of the dispute and, if the employer asserts  
5 that the calculation is subject to subsection (g) or (h) of  
6 this Section, must include an affidavit setting forth and  
7 attesting to all facts within the employer's knowledge that are  
8 pertinent to the applicability of that subsection. Upon  
9 receiving a timely application for recalculation, the System  
10 shall review the application and, if appropriate, recalculate  
11 the amount due.

12 The employer contributions required under this subsection  
13 (f) may be paid in the form of a lump sum within 90 days after  
14 receipt of the bill. If the employer contributions are not paid  
15 within 90 days after receipt of the bill, then interest will be  
16 charged at a rate equal to the System's annual actuarially  
17 assumed rate of return on investment compounded annually from  
18 the 91st day after receipt of the bill. Payments must be  
19 concluded within 3 years after the employer's receipt of the  
20 bill.

21 (g) This subsection (g) applies only to payments made or  
22 salary increases given on or after June 1, 2005 but before July  
23 1, 2011. The changes made by Public Act 94-1057 shall not  
24 require the System to refund any payments received before July  
25 31, 2006 (the effective date of Public Act 94-1057).

26 When assessing payment for any amount due under subsection

1 (f), the System shall exclude salary increases paid to teachers  
2 under contracts or collective bargaining agreements entered  
3 into, amended, or renewed before June 1, 2005.

4 When assessing payment for any amount due under subsection  
5 (f), the System shall exclude salary increases paid to a  
6 teacher at a time when the teacher is 10 or more years from  
7 retirement eligibility under Section 16-132 or 16-133.2.

8 When assessing payment for any amount due under subsection  
9 (f), the System shall exclude salary increases resulting from  
10 overload work, including summer school, when the school  
11 district has certified to the System, and the System has  
12 approved the certification, that (i) the overload work is for  
13 the sole purpose of classroom instruction in excess of the  
14 standard number of classes for a full-time teacher in a school  
15 district during a school year and (ii) the salary increases are  
16 equal to or less than the rate of pay for classroom instruction  
17 computed on the teacher's current salary and work schedule.

18 When assessing payment for any amount due under subsection  
19 (f), the System shall exclude a salary increase resulting from  
20 a promotion (i) for which the employee is required to hold a  
21 certificate or supervisory endorsement issued by the State  
22 Teacher Certification Board that is a different certification  
23 or supervisory endorsement than is required for the teacher's  
24 previous position and (ii) to a position that has existed and  
25 been filled by a member for no less than one complete academic  
26 year and the salary increase from the promotion is an increase

1 that results in an amount no greater than the lesser of the  
2 average salary paid for other similar positions in the district  
3 requiring the same certification or the amount stipulated in  
4 the collective bargaining agreement for a similar position  
5 requiring the same certification.

6 When assessing payment for any amount due under subsection  
7 (f), the System shall exclude any payment to the teacher from  
8 the State of Illinois or the State Board of Education over  
9 which the employer does not have discretion, notwithstanding  
10 that the payment is included in the computation of final  
11 average salary.

12 (h) When assessing payment for any amount due under  
13 subsection (f), the System shall exclude any salary increase  
14 described in subsection (g) of this Section given on or after  
15 July 1, 2011 but before July 1, 2014 under a contract or  
16 collective bargaining agreement entered into, amended, or  
17 renewed on or after June 1, 2005 but before July 1, 2011.  
18 Notwithstanding any other provision of this Section, any  
19 payments made or salary increases given after June 30, 2014  
20 shall be used in assessing payment for any amount due under  
21 subsection (f) of this Section.

22 (i) The System shall prepare a report and file copies of  
23 the report with the Governor and the General Assembly by  
24 January 1, 2007 that contains all of the following information:

25 (1) The number of recalculations required by the  
26 changes made to this Section by Public Act 94-1057 for each

1 employer.

2 (2) The dollar amount by which each employer's  
3 contribution to the System was changed due to  
4 recalculations required by Public Act 94-1057.

5 (3) The total amount the System received from each  
6 employer as a result of the changes made to this Section by  
7 Public Act 94-4.

8 (4) The increase in the required State contribution  
9 resulting from the changes made to this Section by Public  
10 Act 94-1057.

11 (Source: P.A. 94-4, eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057,  
12 eff. 7-31-06; 94-1111, eff. 2-27-07; 95-331, eff. 8-21-07.)

13 (40 ILCS 5/16-203)

14 Sec. 16-203. Application and expiration of new benefit  
15 increases.

16 (a) As used in this Section, "new benefit increase" means  
17 an increase in the amount of any benefit provided under this  
18 Article, or an expansion of the conditions of eligibility for  
19 any benefit under this Article, that results from an amendment  
20 to this Code that takes effect after June 1, 2006 (the  
21 effective date of Public Act 94-4) ~~this amendatory Act of the~~  
22 ~~94th General Assembly~~. "New benefit increase", however, does  
23 not include any benefit increase resulting from the changes  
24 made to this Article by this amendatory Act of the 95th General  
25 Assembly.

1           (b) Notwithstanding any other provision of this Code or any  
2 subsequent amendment to this Code, every new benefit increase  
3 is subject to this Section and shall be deemed to be granted  
4 only in conformance with and contingent upon compliance with  
5 the provisions of this Section.

6           (c) The Public Act enacting a new benefit increase must  
7 identify and provide for payment to the System of additional  
8 funding at least sufficient to fund the resulting annual  
9 increase in cost to the System as it accrues.

10           Every new benefit increase is contingent upon the General  
11 Assembly providing the additional funding required under this  
12 subsection. The Commission on Government Forecasting and  
13 Accountability shall analyze whether adequate additional  
14 funding has been provided for the new benefit increase and  
15 shall report its analysis to the Public Pension Division of the  
16 Department of Financial and Professional Regulation. A new  
17 benefit increase created by a Public Act that does not include  
18 the additional funding required under this subsection is null  
19 and void. If the Public Pension Division determines that the  
20 additional funding provided for a new benefit increase under  
21 this subsection is or has become inadequate, it may so certify  
22 to the Governor and the State Comptroller and, in the absence  
23 of corrective action by the General Assembly, the new benefit  
24 increase shall expire at the end of the fiscal year in which  
25 the certification is made.

26           (d) Every new benefit increase shall expire 5 years after

1 its effective date or on such earlier date as may be specified  
2 in the language enacting the new benefit increase or provided  
3 under subsection (c). This does not prevent the General  
4 Assembly from extending or re-creating a new benefit increase  
5 by law.

6 (e) Except as otherwise provided in the language creating  
7 the new benefit increase, a new benefit increase that expires  
8 under this Section continues to apply to persons who applied  
9 and qualified for the affected benefit while the new benefit  
10 increase was in effect and to the affected beneficiaries and  
11 alternate payees of such persons, but does not apply to any  
12 other person, including without limitation a person who  
13 continues in service after the expiration date and did not  
14 apply and qualify for the affected benefit while the new  
15 benefit increase was in effect.

16 (Source: P.A. 94-4, eff. 6-1-05.)

17 (40 ILCS 5/18-125) (from Ch. 108 1/2, par. 18-125)

18 Sec. 18-125. Retirement annuity amount.

19 (a) The annual retirement annuity for a participant who  
20 terminated service as a judge prior to July 1, 1971 shall be  
21 based on the law in effect at the time of termination of  
22 service.

23 (b) Effective July 1, 1971, the retirement annuity for any  
24 participant in service on or after such date shall be 3 1/2% of  
25 final average salary, as defined in this Section, for each of

1 the first 10 years of service, and 5% of such final average  
2 salary for each year of service on excess of 10.

3 For purposes of this Section, final average salary shall  
4 be:

5 (1) the average salary for the last 4 years of credited  
6 service as a judge for a participant who terminates service  
7 before July 1, 1975.

8 (2) for a participant who terminates service after June  
9 30, 1975 and before July 1, 1982, the salary on the last  
10 day of employment as a judge.

11 (3) for any participant who terminates service after  
12 June 30, 1982 and before January 1, 1990, the average  
13 salary for the final year of service as a judge.

14 (4) for a participant who terminates service on or  
15 after January 1, 1990 but before the effective date of this  
16 amendatory Act of 1995, the salary on the last day of  
17 employment as a judge.

18 (5) for a participant who terminates service on or  
19 after the effective date of this amendatory Act of 1995,  
20 the salary on the last day of employment as a judge, or the  
21 highest salary received by the participant for employment  
22 as a judge in a position held by the participant for at  
23 least 4 consecutive years, whichever is greater.

24 However, in the case of a participant who elects to  
25 discontinue contributions as provided in subdivision (a)(2) of  
26 Section 18-133, the time of such election shall be considered



1 the last day of employment in the determination of final  
2 average salary under this subsection.

3 The maximum retirement annuity for any participant shall be  
4 85% of final average salary.

5 (c) The retirement annuity for a participant who retires  
6 prior to age 60 with less than 28 years of service in the  
7 System shall be reduced 1/2 of 1% for each month that the  
8 participant's age is under 60 years at the time the annuity  
9 commences. However, for a participant who retires on or after  
10 the effective date of this amendatory Act of the 91st General  
11 Assembly, the percentage reduction in retirement annuity  
12 imposed under this subsection shall be reduced by 5/12 of 1%  
13 for every month of service in this System in excess of 20  
14 years, and therefore a participant with at least 26 years of  
15 service in this System may retire at age 55 without any  
16 reduction in annuity.

17 The reduction in retirement annuity imposed by this  
18 subsection shall not apply in the case of retirement on account  
19 of disability.

20 (d) On July 1, 2008, every annuitant who began receiving a  
21 retirement annuity before January 1, 1980 shall have the  
22 monthly retirement annuity increased by whichever of the  
23 following percentages is applicable:

24 5% if the annuity began in 1979;

25 10% if the annuity began in 1978;

26 14% if the annuity began in 1977;

1           14% if the annuity began in 1976;

2           18% if the annuity began in 1975;

3           23% if the annuity began in 1974;

4           32% if the annuity began in 1973 or before.

5           The increase under this subsection shall be calculated as a  
6 percentage of the amount of the retirement annuity payable on  
7 June 30, 2008, including any increases previously received  
8 under this Article, and shall be included in the calculation of  
9 increases granted thereafter under Section 18-125.1.

10         (Source: P.A. 91-653, eff. 12-10-99.)

11           (40 ILCS 5/18-125.2 new)

12           Sec. 18-125.2. Reduction of purchasing power; policy;  
13 report; increase.

14           (a) The General Assembly finds and declares that:

15           (1) The purchasing power of a fixed annuity can be  
16 eroded over time by the effects of inflation and increases  
17 in the general cost of living.

18           (2) For a person whose income consists primarily of a  
19 fixed annuity, the reduction in purchasing power resulting  
20 from increases in the cost of living can become  
21 catastrophic over time, transforming a once-comfortable  
22 retirement into a time of poverty and need.

23           (3) The State of Illinois is concerned about the  
24 effects that a significant reduction in purchasing power  
25 can have on the quality of life of retired employees and

1 their survivors.

2 (4) The General Assembly has previously addressed this  
3 concern by providing for automatic annual increases in  
4 retirement and survivor's annuities under this Article.  
5 Recognizing that these automatic annual increases, by  
6 themselves, are not a complete answer in times of high  
7 inflation, the General Assembly has also, from time to  
8 time, provided specific one-time increases in annuities  
9 for certain categories of annuitants.

10 (b) It is the public policy of this State and the intention  
11 of the General Assembly to protect annuitants against  
12 significant decreases in the purchasing power of the retirement  
13 and survivor's annuities granted under this Article.

14 (c) The System shall regularly review the changes that have  
15 occurred in the purchasing power of the retirement and  
16 survivor's annuities being paid under this Article, and it  
17 shall report to the General Assembly, the Governor, and the  
18 Commission on Government Forecasting and Accountability  
19 whenever it determines that the original purchasing power of  
20 those annuities has been reduced by 20% or more for any  
21 category or group of annuitants. The System may include in the  
22 report its recommendations, if any, for legislative action to  
23 address its findings.

24 (d) As used in this Section, the term "retirement and  
25 survivor's annuities" means all retirement annuities and those  
26 survivors insurance benefits payable in the form of an annuity.

1 (40 ILCS 5/18-128.01) (from Ch. 108 1/2, par. 18-128.01)

2 Sec. 18-128.01. Amount of survivor's annuity.

3 (a) Upon the death of an annuitant, his or her surviving  
4 spouse shall be entitled to a survivor's annuity of 66 2/3% of  
5 the annuity the annuitant was receiving immediately prior to  
6 his or her death, inclusive of annual increases in the  
7 retirement annuity to the date of death.

8 (b) Upon the death of an active participant, his or her  
9 surviving spouse shall receive a survivor's annuity of 66 2/3%  
10 of the annuity earned by the participant as of the date of his  
11 or her death, determined without regard to whether the  
12 participant had attained age 60 as of that time, or 7 1/2% of  
13 the last salary of the decedent, whichever is greater.

14 (c) Upon the death of a participant who had terminated  
15 service with at least 10 years of service, his or her surviving  
16 spouse shall be entitled to a survivor's annuity of 66 2/3% of  
17 the annuity earned by the deceased participant at the date of  
18 death.

19 (d) Upon the death of an annuitant, active participant, or  
20 participant who had terminated service with at least 10 years  
21 of service, each surviving child under the age of 18 or  
22 disabled as defined in Section 18-128 shall be entitled to a  
23 child's annuity in an amount equal to 5% of the decedent's  
24 final salary, not to exceed in total for all such children the  
25 greater of 20% of the decedent's last salary or 66 2/3% of the

1 annuity received or earned by the decedent as provided under  
2 subsections (a) and (b) of this Section. This child's annuity  
3 shall be paid whether or not a survivor's annuity was elected  
4 under Section 18-123.

5 (e) The changes made in the survivor's annuity provisions  
6 by Public Act 82-306 shall apply to the survivors of a deceased  
7 participant or annuitant whose death occurs on or after August  
8 21, 1981.

9 (f) Beginning January 1, 1990, every survivor's annuity  
10 shall be increased (1) on each January 1 occurring on or after  
11 the commencement of the annuity if the deceased member died  
12 while receiving a retirement annuity, or (2) in other cases, on  
13 each January 1 occurring on or after the first anniversary of  
14 the commencement of the annuity, by an amount equal to 3% of  
15 the current amount of the annuity, including any previous  
16 increases under this Article. Such increases shall apply  
17 without regard to whether the deceased member was in service on  
18 or after the effective date of this amendatory Act of 1991, but  
19 shall not accrue for any period prior to January 1, 1990.

20 (g) On July 1, 2008, every recipient of a survivor's  
21 annuity whose original annuity began before January 1, 1980  
22 shall have the monthly survivor's annuity increased by  
23 whichever of the following percentages is applicable:

24 5% if the original annuity began in 1979;

25 10% if the original annuity began in 1978;

26 14% if the original annuity began in 1977;

1           14% if the original annuity began in 1976;

2           18% if the original annuity began in 1975;

3           23% if the original annuity began in 1974;

4           32% if the original annuity began in 1973 or before.

5           In the case of the survivor of a deceased annuitant who  
6 died while receiving a retirement annuity, "original annuity"  
7 means the deceased annuitant's retirement annuity; in all other  
8 cases, "original annuity" means the survivor's annuity.

9           The increase under this subsection shall be calculated as a  
10 percentage of the amount of the survivor's annuity payable on  
11 June 30, 2008, including any increases previously received  
12 under this Article, and shall be included in the calculation of  
13 increases granted thereafter under subsection (f).

14         (Source: P.A. 86-273; 86-1488.)

15           (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

16           Sec. 18-131. Financing; employer contributions.

17           (a) The State of Illinois shall make contributions to this  
18 System by appropriations of the amounts which, together with  
19 the contributions of participants, net earnings on  
20 investments, and other income, will meet the costs of  
21 maintaining and administering this System on a 90% funded basis  
22 in accordance with actuarial recommendations.

23           (b) The Board shall determine the amount of State  
24 contributions required for each fiscal year on the basis of the  
25 actuarial tables and other assumptions adopted by the Board and

1 the prescribed rate of interest, using the formula in  
2 subsection (c). The minimum contribution to the System to be  
3 made by the State for each fiscal year shall be the sum of the  
4 amount determined under subsection (c).

5 (c) For State fiscal years 2011 through 2045, the minimum  
6 contribution to the System to be made by the State for each  
7 fiscal year shall be an amount determined by the System to be  
8 sufficient to bring the total assets of the System up to 90% of  
9 the total actuarial liabilities of the System by the end of  
10 State fiscal year 2045. In making these determinations, the  
11 required State contribution shall be calculated each year as a  
12 level percentage of payroll over the years remaining to and  
13 including fiscal year 2045 and shall be determined under the  
14 projected unit credit actuarial cost method.

15 For State fiscal years 1996 through 2005, the State  
16 contribution to the System, as a percentage of the applicable  
17 employee payroll, shall be increased in equal annual increments  
18 so that by State fiscal year 2011, the State is contributing at  
19 the rate required under this Section.

20 Notwithstanding any other provision of this Article, the  
21 total required State contribution for State fiscal year 2006 is  
22 \$29,189,400.

23 Notwithstanding any other provision of this Article, the  
24 total required State contribution for State fiscal year 2007 is  
25 \$35,236,800.

26 For each of State fiscal years 2008 through 2010, the State

1 contribution to the System, as a percentage of the applicable  
2 employee payroll, shall be increased in equal annual increments  
3 from the required State contribution for State fiscal year  
4 2007, so that by State fiscal year 2011, the State is  
5 contributing at the rate otherwise required under this Section.

6 Beginning in State fiscal year 2046, the minimum State  
7 contribution for each fiscal year shall be the amount needed to  
8 maintain the total assets of the System at 90% of the total  
9 actuarial liabilities of the System.

10 Amounts received by the System pursuant to Section 25 of  
11 the Budget Stabilization Act in any fiscal year do not reduce  
12 and do not constitute payment of any portion of the minimum  
13 State contribution required under this Article in that fiscal  
14 year. Such amounts shall not reduce, and shall not be included  
15 in the calculation of, the required State contributions under  
16 this Article in any future year until the System has reached a  
17 funding ratio of at least 90%. A reference in this Article to  
18 the "required State contribution" or any substantially similar  
19 term does not include or apply to any amounts payable to the  
20 System under Section 25 of the Budget Stabilization Act.

21 Notwithstanding any other provision of this Section, the  
22 required State contribution for State fiscal year 2005 and for  
23 fiscal year 2008 and each fiscal year thereafter, as calculated  
24 under this Section and certified under Section 18-140, shall  
25 not exceed an amount equal to (i) the amount of the required  
26 State contribution that would have been calculated under this



1 Section for that fiscal year if the System had not received any  
2 payments under subsection (d) of Section 7.2 of the General  
3 Obligation Bond Act, minus (ii) the portion of the State's  
4 total debt service payments for that fiscal year on the bonds  
5 issued for the purposes of that Section 7.2, as determined and  
6 certified by the Comptroller, that is the same as the System's  
7 portion of the total moneys distributed under subsection (d) of  
8 Section 7.2 of the General Obligation Bond Act. In determining  
9 this maximum for State fiscal years 2008 through 2010, however,  
10 the amount referred to in item (i) shall be increased, as a  
11 percentage of the applicable employee payroll, in equal  
12 increments calculated from the sum of the required State  
13 contribution for State fiscal year 2007 plus the applicable  
14 portion of the State's total debt service payments for fiscal  
15 year 2007 on the bonds issued for the purposes of Section 7.2  
16 of the General Obligation Bond Act, so that, by State fiscal  
17 year 2011, the State is contributing at the rate otherwise  
18 required under this Section.

19 (Source: P.A. 93-2, eff. 4-7-03; 94-4, eff. 6-1-05; 94-839,  
20 eff. 6-6-06.)

21 (40 ILCS 5/18-169)

22 Sec. 18-169. Application and expiration of new benefit  
23 increases.

24 (a) As used in this Section, "new benefit increase" means  
25 an increase in the amount of any benefit provided under this

1 Article, or an expansion of the conditions of eligibility for  
2 any benefit under this Article, that results from an amendment  
3 to this Code that takes effect after June 1, 2005 (the  
4 effective date of Public Act 94-4) ~~this amendatory Act of the~~  
5 ~~94th General Assembly~~. "New benefit increase", however, does  
6 not include any benefit increase resulting from the changes  
7 made to this Article by this amendatory Act of the 95th General  
8 Assembly.

9 (b) Notwithstanding any other provision of this Code or any  
10 subsequent amendment to this Code, every new benefit increase  
11 is subject to this Section and shall be deemed to be granted  
12 only in conformance with and contingent upon compliance with  
13 the provisions of this Section.

14 (c) The Public Act enacting a new benefit increase must  
15 identify and provide for payment to the System of additional  
16 funding at least sufficient to fund the resulting annual  
17 increase in cost to the System as it accrues.

18 Every new benefit increase is contingent upon the General  
19 Assembly providing the additional funding required under this  
20 subsection. The Commission on Government Forecasting and  
21 Accountability shall analyze whether adequate additional  
22 funding has been provided for the new benefit increase and  
23 shall report its analysis to the Public Pension Division of the  
24 Department of Financial and Professional Regulation. A new  
25 benefit increase created by a Public Act that does not include  
26 the additional funding required under this subsection is null

1 and void. If the Public Pension Division determines that the  
2 additional funding provided for a new benefit increase under  
3 this subsection is or has become inadequate, it may so certify  
4 to the Governor and the State Comptroller and, in the absence  
5 of corrective action by the General Assembly, the new benefit  
6 increase shall expire at the end of the fiscal year in which  
7 the certification is made.

8 (d) Every new benefit increase shall expire 5 years after  
9 its effective date or on such earlier date as may be specified  
10 in the language enacting the new benefit increase or provided  
11 under subsection (c). This does not prevent the General  
12 Assembly from extending or re-creating a new benefit increase  
13 by law.

14 (e) Except as otherwise provided in the language creating  
15 the new benefit increase, a new benefit increase that expires  
16 under this Section continues to apply to persons who applied  
17 and qualified for the affected benefit while the new benefit  
18 increase was in effect and to the affected beneficiaries and  
19 alternate payees of such persons, but does not apply to any  
20 other person, including without limitation a person who  
21 continues in service after the expiration date and did not  
22 apply and qualify for the affected benefit while the new  
23 benefit increase was in effect.

24 (Source: P.A. 94-4, eff. 6-1-05.)

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

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## INDEX

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## Statutes amended in order of appearance

3 40 ILCS 5/2-119.01 from Ch. 108 1/2, par. 2-119.01  
4 40 ILCS 5/2-119.2 new  
5 40 ILCS 5/2-121.1 from Ch. 108 1/2, par. 2-121.1  
6 40 ILCS 5/2-124 from Ch. 108 1/2, par. 2-124  
7 40 ILCS 5/2-162  
8 40 ILCS 5/14-108 from Ch. 108 1/2, par. 14-108  
9 40 ILCS 5/14-109 from Ch. 108 1/2, par. 14-109  
10 40 ILCS 5/14-109.1 new  
11 40 ILCS 5/14-121 from Ch. 108 1/2, par. 14-121  
12 40 ILCS 5/14-131 from Ch. 108 1/2, par. 14-131  
13 40 ILCS 5/14-152.1  
14 40 ILCS 5/15-136 from Ch. 108 1/2, par. 15-136  
15 40 ILCS 5/15-136.3  
16 40 ILCS 5/15-137.1 new  
17 40 ILCS 5/15-145 from Ch. 108 1/2, par. 15-145  
18 40 ILCS 5/15-155 from Ch. 108 1/2, par. 15-155  
19 40 ILCS 5/15-198  
20 40 ILCS 5/16-133 from Ch. 108 1/2, par. 16-133  
21 40 ILCS 5/16-136.2 from Ch. 108 1/2, par. 16-136.2  
22 40 ILCS 5/16-136.5 new  
23 40 ILCS 5/16-143.1 from Ch. 108 1/2, par. 16-143.1  
24 40 ILCS 5/16-158 from Ch. 108 1/2, par. 16-158  
25 40 ILCS 5/16-203

- 1 40 ILCS 5/18-125 from Ch. 108 1/2, par. 18-125
- 2 40 ILCS 5/18-125.2 new
- 3 40 ILCS 5/18-128.01 from Ch. 108 1/2, par. 18-128.01
- 4 40 ILCS 5/18-131 from Ch. 108 1/2, par. 18-131
- 5 40 ILCS 5/18-169