

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by
5 changing Sections 8-137 and 8-137.1 as follows:

6 (40 ILCS 5/8-137) (from Ch. 108 1/2, par. 8-137)

7 (Text of Section WITHOUT the changes made by P.A. 98-641,
8 which has been held unconstitutional)

9 Sec. 8-137. Automatic increase in annuity.

10 (a) An employee who retired or retires from service after
11 December 31, 1959 and before January 1, 1987, having attained
12 age 60 or more, shall, in January of the year after the year in
13 which the first anniversary of retirement occurs, have the
14 amount of his then fixed and payable monthly annuity increased
15 by 1 1/2%, and such first fixed annuity as granted at
16 retirement increased by a further 1 1/2% in January of each
17 year thereafter. Beginning with January of the year 1972, such
18 increases shall be at the rate of 2% in lieu of the aforesaid
19 specified 1 1/2%, and beginning with January of the year 1984
20 such increases shall be at the rate of 3%. Beginning in January
21 of 1999, such increases shall be at the rate of 3% of the
22 currently payable monthly annuity, including any increases
23 previously granted under this Article. An employee who retires

1 on annuity after December 31, 1959 and before January 1, 1987,
2 but before age 60, shall receive such increases beginning in
3 January of the year after the year in which he attains age 60.

4 An employee who retires from service on or after January
5 1, 1987 shall, upon the first annuity payment date following
6 the first anniversary of the date of retirement, or upon the
7 first annuity payment date following attainment of age 60,
8 whichever occurs later, have his then fixed and payable
9 monthly annuity increased by 3%, and such annuity shall be
10 increased by an additional 3% of the original fixed annuity on
11 the same date each year thereafter. Beginning in January of
12 1999, such increases shall be at the rate of 3% of the
13 currently payable monthly annuity, including any increases
14 previously granted under this Article.

15 (a-5) Notwithstanding the provisions of subsection (a),
16 upon the first annuity payment date following (1) the third
17 anniversary of retirement, (2) the attainment of age 53, or
18 (3) January 1, 2002, whichever occurs latest, the monthly
19 annuity of an employee who retires on annuity prior to the
20 attainment of age 60 and has not received an increase under
21 subsection (a) shall be increased by 3%, and the annuity shall
22 be increased by an additional 3% of the current payable
23 monthly annuity, including any increases previously granted
24 under this Article, on the same date each year thereafter. The
25 increases provided under this subsection are in lieu of the
26 increases provided in subsection (a).

1 (a-6) Notwithstanding the provisions of subsections (a)
2 and (a-5), for all calendar years following the year in which
3 this amendatory Act of the 93rd General Assembly takes effect,
4 an increase in annuity under this Section that would otherwise
5 take effect at any time during the year shall instead take
6 effect in January of that year.

7 (b) Subsections (a), (a-5), and (a-6) are not applicable
8 to an employee retiring and receiving a term annuity, as
9 herein defined, nor to any otherwise qualified employee who
10 retires before he makes employee contributions (at the 1/2 of
11 1% rate as provided in this Act) for this additional annuity
12 for not less than the equivalent of one full year. Such
13 employee, however, shall make arrangement to pay to the fund a
14 balance of such 1/2 of 1% contributions, based on his final
15 salary, as will bring such 1/2 of 1% contributions, computed
16 without interest, to the equivalent of or completion of one
17 year's contributions.

18 Beginning with January, 1960, each employee shall
19 contribute by means of salary deductions 1/2 of 1% of each
20 salary payment, concurrently with and in addition to the
21 employee contributions otherwise made for annuity purposes.

22 Each such additional contribution shall be credited to an
23 account in the prior service annuity reserve, to be used,
24 together with city contributions, to defray the cost of the
25 specified annuity increments. Any balance in such account at
26 the beginning of each calendar year shall be credited with

1 interest at the rate of 3% per annum.

2 Such additional employee contributions are not refundable,
3 except to an employee who withdraws and applies for refund
4 under this Article, and in cases where a term annuity becomes
5 payable. In such cases his contributions shall be refunded,
6 without interest, and charged to such account in the prior
7 service annuity reserve.

8 (Source: P.A. 92-599, eff. 6-28-02; 92-609, eff. 7-1-02;
9 93-654, eff. 1-16-04.)

10 (40 ILCS 5/8-137.1) (from Ch. 108 1/2, par. 8-137.1)

11 (Text of Section WITHOUT the changes made by P.A. 98-641,
12 which has been held unconstitutional)

13 Sec. 8-137.1. Automatic increases in annuity for certain
14 heretofore retired participants. A retired municipal employee
15 who (a) is receiving annuity based on a service credit of 20 or
16 more years regardless of age at retirement or based on a
17 service credit of 15 or more years with retirement at age 55 or
18 over, and (b) does not qualify for the automatic increases in
19 annuity provided for in Section 8-137 of this Article, and (c)
20 elects to make a contribution to the Fund at a time and manner
21 prescribed by the Retirement Board, of a sum equal to 1% of the
22 amount of final monthly salary times the number of full years
23 of service on which the annuity was based in those cases where
24 the annuity was computed on the money purchase formula and in
25 those cases in which the annuity was computed under the

1 minimum annuity formula provisions of this Article a sum equal
2 to 1% of the average monthly salary on which the annuity was
3 based times such number of full years of service, shall have
4 his original fixed and payable monthly amount of annuity
5 increased in January of the year following the year in which he
6 attains the age of 65 years, if such age of 65 years is
7 attained in the year 1969 or later, by an amount equal to
8 1-1/2%, and by an equal additional 1-1/2% in January of each
9 year thereafter. Beginning with January of the year 1972, such
10 increases shall be at the rate of 2% in lieu of the aforesaid
11 specified 1 1/2%, and beginning January of the year 1984 such
12 increases shall be at the rate of 3%. Beginning in January of
13 1999, such increases shall be at the rate of 3% of the
14 currently payable monthly annuity, including any increases
15 previously granted under this Article.

16 Whenever the retired municipal employee receiving annuity
17 has attained the age of 66 or more in 1969, he shall have such
18 annuity increased in January, 1970 by an amount equal to
19 1-1/2% multiplied by the number equal to the number of months
20 of January elapsing from and including January of the year
21 immediately following the year he attained the age of 65 if
22 retired at or before age 65, or from and including January of
23 the year immediately following the year of retirement if
24 retired at an age greater than 65, to and including January,
25 1970, and by an equal additional 1-1/2% in January of each year
26 thereafter. Beginning with January of the year 1972, such

1 increases shall be at the rate of 2% in lieu of the aforesaid
2 specified 1 1/2%, and beginning January of the year 1984 such
3 increases shall be at the rate of 3%. Beginning in January of
4 1999, such increases shall be at the rate of 3% of the
5 currently payable monthly annuity, including any increases
6 previously granted under this Article.

7 To defray the annual cost of such increases, the annual
8 interest income of the Fund, accruing from investments held by
9 the Fund, exclusive of gains or losses on sales or exchanges of
10 assets during the year, over and above 4% a year, shall be used
11 to the extent necessary and available to finance the cost of
12 such increases for the following year, and such amount shall
13 be transferred as of the end of each year, beginning with the
14 year 1969, to a Fund account designated as the Supplementary
15 Payment Reserve from the Investment and Interest Reserve set
16 forth in Section 8-221. The sums contributed by annuitants as
17 provided for in this Section shall also be placed in the
18 aforesaid Supplementary Payment Reserve and shall be applied
19 and used for the purposes of such Fund account, together with
20 the aforesaid interest.

21 In the event the monies in the Supplementary Payment
22 Reserve in any year arising from: (1) the available interest
23 income as defined hereinbefore and accruing in the preceding
24 year above 4% a year and (2) the contributions by retired
25 persons, as set forth hereinbefore, are insufficient to make
26 the total payments to all persons estimated to be entitled to

1 the annuity increases specified hereinbefore, then (3) any
2 interest earnings over 4% a year beginning with the year 1969
3 which were not previously used to finance such increases and
4 which were transferred to the Prior Service Annuity Reserve
5 may be used to the extent necessary and available to provide
6 sufficient funds to finance such increases for the current
7 year, and such sums shall be transferred from the Prior
8 Service Annuity Reserve.

9 In the event the total monies available in the
10 Supplementary Payment Reserve from the preceding indicated
11 sources are insufficient to make the total payments to all
12 persons entitled to such increases for the year, a
13 proportionate amount computed as the ratio of the monies
14 available to the total of the total payments for that year
15 shall be paid to each person for that year.

16 The Fund shall be obligated for the payment of the
17 increases in annuity as provided for in this Section only to
18 the extent that the assets for such purpose, as specified
19 herein, are available.

20 (Source: P.A. 90-766, eff. 8-14-98.)

21 (40 ILCS 5/8-174.2 rep.)

22 Section 10. The Illinois Pension Code is amended by
23 repealing Section 8-174.2.

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