

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  
5 changing Sections 7-118, 7-158, 7-164, 7-172, 7-205, and  
6 7-206 as follows:

7 (40 ILCS 5/7-118) (from Ch. 108 1/2, par. 7-118)

8 Sec. 7-118. "Beneficiary":

9 (a) The surviving spouse of an employee or of an  
10 employee annuitant, or if no surviving spouse survives, the  
11 person or persons designated by a participating employee or  
12 employee annuitant, or if no person so designated survives,  
13 or if no designation is on file, the estate of the employee  
14 or employee annuitant. The person or persons designated by a  
15 beneficiary annuitant, or if no person designated survives,  
16 or if no designation is on file, the estate of the  
17 beneficiary annuitant. The estate of a surviving spouse  
18 annuitant where the employee or employee annuitant filed no  
19 designation, or no person designated survives at the death of  
20 a surviving spouse annuitant. Designations of beneficiaries  
21 shall be in writing on forms prescribed by the board and  
22 effective upon filing in the fund offices. The designation  
23 forms shall provide for contingent beneficiaries. Divorce,  
24 dissolution or annulment of marriage revokes the designation  
25 of an employee's former spouse as a beneficiary on a  
26 designation executed before entry of judgment for divorce,  
27 dissolution or annulment of marriage.

28 (b) Notwithstanding the foregoing, an employee, former  
29 employee who has not yet received a retirement annuity or  
30 separation benefit, or employee annuitant may elect to name  
31 any person, trust or charity to be the primary beneficiary of

1 any death benefit payable by reason of his death. Such  
2 election shall state specifically whether it is his intention  
3 to exclude the spouse, shall be in writing, and may be  
4 revoked at any time. Such election or revocation shall take  
5 effect upon being filed in the fund offices.

6 (c) If a surviving spouse annuity is payable to a former  
7 spouse upon the death of an employee annuitant, the former  
8 spouse, unless designated by the employee annuitant after  
9 dissolution of the marriage, shall not be the beneficiary for  
10 the purposes of the \$5,000 ~~\$3,000~~ death benefit payable under  
11 subparagraph 6 of Section 7-164. This benefit shall be paid  
12 to the designated beneficiary of the employee annuitant or,  
13 if there is no designation, then to the estate of the  
14 employee annuitant.

15 (Source: P.A. 89-136, eff. 7-14-95; 90-448, eff. 8-16-97.)

16 (40 ILCS 5/7-158) (from Ch. 108 1/2, par. 7-158)

17 Sec. 7-158. Surviving spouse annuities - Options. In  
18 lieu of the surviving spouse annuity an eligible surviving  
19 spouse shall have the option of receiving other benefits as  
20 follows:

21 1. The surviving spouse of a participating employee may  
22 elect to receive either a single sum death benefit or a  
23 surviving spouse annuity and the \$5,000 ~~\$3,000~~ death benefit  
24 provided in Sections 7-163 and 7-164.

25 2. The surviving spouse of an employee<sub>7</sub> who has  
26 separated from service and would have been entitled to a  
27 retirement annuity on date of death<sub>7</sub> may elect to receive  
28 either a single sum death benefit or a surviving spouse  
29 annuity and the \$5,000 ~~\$3,000~~ death benefit provided in  
30 Sections 7-163 and 7-164.

31 3. If any surviving spouse annuity is payable prior to  
32 the earliest age at which the recipient will become eligible  
33 for a widows' or widowers' insurance benefit under the

1 Federal Social Security Act, the recipient may elect that the  
2 annuity payments from this fund shall exceed those payable  
3 after attaining such age by an amount not in excess of the  
4 estimated Social Security Benefit, determined as of the  
5 effective date of the surviving spouse annuity, provided that  
6 in no case shall the total annuity payments made by this fund  
7 exceed in actuarial value the annuity which would have been  
8 paid had no such election been made.

9 4. The surviving spouse of a participating employee,  
10 whose annuity was suspended upon return to employment and who  
11 had one year or more of service after his return, may apply  
12 the additional service credits to a supplemental surviving  
13 spouse annuity and receive the \$5,000 ~~\$3,000~~ death benefit or  
14 apply the additional service credits to a single sum death  
15 benefit and forego the \$5,000 ~~\$3,000~~ death benefit payable  
16 upon the death of an annuitant.

17 5. The surviving spouse of a participating employee,  
18 whose annuity was suspended upon return to employment and who  
19 had less than one year of service after his return, shall  
20 have the additional service credits applied towards a  
21 supplemental surviving spouse annuity and shall receive the  
22 \$5,000 ~~\$3,000~~ death benefit.

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

24 (40 ILCS 5/7-164) (from Ch. 108 1/2, par. 7-164)

25 Sec. 7-164. Death benefits - Amount. The amount of the  
26 death benefit shall be:

27 1. Upon the death of an employee with at least one year  
28 of service occurring while in an employment relationship  
29 (including employees drawing disability benefits) with a  
30 participating municipality or participating instrumentality,  
31 an amount equal to the sum of:

32 (a) The employee's normal, additional and survivor  
33 credits, including interest credited thereto through the

1 end of the preceding calendar year, but excluding credits  
2 and interest thereon allowed for periods of disability.

3 (b) An amount equal to the employee's annual final  
4 rate of earnings. An employee who dies as a result of  
5 injuries connected with his duties shall be considered to  
6 have a year of service for purposes of this benefit.

7 2. Upon the death of an employee with less than ± one  
8 year of service occurring while in the service of any  
9 participating municipality or instrumentality, an amount  
10 equal to the sum of his accumulated normal, additional and  
11 survivor credits on the date of death, excluding those  
12 credits and interest thereon allowed during periods of  
13 disability.

14 3. Upon the death of an employee who has separated from  
15 service and was not entitled to a retirement annuity on the  
16 date of death, an amount equal to the sum of his accumulated  
17 normal, survivor and additional credits on the date of death  
18 excluding those credits and interest thereon allowed during  
19 periods of disability.

20 4. Upon the death of an employee in an employment  
21 relationship, or an employee who has service and was entitled  
22 to a retirement annuity on the date of death, when a  
23 surviving spouse or child annuity is awarded, \$5,000 ~~\$3,000~~.

24 5. Upon the death of an employee, who has separated from  
25 service and was entitled to a retirement annuity on the date  
26 of death, and no surviving spouse or child annuity is  
27 awarded, \$5,000 ~~\$3,000~~ plus an amount equal to his  
28 accumulated normal, survivor and additional credits on the  
29 date of death, excluding those credits and interest earned  
30 thereon allowed during periods of disability.

31 6. Upon the death of an employee annuitant, \$5,000  
32 ~~\$3,000~~ and, unless a surviving spouse, child or reversionary  
33 annuity is payable, the sum of (i) the excess of the normal  
34 and survivor credits, excluding those allowed during periods

1 of disability, which the annuitant had as of the effective  
2 date of his annuity over the total annuities paid pursuant to  
3 paragraph (a) 1 of Section 7-142 to the date of death, plus  
4 (ii) the excess of the additional credits, excluding any such  
5 credits used to create a reversionary annuity, used to  
6 provide the annuity granted pursuant to paragraph (a) 2 of  
7 Section 7-142 over the total annuity payments made pursuant  
8 thereto to the time of death.

9 7. Upon the death of an annuitant receiving a  
10 reversionary annuity or of a person designated to receive a  
11 reversionary annuity prior to the receipt of such annuity the  
12 sum of the additional credits of the person creating the  
13 reversionary annuity as of the effective date of his own  
14 retirement annuity over the reversionary annuity payments, if  
15 any, made prior to the date of death of such annuitant or  
16 person designated to receive the reversionary annuity.

17 8. Upon the death of an annuitant receiving a  
18 beneficiary annuity which was effective before January 1,  
19 1986, the excess of the death benefit which was used to  
20 provide the annuity, over the sum of all annuity payments  
21 made to the beneficiary. Upon the death of an annuitant  
22 receiving a beneficiary annuity effective January 1, 1986 or  
23 thereafter, the sum of (i) the excess of the normal and  
24 survivor credits, excluding those allowed during periods of  
25 disability, which the annuitant had as of the effective date  
26 of his annuity over the total annuities paid pursuant to  
27 paragraph (c) of Section 7-165, to date of death, plus (ii)  
28 the excess of the additional credits, excluding any such  
29 credits used to create a reversionary annuity, used to  
30 provide the annuity granted pursuant to paragraph (d) of  
31 Section 7-165 over the total annuity payments made pursuant  
32 thereto to the time of death.

33 9. Upon the marriage prior to reaching age 55 (except  
34 for a surviving spouse who remarries after December 31, 2000)

1 or death of a person receiving a surviving spouse annuity,  
2 unless a child annuity is payable, the sum of (i) the excess  
3 of the normal and survivor credits, excluding those credits  
4 and interest thereon allowed during periods of disability,  
5 attributable to the employee at the effective date of the  
6 annuity or date of death, whichever first occurred, over the  
7 total of all annuity payments attributable to paragraph (a) 1  
8 of Section 7-142 made to the employee or surviving spouse  
9 plus (ii) the excess of the additional credits, excluding any  
10 such credits used to create a reversionary annuity or used to  
11 provide the annuity attributable to paragraph (a) 2 of  
12 Section 7-142 over the total of such payments.

13 10. Upon the marriage, death or attainment of age 18 of  
14 a child receiving a child annuity, if no other child  
15 annuities are payable, the sum of (i) the excess of the  
16 normal and survivor credits excluding those credits and  
17 interest thereon allowed during periods of disability, of the  
18 employee at the effective date of the annuity or date of  
19 death, whichever first occurred, over the total annuity  
20 payments attributable to paragraph (a) 1 of Section 7-142  
21 made to the employee, surviving spouse and children plus (ii)  
22 the excess of the additional credits, excluding any such  
23 credits used to create a reversionary annuity, used to  
24 provide the annuity attributable to paragraph (a) 2 of  
25 Section 7-142 over the total annuity payments made to the  
26 employee, surviving spouse and children, pursuant thereto.

27 11. Upon the death of the participating employee whose  
28 annuity was suspended upon his return to employment:

29 a. If a surviving spouse or child annuity is  
30 awarded, \$5,000 ~~\$3,000~~;

31 b. If no surviving spouse or child annuity is  
32 awarded and he had less than one year's service upon  
33 return, \$5,000 ~~\$3,000~~ plus the excess of the normal,  
34 survivor and additional credits, including interest

1           thereon, but excluding those allowed during a period of  
2           disability, at the effective date of the suspended  
3           annuity, plus those allowed after his return, over all  
4           annuity payments made to the employee;

5           c. If no surviving spouse or child annuity is  
6           awarded and he has one year or more of service upon  
7           return, the higher of (a) the payment under subparagraph  
8           b of this paragraph or (b) the payment under paragraph 1  
9           of this Section, taking into consideration only the  
10          service and credits allowed after his return, plus the  
11          excess of the normal, survivor and additional credits,  
12          including interest thereon, excluding those allowed  
13          during periods of disability, at the effective date of  
14          his suspended annuity over all annuity payments made to  
15          the employee.

16          12. The \$3,000 or \$5,000 death benefit provided in  
17          paragraphs 4 and 6 shall not be payable to beneficiaries of  
18          persons who terminated service prior to September 8, 1971,  
19          unless the payment or agreement for payment provided by  
20          Section 7-144.2 of this Article is made prior to the date of  
21          death.

22          13. The increase in certain death benefits from \$1,000  
23          to \$3,000 provided by this amendatory Act of 1987 shall apply  
24          only to deaths occurring on or after January 1, 1988.

25          The increase in certain death benefits from \$3,000 to  
26          \$5,000 provided by this amendatory Act of the 93rd General  
27          Assembly applies to deaths that occur on or after the  
28          effective date of this amendatory Act, without regard to  
29          whether the deceased person was in service on or after that  
30          date.

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

32          (40 ILCS 5/7-172) (from Ch. 108 1/2, par. 7-172)

33          Sec.        7-172.        Contributions        by        participating

1 municipalities and participating instrumentalities.

2 (a) Each participating municipality and each  
3 participating instrumentality shall make payment to the fund  
4 as follows:

5 1. municipality contributions in an amount  
6 determined by applying the municipality contribution rate  
7 to each payment of earnings paid to each of its  
8 participating employees;

9 2. an amount equal to the employee contributions  
10 provided by paragraphs (a) and (b) of Section 7-173,  
11 whether or not the employee contributions are withheld as  
12 permitted by that Section;

13 3. all accounts receivable, together with interest  
14 charged thereon, as provided in Section 7-209;

15 4. if it has no participating employees with  
16 current earnings, an amount payable which, over a period  
17 of 20 years beginning with the year following an award of  
18 benefit, will amortize, at the effective rate for that  
19 year, any negative balance in its municipality reserve  
20 resulting from the award. This amount when established  
21 will be payable as a separate contribution whether or not  
22 it later has participating employees.

23 (b) A separate municipality contribution rate shall be  
24 determined for each calendar year for all participating  
25 municipalities together with all instrumentalities thereof.  
26 The municipality contribution rate shall be determined for  
27 participating instrumentalities as if they were participating  
28 municipalities. The municipality contribution rate shall be  
29 the sum of the following percentages:

30 1. The percentage of earnings of all the  
31 participating employees of all participating  
32 municipalities and participating instrumentalities which,  
33 if paid over the entire period of their service, will be  
34 sufficient when combined with all employee contributions



1 available for the payment of benefits, to provide all  
2 annuities for participating employees, and the \$5,000  
3 \$3,000 death benefit payable under Sections 7-158 and  
4 7-164, such percentage to be known as the normal cost  
5 rate.

6 2. The percentage of earnings of the participating  
7 employees of each participating municipality and  
8 participating instrumentalities necessary to adjust for  
9 the difference between the present value of all benefits,  
10 excluding temporary and total and permanent disability  
11 and death benefits, to be provided for its participating  
12 employees and the sum of its accumulated municipality  
13 contributions and the accumulated employee contributions  
14 and the present value of expected future employee and  
15 municipality contributions pursuant to subparagraph 1 of  
16 this paragraph (b). This adjustment shall be spread over  
17 the remainder of the period that is allowable under  
18 generally accepted accounting principles.

19 3. The percentage of earnings of the participating  
20 employees of all municipalities and participating  
21 instrumentalities necessary to provide the present value  
22 of all temporary and total and permanent disability  
23 benefits granted during the most recent year for which  
24 information is available.

25 4. The percentage of earnings of the participating  
26 employees of all participating municipalities and  
27 participating instrumentalities necessary to provide the  
28 present value of the net single sum death benefits  
29 expected to become payable from the reserve established  
30 under Section 7-206 during the year for which this rate  
31 is fixed.

32 5. The percentage of earnings necessary to meet any  
33 deficiency arising in the Terminated Municipality  
34 Reserve.

1 (c) A separate municipality contribution rate shall be  
2 computed for each participating municipality or participating  
3 instrumentality for its sheriff's law enforcement employees.

4 A separate municipality contribution rate shall be  
5 computed for the sheriff's law enforcement employees of each  
6 forest preserve district that elects to have such employees.  
7 For the period from January 1, 1986 to December 31, 1986,  
8 such rate shall be the forest preserve district's regular  
9 rate plus 2%.

10 In the event that the Board determines that there is an  
11 actuarial deficiency in the account of any municipality with  
12 respect to a person who has elected to participate in the  
13 Fund under Section 3-109.1 of this Code, the Board may adjust  
14 the municipality's contribution rate so as to make up that  
15 deficiency over such reasonable period of time as the Board  
16 may determine.

17 (d) The Board may establish a separate municipality  
18 contribution rate for all employees who are program  
19 participants employed under the federal Comprehensive  
20 Employment Training Act by all of the participating  
21 municipalities and instrumentalities. The Board may also  
22 provide that, in lieu of a separate municipality rate for  
23 these employees, a portion of the municipality contributions  
24 for such program participants shall be refunded or an extra  
25 charge assessed so that the amount of municipality  
26 contributions retained or received by the fund for all CETA  
27 program participants shall be an amount equal to that which  
28 would be provided by the separate municipality contribution  
29 rate for all such program participants. Refunds shall be  
30 made to prime sponsors of programs upon submission of a claim  
31 therefor and extra charges shall be assessed to participating  
32 municipalities and instrumentalities. In establishing the  
33 municipality contribution rate as provided in paragraph (b)  
34 of this Section, the use of a separate municipality

1 contribution rate for program participants or the refund of a  
2 portion of the municipality contributions, as the case may  
3 be, may be considered.

4 (e) Computations of municipality contribution rates for  
5 the following calendar year shall be made prior to the  
6 beginning of each year, from the information available at the  
7 time the computations are made, and on the assumption that  
8 the employees in each participating municipality or  
9 participating instrumentality at such time will continue in  
10 service until the end of such calendar year at their  
11 respective rates of earnings at such time.

12 (f) Any municipality which is the recipient of State  
13 allocations representing that municipality's contributions  
14 for retirement annuity purposes on behalf of its employees as  
15 provided in Section 12-21.16 of the Illinois Public Aid Code  
16 shall pay the allocations so received to the Board for such  
17 purpose. Estimates of State allocations to be received  
18 during any taxable year shall be considered in the  
19 determination of the municipality's tax rate for that year  
20 under Section 7-171. If a special tax is levied under  
21 Section 7-171, none of the proceeds may be used to reimburse  
22 the municipality for the amount of State allocations received  
23 and paid to the Board. Any multiple-county or consolidated  
24 health department which receives contributions from a county  
25 under Section 11.2 of "An Act in relation to establishment  
26 and maintenance of county and multiple-county health  
27 departments", approved July 9, 1943, as amended, or  
28 distributions under Section 3 of the Department of Public  
29 Health Act, shall use these only for municipality  
30 contributions by the health department.

31 (g) Municipality contributions for the several purposes  
32 specified shall, for township treasurers and employees in the  
33 offices of the township treasurers who meet the qualifying  
34 conditions for coverage hereunder, be allocated among the

1 several school districts and parts of school districts  
2 serviced by such treasurers and employees in the proportion  
3 which the amount of school funds of each district or part of  
4 a district handled by the treasurer bears to the total amount  
5 of all school funds handled by the treasurer.

6 From the funds subject to allocation among districts and  
7 parts of districts pursuant to the School Code, the trustees  
8 shall withhold the proportionate share of the liability for  
9 municipality contributions imposed upon such districts by  
10 this Section, in respect to such township treasurers and  
11 employees and remit the same to the Board.

12 The municipality contribution rate for an educational  
13 service center shall initially be the same rate for each year  
14 as the regional office of education or school district which  
15 serves as its administrative agent. When actuarial data  
16 become available, a separate rate shall be established as  
17 provided in subparagraph (i) of this Section.

18 The municipality contribution rate for a public agency,  
19 other than a vocational education cooperative, formed under  
20 the Intergovernmental Cooperation Act shall initially be the  
21 average rate for the municipalities which are parties to the  
22 intergovernmental agreement. When actuarial data become  
23 available, a separate rate shall be established as provided  
24 in subparagraph (i) of this Section.

25 (h) Each participating municipality and participating  
26 instrumentality shall make the contributions in the amounts  
27 provided in this Section in the manner prescribed from time  
28 to time by the Board and all such contributions shall be  
29 obligations of the respective participating municipalities  
30 and participating instrumentalities to this fund. The  
31 failure to deduct any employee contributions shall not  
32 relieve the participating municipality or participating  
33 instrumentality of its obligation to this fund. Delinquent  
34 payments of contributions due under this Section may, with

1 interest, be recovered by civil action against the  
2 participating municipalities or participating  
3 instrumentalities. Municipality contributions, other than  
4 the amount necessary for employee contributions and Social  
5 Security contributions, for periods of service by employees  
6 from whose earnings no deductions were made for employee  
7 contributions to the fund, may be charged to the municipality  
8 reserve for the municipality or participating  
9 instrumentality.

10 (i) Contributions by participating instrumentalities  
11 shall be determined as provided herein except that the  
12 percentage derived under subparagraph 2 of paragraph (b) of  
13 this Section, and the amount payable under subparagraph 5 of  
14 paragraph (a) of this Section, shall be based on an  
15 amortization period of 10 years.

16 (Source: P.A. 92-424, eff. 8-17-01.)

17 (40 ILCS 5/7-205) (from Ch. 108 1/2, par. 7-205)

18 Sec. 7-205. Reserves for annuities. Appropriate reserves  
19 shall be created for payment of all annuities granted under  
20 this Article at the time such annuities are granted and in  
21 amounts determined to be necessary under actuarial tables  
22 adopted by the Board upon recommendation of the actuary of  
23 the fund. All annuities payable shall be charged to the  
24 annuity reserve.

25 1. Amounts credited to annuity reserves shall be derived  
26 by transfer of all the employee credits from the appropriate  
27 employee reserves and by charges to the municipality reserve  
28 of those municipalities in which the retiring employee has  
29 accumulated service. If a retiring employee has accumulated  
30 service in more than one participating municipality or  
31 participating instrumentality, aggregate municipality charges  
32 shall be prorated on a basis of the employee's earnings in  
33 case of concurrent service and creditable service in other

1 cases.

2 2. Supplemental annuities shall be handled as a separate  
3 annuity and amounts to be credited to the annuity reserve  
4 therefor shall be derived in the same manner as a regular  
5 annuity.

6 3. When a retirement annuity is granted to an employee  
7 with a spouse eligible for a surviving spouse annuity, there  
8 shall be credited to the annuity reserve an amount to fund  
9 the cost of both the retirement and surviving spouse annuity  
10 as a joint and survivors annuity.

11 4. Beginning January 1, 1989, when a retirement annuity  
12 is awarded, an amount equal to the present value of the  
13 \$3,000 or \$5,000 death benefit payable upon the death of the  
14 annuitant shall be transferred to the annuity reserve from  
15 the appropriate municipality reserves in the same manner as  
16 the transfer for annuities.

17 5. All annuity reserves shall be revalued annually as of  
18 December 31. Beginning as of December 31, 1973, adjustment  
19 required therein by such revaluation shall be charged or  
20 credited to the earnings and experience variation reserve.

21 6. There shall be credited to the annuity reserve all of  
22 the payments made by annuitants under Section 7-144.2, plus  
23 an additional amount from the earnings and experience  
24 variation reserve to fund the cost of the incremental  
25 annuities granted to annuitants making these payments.

26 7. As of December 31, 1972, the excess in the annuity  
27 reserve shall be transferred to the municipality reserves.  
28 An amount equal to the deficiency in the reserve of  
29 participating municipalities and participating  
30 instrumentalities which have no participating employees shall  
31 be allocated to their reserves. The remainder shall be  
32 allocated in amounts proportionate to the present value, as  
33 of January 1, 1972, of annuities of annuitants of the  
34 remaining participating municipalities and participating

1 instrumentalities.

2 (Source: P.A. 89-136, eff. 7-14-95.)

3 (40 ILCS 5/7-206) (from Ch. 108 1/2, par. 7-206)

4 Sec. 7-206. Death Reserve. All death benefit payments  
5 shall be charged to the Death Reserve, other than the \$3,000  
6 or \$5,000 death benefits paid after December 31, 1988 upon  
7 the death of an annuitant. All contributions for death  
8 purposes under Section 7-172(b)4 shall be credited to the  
9 same reserve. Whenever the balance in such reserve at the  
10 close of a year exceeds 100% of the average annual charges to  
11 this account during the 3 preceding calendar years, the basic  
12 actuarial assumptions upon which municipality contribution  
13 rates for these purposes are based, shall be reviewed and  
14 revised in such manner as is deemed necessary to reduce such  
15 balance.

16 (Source: P.A. 89-136, eff. 7-14-95.)

17 Section 90. The State Mandates Act is amended by adding  
18 Section 8.27 as follows:

19 (30 ILCS 805/8.27 new)

20 Sec. 8.27. Exempt mandate. Notwithstanding Sections 6  
21 and 8 of this Act, no reimbursement by the State is required  
22 for the implementation of any mandate created by this  
23 amendatory Act of the 93rd General Assembly.

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