



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB0711

Introduced 2/6/2009, by Rep. Michael J. Zalewski

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/17-119	from Ch. 108 1/2, par. 17-119
40 ILCS 5/17-119.2 new	
40 ILCS 5/17-122	from Ch. 108 1/2, par. 17-122
30 ILCS 805/8.33 new	

Amends the Chicago Teacher Article of the Illinois Pension Code. Provides for a one-time increase in certain retirement and survivor's annuities. 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 retirement system to review and report on significant changes in purchasing power. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB096 04563 AMC 14618 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 17-119 and 17-122 and adding Section 17-119.2 as  
6 follows:

7 (40 ILCS 5/17-119) (from Ch. 108 1/2, par. 17-119)

8 Sec. 17-119. Automatic annual increase in pension.

9 (a) Each teacher retiring on or after September 1, 1959, is  
10 entitled to the annual increase in pension, defined herein,  
11 while he is receiving a pension from the Fund.

12 1. The term "base pension" means a service retirement  
13 or disability retirement pension in the amount fixed and  
14 payable at the date of retirement of a teacher.

15 2. The annual increase in pension shall be at the rate  
16 of 1 1/2% of base pension. This increase shall first occur  
17 in January of the year next following the first anniversary  
18 of retirement. At such time the Fund shall pay the pro rata  
19 part of the increase for the period from the first  
20 anniversary date to the date of the first increase in  
21 pension. Beginning January 1, 1972, the rate of annual  
22 increase in pension shall be 2% of the base pension.  
23 Beginning January 1, 1979, the rate of annual increase in

1 pension shall be 3% of the base pension. Beginning January  
2 1, 1990, all automatic annual increases payable under this  
3 Section shall be calculated as a percentage of the total  
4 pension payable at the time of the increase, including all  
5 increases previously granted under this Article,  
6 notwithstanding Section 17-157.

7 3. An increase in pension shall be granted only if the  
8 retired teacher is age 60 or over. If the teacher attains  
9 age 60 after retirement, the increase in pension shall  
10 begin in January of the year following the 61st birthday.  
11 At such time the Fund also shall pay the pro rata part of  
12 the increase from the 61st birthday to the date of first  
13 increase in pension.

14 (b) In addition to other increases which may be provided by  
15 this Section, on January 1, 1981 any teacher who was receiving  
16 a retirement pension on or before January 1, 1971 shall have  
17 his retirement pension then being paid increased \$1 per month  
18 for each year of creditable service. On January 1, 1982, any  
19 teacher whose retirement pension began on or before January 1,  
20 1977, shall have his retirement pension then being paid  
21 increased \$1 per month for each year of creditable service.

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

1       (c) On July 1, 2010, every pensioner who began receiving a  
2 retirement pension before January 1, 1980 shall have the  
3 monthly retirement pension 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 pension payable on  
14 June 30, 2010, including any increases previously received  
15 under this Article, and shall be included in the calculation of  
16 increases granted thereafter under subsection (a). Section  
17 17-157 does not apply to the increase provided under this  
18 subsection.

19       (Source: P.A. 90-566, eff. 1-2-98.)

20       (40 ILCS 5/17-119.2 new)

21       Sec. 17-119.2. Reduction of purchasing power; policy;  
22 report; increase.

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

24       (1) The purchasing power of a fixed annuity can be  
25 eroded over time by the effects of inflation and increases

1 in the general cost of living.

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

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

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

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

23 (c) The Fund shall regularly review the changes that have  
24 occurred in the purchasing power of the retirement and  
25 survivor's pensions being paid under this Article, and it shall  
26 report to the General Assembly, the Governor, and the Economic

1 and Fiscal Commission whenever it determines that the original  
2 purchasing power of those pensions has been reduced by 20% or  
3 more for any category or group of pensioners. The Fund may  
4 include in the report its recommendations, if any, for  
5 legislative action to address its findings.

6 (d) As used in this Section, the term "retirement and  
7 survivor's pensions" means all service retirement pensions,  
8 disability retirement pensions, survivor's pensions, and  
9 children's pensions.

10 (40 ILCS 5/17-122) (from Ch. 108 1/2, par. 17-122)

11 Sec. 17-122. Survivor's and children's pensions - Amount.

12 (a) Upon the death of a teacher who has completed at least  
13 1 1/2 years of contributing service with either this Fund or  
14 the State Universities Retirement System or the Teachers'  
15 Retirement System of the State of Illinois, provided his death  
16 occurred while (a) in active service covered by the Fund or  
17 during his first 18 months of continuous employment without a  
18 break in service under any other participating system as  
19 defined in the Illinois Retirement Systems Reciprocal Act  
20 except the State Universities Retirement System and the  
21 Teachers' Retirement System of the State of Illinois, (b) on a  
22 creditable leave of absence, (c) on a noncreditable leave of  
23 absence of no more than one year, or (d) a pension was deferred  
24 or pending provided the teacher had at least 10 years of  
25 validated service credit, or upon the death of a pensioner

1 otherwise qualified for such benefit, the surviving spouse and  
2 unmarried minor children of the deceased teacher under age 18  
3 shall be entitled to pensions, under the conditions stated  
4 hereinafter. Such survivor's and children's pensions shall be  
5 based on the average of the 4 highest consecutive years of  
6 salary in the last 10 years of service or on the average salary  
7 for total service, if total service has been less than 4 years,  
8 according to the following percentages:

9           30% of average salary or 50% of the retirement pension  
10           earned by the teacher, whichever is larger, subject to the  
11           prescribed maximum monthly payment, for a surviving spouse  
12           alone on attainment of age 50;

13           60% of average salary for a surviving spouse and  
14           eligible minor children of the deceased teacher.

15           If no eligible spouse survives, or the surviving spouse  
16           remarries, or the parent of the children of the deceased member  
17           is otherwise ineligible for a survivor's pension, a children's  
18           pension for eligible minor children under age 18 shall be paid  
19           to their parent or legal guardian for their benefit according  
20           to the following percentages:

21           30% of average salary for one child;

22           60% of average salary for 2 or more children.

23           (b) On January 1, 1981, any survivor or child who was  
24           receiving a survivor's or children's pension on or before  
25           January 1, 1971, shall have his survivor's or children's  
26           pension then being paid increased by 1% for each full year

1 which has elapsed from the date the pension began. On January  
2 1, 1982, any survivor or child whose pension began after  
3 January 1, 1971, but before January 1, 1981, shall have his  
4 survivor's or children's pension then being paid increased 1%  
5 for each full year which has elapsed from the date the pension  
6 began. On January 1, 1987, any survivor or child whose pension  
7 began on or before January 1, 1977, shall have the monthly  
8 survivor's or children's pension increased by \$1 for each full  
9 year which has elapsed since the pension began.

10 (c) On July 1, 2010, every survivor or child who began  
11 receiving a survivor's or children's pension before January 1,  
12 1980 shall have the monthly pension increased by whichever of  
13 the following percentages is applicable:

14 5% if the annuity began in 1979;

15 10% if the annuity began in 1978;

16 14% if the annuity began in 1977;

17 14% if the annuity began in 1976;

18 18% if the annuity began in 1975;

19 23% if the annuity began in 1974;

20 32% if the annuity began in 1973 or before.

21 In the case of the survivor of a deceased annuitant who  
22 died while receiving a retirement annuity, "original annuity"  
23 means the deceased annuitant's retirement pension; in all other  
24 cases, "original annuity" means the survivor's or children's  
25 pension.

26 The increase under this subsection shall be calculated as a



1 percentage of the amount of the survivor's or children's  
2 pension payable on June 30, 2010, including any increases  
3 previously received under this Article, and shall be included  
4 in the calculation of increases granted thereafter under  
5 subsection (d). Section 17-157 does not apply to the increase  
6 provided under this subsection.

7 (d) Beginning January 1, 1990, every survivor's and  
8 children's pension shall be increased (1) on each January 1  
9 occurring on or after the commencement of the pension if the  
10 deceased teacher died while receiving a retirement pension, or  
11 (2) in other cases, on each January 1 occurring on or after the  
12 first anniversary of the commencement of the pension, by an  
13 amount equal to 3% of the current amount of the pension,  
14 including all increases previously granted under this Article,  
15 notwithstanding Section 17-157. Such increases shall apply  
16 without regard to whether the deceased teacher was in service  
17 on or after the effective date of this amendatory Act of 1991,  
18 but shall not accrue for any period prior to January 1, 1990.

19 (e) Subject to the minimum established below, the maximum  
20 amount of pension for a surviving spouse alone or one minor  
21 child shall be \$400 per month, and the maximum combined  
22 pensions for a surviving spouse and children of the deceased  
23 teacher shall be \$600 per month, with individual pensions  
24 adjusted for all beneficiaries pro rata to conform with this  
25 limitation. If proration is unnecessary the minimum survivor's  
26 and children's pensions shall be \$40 per month. The minimum

1 total survivor's and children's pension payable upon the death  
2 of a contributor or annuitant which occurs after December 31,  
3 1986, shall be 50% of the earned retirement pension of such  
4 contributor or annuitant, calculated without early retirement  
5 discount in the case of death in service.

6 On death after retirement, the total survivor's and  
7 children's pensions shall not exceed the monthly retirement or  
8 disability pension paid to the deceased retirant. Survivor's  
9 and children's benefits described in this Section shall apply  
10 to all service and disability pensioners eligible for a pension  
11 as of July 1, 1981.

12 (Source: P.A. 90-32, eff. 6-27-97; 90-566, eff. 1-2-98.)

13 Section 90. The State Mandates Act is amended by adding  
14 Section 8.33 as follows:

15 (30 ILCS 805/8.33 new)

16 Sec. 8.33. Exempt mandate. Notwithstanding Sections 6 and 8  
17 of this Act, no reimbursement by the State is required for the  
18 implementation of any mandate created by this amendatory Act of  
19 the 96th General Assembly.

20 Section 99. Effective date. This Act takes effect upon  
21 becoming law.