

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 employee₇ who has
26 separated from service and would have been entitled to a
27 retirement annuity on date of death₇ 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 1 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 92nd 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 of 40 years from the first of
18 the year following the date of determination.

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. 90-448, eff. 8-16-97.)

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 8.25 as follows:

19 (30 ILCS 805/8.25 new)

20 Sec. 8.25. 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 92nd General Assembly.

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