

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 14-114, 14-119, 14-121, 14-128, 14-131,
6 15-136, 15-136.3, 15-145, 15-155, 15-165, 16-133.1, 16-143.1,
7 16-158, 17-119, and 17-122 and by adding Sections 14-114.1,
8 15-137.1, 16-134.1, and 17-119.2 as follows:

9 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

10 Sec. 14-114. Automatic increase in retirement annuity.

11 (a) Any person receiving a retirement annuity under this
12 Article who retires having attained age 60, or who retires
13 before age 60 having at least 35 years of creditable service,
14 or who retires on or after January 1, 2001 at an age which,
15 when added to the number of years of his or her creditable
16 service, equals at least 85, shall, on January 1 next
17 following the first full year of retirement, have the amount
18 of the then fixed and payable monthly retirement annuity
19 increased 3%. Any person receiving a retirement annuity
20 under this Article who retires before attainment of age 60
21 and with less than (i) 35 years of creditable service if
22 retirement is before January 1, 2001, or (ii) the number of
23 years of creditable service which, when added to the member's
24 age, would equal 85, if retirement is on or after January 1,
25 2001, shall have the amount of the fixed and payable
26 retirement annuity increased by 3% on the January 1 occurring
27 on or next following (1) attainment of age 60, or (2) the
28 first anniversary of retirement, whichever occurs later.
29 However, for persons who receive the alternative retirement
30 annuity under Section 14-110, references in this subsection
31 (a) to attainment of age 60 shall be deemed to refer to

1 attainment of age 55. For a person receiving early
2 retirement incentives under Section 14-108.3 whose retirement
3 annuity began after January 1, 1992 pursuant to an extension
4 granted under subsection (e) of that Section, the first
5 anniversary of retirement shall be deemed to be January 1,
6 1993.

7 On each January 1 following the date of the initial
8 increase under this subsection, the employee's monthly
9 retirement annuity shall be increased by an additional 3%.

10 Beginning January 1, 1990, all automatic annual increases
11 payable under this Section shall be calculated as a
12 percentage of the total annuity payable at the time of the
13 increase, including previous increases granted under this
14 Article.

15 (b) The provisions of subsection (a) of this Section
16 shall be applicable to an employee only if the employee makes
17 the additional contributions required after December 31, 1969
18 for the purpose of the automatic increases for not less than
19 the equivalent of one full year. If an employee becomes an
20 annuitant before his additional contributions equal one full
21 year's contributions based on his salary at the date of
22 retirement, the employee may pay the necessary balance of the
23 contributions to the system, without interest, and be
24 eligible for the increasing annuity authorized by this
25 Section.

26 (c) The provisions of subsection (a) of this Section
27 shall not be applicable to any annuitant who is on retirement
28 on December 31, 1969, and thereafter returns to State
29 service, unless the member has established at least one year
30 of additional creditable service following reentry into
31 service.

32 (d) In addition to other increases which may be provided
33 by this Section, on January 1, 1981 any annuitant who was
34 receiving a retirement annuity on or before January 1, 1971

1 shall have his retirement annuity then being paid increased
 2 \$1 per month for each year of creditable service. On January
 3 1, 1982, any annuitant who began receiving a retirement
 4 annuity on or before January 1, 1977, shall have his
 5 retirement annuity then being paid increased \$1 per month for
 6 each year of creditable service.

7 On January 1, 1987, any annuitant who began receiving a
 8 retirement annuity on or before January 1, 1977, shall have
 9 the monthly retirement annuity increased by an amount equal
 10 to 8¢ per year of creditable service times the number of
 11 years that have elapsed since the annuity began.

12 (d-1) On July 1, 2001, every annuitant who began
 13 receiving a retirement annuity before January 1, 1980 shall
 14 have the monthly retirement annuity increased by whichever of
 15 the following percentages is applicable:

- 16 5% if the annuity began in 1979;
- 17 10% if the annuity began in 1978;
- 18 14% if the annuity began in 1977;
- 19 14% if the annuity began in 1976;
- 20 18% if the annuity began in 1975;
- 21 23% if the annuity began in 1974;
- 22 32% if the annuity began in 1973 or before.

23 The increase under this subsection shall be calculated as
 24 a percentage of the amount of the retirement annuity payable
 25 on June 30, 2001, including any increases previously received
 26 under this Article, and shall be included in the calculation
 27 of increases granted thereafter under subsection (a).

28 (e) Every person who receives the alternative retirement
 29 annuity under Section 14-110 and who is eligible to receive
 30 the 3% increase under subsection (a) on January 1, 1986,
 31 shall also receive on that date a one-time increase in
 32 retirement annuity equal to the difference between (1) his
 33 actual retirement annuity on that date, including any
 34 increases received under subsection (a), and (2) the amount

1 of retirement annuity he would have received on that date if
2 the amendments to subsection (a) made by Public Act 84-162
3 had been in effect since the date of his retirement.

4 (Source: P.A. 91-927, eff. 12-14-00.)

5 (40 ILCS 5/14-114.1 new)

6 Sec. 14-114.1. 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
11 increases in the general cost of living.

12 (2) For a person whose income consists primarily of
13 a fixed annuity, the reduction in purchasing power
14 resulting 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 its retired employees
20 and their survivors.

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

29 (b) It is the public policy of this State and the
30 intention of the General Assembly to protect annuitants
31 against significant decreases in the purchasing power of the
32 retirement and survivor's annuities granted under this
33 Article.

1 (c) The System shall regularly review the changes that
2 have 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 Pension Laws Commission whenever it determines that the
6 original purchasing power of those annuities has been reduced
7 by 20% or more for any category or group of annuitants. The
8 System may include in the report its recommendations, if any,
9 for legislative action to address its findings.

10 (d) As used in this Section, the term "retirement and
11 survivor's annuities" means all annuities as defined in
12 Section 14-103.18, other than disability benefits.

13 (40 ILCS 5/14-119) (from Ch. 108 1/2, par. 14-119)

14 Sec. 14-119. Amount of widow's annuity.

15 (a) The widow's annuity shall be 50% of the amount of
16 retirement annuity payable to the member on the date of death
17 while on retirement if an annuitant, or on the date of his
18 death while in service if an employee, regardless of his age
19 on such date, or on the date of withdrawal if death occurred
20 after termination of service under the conditions prescribed
21 in the preceding Section.

22 (b) If an eligible widow, regardless of age, has in her
23 care any unmarried child or children of the member under age
24 18 (under age 22 if a full-time student), the widow's annuity
25 shall be increased in the amount of 5% of the retirement
26 annuity for each such child, but the combined payments for a
27 widow and children shall not exceed 66 2/3% of the member's
28 earned retirement annuity.

29 The amount of retirement annuity from which the widow's
30 annuity is derived shall be that earned by the member without
31 regard to whether he attained age 60 prior to his withdrawal
32 under the conditions stated or prior to his death.

33 (c) Adopted children shall be considered as children of

1 the member only if the proceedings for adoption were
2 commenced at least 1 year prior to the member's death.

3 Marriage of a child shall render the child ineligible for
4 further consideration in the increase in the amount of the
5 widow's annuity.

6 Attainment of age 18 (age 22 if a full-time student)
7 shall render a child ineligible for further consideration in
8 the increase of the widow's annuity, but the annuity to the
9 widow shall be continued thereafter, without regard to her
10 age at that time.

11 (d) A widow's annuity payable on account of any covered
12 employee who shall have been a covered employee for at least
13 18 months shall be reduced by 1/2 of the amount of survivors
14 benefits to which his beneficiaries are eligible under the
15 provisions of the Federal Social Security Act, except that
16 (1) the amount of any widow's annuity payable under this
17 Article shall not be reduced by reason of any increase under
18 that Act which occurs after the offset required by this
19 subsection is first applied to that annuity, and (2) for
20 benefits granted on or after January 1, 1992, the offset
21 under this subsection (d) shall not exceed 50% of the amount
22 of widow's annuity otherwise payable.

23 (e) Upon the death of a recipient of a widow's annuity
24 the excess, if any, of the member's accumulated
25 contributions plus credited interest over all annuity
26 payments to the member and widow, exclusive of the \$500 lump
27 sum payment, shall be paid to the named beneficiary of the
28 widow, or if none has been named, to the estate of the widow,
29 provided no reversionary annuity is payable.

30 (f) On January 1, 1981, any recipient of a widow's
31 annuity who was receiving a widow's annuity on or before
32 January 1, 1971, shall have her widow's annuity then being
33 paid increased by 1% for each full year which has elapsed
34 from the date the widow's annuity began. On January 1, 1982,

1 any recipient of a widow's annuity who began receiving a
 2 widow's annuity after January 1, 1971, but before January 1,
 3 1981, shall have her widow's annuity then being paid
 4 increased by 1% for each full year which has elapsed from the
 5 date the widow's annuity began. On January 1, 1987, any
 6 recipient of a widow's annuity who began receiving the
 7 widow's annuity on or before January 1, 1977, shall have the
 8 monthly widow's annuity increased by \$1 for each full year
 9 which has elapsed since the date the annuity began.

10 (f-1) On July 1, 2001, every recipient of a widow's
 11 annuity whose original annuity began before January 1, 1980
 12 shall have the monthly widow's annuity increased by whichever
 13 of the following percentages is applicable:

- 14 5% if the original annuity began in 1979;
- 15 10% if the original annuity began in 1978;
- 16 14% if the original annuity began in 1977;
- 17 14% if the original annuity began in 1976;
- 18 18% if the original annuity began in 1975;
- 19 23% if the original annuity began in 1974;
- 20 32% if the original 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 annuity; in all
 24 other cases, "original annuity" means the widow's annuity.

25 The increase under this subsection shall be calculated as
 26 a percentage of the amount of the widow's annuity payable on
 27 June 30, 2001, including any increases previously received
 28 under this Article, and shall be included in the calculation
 29 of increases granted thereafter under subsection (g).

30 (g) Beginning January 1, 1990, every widow's annuity
 31 shall be increased (1) on each January 1 occurring on or
 32 after the commencement of the annuity if the deceased member
 33 died while receiving a retirement annuity, or (2) in other
 34 cases, on each January 1 occurring on or after the first

1 anniversary of the commencement of the annuity, by an amount
2 equal to 3% of the current amount of the annuity, including
3 any previous increases under this Article. Such increases
4 shall apply without regard to whether the deceased member was
5 in service on or after the effective date of Public Act
6 86-1488, but shall not accrue for any period prior to January
7 1, 1990.

8 (Source: P.A. 90-448, eff. 8-16-97.)

9 (40 ILCS 5/14-121) (from Ch. 108 1/2, par. 14-121)

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

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

19 (b) If an eligible child or children under the care of a
20 spouse also survives the member, such spouse as natural
21 guardian of the child or children shall receive, in addition
22 to the foregoing annuity, 20% of final average compensation
23 on account of each such child and 10% of final average
24 compensation divided pro rata among such children, subject to
25 a maximum payment on account of all survivor annuity
26 beneficiaries of \$600 per month, or 80% of the member's final
27 average compensation, whichever is the lesser.

28 (c) If the survivors annuity beneficiary or
29 beneficiaries consists of an unmarried child or children, the
30 amount of survivors annuity shall be 20% of final average
31 compensation to each child, and 10% of final average
32 compensation divided pro rata among all such children
33 entitled to such annuity, subject to a maximum payment to all

1 children combined of \$600 per month or 80% of the member's
2 final average compensation, whichever is the lesser.

3 (d) If the survivors annuity beneficiary is one or more
4 dependent parents, the annuity shall be 20% of final average
5 compensation to each parent and 10% of final average
6 compensation divided pro rata among the parents who qualify
7 for this annuity, subject to a maximum payment to both
8 dependent parents of \$400 per month.

9 (e) The survivors annuity to the spouse, children or
10 dependent parents of a member whose death occurs after the
11 date of last withdrawal, or after retirement, or while in
12 service following reentry into service after retirement but
13 before completing 1 1/2 years of additional creditable
14 service, shall not exceed the lesser of 80% of the member's
15 earned retirement annuity at the date of death or the maximum
16 previously established in this Section.

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

22 (g) A survivors annuity payable on account of any
23 covered employee who shall have been a covered employee for
24 at least 18 months at date of death or last withdrawal,
25 whichever is the later, shall be reduced by 1/2 of the
26 survivors benefits to which his beneficiaries are eligible
27 under the federal Social Security Act, except that (1) the
28 survivors annuity payable under this Article shall not be
29 reduced by any increase under that Act which occurs after the
30 offset required by this subsection is first applied to that
31 annuity, and (2) for benefits granted on or after January 1,
32 1992, the offset under this subsection (g) shall not exceed
33 50% of the amount of survivors annuity otherwise payable.

34 (h) The minimum payment to a beneficiary hereunder shall

1 be \$60 per month, which shall be reduced in accordance with
2 the limitation prescribed on the combined payments to all
3 beneficiaries of a member.

4 (i) Subject to the conditions set forth in Section
5 14-120, the minimum total survivors annuity benefit payable
6 to the survivors annuity beneficiaries of a deceased member
7 or annuitant whose death occurs on or after January 1, 1984,
8 shall be 50% of the amount of retirement annuity that was or
9 would have been payable to the deceased on the date of death,
10 regardless of the age of the deceased on such date. If the
11 minimum total benefit provided by this subsection exceeds the
12 maximum otherwise imposed by this Section, the minimum total
13 benefit shall nevertheless be payable. Any increase in the
14 total survivors annuity benefit resulting from the operation
15 of this subsection shall be divided among the survivors
16 annuity beneficiaries of the deceased in proportion to their
17 shares of the total survivors annuity benefit otherwise
18 payable under this Section.

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

27 (k) Upon the death of the last eligible recipient of a
28 survivors annuity the excess, if any, of the member's
29 accumulated contributions plus credited interest over all
30 annuity payments to the member and survivors exclusive of the
31 single sum payment of \$1000, shall be paid to the named
32 beneficiary of the last eligible survivor, or if none has
33 been named, to the estate of the last eligible survivor,
34 provided no reversionary annuity is payable.

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

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

26 (n) On July 1, 2001, every recipient of a survivor's
 27 annuity whose original annuity began before January 1, 1980
 28 shall have the monthly survivor's annuity increased by
 29 whichever of the following percentages is applicable:

- 30 5% if the original annuity began in 1979;
- 31 10% if the original annuity began in 1978;
- 32 14% if the original annuity began in 1977;
- 33 14% if the original annuity began in 1976;
- 34 18% if the original annuity began in 1975;

23% if the original annuity began in 1974;

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

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

The increase under this subsection shall be calculated as a percentage of the amount of the survivor's annuity payable on June 30, 2001, including any increases previously received under this Article, and shall be included in the calculation of increases granted thereafter under subsection (m).

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

(40 ILCS 5/14-128) (from Ch. 108 1/2, par. 14-128)

Sec. 14-128. Occupational death benefit. An occupational death benefit is provided for a member of the System whose death, prior to retirement, is the proximate result of bodily injuries sustained or a hazard undergone while in the performance and within the scope of the member's duties.

(a) Conditions for payment.

Exclusive of the lump sum payment provided for herein, all annuities under this Section shall accrue and be payable for complete calendar months, beginning on the first day of the month next following the month in which the initiating event occurs and ending on the last day of the month in which the terminating event occurs.

The following named survivors of the member may be eligible for an annuity under this Section:

(i) The member's spouse.

(ii) An unmarried child of the member under age 18 (under age 22 if a full-time student); an unmarried stepchild under age 18 (under age 22 if a full-time student) who has been such for at least one year at the

1 date of the member's death; an unmarried adopted child
2 under age 18 (under age 22 if a full-time student) if the
3 adoption proceedings were initiated at least one year
4 prior to the death of the member; and an unmarried child
5 over age 18 who is dependent by reason of a physical or
6 mental disability, for so long as such physical or mental
7 disability continues. For the purposes of this Section
8 disability means inability to engage in any substantial
9 gainful activity by reason of any medically determinable
10 physical or mental impairment which can be expected to
11 result in death or which has lasted or can be expected to
12 last for a continuous period of not less than 12 months.

13 (iii) If no spouse or eligible children survive: a
14 dependent parent of the member; a dependent step-parent
15 by a marriage contracted before the member attained age
16 18; or a dependent adopting parent by whom the member was
17 adopted before he or she attained age 18.

18 The term "dependent" relating to an occupational death
19 benefit means a survivor of the member who was receiving from
20 the member at the date of the member's death at least 1/2 of
21 the support for maintenance including board, lodging, medical
22 care and like living costs.

23 Payment of the annuity shall continue until the
24 occurrence of the following:

25 (1) remarriage before age 55 that occurs before the
26 effective date of this amendatory Act of the 91st General
27 Assembly or death, in the case of a surviving spouse;

28 (2) attainment of age 18 or termination of
29 disability, death, or marriage, in the case of an
30 eligible child;

31 (3) remarriage before age 55 or death, in the case
32 of a dependent parent.

33 If none of the aforementioned beneficiaries is living at
34 the date of death of the member, no occupational death

1 benefit shall be payable, but the nonoccupational death
2 benefit shall be payable as provided in this Article.

3 The change made to this subsection by this amendatory Act
4 of the 91st General Assembly (pertaining to remarriage prior
5 to age 55) applies without regard to whether the deceased
6 member was in service on or after the effective date of this
7 amendatory Act.

8 (b) Amount of benefit.

9 The member's accumulated contributions plus credited
10 interest shall be payable in a lump sum to such person as the
11 member has nominated by written direction, duly acknowledged
12 and filed with the Board, or if no such nomination to the
13 estate of the member. When an annuitant is re-employed by a
14 Department, the accumulated contributions plus credited
15 interest payable on the member's account shall, if the member
16 has not previously elected a reversionary annuity, consist of
17 the excess, if any, of the member's total accumulated
18 contributions plus credited interest for all creditable
19 service over the total amount of all retirement annuity
20 payments received by the member prior to death.

21 In addition to the foregoing payment, an annuity is
22 provided for eligible survivors as follows:

23 (1) If the survivor is a spouse only, the annuity
24 shall be 50% of the member's final average compensation.

25 (2) If the spouse has in his or her care an
26 eligible child or children, the annuity shall be
27 increased by an amount equal to 15% of the final average
28 compensation on account of each such child, subject to a
29 limitation on the combined annuities to a surviving
30 spouse and children of 75% of final average compensation.

31 (3) If there is no surviving spouse, or if the
32 surviving spouse dies or remarries while a child remains
33 eligible, then each such child shall be entitled to an
34 annuity of 15% of the deceased member's final average

1 compensation, subject to a limitation of 50% of final
2 average compensation to all such children.

3 (4) If there is no surviving spouse or eligible
4 children, then an annuity shall be payable to the
5 member's dependent parents, equal to 25% of final average
6 compensation to each such beneficiary.

7 If any annuity payable under this Section is less than
8 the corresponding survivors annuity, the beneficiary or
9 beneficiaries of the annuity under this Section may elect to
10 receive the survivors annuity and the nonoccupational death
11 benefit provided for in this Article in lieu of the annuity
12 provided under this Section.

13 (c) Occupational death claims pending adjudication by
14 the Industrial Commission or a ruling by the agency
15 responsible for determining the liability of the State under
16 the "Workers' Compensation Act" or "Workers' Occupational
17 Diseases Act" shall be payable under Sections 14-120 and
18 14-121 until a ruling or adjudication occurs, if the
19 beneficiary or beneficiaries: (1) meet all conditions for
20 payment as prescribed in this Article; and (2) execute an
21 assignment of benefits payable as a result of adjudication by
22 the Industrial Commission or a ruling by the agency
23 responsible for determining the liability of the State under
24 such Acts. The assignment shall be made to the System and
25 shall be for an amount equal to the excess of benefits paid
26 under Sections 14-120 and 14-121 over benefits payable as a
27 result of adjudication of the workers' compensation claim
28 computed from the date of death of the member.

29 (d) Every occupational death annuity payable under this
30 Section shall be increased on each January 1 occurring on or
31 after (i) January 1, 1990, or (ii) the first anniversary of
32 the commencement of the annuity, whichever occurs later, by
33 an amount equal to 3% of the current amount of the annuity,
34 including any previous increases under this Article, without

1 regard to whether the deceased member was in service on the
2 effective date of this amendatory Act of 1991.

3 (e) On July 1, 2001, every annuitant who began receiving
4 an occupational death annuity before January 1, 1980 shall
5 have the monthly 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
15 a percentage of the amount of the occupational death annuity
16 payable on June 30, 2001, including any increases previously
17 received under this Article, and shall be included in the
18 calculation of increases granted thereafter under subsection
19 (d).

20 (Source: P.A. 90-448, eff. 8-16-97; 91-887, eff. 7-6-00.)

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
26 contributions, investment income, and other income, will be
27 sufficient to meet the cost of maintaining and administering
28 the System on a 90% funded basis in accordance with actuarial
29 recommendations.

30 For the purposes of this Section and Section 14-135.08,
31 references to State contributions refer only to employer
32 contributions and do not include employee contributions that
33 are picked up or otherwise paid by the State or a department

1 on behalf of the employee.

2 (b) The Board shall determine the total amount of State
3 contributions required for each fiscal year on the basis of
4 the actuarial tables and other assumptions adopted by the
5 Board, using the formulae formula in subsection (e) and
6 subsection (e-1). The minimum contribution to the System to
7 be made by the State for each fiscal year shall be the sum of
8 the amount determined under subsection (e) and the amount
9 determined under subsection (e-1).

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

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

29 (c) Contributions shall be made by the several
30 departments for each pay period by warrants drawn by the
31 State Comptroller against their respective funds or
32 appropriations based upon vouchers stating the amount to be
33 so contributed. These amounts shall be based on the full
34 rate certified by the Board under Section 14-135.08 for that

1 fiscal year.

2 (d) If an employee is paid from trust funds or federal
3 funds, the department or other employer shall pay employer
4 contributions from those funds to the System at the certified
5 rate, unless the terms of the trust or the federal-State
6 agreement preclude the use of the funds for that purpose, in
7 which case the required employer contributions shall be paid
8 by the State.

9 (e) For State fiscal years 2011 through 2045, the
10 minimum contribution to the System to be made by the State
11 under this subsection (e) for each fiscal year shall be an
12 amount determined by the System to be sufficient to bring the
13 total assets of the System up to 90% of the total actuarial
14 liabilities of the System (other than the liabilities
15 described in subsection (e-1) of this Section) by the end of
16 State fiscal year 2045. In making these determinations, the
17 required State contribution under this subsection (e) shall
18 be calculated each year as a level percentage of payroll over
19 the years remaining to and including fiscal year 2045 and
20 shall be determined under the projected unit credit actuarial
21 cost method.

22 For State fiscal years 1996 through 2010, the State
23 contribution to the System under this subsection (e), as a
24 percentage of the applicable employee payroll, shall be
25 increased in equal annual increments so that by State fiscal
26 year 2011, the State is contributing at the rate required
27 under this Section; except that (i) for State fiscal year
28 1998, for all purposes of this Code and any other law of this
29 State, the certified percentage of the applicable employee
30 payroll shall be 5.052% for employees earning eligible
31 creditable service under Section 14-110 and 6.500% for all
32 other employees, notwithstanding any contrary certification
33 made under Section 14-135.08 before the effective date of
34 this amendatory Act of 1997, and (ii) in the following

1 specified State fiscal years, the State contribution to the
 2 System under this subsection (e) shall not be less than the
 3 following indicated percentages of the applicable employee
 4 payroll, even if the indicated percentage will produce a
 5 State contribution in excess of the amount otherwise required
 6 under this subsection and subsection (a): 9.8% in FY 1999;
 7 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6%
 8 in FY 2003; 10.8% in FY 2004; 11.0% in FY 2005; 11.2% in FY
 9 2006; 11.4% in FY 2007; 11.6% in FY 2008; and 11.8% in FY
 10 2009.

11 Beginning in State fiscal year 2046, the minimum State
 12 contribution under this subsection (e) for each fiscal year
 13 shall be the amount needed to maintain the total assets of
 14 the System at 90% of the total actuarial liabilities of the
 15 System.

16 (e-1) The cost of the one-time increases granted by this
 17 amendatory Act of the 92nd General Assembly under subsection
 18 (d-1) of Section 14-114, subsection (f-1) of Section 14-119,
 19 and subsection (n) of Section 14-121 shall be paid by the
 20 State on a level dollar basis over a period of 10 years
 21 beginning July 1, 2003. These contributions are in addition
 22 to, and shall not be included in the calculation of, the
 23 State contribution required under subsection (e), but shall
 24 be included in the calculation of the annual payroll
 25 percentage under subsection (b).

26 (Source: P.A. 89-136, eff. 7-14-95; 90-65, eff. 7-7-97.)

27 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)
 28 Sec. 15-136. Retirement annuities - Amount. The
 29 provisions of this Section 15-136 apply only to those
 30 participants who are participating in the traditional benefit
 31 package or the portable benefit package and do not apply to
 32 participants who are participating in the self-managed plan.

33 (a) The amount of a participant's retirement annuity,

1 expressed in the form of a single-life annuity, shall be
2 determined by whichever of the following rules is applicable
3 and provides the largest annuity:

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

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

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

19 (ii) an annuity from employer contributions of an
20 amount equal to that which can be provided on an
21 actuarially equivalent basis from the accumulated normal
22 contributions made by the participant under Section
23 15-113.6 and Section 15-113.7 plus 1.4 times all other
24 accumulated normal contributions made by the participant.

25 With respect to a police officer or firefighter who
26 retires on or after August 14, 1998, the accumulated normal
27 contributions taken into account under clauses (i) and (ii)
28 of this Rule 2 shall include the additional normal
29 contributions made by the police officer or firefighter under
30 Section 15-157(a).

31 The amount of a retirement annuity calculated under this
32 Rule 2 shall be computed solely on the basis of the
33 participant's accumulated normal contributions, as specified
34 in this Rule and defined in Section 15-116. Neither an

1 employee or employer contribution for early retirement under
2 Section 15-136.2 nor any other employer contribution shall be
3 used in the calculation of the amount of a retirement annuity
4 under this Rule 2.

5 This amendatory Act of the 91st General Assembly is a
6 clarification of existing law and applies to every
7 participant and annuitant without regard to whether status as
8 an employee terminates before the effective date of this
9 amendatory Act.

10 Rule 3: The retirement annuity of a participant who is
11 employed at least one-half time during the period on which
12 his or her final rate of earnings is based, shall be equal to
13 the participant's years of service not to exceed 30,
14 multiplied by (1) \$96 if the participant's final rate of
15 earnings is less than \$3,500, (2) \$108 if the final rate of
16 earnings is at least \$3,500 but less than \$4,500, (3) \$120 if
17 the final rate of earnings is at least \$4,500 but less than
18 \$5,500, (4) \$132 if the final rate of earnings is at least
19 \$5,500 but less than \$6,500, (5) \$144 if the final rate of
20 earnings is at least \$6,500 but less than \$7,500, (6) \$156 if
21 the final rate of earnings is at least \$7,500 but less than
22 \$8,500, (7) \$168 if the final rate of earnings is at least
23 \$8,500 but less than \$9,500, and (8) \$180 if the final rate
24 of earnings is \$9,500 or more, except that the annuity for
25 those persons having made an election under Section
26 15-154(a-1) shall be calculated and payable under the
27 portable retirement benefit program pursuant to the
28 provisions of Section 15-136.4.

29 Rule 4: A participant who is at least age 50 and has 25
30 or more years of service as a police officer or firefighter,
31 and a participant who is age 55 or over and has at least 20
32 but less than 25 years of service as a police officer or
33 firefighter, shall be entitled to a retirement annuity of
34 2 1/4% of the final rate of earnings for each of the first 10

1 years of service as a police officer or firefighter, 2 1/2%
2 for each of the next 10 years of service as a police officer
3 or firefighter, and 2 3/4% for each year of service as a
4 police officer or firefighter in excess of 20. The
5 retirement annuity for all other service shall be computed
6 under Rule 1.

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

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

11 (ii) in the case of an individual who was a
12 participating employee employed in the fire department of
13 the University of Illinois's Champaign-Urbana campus
14 immediately prior to the elimination of that fire
15 department and who immediately after the elimination of
16 that fire department transferred to another job with the
17 University of Illinois, service performed as an employee
18 of the University of Illinois in a position other than
19 police officer or firefighter, from the date of that
20 transfer until the employee's next termination of service
21 with the University of Illinois.

22 Rule 5: The retirement annuity of a participant who
23 elected early retirement under the provisions of Section
24 15-136.2 and who, on or before February 16, 1995, brought
25 administrative proceedings pursuant to the administrative
26 rules adopted by the System to challenge the calculation of
27 his or her retirement annuity shall be the sum of the
28 following, determined from amounts credited to the
29 participant in accordance with the actuarial tables and the
30 prescribed rate of interest in effect at the time the
31 retirement annuity begins:

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

1 (ii) an annuity from employer contributions of an
2 amount equal to that which can be provided on an
3 actuarially equivalent basis from the accumulated normal
4 contributions made by the participant under Section
5 15-113.6 and Section 15-113.7 plus 1.4 times all other
6 accumulated normal contributions made by the participant;
7 and

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

15 In no event shall a retirement annuity under this Rule 5
16 be lower than the amount obtained by adding (1) the monthly
17 amount obtained by dividing the combined employee and
18 employer contributions made under Section 15-136.2 by the
19 System's annuity factor for the age of the participant at the
20 beginning of the annuity payment period and (2) the amount
21 equal to the participant's annuity if calculated under Rule
22 1, reduced under Section 15-136(b) as if no contributions had
23 been made under Section 15-136.2.

24 With respect to a participant who is qualified for a
25 retirement annuity under this Rule 5 whose retirement annuity
26 began before the effective date of this amendatory Act of the
27 91st General Assembly, and for whom an employee contribution
28 was made under Section 15-136.2, the System shall recalculate
29 the retirement annuity under this Rule 5 and shall pay any
30 additional amounts due in the manner provided in Section
31 15-186.1 for benefits mistakenly set too low.

32 The amount of a retirement annuity calculated under this
33 Rule 5 shall be computed solely on the basis of those
34 contributions specifically set forth in this Rule 5. Except

1 as provided in clause (iii) of this Rule 5, neither an
2 employee nor employer contribution for early retirement under
3 Section 15-136.2, nor any other employer contribution, shall
4 be used in the calculation of the amount of a retirement
5 annuity under this Rule 5.

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

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

20 (b) The retirement annuity provided under Rules 1 and 3
21 above shall be reduced by 1/2 of 1% for each month the
22 participant is under age 60 at the time of retirement.
23 However, this reduction shall not apply in the following
24 cases:

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

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

32 (3) For that portion of a retirement annuity which
33 has been provided on account of service of the
34 participant during periods when he or she performed the

1 duties of a police officer or firefighter, if these
2 duties were performed for at least 5 years immediately
3 preceding the date the retirement annuity is to begin.

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

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

14 Effective January 1 immediately following the date the
15 retirement annuity begins, the annuitant shall receive an
16 increase in his or her monthly retirement annuity of 0.125%
17 of the monthly retirement annuity provided under Rule 1, Rule
18 2, Rule 3, Rule 4, or Rule 5, contained in this Section,
19 multiplied by the number of full months which elapsed from
20 the date the retirement annuity payments began to January 1,
21 1972, plus 0.1667% of such annuity, multiplied by the number
22 of full months which elapsed from January 1, 1972, or the
23 date the retirement annuity payments began, whichever is
24 later, to January 1, 1978, plus 0.25% of such annuity
25 multiplied by the number of full months which elapsed from
26 January 1, 1978, or the date the retirement annuity payments
27 began, whichever is later, to the effective date of the
28 increase.

29 The annuitant shall receive an increase in his or her
30 monthly retirement annuity on each January 1 thereafter
31 during the annuitant's life of 3% of the monthly annuity
32 provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5
33 contained in this Section. The change made under this
34 subsection by P.A. 81-970 is effective January 1, 1980 and

1 applies to each annuitant whose status as an employee
2 terminates before or after that date.

3 Beginning January 1, 1990, all automatic annual increases
4 payable under this Section shall be calculated as a
5 percentage of the total annuity payable at the time of the
6 increase, including all increases previously granted under
7 this Article.

8 The change made in this subsection by P.A. 85-1008 is
9 effective January 26, 1988, and is applicable without regard
10 to whether status as an employee terminated before that date.

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

28 (f) A participant is entitled to such additional annuity
29 as may be provided on an actuarially equivalent basis, by any
30 accumulated additional contributions to his or her credit.
31 However, the additional contributions made by the participant
32 toward the automatic increases in annuity provided under this
33 Section shall not be taken into account in determining the
34 amount of such additional annuity.

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

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

25 (i) On January 1, 1987, any annuitant whose retirement
26 annuity began on or before January 1, 1977, shall have the
27 monthly retirement annuity increased by an amount equal to 8¢
28 per year of creditable service times the number of years that
29 have elapsed since the annuity began.

30 (j) On July 1, 2001, every annuitant who began receiving
31 a retirement annuity before January 1, 1980 shall have the
32 monthly retirement annuity increased by whichever of the
33 following percentages is applicable:

34 5% if the annuity began in 1979;

- 1 10% if the annuity began in 1978;
- 2 14% if the annuity began in 1977;
- 3 14% if the annuity began in 1976;
- 4 18% if the annuity began in 1975;
- 5 23% if the annuity began in 1974;
- 6 32% if the annuity began in 1973 or before.

7 The increase under this subsection shall be calculated as
 8 a percentage of the amount of the retirement annuity payable
 9 on June 30, 2001, including any increases previously received
 10 under this Article, and shall be included in the calculation
 11 of increases granted thereafter under subsection (d).

12 (Source: P.A. 90-14, eff. 7-1-97; 90-65, eff. 7-7-97; 90-448,
 13 eff. 8-16-97; 90-576, eff. 3-31-98; 90-655, eff. 7-30-98;
 14 90-766, eff. 8-14-98; 91-887 (Sections 20 and 25), eff.
 15 7-6-00; revised 8-31-00.)

16 (40 ILCS 5/15-136.3)

17 Sec. 15-136.3. Minimum retirement annuity.

18 (a) Beginning January 1, 1997, any person who is
 19 receiving a monthly retirement annuity under this Article
 20 which, after inclusion of (1) all one-time and automatic
 21 annual increases to which the person is entitled, (2) any
 22 supplemental annuity payable under Section 15-136.1, and (3)
 23 any amount deducted under Section 15-138 or 15-140 to provide
 24 a reversionary annuity, is less than the minimum monthly
 25 retirement benefit amount specified in subsection (b) of this
 26 Section, shall be entitled to a monthly supplemental payment
 27 equal to the difference.

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

33 (c) This Section applies to all persons receiving a

1 retirement annuity under this Article, without regard to
2 whether or not employment terminated prior to the effective
3 date of this Section.

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

5 (40 ILCS 5/15-137.1 new)

6 Sec. 15-137.1. 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
11 increases in the general cost of living.

12 (2) For a person whose income consists primarily of
13 a fixed annuity, the reduction in purchasing power
14 resulting 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
22 this concern by providing for automatic annual increases
23 in retirement and survivor's annuities under this
24 Article. Recognizing that these automatic annual
25 increases, by themselves, are not a complete answer in
26 times of high inflation, the General Assembly has also,
27 from time to time, provided specific one-time increases
28 in annuities for certain categories of annuitants.

29 (b) It is the public policy of this State and the
30 intention of the General Assembly to protect annuitants
31 against significant decreases in the purchasing power of the
32 retirement and survivor's annuities granted under this
33 Article.

1 (c) The System shall regularly review the changes that
2 have 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 Pension Laws Commission whenever it determines that the
6 original purchasing power of those annuities has been reduced
7 by 20% or more for any category or group of annuitants. The
8 System may include in the report its recommendations, if any,
9 for legislative action to address its findings.

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

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

16 (40 ILCS 5/15-145) (from Ch. 108 1/2, par. 15-145)
17 Sec. 15-145. Survivors insurance benefits; conditions
18 and amounts.

19 (a) The survivors insurance benefits provided under this
20 Section shall be payable to the eligible survivors of a
21 participant covered under the traditional benefit package
22 upon the death of (1) a participating employee with at least
23 1 1/2 years of service, (2) a participant who terminated
24 employment with at least 10 years of service, and (3) an
25 annuitant in receipt of a retirement annuity or disability
26 retirement annuity under this Article.

27 Service under the State Employees' Retirement System of
28 Illinois, the Teachers' Retirement System of the State of
29 Illinois and the Public School Teachers' Pension and
30 Retirement Fund of Chicago shall be considered in determining
31 eligibility for survivors benefits under this Section.

32 If by law, a function of a governmental unit, as defined
33 by Section 20-107, is transferred in whole or in part to an

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

8 (b) A surviving spouse of a deceased participant, or of
9 a deceased annuitant who did not take a refund or additional
10 annuity consisting of accumulated survivors insurance
11 contributions, shall receive a survivors annuity of 30% of
12 the final rate of earnings. Payments shall begin on the day
13 following the participant's or annuitant's death or the date
14 the surviving spouse attains age 50, whichever is later, and
15 continue until the death of the surviving spouse. The
16 annuity shall be payable to the surviving spouse prior to
17 attainment of age 50 if the surviving spouse has in his or
18 her care a deceased participant's or annuitant's dependent
19 unmarried child under age 18 (under age 22 if a full-time
20 student) who is eligible for a survivors annuity. Remarriage
21 of a surviving spouse prior to attainment of age 55 that
22 occurs before the effective date of this amendatory Act of
23 the 91st General Assembly shall disqualify him or her for the
24 receipt of a survivors annuity.

25 (c) Each dependent unmarried child under age 18 (under
26 age 22 if a full-time student) of a deceased participant, or
27 of a deceased annuitant who did not take a refund or
28 additional annuity consisting of accumulated survivors
29 insurance contributions, shall receive a survivors annuity
30 equal to the sum of (1) 20% of the final rate of earnings,
31 and (2) 10% of the final rate of earnings divided by the
32 number of children entitled to this benefit. Payments shall
33 begin on the day following the participant's or annuitant's
34 death and continue until the child marries, dies, or attains

1 age 18 (age 22 if a full-time student). If the child is in
2 the care of a surviving spouse who is eligible for survivors
3 insurance benefits, the child's benefit shall be paid to the
4 surviving spouse.

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

26 (d) Each dependent parent of a deceased participant, or
27 of a deceased annuitant who did not take a refund or
28 additional annuity consisting of accumulated survivors
29 insurance contributions, shall receive a survivors annuity
30 equal to the sum of (1) 20% of final rate of earnings, and
31 (2) 10% of final rate of earnings divided by the number of
32 parents who qualify for the benefit. Payments shall begin
33 when the parent reaches age 55 or the day following the
34 participant's or annuitant's death, whichever is later, and

1 continue until the parent dies. Remarriage of a parent prior
2 to attainment of age 55 shall disqualify the parent for the
3 receipt of a survivors annuity.

4 (e) In addition to the survivors annuity provided above,
5 each survivors insurance beneficiary shall, upon death of the
6 participant or annuitant, receive a lump sum payment of
7 \$1,000 divided by the number of such beneficiaries.

8 (f) The changes made in this Section by Public Act
9 81-712 pertaining to survivors annuities in cases of
10 remarriage prior to age 55 shall apply to each survivors
11 insurance beneficiary who remarries after June 30, 1979,
12 regardless of the date that the participant or annuitant
13 terminated his employment or died.

14 The change made to this Section by this amendatory Act of
15 the 91st General Assembly, pertaining to remarriage prior to
16 age 55, applies without regard to whether the deceased
17 participant or annuitant was in service on or after the
18 effective date of this amendatory Act of the 91st General
19 Assembly.

20 (g) On January 1, 1981, any person who was receiving a
21 survivors annuity on or before January 1, 1971 shall have the
22 survivors annuity then being paid increased by 1% for each
23 full year which has elapsed from the date the annuity began.
24 On January 1, 1982, any survivor whose annuity began after
25 January 1, 1971, but before January 1, 1981, shall have the
26 survivor's annuity then being paid increased by 1% for each
27 year which has elapsed from the date the survivor's annuity
28 began. On January 1, 1987, any survivor who began receiving a
29 survivor's annuity on or before January 1, 1977, shall have
30 the monthly survivor's annuity increased by \$1 for each full
31 year which has elapsed since the date the survivor's annuity
32 began.

33 (g-1) On July 1, 2001, every recipient of a survivor's
34 annuity whose original annuity began before January 1, 1980

1 shall have the monthly survivor's annuity increased by
2 whichever of the following percentages is applicable:

3 5% if the original annuity began in 1979;

4 10% if the original annuity began in 1978;

5 14% if the original annuity began in 1977;

6 14% if the original annuity began in 1976;

7 18% if the original annuity began in 1975;

8 23% if the original annuity began in 1974;

9 32% if the original annuity began in 1973 or before.

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

14 The increase under this subsection shall be calculated as
15 a percentage of the amount of the survivor's annuity payable
16 on June 30, 2001, including any increases previously received
17 under this Article, and shall be included in the calculation
18 of increases granted thereafter under subsection (j).

19 (h) If the sum of the lump sum and total monthly
20 survivor benefits payable under this Section upon the death
21 of a participant amounts to less than the sum of the death
22 benefits payable under items (2) and (3) of Section 15-141,
23 the difference shall be paid in a lump sum to the beneficiary
24 of the participant who is living on the date that this
25 additional amount becomes payable.

26 (i) If the sum of the lump sum and total monthly
27 survivor benefits payable under this Section upon the death
28 of an annuitant receiving a retirement annuity or disability
29 retirement annuity amounts to less than the death benefit
30 payable under Section 15-142, the difference shall be paid to
31 the beneficiary of the annuitant who is living on the date
32 that this additional amount becomes payable.

33 (j) Effective on the later of (1) January 1, 1990, or
34 (2) the January 1 on or next after the date on which the

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

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

24 (l) The changes made to this Section and Section 15-131
25 by this amendatory Act of 1997, relating to benefits for
26 certain unmarried children who are full-time students under
27 age 22, apply without regard to whether the deceased member
28 was in service on or after the effective date of this
29 amendatory Act of 1997. These changes do not authorize the
30 repayment of a refund or a re-election of benefits, and any
31 benefit or increase in benefits resulting from these changes
32 is not payable retroactively for any period before the
33 effective date of this amendatory Act of 1997.

34 (Source: P.A. 90-448, eff. 8-16-97; 90-766, eff. 8-14-98;

1 91-887, eff. 7-6-00.)

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

3 Sec. 15-155. Employer contributions.

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

11 The Board shall determine the amount of State
12 contributions required for each fiscal year on the basis of
13 the actuarial tables and other assumptions adopted by the
14 Board and the recommendations of the actuary, using the
15 formulae formula in subsection (a-1) and subsection (a-2).
16 The minimum contribution to the System to be made by the
17 State for each fiscal year shall be the sum of the amount
18 determined under subsection (a-1) and the amount determined
19 under subsection (a-2).

20 (a-1) For State fiscal years 2011 through 2045, the
21 minimum contribution to the System to be made by the State
22 for each fiscal year shall be an amount determined by the
23 System to be sufficient to bring the total assets of the
24 System up to 90% of the total actuarial liabilities of the
25 System (other than the liabilities described in subsection
26 (a-2) of this Section) by the end of State fiscal year 2045.
27 In making these determinations, the required State
28 contribution shall be calculated each year as a level
29 percentage of payroll over the years remaining to and
30 including fiscal year 2045 and shall be determined under the
31 projected unit credit actuarial cost method.

32 For State fiscal years 1996 through 2010, the State
33 contribution to the System, as a percentage of the applicable

1 employee payroll, shall be increased in equal annual
2 increments so that by State fiscal year 2011, the State is
3 contributing at the rate required under this Section.

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

8 (a-2) The cost of the one-time increases granted by this
9 amendatory Act of the 92nd General Assembly under subsection
10 (j) of Section 15-136, subsection (b) of Section 15-136.3
11 (insofar as it derives from that subsection (j) increase),
12 and subsection (g-1) of Section 15-145 shall be paid by the
13 State on a level dollar basis over a period of 10 years
14 beginning July 1, 2003. These contributions are in addition
15 to, and shall not be included in in the calculation of, the
16 State contribution required under subsection (a-1).

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

32 (b-1) The City of Urbana and the City of Champaign shall
33 each make employer contributions to this System for their
34 respective firefighter employees who participate in this

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

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

24 (d) Beginning in State fiscal year 1996, the required
25 State contributions to the System shall be appropriated
26 directly to the System and shall be payable through vouchers
27 issued in accordance with subsection (c) of Section 15-165.

28 (e) The State Comptroller shall draw warrants payable to
29 the System upon proper certification by the System or by the
30 employer in accordance with the appropriation laws and this
31 Code.

32 (f) Normal costs under this Section means liability for
33 pensions and other benefits which accrues to the System
34 because of the credits earned for service rendered by the

1 participants during the fiscal year and expenses of
2 administering the System, but shall not include the principal
3 of or any redemption premium or interest on any bonds issued
4 by the board or any expenses incurred or deposits required in
5 connection therewith.

6 (Source: P.A. 89-602, eff. 8-2-96; 90-576, eff. 3-31-98.)

7 (40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)
8 Sec. 15-165. To certify amounts and submit vouchers.

9 (a) The Board shall certify to the Governor on or before
10 November 15 of each year the appropriation required from
11 State funds for the purposes of this System for the following
12 fiscal year. The certification shall include a copy of the
13 actuarial recommendations upon which it is based.

14 (b) The Board shall certify to the State Comptroller or
15 employer, as the case may be, from time to time, by its
16 president and secretary, with its seal attached, the amounts
17 payable to the System from the various funds.

18 (c) Beginning in State fiscal year 1996, on or as soon
19 as possible after the 15th day of each month the Board shall
20 submit vouchers for payment of State contributions to the
21 System, in a total monthly amount of one-twelfth of the
22 required annual State contribution certified under subsection
23 (a). These vouchers shall be paid by the State Comptroller
24 and Treasurer by warrants drawn on the funds appropriated to
25 the System for that fiscal year.

26 If in any month the amount remaining unexpended from all
27 other appropriations to the System for the applicable fiscal
28 year (including the appropriations to the System under
29 Section 8.12 of the State Finance Act and Section 1 of the
30 State Pension Funds Continuing Appropriation Act) is less
31 than the amount lawfully vouchered under this Section, the
32 difference shall be paid from the General Revenue Fund under
33 the continuing appropriation authority provided in Section

1 1.1 of the State Pension Funds Continuing Appropriation Act.

2 (d) So long as the payments received are the full amount
3 lawfully vouchered under this Section, payments received by
4 the System under this Section shall be applied first toward
5 the employer contribution to the self-managed plan
6 established under Section 15-158.2. Payments shall be
7 applied second toward the employer's portion of the normal
8 costs of the System, as defined in subsection (f) of Section
9 15-155. The balance shall be applied toward the unfunded
10 actuarial liabilities of the System.

11 (e) In the event that the System does not receive, as a
12 result of legislative enactment or otherwise, payments
13 sufficient to fully fund the employer contribution to the
14 self-managed plan established under Section 15-158.2 and to
15 fully fund that portion of the employer's portion of the
16 normal costs of the System, as calculated in accordance with
17 subsections (a-1) and (a-2) of Section 15-155 ~~15-155(a-1)~~,
18 then any payments received shall be applied proportionately
19 to the optional retirement program established under Section
20 15-158.2 and to the employer's portion of the normal costs of
21 the System, as calculated in accordance with subsections
22 (a-1) and (a-2) of Section 15-155 ~~15-155(a-1)~~.

23 (Source: P.A. 90-448, eff. 8-16-97; 90-766, eff. 8-14-98.)

24 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)
25 Sec. 16-133.1. Automatic annual increase in annuity.

26 (a) Each member with creditable service and retiring on
27 or after August 26, 1969 is entitled to the automatic annual
28 increases in annuity provided under this Section while
29 receiving a retirement annuity or disability retirement
30 annuity from the system.

31 An annuitant shall first be entitled to an initial
32 increase under this Section on the January 1 next following
33 the first anniversary of retirement, or January 1 of the year

1 next following attainment of age 61, whichever is later. At
2 such time, the system shall pay an initial increase
3 determined as follows:

4 (1) 1.5% of the originally granted retirement
5 annuity or disability retirement annuity multiplied by
6 the number of years elapsed, if any, from the date of
7 retirement until January 1, 1972, plus

8 (2) 2% of the originally granted annuity multiplied
9 by the number of years elapsed, if any, from the date of
10 retirement or January 1, 1972, whichever is later, until
11 January 1, 1978, plus

12 (3) 3% of the originally granted annuity multiplied
13 by the number of years elapsed from the date of
14 retirement or January 1, 1978, whichever is later, until
15 the effective date of the initial increase.

16 However, the initial annual increase calculated under this
17 Section for the recipient of a disability retirement annuity
18 granted under Section 16-149.2 shall be reduced by an amount
19 equal to the total of all increases in that annuity received
20 under Section 16-149.5 (but not exceeding 100% of the amount
21 of the initial increase otherwise provided under this
22 Section).

23 Following the initial increase, automatic annual
24 increases in annuity shall be payable on each January 1
25 thereafter during the lifetime of the annuitant, determined
26 as a percentage of the originally granted retirement annuity
27 or disability retirement annuity for increases granted prior
28 to January 1, 1990, and calculated as a percentage of the
29 total amount of annuity, including previous increases under
30 this Section, for increases granted on or after January 1,
31 1990, as follows: 1.5% for periods prior to January 1, 1972,
32 2% for periods after December 31, 1971 and prior to January
33 1, 1978, and 3% for periods after December 31, 1977.

34 (b) The automatic annual increases in annuity provided

1 under this Section shall not be applicable unless a member
2 has made contributions toward such increases for a period
3 equivalent to one full year of creditable service. If a
4 member contributes for service performed after August 26,
5 1969 but the member becomes an annuitant before such
6 contributions amount to one full year's contributions based
7 on the salary at the date of retirement, he or she may pay
8 the necessary balance of the contributions to the system and
9 be eligible for the automatic annual increases in annuity
10 provided under this Section.

11 (c) Each member shall make contributions toward the cost
12 of the automatic annual increases in annuity as provided
13 under Section 16-152.

14 (d) An annuitant receiving a retirement annuity or
15 disability retirement annuity on July 1, 1969, who
16 subsequently re-enters service as a teacher is eligible for
17 the automatic annual increases in annuity provided under this
18 Section if he or she renders at least one year of creditable
19 service following the latest re-entry.

20 (e) In addition to the automatic annual increases in
21 annuity provided under this Section, an annuitant who meets
22 the service requirements of this Section and whose retirement
23 annuity or disability retirement annuity began on or before
24 January 1, 1971 shall receive, on January 1, 1981, an
25 increase in the annuity then being paid of one dollar per
26 month for each year of creditable service. On January 1,
27 1982, an annuitant whose retirement annuity or disability
28 retirement annuity began on or before January 1, 1977 shall
29 receive an increase in the annuity then being paid of one
30 dollar per month for each year of creditable service.

31 On January 1, 1987, any annuitant whose retirement
32 annuity began on or before January 1, 1977, shall receive an
33 increase in the monthly retirement annuity equal to 8¢ per
34 year of creditable service times the number of years that

1 have elapsed since the annuity began.

2 (f) On July 1, 2001, every annuitant who began receiving
3 a retirement annuity before January 1, 1980 shall have the
4 monthly retirement annuity increased by whichever of the
5 following percentages is applicable:

- 6 5% if the annuity began in 1979;
- 7 10% if the annuity began in 1978;
- 8 14% if the annuity began in 1977;
- 9 14% if the annuity began in 1976;
- 10 18% if the annuity began in 1975;
- 11 23% if the annuity began in 1974;
- 12 32% if the annuity began in 1973 or before.

13 The increase under this subsection shall be calculated as
14 a percentage of the amount of the retirement annuity payable
15 on June 30, 2001, including any increases previously received
16 under this Article, and shall be included in the calculation
17 of increases granted thereafter under subsection (a).

18 (Source: P.A. 91-927, eff. 12-14-00.)

19 (40 ILCS 5/16-134.1 new)

20 Sec. 16-134.1. Reduction of purchasing power; policy;
21 report; increase.

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

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

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

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

1 their survivors.

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

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

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

24 (40 ILCS 5/16-143.1) (from Ch. 108 1/2, par. 16-143.1)
25 Sec. 16-143.1. Increase in survivor benefits.

26 (a) Beginning January 1, 1990, each survivor's benefit
27 and each reversionary annuity payable under Section 16-136
28 shall be increased by 3% of the currently payable amount
29 thereof (1) on each January 1 occurring on or after the
30 commencement of the annuity if the deceased teacher died
31 while receiving a retirement or disability retirement
32 annuity, or (2) in other cases, on each January 1 occurring
33 on or after the first anniversary of the granting of the

1 benefit, without regard to whether the deceased teacher was
2 in service on or after the effective date of this amendatory
3 Act of 1991, but such increases shall not accrue for any
4 period prior to January 1, 1990.

5 (b) On January 1, 1981, any beneficiary who was
6 receiving a survivor's monthly benefit on or before January
7 1, 1971, shall have the benefit then being paid increased by
8 1% for each full year elapsed from the date the survivor's
9 benefit began. On January 1, 1982, any beneficiary who began
10 receiving a survivor's monthly benefit after January 1, 1971,
11 but before January 1, 1981 shall have the benefit then being
12 paid increased by 1% for each year elapsed from the date the
13 survivor's benefit began.

14 On January 1, 1987, any beneficiary whose monthly
15 survivor's benefit began on or before January 1, 1977, shall
16 have the monthly survivor's benefit increased by \$1 for each
17 full year which has elapsed since the date the survivor's
18 benefit began.

19 (c) On July 1, 2001, every recipient of a survivor's
20 annuity whose original annuity began before January 1, 1980
21 shall have the monthly survivor's annuity increased by
22 whichever of the following percentages is applicable:

- 23 5% if the original annuity began in 1979;
- 24 10% if the original annuity began in 1978;
- 25 14% if the original annuity began in 1977;
- 26 14% if the original annuity began in 1976;
- 27 18% if the original annuity began in 1975;
- 28 23% if the original annuity began in 1974;
- 29 32% if the original annuity began in 1973 or before.

30 In the case of the survivor of a deceased annuitant who
31 died while receiving a retirement annuity, "original annuity"
32 means the deceased annuitant's retirement annuity; in all
33 other cases, "original annuity" means the survivor's annuity.

34 The increase under this subsection shall be calculated as

1 a percentage of the amount of the survivor's annuity payable
 2 on June 30, 2001, including any increases previously received
 3 under this Article, and shall be included in the calculation
 4 of increases granted thereafter under subsection (a).

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

6 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)
 7 Sec. 16-158. Contributions by State and other employing
 8 units.

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

16 The Board shall determine the amount of State
 17 contributions required for each fiscal year on the basis of
 18 the actuarial tables and other assumptions adopted by the
 19 Board and the recommendations of the actuary, using the
 20 formulae formula in subsection (b-3) and subsection (b-4).
 21 The minimum contribution to the System to be made by the
 22 State for each fiscal year shall be the sum of the amount
 23 determined under subsection (b-3) and the amount determined
 24 under subsection (b-4).

25 (a-1) Annually, on or before November 15, the board
 26 shall certify to the Governor the amount of the required
 27 State contribution for the coming fiscal year. The
 28 certification shall include a copy of the actuarial
 29 recommendations upon which it is based.

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

33 (b-1) Beginning in State fiscal year 1996, on the 15th

1 day of each month, or as soon thereafter as may be
2 practicable, the Board shall submit vouchers for payment of
3 State contributions to the System, in a total monthly amount
4 of one-twelfth of the required annual State contribution
5 certified under subsection (a-1). These vouchers shall be
6 paid by the State Comptroller and Treasurer by warrants drawn
7 on the funds appropriated to the System for that fiscal year.

8 If in any month the amount remaining unexpended from all
9 other appropriations to the System for the applicable fiscal
10 year (including the appropriations to the System under
11 Section 8.12 of the State Finance Act and Section 1 of the
12 State Pension Funds Continuing Appropriation Act) is less
13 than the amount lawfully vouchered under this subsection, the
14 difference shall be paid from the Common School Fund under
15 the continuing appropriation authority provided in Section
16 1.1 of the State Pension Funds Continuing Appropriation Act.

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

21 (b-3) For State fiscal years 2011 through 2045, the
22 minimum contribution to the System to be made by the State
23 for each fiscal year shall be an amount determined by the
24 System to be sufficient to bring the total assets of the
25 System up to 90% of the total actuarial liabilities of the
26 System (other than the liabilities described in subsection
27 (b-4) of this Section) by the end of State fiscal year 2045.
28 In making these determinations, the required State
29 contribution shall be calculated each year as a level
30 percentage of payroll over the years remaining to and
31 including fiscal year 2045 and shall be determined under the
32 projected unit credit actuarial cost method.

33 For State fiscal years 1996 through 2010, the State
34 contribution to the System, as a percentage of the applicable

1 employee payroll, shall be increased in equal annual
2 increments so that by State fiscal year 2011, the State is
3 contributing at the rate required under this Section; except
4 that in the following specified State fiscal years, the State
5 contribution to the System shall not be less than the
6 following indicated percentages of the applicable employee
7 payroll, even if the indicated percentage will produce a
8 State contribution in excess of the amount otherwise required
9 under this subsection and subsection (a), and notwithstanding
10 any contrary certification made under subsection (a-1) before
11 the effective date of this amendatory Act of 1998: 10.02% in
12 FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY
13 2002; 12.86% in FY 2003; 13.56% in FY 2004; 14.25% in FY
14 2005; 14.95% in FY 2006; 15.65% in FY 2007; 16.34% in FY
15 2008; 17.04% in FY 2009; and 17.74% in FY 2010.

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

20 (b-4) The cost of the one-time increases granted by this
21 amendatory Act of the 92nd General Assembly under subsection
22 (f) of Section 16-133.1 and subsection (c) of Section
23 16-143.1 shall be paid by the State on a level dollar basis
24 over a period of 10 years beginning July 1, 2003. These
25 contributions are in addition to, and shall not be included
26 in the calculation of, the State contribution required under
27 subsection (b-3).

28 (c) Payment of the required State contributions and of
29 all pensions, retirement annuities, death benefits, refunds,
30 and other benefits granted under or assumed by this System,
31 and all expenses in connection with the administration and
32 operation thereof, are obligations of the State.

33 If members are paid from special trust or federal funds
34 which are administered by the employing unit, whether school

1 district or other unit, the employing unit shall pay to the
2 System from such funds the full accruing retirement costs
3 based upon that service, as determined by the System.
4 Employer contributions, based on salary paid to members from
5 federal funds, may be forwarded by the distributing agency of
6 the State of Illinois to the System prior to allocation, in
7 an amount determined in accordance with guidelines
8 established by such agency and the System.

9 (d) Effective July 1, 1986, any employer of a teacher as
10 defined in paragraph (8) of Section 16-106 shall pay the
11 employer's normal cost of benefits based upon the teacher's
12 service, in addition to employee contributions, as determined
13 by the System. Such employer contributions shall be
14 forwarded monthly in accordance with guidelines established
15 by the System.

16 However, with respect to benefits granted under Section
17 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
18 of Section 16-106, the employer's contribution shall be 12%
19 (rather than 20%) of the member's highest annual salary rate
20 for each year of creditable service granted, and the employer
21 shall also pay the required employee contribution on behalf
22 of the teacher. For the purposes of Sections 16-133.4 and
23 16-133.5, a teacher as defined in paragraph (8) of Section
24 16-106 who is serving in that capacity while on leave of
25 absence from another employer under this Article shall not be
26 considered an employee of the employer from which the teacher
27 is on leave.

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

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

34 (2) Beginning July 1, 1999 and thereafter, the

1 employer contribution shall be equal to 0.58% of each
2 teacher's salary.

3 The school district or other employing unit may pay these
4 employer contributions out of any source of funding available
5 for that purpose and shall forward the contributions to the
6 System on the schedule established for the payment of member
7 contributions.

8 These employer contributions are intended to offset a
9 portion of the cost to the System of the increases in
10 retirement benefits resulting from this amendatory Act of
11 1998.

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

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

29 (Source: P.A. 90-582, eff. 5-27-98.)

30 (40 ILCS 5/17-119) (from Ch. 108 1/2, par. 17-119)
31 Sec. 17-119. Automatic annual increase in pension.

32 (a) Each teacher retiring on or after September 1, 1959,
33 is entitled to the annual increase in pension, defined

1 herein, while he is receiving a pension from the Fund.

2 1. The term "base pension" means a service
3 retirement or disability retirement pension in the amount
4 fixed and payable at the date of retirement of a teacher.

5 2. The annual increase in pension shall be at the
6 rate of 1 1/2% of base pension. This increase shall first
7 occur in January of the year next following the first
8 anniversary of retirement. At such time the Fund shall
9 pay the pro rata part of the increase for the period from
10 the first anniversary date to the date of the first
11 increase in pension. Beginning January 1, 1972, the rate
12 of annual increase in pension shall be 2% of the base
13 pension. Beginning January 1, 1979, the rate of annual
14 increase in pension shall be 3% of the base pension.
15 Beginning January 1, 1990, all automatic annual increases
16 payable under this Section shall be calculated as a
17 percentage of the total pension payable at the time of
18 the increase, including all increases previously granted
19 under this Article, notwithstanding Section 17-157.

20 3. An increase in pension shall be granted only if
21 the retired teacher is age 60 or over. If the teacher
22 attains age 60 after retirement, the increase in pension
23 shall begin in January of the year following the 61st
24 birthday. At such time the Fund also shall pay the pro
25 rata part of the increase from the 61st birthday to the
26 date of first increase in pension.

27 (b) In addition to other increases which may be provided
28 by this Section, on January 1, 1981 any teacher who was
29 receiving a retirement pension on or before January 1, 1971
30 shall have his retirement pension then being paid increased
31 \$1 per month for each year of creditable service. On January
32 1, 1982, any teacher whose retirement pension began on or
33 before January 1, 1977, shall have his retirement pension
34 then being paid increased \$1 per month for each year of

1 creditable service.

2 On January 1, 1987, any teacher whose retirement pension
3 began on or before January 1, 1977, shall have the monthly
4 retirement pension increased by an amount equal to 8¢ per
5 year of creditable service times the number of years that
6 have elapsed since the retirement pension began.

7 (c) On July 1, 2001, every pensioner who began receiving
8 a retirement pension before January 1, 1980 shall have the
9 monthly retirement pension 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
19 a percentage of the amount of the retirement pension payable
20 on June 30, 2001, including any increases previously received
21 under this Article, and shall be included in the calculation
22 of increases granted thereafter under subsection (a).
23 Section 17-157 does not apply to the increase provided under
24 this subsection.

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

26 (40 ILCS 5/17-119.2 new)

27 Sec. 17-119.2. Reduction of purchasing power; policy;
28 report; increase.

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

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

33 (2) For a person whose income consists primarily of

1 a fixed annuity, the reduction in purchasing power
2 resulting from increases in the cost of living can become
3 catastrophic over time, transforming a once-comfortable
4 retirement into a time of poverty and need.

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

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

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

22 (c) The Fund shall regularly review the changes that
23 have occurred in the purchasing power of the retirement and
24 survivor's pensions being paid under this Article, and it
25 shall report to the General Assembly, the Governor, and the
26 Pension Laws Commission whenever it determines that the
27 original purchasing power of those pensions has been reduced
28 by 20% or more for any category or group of pensioners. The
29 Fund may include in the report its recommendations, if any,
30 for legislative action to address its findings.

31 (d) As used in this Section, the term "retirement and
32 survivor's pensions" means all service retirement pensions,
33 disability retirement pensions, survivor's pensions, and
34 children's pensions.

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

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

3 (a) Upon the death of a teacher who has completed at
4 least 1 1/2 years of contributing service with either this
5 Fund or the State Universities Retirement System or the
6 Teachers' Retirement System of the State of Illinois,
7 provided his death occurred while (a) in active service
8 covered by the Fund or during his first 18 months of
9 continuous employment without a break in service under any
10 other participating system as defined in the Illinois
11 Retirement Systems Reciprocal Act except the State
12 Universities Retirement System and the Teachers' Retirement
13 System of the State of Illinois, (b) on a creditable leave of
14 absence, (c) on a noncreditable leave of absence of no more
15 than one year, or (d) a pension was deferred or pending
16 provided the teacher had at least 10 years of validated
17 service credit, or upon the death of a pensioner otherwise
18 qualified for such benefit, the surviving spouse and
19 unmarried minor children of the deceased teacher under age 18
20 shall be entitled to pensions, under the conditions stated
21 hereinafter. Such survivor's and children's pensions shall
22 be based on the average of the 4 highest consecutive years of
23 salary in the last 10 years of service or on the average
24 salary for total service, if total service has been less than
25 4 years, according to the following percentages:

26 30% of average salary or 50% of the retirement
27 pension earned by the teacher, whichever is larger,
28 subject to the prescribed maximum monthly payment, for a
29 surviving spouse alone on attainment of age 50;

30 60% of average salary for a surviving spouse and
31 eligible minor children of the deceased teacher.

32 If no eligible spouse survives, or the surviving spouse
33 remarries, or the parent of the children of the deceased
34 member is otherwise ineligible for a survivor's pension, a

1 children's pension for eligible minor children under age 18
2 shall be paid to their parent or legal guardian for their
3 benefit according to the following percentages:

4 30% of average salary for one child;

5 60% of average salary for 2 or more children.

6 (b) On January 1, 1981, any survivor or child who was
7 receiving a survivor's or children's pension on or before
8 January 1, 1971, shall have his survivor's or children's
9 pension then being paid increased by 1% for each full year
10 which has elapsed from the date the pension began. On
11 January 1, 1982, any survivor or child whose pension began
12 after January 1, 1971, but before January 1, 1981, shall have
13 his survivor's or children's pension then being paid
14 increased 1% for each full year which has elapsed from the
15 date the pension began. On January 1, 1987, any survivor or
16 child whose pension began on or before January 1, 1977, shall
17 have the monthly survivor's or children's pension increased
18 by \$1 for each full year which has elapsed since the pension
19 began.

20 (c) On July 1, 2001, every survivor or child who began
21 receiving a survivor's or children's pension before January
22 1, 1980 shall have the monthly pension increased by whichever
23 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;

27 14% if the original annuity began in 1976;

28 18% if the original annuity began in 1975;

29 23% if the original annuity began in 1974;

30 32% if the original annuity began in 1973 or before.

31 In the case of the survivor of a deceased annuitant who
32 died while receiving a retirement annuity, "original annuity"
33 means the deceased annuitant's retirement pension; in all
34 other cases, "original annuity" means the survivor's or

1 children's pension.

2 The increase under this subsection shall be calculated as
3 a percentage of the amount of the survivor's or children's
4 pension payable on June 30, 2001, including any increases
5 previously received under this Article, and shall be included
6 in the calculation of increases granted thereafter under
7 subsection (d). Section 17-157 does not apply to the
8 increase provided under this subsection.

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

22 (e) Subject to the minimum established below, the
23 maximum amount of pension for a surviving spouse alone or one
24 minor child shall be \$400 per month, and the maximum combined
25 pensions for a surviving spouse and children of the deceased
26 teacher shall be \$600 per month, with individual pensions
27 adjusted for all beneficiaries pro rata to conform with this
28 limitation. If proration is unnecessary the minimum
29 survivor's and children's pensions shall be \$40 per month.
30 The minimum total survivor's and children's pension payable
31 upon the death of a contributor or annuitant which occurs
32 after December 31, 1986, shall be 50% of the earned
33 retirement pension of such contributor or annuitant,
34 calculated without early retirement discount in the case of

1 death in service.

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

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

9 Section 90. The State Mandates Act is amended by adding
10 Section 8.25 as follows:

11 (30 ILCS 805/8.25 new)

12 Sec. 8.25. Exempt mandate. Notwithstanding Sections 6
13 and 8 of this Act, no reimbursement by the State is required
14 for the implementation of any mandate created by this
15 amendatory Act of the 92nd General Assembly.

16 Section 99. Effective date. This Act takes effect upon
17 becoming law.