AN ACT in relation to public employee benefits.

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

Section 5. The Illinois Pension Code is amended by changing Sections 14-114, 14-119, 14-121, 14-128, 14-131, 15-136, 15-136.3, 15-145, 15-155, 15-165, 16-133.1, 16-143.1, 16-158, 17-119, and 17-122 and by adding Sections 14-114.1, 15-137.1, 16-134.1, and 17-119.2 as follows:

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

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

(a) Any person receiving a retirement annuity under this Article who retires having attained age 60, or who retires before age 60 having at least 35 years of creditable service, or who retires on or after January 1, 2001 at an age which, when added to the number of years of his or her creditable service, equals at least 85, shall, on January 1 next following the first full year of retirement, have the amount of the then fixed and payable monthly retirement annuity increased 3%. Any person receiving a retirement annuity under this Article who retires before attainment of age 60 and with less than (i) 35 years of creditable service if retirement is before January 1, 2001, or (ii) the number of years of creditable service which, when added to the member's age, would equal 85, if retirement is on or after January 1, 2001, shall have the amount of the fixed and payable retirement annuity increased by 3% on the January 1 occurring on or next following (1) attainment of age 60, or (2) the first anniversary of retirement, whichever occurs later. However, for persons who receive the alternative retirement annuity under Section 14-110, references in this subsection (a) to attainment of age 60 shall be deemed to refer to attainment of age 55. For a person receiving early retirement incentives under Section 14-108.3 whose retirement annuity began after January 1, 1992 pursuant to an extension granted under subsection (e) of that Section, the first anniversary of retirement shall be deemed to be January 1, 1993.

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

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

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

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

(d) In addition to other increases which may be provided by this Section, on January 1, 1981 any annuitant who was receiving a retirement annuity on or before January 1, 1971 shall have his retirement annuity then being paid increased $1 per month for each year of creditable service. On January 1, 1982, any annuitant who began receiving a retirement annuity on or before January 1, 1977, shall have his retirement annuity then being paid increased $1 per month for each year of creditable service.

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

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

5% if the annuity began in 1979;

10% if the annuity began in 1978;

14% if the annuity began in 1977;

14% if the annuity began in 1976;

18% if the annuity began in 1975;

23% if the annuity began in 1974;

32% if the annuity began in 1973 or before.

The increase under this subsection shall be calculated as a percentage of the amount of the retirement 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 (a).

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

of retirement annuity he would have received on that date if the amendments to subsection (a) made by Public Act 84-162 had been in effect since the date of his retirement.
(Source: P.A. 91-927, eff. 12-14-00.)

(40 ILCS 5/14-114.1 new)

Sec. 14-114.1. Reduction of purchasing power; policy; report; increase.

(a) The General Assembly finds and declares that:

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

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

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

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

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

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

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

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

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

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

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

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

(c) Adopted children shall be considered as children of the member only if the proceedings for adoption were commenced at least 1 year prior to the member's death.

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

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

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

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

(f) On January 1, 1981, any recipient of a widow's annuity who was receiving a widow's annuity on or before January 1, 1971, shall have her widow's annuity then being paid increased by 1% for each full year which has elapsed from the date the widow's annuity began. On January 1, 1982, any recipient of a widow's annuity who began receiving a widow's annuity after January 1, 1971, but before January 1, 1981, shall have her widow's annuity then being paid increased by 1% for each full year which has elapsed from the date the widow's annuity began. On January 1, 1987, any recipient of a widow's annuity who began receiving the widow's annuity on or before January 1, 1977, shall have the monthly widow's annuity increased by $1 for each full year which has elapsed since the date the annuity began.

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

<u>5% if the original annuity began in 1979;</u>
<u>10% if the original annuity began in 1978;</u>
<u>14% if the original annuity began in 1977;</u>
<u>14% if the original annuity began in 1976;</u>
<u>18% if the original annuity began in 1975;</u>
<u>23% if the original annuity began in 1974;</u>
<u>32% if the original annuity began in 1973 or before.</u>

<u>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 widow's annuity.</u>

<u>The increase under this subsection shall be calculated as a percentage of the amount of the widow'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 (g).</u>

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

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

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

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

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

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

(c) If the survivors annuity beneficiary or beneficiaries consists of an unmarried child or children, the amount of survivors annuity shall be 20% of final average compensation to each child, and 10% of final average compensation divided pro rata among all such children entitled to such annuity, subject to a maximum payment to all children combined of $600 per month or 80% of the member's final average compensation, whichever is the lesser.

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

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

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

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

(h) The minimum payment to a beneficiary hereunder shall be $60 per month, which shall be reduced in accordance with the limitation prescribed on the combined payments to all beneficiaries of a member.

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

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

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

(l) On January 1, 1981, any survivor who was receiving a survivors annuity on or before January 1, 1971, shall have his survivors annuity then being paid increased by 1% for each full year which has elapsed from the date the annuity began. On January 1, 1982, any survivor who began receiving a survivor's annuity after January 1, 1971, but before January 1, 1981, shall have his survivor's annuity then being paid increased by 1% for each full year that has elapsed from the date the annuity began. On January 1, 1987, any survivor who began receiving a survivor's annuity on or before January 1, 1977, shall have the monthly survivor's annuity increased by $1 for each full year which has elapsed since the date the survivor's annuity began.

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

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

5% if the original annuity began in 1979;

10% if the original annuity began in 1978;

14% if the original annuity began in 1977;

14% if the original annuity began in 1976;

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

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

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

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

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

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

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

If none of the aforementioned beneficiaries is living at the date of death of the member, no occupational death benefit shall be payable, but the nonoccupational death benefit shall be payable as provided in this Article.

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

(b) Amount of benefit.

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

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

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

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

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

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

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

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

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

(d) Every occupational death annuity payable under this Section shall be increased on each January 1 occurring on or after (i) January 1, 1990, or (ii) the first anniversary of the commencement of the annuity, whichever occurs later, by an amount equal to 3% of the current amount of the annuity, including any previous increases under this Article, without regard to whether the deceased member was in service on the effective date of this amendatory Act of 1991.

(e) On July 1, 2001, every annuitant who began receiving an occupational death annuity before January 1, 1980 shall have the monthly annuity increased by whichever of the following percentages is applicable:

5% if the annuity began in 1979;
10% if the annuity began in 1978;
14% if the annuity began in 1977;
14% if the annuity began in 1976;
18% if the annuity began in 1975;
23% if the annuity began in 1974;
32% if the annuity began in 1973 or before.

The increase under this subsection shall be calculated as a percentage of the amount of the occupational death 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 (d).

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

(40 ILCS 5/14-131) (from Ch. 108 1/2, par. 14-131)

Sec. 14-131. Contributions by State.

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

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

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

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

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

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

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

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

For State fiscal years 1996 through 2010, the State contribution to the System under this subsection (e), as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that (i) for State fiscal year 1998, for all purposes of this Code and any other law of this State, the certified percentage of the applicable employee payroll shall be 5.052% for employees earning eligible creditable service under Section 14-110 and 6.500% for all other employees, notwithstanding any contrary certification made under Section 14-135.08 before the effective date of this amendatory Act of 1997, and (ii) in the following specified State fiscal years, the State contribution to the System under this subsection (e) shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a): 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6% in FY 2003; 10.8% in FY 2004; 11.0% in FY 2005; 11.2% in FY 2006; 11.4% in FY 2007; 11.6% in FY 2008; and 11.8% in FY 2009.

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

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

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

(40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

Sec. 15-136. Retirement annuities - Amount. The provisions of this Section 15-136 apply only to those participants who are participating in the traditional benefit package or the portable benefit package and do not apply to participants who are participating in the self-managed plan.

(a) The amount of a participant's retirement annuity, expressed in the form of a single-life annuity, shall be determined by whichever of the following rules is applicable and provides the largest annuity:

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

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

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

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

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

The amount of a retirement annuity calculated under this Rule 2 shall be computed solely on the basis of the participant's accumulated normal contributions, as specified in this Rule and defined in Section 15-116. Neither an employee or employer contribution for early retirement under Section 15-136.2 nor any other employer contribution shall be used in the calculation of the amount of a retirement annuity under this Rule 2.

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

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

Rule 4: A participant who is at least age 50 and has 25 or more years of service as a police officer or firefighter, and a participant who is age 55 or over and has at least 20 but less than 25 years of service as a police officer or firefighter, shall be entitled to a retirement annuity of 2 1/4% of the final rate of earnings for each of the first 10 years of service as a police officer or firefighter, 2 1/2% for each of the next 10 years of service as a police officer or firefighter, and 2 3/4% for each year of service as a police officer or firefighter in excess of 20. The retirement annuity for all other service shall be computed under Rule 1.

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

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

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

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

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

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

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

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

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

The amount of a retirement annuity calculated under this Rule 5 shall be computed solely on the basis of those contributions specifically set forth in this Rule 5. Except as provided in clause (iii) of this Rule 5, neither an employee nor employer contribution for early retirement under Section 15-136.2, nor any other employer contribution, shall be used in the calculation of the amount of a retirement annuity under this Rule 5.

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

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

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

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

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

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

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

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

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

Effective January 1 immediately following the date the retirement annuity begins, the annuitant shall receive an increase in his or her monthly retirement annuity of 0.125% of the monthly retirement annuity provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5, contained in this Section, multiplied by the number of full months which elapsed from the date the retirement annuity payments began to January 1, 1972, plus 0.1667% of such annuity, multiplied by the number of full months which elapsed from January 1, 1972, or the date the retirement annuity payments began, whichever is later, to January 1, 1978, plus 0.25% of such annuity multiplied by the number of full months which elapsed from January 1, 1978, or the date the retirement annuity payments began, whichever is later, to the effective date of the increase.

The annuitant shall receive an increase in his or her monthly retirement annuity on each January 1 thereafter during the annuitant's life of 3% of the monthly annuity provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in this Section. The change made under this subsection by P.A. 81-970 is effective January 1, 1980 and applies to each annuitant whose status as an employee terminates before or after that date.

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

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

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

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

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

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

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

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

<u>5% if the annuity began in 1979;</u>

10% if the annuity began in 1978;

14% if the annuity began in 1977;

14% if the annuity began in 1976;

18% if the annuity began in 1975;

23% if the annuity began in 1974;

32% if the annuity began in 1973 or before.

The increase under this subsection shall be calculated as a percentage of the amount of the retirement 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 (d).

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

(40 ILCS 5/15-136.3)

Sec. 15-136.3. Minimum retirement annuity.

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

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

(c) This Section applies to all persons receiving a

retirement annuity under this Article, without regard to whether or not employment terminated prior to the effective date of this Section.
(Source: P.A. 89-616, eff. 8-9-96.)

(40 ILCS 5/15-137.1 new)

Sec. 15-137.1. Reduction of purchasing power; policy; report; increase.

(a) The General Assembly finds and declares that:

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

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

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

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

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

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

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

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

(40 ILCS 5/15-145) (from Ch. 108 1/2, par. 15-145)

Sec. 15-145. Survivors insurance benefits; conditions and amounts.

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

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

If by law, a function of a governmental unit, as defined by Section 20-107, is transferred in whole or in part to an employer, and an employee transfers employment from this governmental unit to such employer within 6 months after the transfer of this function, the service credits in the governmental unit's retirement system which have been validated under Section 20-109 shall be considered in determining eligibility for survivors benefits under this Section.

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

(c) Each dependent unmarried child under age 18 (under age 22 if a full-time student) of a deceased participant, or of a deceased annuitant who did not take a refund or additional annuity consisting of accumulated survivors insurance contributions, shall receive a survivors annuity equal to the sum of (1) 20% of the final rate of earnings, and (2) 10% of the final rate of earnings divided by the number of children entitled to this benefit. Payments shall begin on the day following the participant's or annuitant's death and continue until the child marries, dies, or attains age 18 (age 22 if a full-time student). If the child is in the care of a surviving spouse who is eligible for survivors insurance benefits, the child's benefit shall be paid to the surviving spouse.

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

(d) Each dependent parent of a deceased participant, or of a deceased annuitant who did not take a refund or additional annuity consisting of accumulated survivors insurance contributions, shall receive a survivors annuity equal to the sum of (1) 20% of final rate of earnings, and (2) 10% of final rate of earnings divided by the number of parents who qualify for the benefit. Payments shall begin when the parent reaches age 55 or the day following the participant's or annuitant's death, whichever is later, and continue until the parent dies. Remarriage of a parent prior to attainment of age 55 shall disqualify the parent for the receipt of a survivors annuity.

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

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

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

(g) On January 1, 1981, any person who was receiving a survivors annuity on or before January 1, 1971 shall have the survivors annuity then being paid increased by 1% for each full year which has elapsed from the date the annuity began. On January 1, 1982, any survivor whose annuity began after January 1, 1971, but before January 1, 1981, shall have the survivor's annuity then being paid increased by 1% for each year which has elapsed from the date the survivor's annuity began. On January 1, 1987, any survivor who began receiving a survivor's annuity on or before January 1, 1977, shall have the monthly survivor's annuity increased by $1 for each full year which has elapsed since the date the survivor's annuity began.

<u>(g-1) On July 1, 2001, every recipient of a survivor's annuity whose original annuity began before January 1, 1980</u>

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

5% if the original annuity began in 1979;

10% if the original annuity began in 1978;

14% if the original annuity began in 1977;

14% if the original annuity began in 1976;

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 (j).

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

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

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

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

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

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

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

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

Sec. 15-155. Employer contributions.

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

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the <u>formulae</u> ~~formula~~ in subsection (a-1) <u>and subsection (a-2)</u>. <u>The minimum contribution to the System to be made by the State for each fiscal year shall be the sum of the amount determined under subsection (a-1) and the amount determined under subsection (a-2).</u>

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

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

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

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

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

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

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

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

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

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

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

participants during the fiscal year and expenses of administering the System, but shall not include the principal of or any redemption premium or interest on any bonds issued by the board or any expenses incurred or deposits required in connection therewith.
(Source: P.A. 89-602, eff. 8-2-96; 90-576, eff. 3-31-98.)

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

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

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

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

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

1.1 of the State Pension Funds Continuing Appropriation Act.

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

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

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

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

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

An annuitant shall first be entitled to an initial increase under this Section on the January 1 next following the first anniversary of retirement, or January 1 of the year next following attainment of age 61, whichever is later. At such time, the system shall pay an initial increase determined as follows:

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

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

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

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

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

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

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

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

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

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

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

5% if the annuity began in 1979;
10% if the annuity began in 1978;
14% if the annuity began in 1977;
14% if the annuity began in 1976;
18% if the annuity began in 1975;
23% if the annuity began in 1974;
32% if the annuity began in 1973 or before.

The increase under this subsection shall be calculated as a percentage of the amount of the retirement 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 (a).

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

(40 ILCS 5/16-134.1 new)

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

(a) The General Assembly finds and declares that:

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

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

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

their survivors.

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

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

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

(40 ILCS 5/16-143.1) (from Ch. 108 1/2, par. 16-143.1)

Sec. 16-143.1. Increase in survivor benefits.

(a) Beginning January 1, 1990, each survivor's benefit and each reversionary annuity payable under Section 16-136 shall be increased by 3% of the currently payable amount thereof (1) on each January 1 occurring on or after the commencement of the annuity if the deceased teacher died while receiving a retirement or disability retirement annuity, or (2) in other cases, on each January 1 occurring on or after the first anniversary of the granting of the benefit, without regard to whether the deceased teacher was in service on or after the effective date of this amendatory Act of 1991, but such increases shall not accrue for any period prior to January 1, 1990.

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

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

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

5% if the original annuity began in 1979;

10% if the original annuity began in 1978;

14% if the original annuity began in 1977;

14% if the original annuity began in 1976;

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

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

Sec. 16-158. Contributions by State and other employing units.

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

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

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

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

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

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

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

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

For State fiscal years 1996 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a), and notwithstanding any contrary certification made under subsection (a-1) before the effective date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY 2003; 13.56% in FY 2004; 14.25% in FY 2005; 14.95% in FY 2006; 15.65% in FY 2007; 16.34% in FY 2008; 17.04% in FY 2009; and 17.74% in FY 2010.

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

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

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

If members are paid from special trust or federal funds which are administered by the employing unit, whether school district or other unit, the employing unit shall pay to the System from such funds the full accruing retirement costs based upon that service, as determined by the System. Employer contributions, based on salary paid to members from federal funds, may be forwarded by the distributing agency of the State of Illinois to the System prior to allocation, in an amount determined in accordance with guidelines established by such agency and the System.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) On July 1, 2001, every pensioner who began receiving a retirement pension before January 1, 1980 shall have the monthly retirement pension increased by whichever of the following percentages is applicable:

5% if the annuity began in 1979;

10% if the annuity began in 1978;

14% if the annuity began in 1977;

14% if the annuity began in 1976;

18% if the annuity began in 1975;

23% if the annuity began in 1974;

32% if the annuity began in 1973 or before.

The increase under this subsection shall be calculated as a percentage of the amount of the retirement pension 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 (a). Section 17-157 does not apply to the increase provided under this subsection.

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

(40 ILCS 5/17-119.2 new)

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

(a) The General Assembly finds and declares that:

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

(2) For a person whose income consists primarily of

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

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

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

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

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

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

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

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

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

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

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

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

30% of average salary for one child;

60% of average salary for 2 or more children.

(b) On January 1, 1981, any survivor or child who was receiving a survivor's or children's pension on or before January 1, 1971, shall have his survivor's or children's pension then being paid increased by 1% for each full year which has elapsed from the date the pension began. On January 1, 1982, any survivor or child whose pension began after January 1, 1971, but before January 1, 1981, shall have his survivor's or children's pension then being paid increased 1% for each full year which has elapsed from the date the pension began. On January 1, 1987, any survivor or child whose pension began on or before January 1, 1977, shall have the monthly survivor's or children's pension increased by $1 for each full year which has elapsed since the pension began.

(c) On July 1, 2001, every survivor or child who began receiving a survivor's or children's pension before January 1, 1980 shall have the monthly pension increased by whichever of the following percentages is applicable:

5% if the original annuity began in 1979;

10% if the original annuity began in 1978;

14% if the original annuity began in 1977;

14% if the original annuity began in 1976;

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 pension; in all other cases, "original annuity" means the survivor's or children's pension.

The increase under this subsection shall be calculated as a percentage of the amount of the survivor's or children's pension 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 (d). Section 17-157 does not apply to the increase provided under this subsection.

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

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

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

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

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

(30 ILCS 805/8.25 new)

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

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