

AN ACT concerning 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 8-137 and 8-137.1 as follows:

(40 ILCS 5/8-137) (from Ch. 108 1/2, par. 8-137)

(Text of Section WITHOUT the changes made by P.A. 98-641, which has been held unconstitutional)

Sec. 8-137. Automatic increase in annuity.

(a) An employee who retired or retires from service after December 31, 1959 and before January 1, 1987, having attained age 60 or more, shall, in January of the year after the year in which the first anniversary of retirement occurs, have the amount of his then fixed and payable monthly annuity increased by 1 1/2%, and such first fixed annuity as granted at retirement increased by a further 1 1/2% in January of each year thereafter. Beginning with January of the year 1972, such increases shall be at the rate of 2% in lieu of the aforesaid specified 1 1/2%, and beginning with January of the year 1984 such increases shall be at the rate of 3%. Beginning in January of 1999, such increases shall be at the rate of 3% of the currently payable monthly annuity, including any increases previously granted under this Article. An employee who retires

on annuity after December 31, 1959 and before January 1, 1987, but before age 60, shall receive such increases beginning in January of the year after the year in which he attains age 60.

An employee who retires from service on or after January 1, 1987 shall, upon the first annuity payment date following the first anniversary of the date of retirement, or upon the first annuity payment date following attainment of age 60, whichever occurs later, have his then fixed and payable monthly annuity increased by 3%, and such annuity shall be increased by an additional 3% of the original fixed annuity on the same date each year thereafter. Beginning in January of 1999, such increases shall be at the rate of 3% of the currently payable monthly annuity, including any increases previously granted under this Article.

(a-5) Notwithstanding the provisions of subsection (a), upon the first annuity payment date following (1) the third anniversary of retirement, (2) the attainment of age 53, or (3) January 1, 2002, whichever occurs latest, the monthly annuity of an employee who retires on annuity prior to the attainment of age 60 and has not received an increase under subsection (a) shall be increased by 3%, and the annuity shall be increased by an additional 3% of the current payable monthly annuity, including any increases previously granted under this Article, on the same date each year thereafter. The increases provided under this subsection are in lieu of the increases provided in subsection (a).

(a-6) Notwithstanding the provisions of subsections (a) and (a-5), for all calendar years following the year in which this amendatory Act of the 93rd General Assembly takes effect, an increase in annuity under this Section that would otherwise take effect at any time during the year shall instead take effect in January of that year.

(b) Subsections (a), (a-5), and (a-6) are not applicable to an employee retiring and receiving a term annuity, as herein defined, nor to any otherwise qualified employee who retires before he makes employee contributions (at the 1/2 of 1% rate as provided in this Act) for this additional annuity for not less than the equivalent of one full year. Such employee, however, shall make arrangement to pay to the fund a balance of such 1/2 of 1% contributions, based on his final salary, as will bring such 1/2 of 1% contributions, computed without interest, to the equivalent of or completion of one year's contributions.

Beginning with January, 1960, each employee shall contribute by means of salary deductions 1/2 of 1% of each salary payment, concurrently with and in addition to the employee contributions otherwise made for annuity purposes.

Each such additional contribution shall be credited to an account in the prior service annuity reserve, to be used, together with city contributions, to defray the cost of the specified annuity increments. Any balance in such account at the beginning of each calendar year shall be credited with

interest at the rate of 3% per annum.

Such additional employee contributions are not refundable, except to an employee who withdraws and applies for refund under this Article, and in cases where a term annuity becomes payable. In such cases his contributions shall be refunded, without interest, and charged to such account in the prior service annuity reserve.

(Source: P.A. 92-599, eff. 6-28-02; 92-609, eff. 7-1-02; 93-654, eff. 1-16-04.)

(40 ILCS 5/8-137.1) (from Ch. 108 1/2, par. 8-137.1)

(Text of Section WITHOUT the changes made by P.A. 98-641, which has been held unconstitutional)

Sec. 8-137.1. Automatic increases in annuity for certain heretofore retired participants. A retired municipal employee who (a) is receiving annuity based on a service credit of 20 or more years regardless of age at retirement or based on a service credit of 15 or more years with retirement at age 55 or over, and (b) does not qualify for the automatic increases in annuity provided for in Section 8-137 of this Article, and (c) elects to make a contribution to the Fund at a time and manner prescribed by the Retirement Board, of a sum equal to 1% of the amount of final monthly salary times the number of full years of service on which the annuity was based in those cases where the annuity was computed on the money purchase formula and in those cases in which the annuity was computed under the

minimum annuity formula provisions of this Article a sum equal to 1% of the average monthly salary on which the annuity was based times such number of full years of service, shall have his original fixed and payable monthly amount of annuity increased in January of the year following the year in which he attains the age of 65 years, if such age of 65 years is attained in the year 1969 or later, by an amount equal to 1-1/2%, and by an equal additional 1-1/2% in January of each year thereafter. Beginning with January of the year 1972, such increases shall be at the rate of 2% in lieu of the aforesaid specified 1 1/2%, and beginning January of the year 1984 such increases shall be at the rate of 3%. Beginning in January of 1999, such increases shall be at the rate of 3% of the currently payable monthly annuity, including any increases previously granted under this Article.

Whenever the retired municipal employee receiving annuity has attained the age of 66 or more in 1969, he shall have such annuity increased in January, 1970 by an amount equal to 1-1/2% multiplied by the number equal to the number of months of January elapsing from and including January of the year immediately following the year he attained the age of 65 if retired at or before age 65, or from and including January of the year immediately following the year of retirement if retired at an age greater than 65, to and including January, 1970, and by an equal additional 1-1/2% in January of each year thereafter. Beginning with January of the year 1972, such

increases shall be at the rate of 2% in lieu of the aforesaid specified 1 1/2%, and beginning January of the year 1984 such increases shall be at the rate of 3%. Beginning in January of 1999, such increases shall be at the rate of 3% of the currently payable monthly annuity, including any increases previously granted under this Article.

To defray the annual cost of such increases, the annual interest income of the Fund, accruing from investments held by the Fund, exclusive of gains or losses on sales or exchanges of assets during the year, over and above 4% a year, shall be used to the extent necessary and available to finance the cost of such increases for the following year, and such amount shall be transferred as of the end of each year, beginning with the year 1969, to a Fund account designated as the Supplementary Payment Reserve from the Investment and Interest Reserve set forth in Section 8-221. The sums contributed by annuitants as provided for in this Section shall also be placed in the aforesaid Supplementary Payment Reserve and shall be applied and used for the purposes of such Fund account, together with the aforesaid interest.

In the event the monies in the Supplementary Payment Reserve in any year arising from: (1) the available interest income as defined hereinbefore and accruing in the preceding year above 4% a year and (2) the contributions by retired persons, as set forth hereinbefore, are insufficient to make the total payments to all persons estimated to be entitled to

the annuity increases specified hereinbefore, then (3) any interest earnings over 4% a year beginning with the year 1969 which were not previously used to finance such increases and which were transferred to the Prior Service Annuity Reserve may be used to the extent necessary and available to provide sufficient funds to finance such increases for the current year, and such sums shall be transferred from the Prior Service Annuity Reserve.

In the event the total monies available in the Supplementary Payment Reserve from the preceding indicated sources are insufficient to make the total payments to all persons entitled to such increases for the year, a proportionate amount computed as the ratio of the monies available to the total of the total payments for that year shall be paid to each person for that year.

The Fund shall be obligated for the payment of the increases in annuity as provided for in this Section only to the extent that the assets for such purpose, as specified herein, are available.

(Source: P.A. 90-766, eff. 8-14-98.)

(40 ILCS 5/8-174.2 rep.)

Section 10. The Illinois Pension Code is amended by repealing Section 8-174.2.

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