

1 AN ACT concerning public employee benefits.

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

4 Section 1. Short title. This Act may be cited as the
5 Pension Fund Solvency Act of 2013.

6 Section 4. The Illinois Pension Code is amended by changing
7 Sections 2-119.1, 14-114, 15-136, and 16-133.1 and by adding
8 Sections 2-105.1, 2-105.2, 14-103.40, 14-103.41, 15-107.1,
9 15-107.2, 16-106.4, and 16-106.5 as follows:

10 (40 ILCS 5/2-105.1 new)

11 Sec. 2-105.1. Tier I participant. "Tier I participant": A
12 participant who first became a participant before January 1,
13 2011.

14 (40 ILCS 5/2-105.2 new)

15 Sec. 2-105.2. Tier I retiree. "Tier I retiree" means a
16 former Tier I participant who is receiving a retirement
17 annuity.

18 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

19 Sec. 2-119.1. Automatic increase in retirement annuity.

20 (a) Except as provided in subsections (a-1) and (a-2), a A

1 participant who retires after June 30, 1967, and who has not
2 received an initial increase under this Section before the
3 effective date of this amendatory Act of 1991, shall, in
4 January or July next following the first anniversary of
5 retirement, whichever occurs first, and in the same month of
6 each year thereafter, but in no event prior to age 60, have the
7 amount of the originally granted retirement annuity increased
8 as follows: for each year through 1971, 1 1/2%; for each year
9 from 1972 through 1979, 2%; and for 1980 and each year
10 thereafter, 3%. Annuitants who have received an initial
11 increase under this subsection prior to the effective date of
12 this amendatory Act of 1991 shall continue to receive their
13 annual increases in the same month as the initial increase.

14 (a-1) Notwithstanding any other provision of this Article,
15 for a Tier I retiree, the amount of each automatic annual
16 increase in retirement annuity occurring on or after the
17 effective date of this amendatory Act of the 98th General
18 Assembly shall be the lesser of \$750 or 3% of the total annuity
19 payable at the time of the increase, including previous
20 increases granted.

21 (a-2) Notwithstanding any other provision of this Article,
22 for a Tier I retiree, the monthly retirement annuity shall
23 first be subject to annual increases on the January 1 occurring
24 on or next after the attainment of age 67 or the January 1
25 occurring on or next after the fifth anniversary of the annuity
26 start date, whichever occurs earlier. If on the effective date

1 of this amendatory Act of the 98th General Assembly a Tier I
2 retiree has already received an annual increase under this
3 Section but does not yet meet the new eligibility requirements
4 of this subsection, the annual increases already received shall
5 continue in force, but no additional annual increase shall be
6 granted until the Tier I retiree meets the new eligibility
7 requirements.

8 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)
9 and (a-2) apply without regard to whether or not the Tier I
10 retiree is in active service under this Article on or after the
11 effective date of this amendatory Act of the 98th General
12 Assembly.

13 (b) Beginning January 1, 1990, for eligible participants
14 who remain in service after attaining 20 years of creditable
15 service, the 3% increases provided under subsection (a) shall
16 begin to accrue on the January 1 next following the date upon
17 which the participant (1) attains age 55, or (2) attains 20
18 years of creditable service, whichever occurs later, and shall
19 continue to accrue while the participant remains in service;
20 such increases shall become payable on January 1 or July 1,
21 whichever occurs first, next following the first anniversary of
22 retirement. For any person who has service credit in the System
23 for the entire period from January 15, 1969 through December
24 31, 1992, regardless of the date of termination of service, the
25 reference to age 55 in clause (1) of this subsection (b) shall
26 be deemed to mean age 50.

1 This subsection (b) does not apply to any person who first
2 becomes a member of the System after August 8, 2003 (the
3 effective date of Public Act 93-494) ~~this amendatory Act of the~~
4 ~~93rd General Assembly.~~

5 (b-5) Notwithstanding any other provision of this Article,
6 a participant who first becomes a participant on or after
7 January 1, 2011 (the effective date of Public Act 96-889)
8 shall, in January or July next following the first anniversary
9 of retirement, whichever occurs first, and in the same month of
10 each year thereafter, but in no event prior to age 67, have the
11 amount of the retirement annuity then being paid increased by
12 3% or the annual unadjusted percentage increase in the Consumer
13 Price Index for All Urban Consumers as determined by the Public
14 Pension Division of the Department of Insurance under
15 subsection (a) of Section 2-108.1, whichever is less.

16 (c) The foregoing provisions relating to automatic
17 increases are not applicable to a participant who retires
18 before having made contributions (at the rate prescribed in
19 Section 2-126) for automatic increases for less than the
20 equivalent of one full year. However, in order to be eligible
21 for the automatic increases, such a participant may make
22 arrangements to pay to the system the amount required to bring
23 the total contributions for the automatic increase to the
24 equivalent of one year's contributions based upon his or her
25 last salary.

26 (d) A participant who terminated service prior to July 1,

1 1967, with at least 14 years of service is entitled to an
2 increase in retirement annuity beginning January, 1976, and to
3 additional increases in January of each year thereafter.

4 The initial increase shall be 1 1/2% of the originally
5 granted retirement annuity multiplied by the number of full
6 years that the annuitant was in receipt of such annuity prior
7 to January 1, 1972, plus 2% of the originally granted
8 retirement annuity for each year after that date. The
9 subsequent annual increases shall be at the rate of 2% of the
10 originally granted retirement annuity for each year through
11 1979 and at the rate of 3% for 1980 and thereafter.

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

17 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11.)

18 (40 ILCS 5/14-103.40 new)

19 Sec. 14-103.40. Tier I member. "Tier I member": A member of
20 this System who first became a member or participant before
21 January 1, 2011 under any reciprocal retirement system or
22 pension fund established under this Code other than a
23 retirement system or pension fund established under Article 2,
24 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/14-103.41 new)

2 Sec. 14-103.41. Tier I retiree. "Tier I retiree": A former
3 Tier I member who is receiving a retirement annuity.

4 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

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

6 (a) Except as provided in subsections (a-1) and (a-2), any
7 ~~Any~~ person receiving a retirement annuity under this Article
8 who retires having attained age 60, or who retires before age
9 60 having at least 35 years of creditable service, or who
10 retires on or after January 1, 2001 at an age which, when added
11 to the number of years of his or her creditable service, equals
12 at least 85, shall, on January 1 next following the first full
13 year of retirement, have the amount of the then fixed and
14 payable monthly retirement annuity increased 3%. Any person
15 receiving a retirement annuity under this Article who retires
16 before attainment of age 60 and with less than (i) 35 years of
17 creditable service if retirement is before January 1, 2001, or
18 (ii) the number of years of creditable service which, when
19 added to the member's age, would equal 85, if retirement is on
20 or after January 1, 2001, shall have the amount of the fixed
21 and payable retirement annuity increased by 3% on the January 1
22 occurring on or next following (1) attainment of age 60, or (2)
23 the first anniversary of retirement, whichever occurs later.
24 However, for persons who receive the alternative retirement
25 annuity under Section 14-110, references in this subsection (a)

1 to attainment of age 60 shall be deemed to refer to attainment
2 of age 55. For a person receiving early retirement incentives
3 under Section 14-108.3 whose retirement annuity began after
4 January 1, 1992 pursuant to an extension granted under
5 subsection (e) of that Section, the first anniversary of
6 retirement shall be deemed to be January 1, 1993. For a person
7 who retires on or after June 28, 2001 and on or before October
8 1, 2001, and whose retirement annuity is calculated, in whole
9 or in part, under Section 14-110 or subsection (g) or (h) of
10 Section 14-108, the first anniversary of retirement shall be
11 deemed to be January 1, 2002.

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

15 Beginning January 1, 1990 and except as provided in
16 subsections (a-1) and (a-2), all automatic annual increases
17 payable under this Section shall be calculated as a percentage
18 of the total annuity payable at the time of the increase,
19 including previous increases granted under this Article.

20 (a-1) Notwithstanding any other provision of this Article,
21 for a Tier I retiree, the amount of each automatic annual
22 increase in retirement annuity occurring on or after the
23 effective date of this amendatory Act of the 98th General
24 Assembly shall be the lesser of \$600 (\$750 if the annuity is
25 based primarily upon service as a noncovered employee) or 3% of
26 the total annuity payable at the time of the increase,

1 including previous increases granted.

2 (a-2) Notwithstanding any other provision of this Article,
3 for a Tier I retiree, the monthly retirement annuity shall
4 first be subject to annual increases on the January 1 occurring
5 on or next after the attainment of age 67 or the January 1
6 occurring on or next after the fifth anniversary of the annuity
7 start date, whichever occurs earlier. If on the effective date
8 of this amendatory Act of the 98th General Assembly a Tier I
9 retiree has already received an annual increase under this
10 Section but does not yet meet the new eligibility requirements
11 of this subsection, the annual increases already received shall
12 continue in force, but no additional annual increase shall be
13 granted until the Tier I retiree meets the new eligibility
14 requirements.

15 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)
16 and (a-2) apply without regard to whether or not the Tier I
17 retiree is in active service under this Article on or after the
18 effective date of this amendatory Act of the 98th General
19 Assembly.

20 (b) The provisions of subsection (a) of this Section shall
21 be applicable to an employee only if the employee makes the
22 additional contributions required after December 31, 1969 for
23 the purpose of the automatic increases for not less than the
24 equivalent of one full year. If an employee becomes an
25 annuitant before his additional contributions equal one full
26 year's contributions based on his salary at the date of

1 retirement, the employee may pay the necessary balance of the
2 contributions to the system, without interest, and be eligible
3 for the increasing annuity authorized by this Section.

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

9 (d) In addition to other increases which may be provided by
10 this Section, on January 1, 1981 any annuitant who was
11 receiving a retirement annuity on or before January 1, 1971
12 shall have his retirement annuity then being paid increased \$1
13 per month for each year of creditable service. On January 1,
14 1982, any annuitant who began receiving a retirement annuity on
15 or before January 1, 1977, shall have his retirement annuity
16 then being paid increased \$1 per month for each year of
17 creditable service.

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

23 (e) Every person who receives the alternative retirement
24 annuity under Section 14-110 and who is eligible to receive the
25 3% increase under subsection (a) on January 1, 1986, shall also
26 receive on that date a one-time increase in retirement annuity

1 equal to the difference between (1) his actual retirement
2 annuity on that date, including any increases received under
3 subsection (a), and (2) the amount of retirement annuity he
4 would have received on that date if the amendments to
5 subsection (a) made by Public Act 84-162 had been in effect
6 since the date of his retirement.

7 (Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01;
8 92-651, eff. 7-11-02.)

9 (40 ILCS 5/15-107.1 new)

10 Sec. 15-107.1. Tier I participant. "Tier I participant": A
11 participant under this Article, other than a participant in the
12 self-managed plan under Section 15-158.2, who first became a
13 member or participant before January 1, 2011 under any
14 reciprocal retirement system or pension fund established under
15 this Code other than a retirement system or pension fund
16 established under Article 2, 3, 4, 5, 6, or 18 of this Code.

17 (40 ILCS 5/15-107.2 new)

18 Sec. 15-107.2. Tier I retiree. "Tier I retiree": A former
19 Tier I participant who is receiving a retirement annuity.

20 A person does not become a Tier I retiree by virtue of
21 receiving a reversionary, survivors, beneficiary, or
22 disability annuity.

23 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

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

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

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

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

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

25 (ii) an annuity from employer contributions of an
26 amount equal to that which can be provided on an

1 actuarially equivalent basis from the accumulated normal
2 contributions made by the participant under Section
3 15-113.6 and Section 15-113.7 plus 1.4 times all other
4 accumulated normal contributions made by the participant;
5 and

6 (iii) the annuity that can be provided on an
7 actuarially equivalent basis from the entire contribution
8 made by the participant under Section 15-113.3.

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

15 The amount of a retirement annuity calculated under this
16 Rule 2 shall be computed solely on the basis of the
17 participant's accumulated normal contributions, as specified
18 in this Rule and defined in Section 15-116. Neither an employee
19 or employer contribution for early retirement under Section
20 15-136.2 nor any other employer contribution shall be used in
21 the calculation of the amount of a retirement annuity under
22 this Rule 2.

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

1 This Rule 2 does not apply to a person who first becomes an
2 employee under this Article on or after July 1, 2005.

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

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

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

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

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

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

21 Rule 5: The retirement annuity of a participant who elected
22 early retirement under the provisions of Section 15-136.2 and
23 who, on or before February 16, 1995, brought administrative
24 proceedings pursuant to the administrative rules adopted by the
25 System to challenge the calculation of his or her retirement
26 annuity shall be the sum of the following, determined from

1 amounts credited to the participant in accordance with the
2 actuarial tables and the prescribed rate of interest in effect
3 at the time the retirement annuity begins:

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

7 (ii) an annuity from employer contributions of an
8 amount equal to that which can be provided on an
9 actuarially equivalent basis from the accumulated normal
10 contributions made by the participant under Section
11 15-113.6 and Section 15-113.7 plus 1.4 times all other
12 accumulated normal contributions made by the participant;
13 and

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

21 In no event shall a retirement annuity under this Rule 5 be
22 lower than the amount obtained by adding (1) the monthly amount
23 obtained by dividing the combined employee and employer
24 contributions made under Section 15-136.2 by the System's
25 annuity factor for the age of the participant at the beginning
26 of the annuity payment period and (2) the amount equal to the

1 participant's annuity if calculated under Rule 1, reduced under
2 Section 15-136(b) as if no contributions had been made under
3 Section 15-136.2.

4 With respect to a participant who is qualified for a
5 retirement annuity under this Rule 5 whose retirement annuity
6 began before the effective date of this amendatory Act of the
7 91st General Assembly, and for whom an employee contribution
8 was made under Section 15-136.2, the System shall recalculate
9 the retirement annuity under this Rule 5 and shall pay any
10 additional amounts due in the manner provided in Section
11 15-186.1 for benefits mistakenly set too low.

12 The amount of a retirement annuity calculated under this
13 Rule 5 shall be computed solely on the basis of those
14 contributions specifically set forth in this Rule 5. Except as
15 provided in clause (iii) of this Rule 5, neither an employee
16 nor employer contribution for early retirement under Section
17 15-136.2, nor any other employer contribution, shall be used in
18 the calculation of the amount of a retirement annuity under
19 this Rule 5.

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

1 implementation of the decision of the Appellate Court for the
2 Fourth District in Mattis v. State Universities Retirement
3 System et al. with respect to that plaintiff.

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

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

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

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

19 (3) For that portion of a retirement annuity which has
20 been provided on account of service of the participant
21 during periods when he or she performed the duties of a
22 police officer or firefighter, if these duties were
23 performed for at least 5 years immediately preceding the
24 date the retirement annuity is to begin.

25 (c) The maximum retirement annuity provided under Rules 1,
26 2, 4, and 5 shall be the lesser of (1) the annual limit of

1 benefits as specified in Section 415 of the Internal Revenue
2 Code of 1986, as such Section may be amended from time to time
3 and as such benefit limits shall be adjusted by the
4 Commissioner of Internal Revenue, and (2) 80% of final rate of
5 earnings.

6 (d) Subject to the provisions of subsection (d-1), an An
7 annuitant whose status as an employee terminates after August
8 14, 1969 shall receive automatic increases in his or her
9 retirement annuity as follows:

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

24 The annuitant shall receive an increase in his or her
25 monthly retirement annuity on each January 1 thereafter during
26 the annuitant's life of 3% of the monthly annuity provided

1 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in
2 this Section. The change made under this subsection by P.A.
3 81-970 is effective January 1, 1980 and applies to each
4 annuitant whose status as an employee terminates before or
5 after that date.

6 Beginning January 1, 1990 and except as provided in
7 subsections (d-1) and (d-2), all automatic annual increases
8 payable under this Section shall be calculated as a percentage
9 of the total annuity payable at the time of the increase,
10 including all increases previously granted under this Article.

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

14 (d-1) Notwithstanding any other provision of this Article,
15 for a Tier I retiree, the amount of each automatic annual
16 increase in retirement annuity occurring on or after the
17 effective date of this amendatory Act of the 98th General
18 Assembly shall be the lesser of \$750 or 3% of the total annuity
19 payable at the time of the increase, including previous
20 increases granted.

21 (d-2) Notwithstanding any other provision of this Article,
22 for a Tier I retiree, the monthly retirement annuity shall
23 first be subject to annual increases on the January 1 occurring
24 on or next after the attainment of age 67 or the January 1
25 occurring on or next after the fifth anniversary of the annuity
26 start date, whichever occurs earlier. If on the effective date

1 of this amendatory Act of the 98th General Assembly a Tier I
2 retiree has already received an annual increase under this
3 Section but does not yet meet the new eligibility requirements
4 of this subsection, the annual increases already received shall
5 continue in force, but no additional annual increase shall be
6 granted until the Tier I retiree meets the new eligibility
7 requirements.

8 (d-3) Notwithstanding Section 1-103.1, subsections (d-1)
9 and (d-2) apply without regard to whether or not the Tier I
10 retiree is in active service under this Article on or after the
11 effective date of this amendatory Act of the 98th General
12 Assembly.

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

1 1987, provided that the annuitant was employed at least
2 one-half time during the period on which the final rate of
3 earnings was based.

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

11 (g) If, (1) by law, a function of a governmental unit, as
12 defined by Section 20-107 of this Code, is transferred in whole
13 or in part to an employer, and (2) a participant transfers
14 employment from such governmental unit to such employer within
15 6 months after the transfer of the function, and (3) the sum of
16 (A) the annuity payable to the participant under Rule 1, 2, or
17 3 of this Section (B) all proportional annuities payable to the
18 participant by all other retirement systems covered by Article
19 20, and (C) the initial primary insurance amount to which the
20 participant is entitled under the Social Security Act, is less
21 than the retirement annuity which would have been payable if
22 all of the participant's pension credits validated under
23 Section 20-109 had been validated under this system, a
24 supplemental annuity equal to the difference in such amounts
25 shall be payable to the participant.

26 (h) On January 1, 1981, an annuitant who was receiving a

1 retirement annuity on or before January 1, 1971 shall have his
2 or her retirement annuity then being paid increased \$1 per
3 month for each year of creditable service. On January 1, 1982,
4 an annuitant whose retirement annuity began on or before
5 January 1, 1977, shall have his or her retirement annuity then
6 being paid increased \$1 per month for each year of creditable
7 service.

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

13 (Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12.)

14 (40 ILCS 5/16-106.4 new)

15 Sec. 16-106.4. Tier I member. "Tier I member": A member
16 under this Article who first became a member or participant
17 before January 1, 2011 under any reciprocal retirement system
18 or pension fund established under this Code other than a
19 retirement system or pension fund established under Article 2,
20 3, 4, 5, 6, or 18 of this Code.

21 (40 ILCS 5/16-106.5 new)

22 Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former
23 Tier I member who is receiving a retirement annuity.

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

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

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

8 An annuitant shall first be entitled to an initial increase
9 under this Section on the January 1 next following the first
10 anniversary of retirement, or January 1 of the year next
11 following attainment of age 61, whichever is later. At such
12 time, the system shall pay an initial increase determined as
13 follows or as provided in subsections (a-1) and (a-2):

14 (1) 1.5% of the originally granted retirement annuity
15 or disability retirement annuity multiplied by the number
16 of years elapsed, if any, from the date of retirement until
17 January 1, 1972, plus

18 (2) 2% of the originally granted annuity multiplied by
19 the number of years elapsed, if any, from the date of
20 retirement or January 1, 1972, whichever is later, until
21 January 1, 1978, plus

22 (3) 3% of the originally granted annuity multiplied by
23 the number of years elapsed from the date of retirement or
24 January 1, 1978, whichever is later, until the effective
25 date of the initial increase.

26 However, the initial annual increase calculated under this

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

6 Following the initial increase, automatic annual increases
7 in annuity shall be payable on each January 1 thereafter during
8 the lifetime of the annuitant, determined as a percentage of
9 the originally granted retirement annuity or disability
10 retirement annuity for increases granted prior to January 1,
11 1990, and calculated as a percentage of the total amount of
12 annuity, including previous increases under this Section, for
13 increases granted on or after January 1, 1990, as follows: 1.5%
14 for periods prior to January 1, 1972, 2% for periods after
15 December 31, 1971 and prior to January 1, 1978, and 3% for
16 periods after December 31, 1977, or as provided in subsections
17 (a-1) and (a-2).

18 (a-1) Notwithstanding any other provision of this Article,
19 for a Tier I retiree, the amount of each automatic annual
20 increase in retirement annuity occurring on or after the
21 effective date of this amendatory Act of the 98th General
22 Assembly shall be the lesser of \$750 or 3% of the total annuity
23 payable at the time of the increase, including previous
24 increases granted.

25 (a-2) Notwithstanding any other provision of this Article,
26 for a Tier I retiree, the monthly retirement annuity shall

1 first be subject to annual increases on the January 1 occurring
2 on or next after the attainment of age 67 or the January 1
3 occurring on or next after the fifth anniversary of the annuity
4 start date, whichever occurs earlier. If on the effective date
5 of this amendatory Act of the 98th General Assembly a Tier I
6 retiree has already received an annual increase under this
7 Section but does not yet meet the new eligibility requirements
8 of this subsection, the annual increases already received shall
9 continue in force, but no additional annual increase shall be
10 granted until the Tier I retiree meets the new eligibility
11 requirements.

12 (a-3) Notwithstanding Section 1-103.1, subsections (a-1)
13 and (a-2) apply without regard to whether or not the Tier I
14 retiree is in active service under this Article on or after the
15 effective date of this amendatory Act of the 98th General
16 Assembly.

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

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

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

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

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

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

1 Section 90. The State Mandates Act is amended by adding
2 Section 8.37 as follows:

3 (30 ILCS 805/8.37 new)

4 Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8
5 of this Act, no reimbursement by the State is required for the
6 implementation of any mandate created by this amendatory Act of
7 the 98th General Assembly.

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