



Sen. John J. Cullerton

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09700HB5210sam001

LRB097 19613 JDS 73007 a

1 AMENDMENT TO HOUSE BILL 5210

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 5210 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. If and only if House Bill 1447 of the 97th  
5 General Assembly becomes law in the form in which it was passed  
6 by the Senate, then the Illinois Pension Code is amended by  
7 changing Sections 1-162, 2-107.9, 2-110.3, 2-124, 14-103.42,  
8 14-106.5, and 14-131, as follows:

9 (40 ILCS 5/1-162)

10 Sec. 1-162. Optional cash balance plan.

11 (a) Participation and Applicability. Beginning on July 1,  
12 2013, any Tier I employee who has made the election under  
13 paragraph (1) of subsection (a) or (a-5) of Section 14-106.5  
14 ~~the following persons~~ may elect to participate in the optional  
15 cash balance plan created under this Section. †

16 ~~(1) any person who participates in the cash balance~~

1 ~~plan established under Section 1-161, and~~

2 ~~(2) any Tier I employee who has made the election under~~  
3 ~~paragraph (1) of subsection (a) or (a-5) of Section~~  
4 ~~14-106.5.~~

5 The Board of Trustees of the applicable retirement system  
6 shall promulgate rules to create an annual election wherein a  
7 person eligible to participate in the optional cash balance  
8 plan may elect to participate, and an active employee who is a  
9 participant in the plan may elect to cease active  
10 participation. The election to cease active participation  
11 shall not disqualify the employee from eligibility to receive  
12 an interest credit under subsection (f), a distribution upon  
13 termination under subsection (f-10), a refund under subsection  
14 (f-15), ~~a retirement annuity under subsection (f-15),~~ a  
15 retirement annuity under subsection (g), or a survivor's  
16 ~~survivor~~ annuity under subsection (k), or from eligibility to  
17 resume active participation in the optional cash balance plan  
18 in a subsequent year.

19 (b) Title. The package of benefits provided under this  
20 Section may be referred to as the "optional cash balance plan".  
21 Persons subject to the provisions of this Section may be  
22 referred to as "participants in the optional cash balance  
23 plan".

24 (b-5) Definitions. As used in this Section:

25 "Account" means the notional cash balance account  
26 established under this Section for a participant in the

1 optional cash balance plan.

2 ~~"Consumer Price Index U" means the Consumer Price Index~~  
3 ~~published by the Bureau of Labor Statistics of the United~~  
4 ~~States Department of Labor that measures the average change in~~  
5 ~~prices of goods and services purchased by all urban consumers,~~  
6 ~~United States city average, all items, 1982-84 = 100.~~

7 "Salary" means "compensation" as defined in Article 14,  
8 without regard to the limitation in subsection (b-5) of Section  
9 1-160.

10 "Tier I employee" means a person who is a Tier I employee  
11 under the applicable Article of this Code.

12 (c) Cash Balance Account. A notional cash balance account  
13 shall be established by the applicable retirement system for  
14 each participant in the optional cash balance plan. The account  
15 is notional and does not contain any actual money segregated  
16 from the commingled assets of the retirement system. The cash  
17 balance in the account is to be used in calculating benefits as  
18 provided in this Section, but is not to be used in the  
19 calculation of any refund, transfer, or other benefit under the  
20 applicable Article of this Code.

21 The amounts to be credited to the cash balance account  
22 shall consist of (i) amounts contributed by or on behalf of the  
23 participant as employee contributions, (ii) notional employer  
24 contributions, and (iii) interest credit that is attributable  
25 to the account, all as provided in this Section.

26 Whenever necessary for the prompt calculation or

1 administration, or when the System lacks information necessary  
2 to the calculation or administration otherwise required of or  
3 for a benefit under this Section, the applicable retirement  
4 system may estimate an amount to be credited to or debited from  
5 a participant's cash balance account and then adjust the amount  
6 so credited or debited when more accurate information becomes  
7 available.

8 The applicable retirement system shall give to each  
9 participant in the optional cash balance plan who has not yet  
10 retired annual notice of (1) the balance in the participant's  
11 cash balance account and (2) an estimate of the retirement  
12 annuity that will be payable to the participant if he or she  
13 retires at age 59 1/2.

14 (d) Employee Contributions. In addition to the other  
15 contributions required under the applicable Article, each  
16 participant shall make contributions to the applicable  
17 retirement system at the rate of 2% of each payment of salary.  
18 The amount of each contribution shall be credited to the  
19 participant's cash balance account upon receipt and after the  
20 retirement system's reconciliation of the contribution.

21 (e) Optional Employer Contributions. Employers may make  
22 optional additional contributions to the applicable retirement  
23 system on behalf of their employees who are participants in the  
24 optional cash balance plan in accordance with procedures  
25 prescribed by the retirement system, to the extent permitted by  
26 federal law and the rules prescribed by the retirement system.

1 The optional additional contributions under this subsection  
2 are actual monetary contributions to the retirement system, and  
3 the amount of each optional additional contribution shall be  
4 credited to the participant's cash balance account upon receipt  
5 and after the retirement system's reconciliation of the  
6 contribution.

7 (f) Interest Credit. An amount representing earnings on  
8 investments shall be determined by the retirement system in  
9 accordance with this Section and credited to the participant's  
10 cash balance account for each fiscal year in which there is a  
11 positive balance in that account; except that no additional  
12 interest credit shall be credited while an annuity based on the  
13 account is being paid. The interest credit amount shall be a  
14 percentage of the average quarterly balance in the cash balance  
15 account during that fiscal year, and shall be calculated on  
16 June 30.

17 The percentage shall be the assumed treasury rate for the  
18 previous fiscal year, unless neither the retirement system's  
19 actual rate of investment earnings for the previous fiscal year  
20 nor the retirement system's actual rate of investment earnings  
21 for the five-year period ending at the end of the previous  
22 fiscal year is less than the assumed treasury rate.

23 If both the retirement system's actual rate of investment  
24 earnings for the previous fiscal year and the actual rate of  
25 investment earnings for the five-year period ending at the end  
26 of the previous fiscal year are at least the assumed treasury

1 rate, then the percentage shall be:

2 (i) the assumed treasury rate, plus

3 (ii) two-thirds of the amount of the actual rate of  
4 investment earnings for the previous fiscal year that  
5 exceeds the assumed treasury rate.

6 However, in no event shall the percentage applied under this  
7 subsection exceed 10%.

8 For the purposes of this subsection only, "previous fiscal  
9 year" means fiscal year ending one year before the interest  
10 rate is calculated.

11 For the purposes of this subsection only, "assumed treasury  
12 rate" means the average annual yield of the 30-year U.S.  
13 Treasury Bond over the previous fiscal year, but not less than  
14 4%.

15 When a person applies for a benefit under this Section, the  
16 retirement system shall apply an interest credit based on a  
17 proration of an estimate of what the interest credit will be  
18 for the relevant year. When the retirement system certifies the  
19 credit on June 30, it shall adjust the benefit accordingly.

20 (f-10) Distribution upon Termination of Employment. Upon  
21 termination of active employment with at least 5 years of  
22 service credit under the applicable retirement system and prior  
23 to making application for an annuity under this Section, a  
24 participant in the optional cash balance plan may make an  
25 irrevocable election to distribute an amount not to exceed 40%  
26 of the balance in the participant's account in the form of a

1 direct rollover to another qualified plan, to the extent  
2 allowed by federal law. If the participant makes such an  
3 election, then the amount distributed shall be debited from the  
4 participant's cash balance account. A participant in the  
5 optional cash balance plan shall be allowed only one  
6 distribution under this subsection. The remaining balance in  
7 the participant's account shall be used for the determination  
8 of other benefits provided under this Section.

9 (f-15) Refund. In lieu of receiving a distribution under  
10 subsection (f-10), at any time after terminating active  
11 employment under the applicable retirement system, but before  
12 receiving a retirement annuity under this Section, a  
13 participant in the optional cash balance plan may elect to  
14 receive a refund under this subsection. The refund shall  
15 consist of an amount equal to the amount of all employee  
16 contributions credited to the participant's account, but shall  
17 not include any interest credit or employer contributions. If  
18 the participant so requests, the refund may be paid in the form  
19 of a direct rollover to another qualified plan, to the extent  
20 allowed by federal law and in accordance with the rules of the  
21 applicable retirement system. Upon payment of the refund, the  
22 participant's notional cash balance account shall be closed.

23 (g) Retirement Annuity. A participant in the optional cash  
24 balance plan may begin collecting a retirement annuity at age  
25 59 1/2, but no earlier than the date of termination of active  
26 employment under the applicable retirement system.

1           The amount of the retirement annuity shall be calculated by  
2 the retirement system, based on the balance in the cash balance  
3 account, the assumption of future investment returns as  
4 specified in this subsection, the participant's election to  
5 have a lifetime survivor's annuity as specified in this  
6 subsection, the annual increase in retirement annuity as  
7 specified in subsection (h), the annual increase in survivor's  
8 annuity as specified in subsection (l), and any actuarial  
9 assumptions and tables adopted by the board of the retirement  
10 system for this purpose. The calculation shall determine the  
11 amount of retirement annuity, on an actuarially equivalent  
12 basis, that shall be designed to result in the balance in the  
13 participant's account arriving at zero on the date when the  
14 last payment of the retirement annuity (or survivor's annuity,  
15 if the participant elects to provide for a survivor's annuity  
16 pursuant to this subsection) is anticipated to be paid under  
17 the relevant actuarial assumptions. A retirement annuity or a  
18 survivor's annuity provided under this Section shall be a life  
19 annuity and shall not expire if the account balance equals  
20 zero.

21           The annuity payment shall begin on the date specified by  
22 the participant submitting a written application, which date  
23 shall not be prior to termination of employment or more than  
24 one year before the application is received by the board;  
25 however, if the participant is not an employee of an employer  
26 participating in this System or in a participating system as



1 defined in Article 20 of this Code on April 1 of the calendar  
2 year next following the calendar year in which the participant  
3 attains age 70 1/2, the annuity payment period shall begin on  
4 that date regardless of whether an application has been filed.

5 The participant may elect, under the participant's written  
6 application for retirement, to receive a reduced annuity  
7 payable for his or her life and to have a lifetime survivor's  
8 annuity in a monthly amount equal to 50%, 75%, or 100% of that  
9 reduced monthly amount, to be paid after the participant's  
10 death to his or her eligible survivor. Eligibility for a  
11 survivor's annuity shall be determined under the applicable  
12 Article of this Code.

13 For the purpose of calculating retirement annuities,  
14 future investment returns shall be assumed to be a percentage  
15 equal to the average yield of the 30-year U.S. Treasury Bond  
16 over the 5 fiscal years prior to the calculation of the initial  
17 retirement annuity, plus 250 basis points; but not less than 4%  
18 nor more than 8%.

19 (h) Annual Increase in Retirement Annuity. The retirement  
20 annuity shall be subject to an automatic annual increase in an  
21 amount equal to 3% of the originally granted annuity on each  
22 January 1 occurring on or after the first anniversary of the  
23 annuity start date.

24 (i) Disability Benefits. There are no disability benefits  
25 provided under the optional cash balance plan, and no amounts  
26 for disability shall be deducted from the account of a

1 participant in the optional cash balance plan. The disability  
2 benefits provided under the applicable retirement system apply  
3 to participants in the optional cash balance plan.

4 (j) Return to Service. Upon a return to service under the  
5 same retirement system after beginning to receive a retirement  
6 annuity under the optional cash balance plan, the retirement  
7 annuity shall be suspended and active participation in the  
8 optional cash balance plan shall resume. Upon termination of  
9 the employment, the retirement annuity shall resume in an  
10 amount to be recalculated in accordance with subsection (g),  
11 taking into effect the changes in the cash balance account. If  
12 a retired annuitant returns to service, his or her notional  
13 cash balance account shall be decreased by each payment of  
14 retirement annuity prior to the return to service.

15 (k) Survivor's Annuity - Death before Retirement. In the  
16 case of a participant in the optional cash balance plan who had  
17 less than 5 years of service under the applicable Article and  
18 had not begun receiving a retirement annuity, the eligible  
19 survivor shall be entitled only to a refund of employee  
20 contributions under subsection (f-15).

21 In the case of a participant in the optional cash balance  
22 plan who had at least 5 years of service under the applicable  
23 Article and had not begun receiving a retirement annuity, the  
24 eligible survivor shall be entitled to receive a survivor's  
25 annuity beginning at age 59 1/2 upon written application. The  
26 survivor's annuity shall be calculated in the same manner as a

1 retirement annuity under subsection (g). At any time before  
2 receiving a survivor's annuity, the eligible survivor may claim  
3 a distribution under subsection (f-10) or a refund under  
4 subsection (f-15). The deceased participant's account shall  
5 continue to receive interest credit until the eligible survivor  
6 begins to receive a survivor's annuity or receives a refund of  
7 employee contributions under subsection (f-15).

8 Eligibility for a survivor's annuity shall be determined  
9 under the applicable Article of this Code. A child's or  
10 parent's annuity for an otherwise eligible child or dependent  
11 parent shall be in the same amount, if any, prescribed under  
12 the applicable Article.

13 (l) Annual Increase in Survivor's Annuity. A survivor's  
14 annuity granted under subsection (g) or (k) shall be subject to  
15 an automatic annual increase in an amount equal to 3% of the  
16 originally granted annuity on each January 1 occurring on or  
17 after the first anniversary of the annuity start date.

18 (m) Applicability of Provisions. The following provisions,  
19 if and as they exist in this Code, do not apply to participants  
20 in the optional cash balance plan with respect to participation  
21 in the optional cash balance plan, except as they are  
22 specifically provided for in this Section:

23 (1) minimum service or vesting requirements (other  
24 than as provided in this Section);

25 (2) provisions limiting a retirement annuity to a  
26 specified percentage of salary;

1           (3) provisions authorizing a minimum retirement or  
2 survivor's annuity or a supplemental annuity;

3           (4) provisions authorizing any form of retirement  
4 annuity or survivor's annuity not authorized under this  
5 Section;

6           (5) provisions authorizing a reversionary annuity  
7 (other than the survivor's annuity under subsection (g));

8           (6) provisions authorizing a refund of employee  
9 contributions upon termination of service (other than upon  
10 the death of the participant without an eligible survivor)  
11 or any lump-sum payout in lieu of a retirement or  
12 survivor's annuity (other than the distribution under  
13 subsection (f-10) or the refund under subsection (f-15) of  
14 this Section);

15           (7) provisions authorizing optional service credits or  
16 the payment of optional additional contributions (other  
17 than the optional employer contributions specifically  
18 authorized in this Section); or

19           (8) a level income option.

20           The Retirement Systems Reciprocal Act (Article 20 of this  
21 Code) does not apply to participation in the optional cash  
22 balance plan and does not affect the calculation of benefits  
23 payable under this Section.

24           The other provisions of this Code continue to apply to  
25 participants in the optional cash balance plan, to the extent  
26 that they do not conflict with this Section. In the case of a

1 conflict between the provisions of this Section and any other  
2 provision of this Code, the provisions of this Section control.

3 (n) Rules. The Board of Trustees of the applicable  
4 retirement system may adopt rules and procedures for the  
5 implementation of this Section, including but not limited to  
6 determinations of how to integrate the administration of this  
7 Section with the requirements of the applicable Article and any  
8 other applicable provisions of this Code.

9 ~~(o) Public Pension Division. The Public Pension Division of~~  
10 ~~the Department of Insurance shall determine in October of each~~  
11 ~~year the annual unadjusted percentage increase (but not less~~  
12 ~~than zero) in the Consumer Price Index-U for the 12 months~~  
13 ~~ending with the preceding September. The Division shall certify~~  
14 ~~its determination to the Board of Trustees of the State~~  
15 ~~Universities Retirement System by November 1 of each year.~~

16 (o) ~~(p)~~ Actual Employer Contributions. Payment of employer  
17 contributions with respect to participants in the optional cash  
18 balance plan shall be the responsibility of the actual  
19 employer. These contributions shall be determined under and  
20 paid in accordance with the provisions of Sections 15-155.  
21 Optional additional contributions by employers may be paid in  
22 any amount, but must be paid in the manner specified by the  
23 applicable retirement system.

24 (p) ~~(q)~~ Prospective Modification. The provisions set forth  
25 in this Section are subject to prospective changes made by law  
26 provided that any such changes shall not apply to any benefits

1 accrued under this Section prior to the effective date of any  
2 amendatory Act of the General Assembly.

3 (g) ~~(s)~~ Qualified Plan Status. No provision of this Section  
4 shall be interpreted in a way that would cause the applicable  
5 retirement system to cease to be a qualified plan under Section  
6 401(a) ~~section 461(a)~~ of the Internal Revenue Code of 1986.

7 (Source: 09700HB1447sam002.)

8 (40 ILCS 5/2-107.9)

9 Sec. 2-107.9. Future increase in income. "Future increase  
10 in income": Any increase in income in any form offered for  
11 service as a member under this Article after December 31 ~~June~~  
12 ~~30~~, 2013 that would qualify as "salary", as defined under  
13 Section 2-108, but for the fact that the increase in income was  
14 offered to the member on the condition that it not qualify as  
15 salary and was accepted by the member subject to that  
16 condition.

17 (Source: 09700HB1447sam002.)

18 (40 ILCS 5/2-110.3)

19 Sec. 2-110.3. Election by Tier I employees and Tier I  
20 retirees.

21 (a) Each Tier I employee shall make an irrevocable election  
22 either:

23 (1) to agree to the following:

24 (i) to have the amount of the automatic annual

1 increases in his or her retirement annuity that are  
2 otherwise provided for in this Article calculated,  
3 instead, as provided in subsection (a-1) of Section  
4 2-119.1; and

5 (ii) to have his or her eligibility for automatic  
6 annual increases in retirement annuity postponed as  
7 provided in subsection (a-2) of Section 2-119.1 and to  
8 relinquish the additional increases provided in  
9 subsection (b) of Section 2-119.1; or

10 (2) to not agree to items (i) and (ii) as set forth in  
11 paragraph (1) of this subsection.

12 The election required under this subsection (a) shall be  
13 made by each Tier I employee no earlier than July ~~January~~ 1,  
14 2013 and no later than November 30 ~~May 31~~, 2013, except that:

15 (i) a person who becomes a Tier I employee under this  
16 Article after July ~~January~~ 1, 2013 must make the election  
17 under this subsection (a) within 60 days after becoming a  
18 Tier I employee;

19 (ii) a person who returns to active service as a Tier I  
20 employee under this Article after July ~~January~~ 1, 2013 and  
21 has not yet made an election under this Section must make  
22 the election under this subsection (a) within 60 days after  
23 returning to active service as a Tier I employee; and

24 (iii) a person who made the election under subsection  
25 (a-5) as a Tier I retiree remains bound by that election  
26 and shall not make a later election under this subsection

1 (a).

2 If a Tier I employee fails for any reason to make a  
3 required election under this subsection within the time  
4 specified, then the employee shall be deemed to have made the  
5 election under paragraph (2) of this subsection.

6 (a-5) Each Tier I retiree shall make an irrevocable  
7 election either:

8 (1) to agree to the following:

9 (i) to have the amount of the automatic annual  
10 increases in his or her retirement annuity that are  
11 otherwise provided for in this Article calculated,  
12 instead, as provided in subsection (a-1) of Section  
13 2-119.1; and

14 (ii) to have his or her eligibility for automatic  
15 annual increases in retirement annuity postponed as  
16 provided in subsection (a-2) of Section 2-119.1 and to  
17 relinquish the additional increases provided in  
18 subsection (b) of Section 2-119.1; or

19 (2) to not agree to items (i) and (ii) as set forth in  
20 paragraph (1) of this subsection.

21 The election required under this subsection (a-5) shall be  
22 made by each Tier I retiree no earlier than July ~~January~~ 1,  
23 2013 and no later than November 30 ~~May 31~~, 2013, except that:

24 (i) a person who becomes a Tier I retiree under this  
25 Article on or after July ~~January~~ 1, 2013 must make the  
26 election under this subsection (a-5) within 60 days after



1 becoming a Tier I retiree; and

2 (ii) a person who made the election under subsection  
3 (a) as a Tier I employee remains bound by that election and  
4 shall not make a later election under this subsection  
5 (a-5).

6 If a Tier I retiree fails for any reason to make a required  
7 election under this subsection within the time specified, then  
8 the Tier I retiree shall be deemed to have made the election  
9 under paragraph (2) of this subsection.

10 (a-10) All elections under subsection (a) or (a-5) that are  
11 made or deemed to be made before December ~~June~~ 1, 2013 shall  
12 take effect on January ~~July~~ 1, 2014 ~~2013~~. Elections that are  
13 made or deemed to be made on or after December ~~June~~ 1, 2013  
14 shall take effect on the first day of the month following the  
15 month in which the election is made or deemed to be made.

16 (b) As adequate and legal consideration provided under this  
17 amendatory Act of the 97th General Assembly for making the  
18 election under paragraph (1) of subsection (a) of this Section,  
19 any future increases in income offered for service as a member  
20 under this Article to a Tier I employee who has made the  
21 election under paragraph (1) of subsection (a) of this Section  
22 shall be offered expressly and irrevocably as constituting  
23 salary under Section 2-108.

24 As adequate and legal consideration provided under this  
25 amendatory Act of the 97th General Assembly for making the  
26 election under paragraph (1) of subsection (a-5) of this

1 Section, any future increases in income offered for service as  
2 a member under this Article to a Tier I retiree who returns to  
3 active service after having made the election under paragraph  
4 (1) of subsection (a-5) of this Section shall be offered  
5 expressly and irrevocably as constituting salary under Section  
6 2-108.

7 (c) A Tier I employee who makes the election under  
8 paragraph (2) of subsection (a) of this Section shall not be  
9 subject to items (i) and (ii) set forth in paragraph (1) of  
10 subsection (a) of this Section. However, any future increases  
11 in income offered for service as a member under this Article to  
12 a Tier I employee who has made the election under paragraph (2)  
13 of subsection (a) of this Section shall be offered expressly  
14 and irrevocably as not constituting salary under Section 2-108,  
15 and the member may not accept any future increase in income  
16 that is offered in violation of this requirement.

17 A Tier I retiree who makes the election under paragraph (2)  
18 of subsection (a-5) of this Section shall not be subject to  
19 items (i) and (ii) set forth in paragraph (1) of subsection  
20 (a-5) of this Section. However, any future increases in income  
21 offered for service as a member under this Article to a Tier I  
22 retiree who returns to active service and has made the election  
23 under paragraph (2) of subsection (a-5) of this Section shall  
24 be offered expressly and irrevocably as not constituting salary  
25 under Section 2-108, and the member may not accept any future  
26 increase in income that is offered in violation of this

1 requirement.

2 (d) The System shall make a good faith effort to contact  
3 each Tier I employee and Tier I retiree subject to this  
4 Section. The System shall mail information describing the  
5 required election to each Tier I employee and Tier I retiree by  
6 United States Postal Service mail to his or her last known  
7 address on file with the System. If the Tier I employee or Tier  
8 I retiree is not responsive to other means of contact, it is  
9 sufficient for the System to publish the details of any  
10 required elections on its website or to publish those details  
11 in a regularly published newsletter or other existing public  
12 forum.

13 Tier I employees and Tier I retirees who are subject to  
14 this Section shall be provided with an election packet  
15 containing information regarding their options, as well as the  
16 forms necessary to make the required election. Upon request,  
17 the System shall offer Tier I employees and Tier I retirees an  
18 opportunity to receive information from the System before  
19 making the required election. The information may be provided  
20 through video materials, group presentations, individual  
21 consultation with a member or authorized representative of the  
22 System in person or by telephone or other electronic means, or  
23 any combination of those methods. The System shall not provide  
24 advice or counseling with respect to which election a Tier I  
25 employee or Tier I retiree should make or specific to the legal  
26 or tax circumstances of or consequences to the Tier I employee

1 or Tier I retiree.

2 The System shall inform Tier I employees and Tier I  
3 retirees in the election packet required under this subsection  
4 that the Tier I employee or Tier I retiree may also wish to  
5 obtain information and counsel relating to the election  
6 required under this Section from any other available source,  
7 including but not limited to labor organizations and private  
8 counsel.

9 In no event shall the System, its staff, or the Board be  
10 held liable for any information given to a member, beneficiary,  
11 or annuitant regarding the elections under this Section. The  
12 System shall coordinate with the Illinois Department of Central  
13 Management Services and each other retirement system  
14 administering an election in accordance with this amendatory  
15 Act of the 97th General Assembly to provide information  
16 concerning the impact of the election set forth in this  
17 Section.

18 (e) Notwithstanding any other provision of law, any future  
19 increases in income offered for service as a member must be  
20 offered expressly and irrevocably as not constituting "salary"  
21 under Section 2-108 to any Tier I employee, or Tier I retiree  
22 returning to active service, who has made an election under  
23 paragraph (2) or subsection (a) or (a-5) of Section 2-110.3. A  
24 Tier I employee, or Tier I retiree returning to active service,  
25 who has made an election under paragraph (2) or subsection (a)  
26 or (a-5) of Section 2-110.3 shall not accept any future

1 increase in income that is offered for service as a member  
2 under this Article in violation of the requirement set forth in  
3 this subsection.

4 (f) A member's election under this Section is not a  
5 prohibited election under subdivision (j)(1) of Section 1-119  
6 of this Code.

7 (g) ~~Qualified Plan Status.~~ No provision of this Section  
8 shall be interpreted in a way that would cause the System to  
9 cease to be a qualified plan under Section 401(a) ~~section 461~~  
10 ~~(a)~~ of the Internal Revenue Code of 1986.

11 (h) If this Section is determined to be unconstitutional or  
12 otherwise invalid by a final unappealable decision of an  
13 Illinois court or a court of competent jurisdiction as applied  
14 to Tier I employees but not as applied to Tier I retirees, then  
15 this Section and the changes deriving from the election  
16 required under this Section shall be null and void as applied  
17 to Tier I employees but shall remain in full effect for Tier I  
18 retirees.

19 (i) If this Section is determined to be unconstitutional or  
20 otherwise invalid by a final unappealable decision of an  
21 Illinois court or a court of competent jurisdiction as applied  
22 to Tier I retirees but not as applied to Tier I employees, then  
23 this Section and the changes deriving from the election  
24 required under this Section shall be null and void as applied  
25 to Tier I retirees but shall remain in full effect for Tier I  
26 employees.

1       (j) If Section 14-106.5 of this Code or any change deriving  
2 from the election required under that Section is determined to  
3 be unconstitutional or otherwise invalid by a final  
4 unappealable decision of an Illinois court or a court of  
5 competent jurisdiction, the invalidity of that provision shall  
6 not in any way affect the validity of this Section or the  
7 changes deriving from the election required under this Section.

8       (Source: 09700HB1447sam002.)

9       (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

10       Sec. 2-124. Contributions by State.

11       (a) Except as otherwise provided in this Section, the State  
12 shall make contributions to the System by appropriations of  
13 amounts which, together with the contributions of  
14 participants, interest earned on investments, and other income  
15 will meet the cost of maintaining and administering the System  
16 on a 90% funded basis in accordance with actuarial  
17 recommendations.

18       (b) The Board shall determine the amount of State  
19 contributions required for each fiscal year on the basis of the  
20 actuarial tables and other assumptions adopted by the Board and  
21 the prescribed rate of interest, using the formula in  
22 subsection (c).

23       (c) Except as otherwise provided in this Section, for State  
24 fiscal years 2012 through 2045, the minimum contribution to the  
25 System to be made by the State for each fiscal year shall be an

1 amount determined by the System to be sufficient to bring the  
2 total assets of the System up to 90% of the total actuarial  
3 liabilities of the System by the end of State fiscal year 2045.  
4 In making these determinations, the required State  
5 contribution shall be calculated each year as a level  
6 percentage of payroll over the years remaining to and including  
7 fiscal year 2045 and shall be determined under the projected  
8 unit credit actuarial cost method.

9 For State fiscal years 1996 through 2005, the State  
10 contribution to the System, as a percentage of the applicable  
11 employee payroll, shall be increased in equal annual increments  
12 so that by State fiscal year 2011, the State is contributing at  
13 the rate required under this Section.

14 Notwithstanding any other provision of this Article, the  
15 total required State contribution for State fiscal year 2006 is  
16 \$4,157,000.

17 Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2007 is  
19 \$5,220,300.

20 For each of State fiscal years 2008 through 2009, the State  
21 contribution to the System, as a percentage of the applicable  
22 employee payroll, shall be increased in equal annual increments  
23 from the required State contribution for State fiscal year  
24 2007, so that by State fiscal year 2011, the State is  
25 contributing at the rate otherwise required under this Section.

26 Notwithstanding any other provision of this Article, the

1 total required State contribution for State fiscal year 2010 is  
2 \$10,454,000 and shall be made from the proceeds of bonds sold  
3 in fiscal year 2010 pursuant to Section 7.2 of the General  
4 Obligation Bond Act, less (i) the pro rata share of bond sale  
5 expenses determined by the System's share of total bond  
6 proceeds, (ii) any amounts received from the General Revenue  
7 Fund in fiscal year 2010, and (iii) any reduction in bond  
8 proceeds due to the issuance of discounted bonds, if  
9 applicable.

10 Notwithstanding any other provision of this Article, the  
11 total required State contribution for State fiscal year 2011 is  
12 the amount recertified by the System on or before April 1, 2011  
13 pursuant to Section 2-134 and shall be made from the proceeds  
14 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of  
15 the General Obligation Bond Act, less (i) the pro rata share of  
16 bond sale expenses determined by the System's share of total  
17 bond proceeds, (ii) any amounts received from the General  
18 Revenue Fund in fiscal year 2011, and (iii) any reduction in  
19 bond proceeds due to the issuance of discounted bonds, if  
20 applicable.

21 Except as otherwise provided in this Section, beginning in  
22 State fiscal year 2046, the minimum State contribution for each  
23 fiscal year shall be the amount needed to maintain the total  
24 assets of the System at 90% of the total actuarial liabilities  
25 of the System.

26 Amounts received by the System pursuant to Section 25 of



1 the Budget Stabilization Act or Section 8.12 of the State  
2 Finance Act in any fiscal year do not reduce and do not  
3 constitute payment of any portion of the minimum State  
4 contribution required under this Article in that fiscal year.  
5 Such amounts shall not reduce, and shall not be included in the  
6 calculation of, the required State contributions under this  
7 Article in any future year until the System has reached a  
8 funding ratio of at least 90%. A reference in this Article to  
9 the "required State contribution" or any substantially similar  
10 term does not include or apply to any amounts payable to the  
11 System under Section 25 of the Budget Stabilization Act.

12 Notwithstanding any other provision of this Section, the  
13 required State contribution for State fiscal year 2005 and for  
14 fiscal year 2008 and each fiscal year thereafter, as calculated  
15 under this Section and certified under Section 2-134, shall not  
16 exceed an amount equal to (i) the amount of the required State  
17 contribution that would have been calculated under this Section  
18 for that fiscal year if the System had not received any  
19 payments under subsection (d) of Section 7.2 of the General  
20 Obligation Bond Act, minus (ii) the portion of the State's  
21 total debt service payments for that fiscal year on the bonds  
22 issued in fiscal year 2003 for the purposes of that Section  
23 7.2, as determined and certified by the Comptroller, that is  
24 the same as the System's portion of the total moneys  
25 distributed under subsection (d) of Section 7.2 of the General  
26 Obligation Bond Act. In determining this maximum for State

1 fiscal years 2008 through 2010, however, the amount referred to  
2 in item (i) shall be increased, as a percentage of the  
3 applicable employee payroll, in equal increments calculated  
4 from the sum of the required State contribution for State  
5 fiscal year 2007 plus the applicable portion of the State's  
6 total debt service payments for fiscal year 2007 on the bonds  
7 issued in fiscal year 2003 for the purposes of Section 7.2 of  
8 the General Obligation Bond Act, so that, by State fiscal year  
9 2011, the State is contributing at the rate otherwise required  
10 under this Section.

11 (c-1) If at least 50% of Tier I employees making an  
12 election under Section 2-110.3 before December 1, 2013 choose  
13 the option under paragraph (1) of subsection (a) of that  
14 Section, then beginning in State fiscal year 2015, instead of  
15 the contributions specified in subsection (c) of this Section,  
16 the State contributions specified in subsection (c-3) of this  
17 Section shall be paid.

18 In making its initial certification of the annual required  
19 contribution by the State for State fiscal year 2015, the Board  
20 shall assume that the new funding formula provided in  
21 subsection (c-3) of this Section applies. If fewer than 50% of  
22 Tier I employees making an election under Section 2-110.3  
23 before December 1, 2013 choose the option under paragraph (1)  
24 of subsection (a) of that Section, then:

25 (1) Instead of the contributions specified in  
26 subsection (c-3) of this Section, the State contributions

1 specified in subsection (c) shall continue to be paid.

2 (2) The Board shall, if necessary, promptly recertify  
3 the annual required contribution by the State for the  
4 affected State fiscal year.

5 (c-3) As provided in subsection (c-1), in lieu of the State  
6 contributions required under subsection (c):

7 (1) For State fiscal years 2015 through 2044, the  
8 minimum contribution to the System to be made by the State  
9 for each fiscal year shall be an amount determined by the  
10 System to be equal to the sum of (1) the State's portion of  
11 the projected normal cost for that fiscal year, plus (2) an  
12 amount sufficient to bring the total assets of the System  
13 up to 100% of the total actuarial liabilities of the System  
14 by the end of State fiscal year 2044. In making these  
15 determinations, the required State contribution shall be  
16 calculated each year as a level percentage of payroll over  
17 the years remaining to and including fiscal year 2044 and  
18 shall be determined under the projected unit credit  
19 actuarial cost method.

20 (2) Beginning in State fiscal year 2045, the minimum  
21 State contribution for each fiscal year shall be the amount  
22 needed to maintain the total assets of the System at 100%  
23 of the total actuarial liabilities of the System.

24 (c-5) Notwithstanding subsection (c-1), if the Tier I  
25 employee or Tier I retiree elections under Section 2-110.3, or  
26 any of the consequences that are expressly dependent upon

1 either of those elections, are determined to be  
2 unconstitutional or otherwise invalid on appeal by a final  
3 unappealable decision of an Illinois court or a court of  
4 competent jurisdiction, other than as applied to a particular  
5 individual or circumstance, then:

6 (1) Beginning with the next fiscal year after the date  
7 of that final decision, the annual required contribution to  
8 the System to be made by the State shall be determined  
9 under subsection (c) of this Section.

10 (2) The Board shall, if necessary, promptly recertify  
11 the annual required contribution by the State for that next  
12 State fiscal year.

13 ~~(c-1) If at least 50% of Tier I employees making an~~  
14 ~~election under Section 2-110.3 before June 1, 2013 choose the~~  
15 ~~option under paragraph (1) of subsection (a) of that Section,~~  
16 ~~then:-~~

17 ~~(1) In lieu of the State contributions required under~~  
18 ~~subsection (c), for State fiscal years 2014 through 2043~~  
19 ~~the minimum contribution to the System to be made by the~~  
20 ~~State for each fiscal year shall be an amount determined by~~  
21 ~~the System to be equal to the sum of (1) the State's~~  
22 ~~portion of the projected normal cost for that fiscal year,~~  
23 ~~plus (2) an amount sufficient to bring the total assets of~~  
24 ~~the System up to 100% of the total actuarial liabilities of~~  
25 ~~the System by the end of State fiscal year 2043. In making~~  
26 ~~these determinations, the required State contribution~~

1 ~~shall be calculated each year as a level percentage of~~  
2 ~~payroll over the years remaining to and including fiscal~~  
3 ~~year 2043 and shall be determined under the projected unit~~  
4 ~~credit actuarial cost method.~~

5 ~~(2) Beginning in State fiscal year 2043, the minimum~~  
6 ~~State contribution for each fiscal year shall be the amount~~  
7 ~~needed to maintain the total assets of the System at 100%~~  
8 ~~of the total actuarial liabilities of the System.~~

9 ~~(c 2) If less than 50% of Tier I employees making an~~  
10 ~~election under Section 2-110.3 before June 1, 2013 choose the~~  
11 ~~option under paragraph (1) of subsection (a) of that Section,~~  
12 ~~then the annual required contribution to the System to be made~~  
13 ~~by the State shall be determined under subsection (c) of this~~  
14 ~~Section, instead of the annual required contribution otherwise~~  
15 ~~specified in subsection (c 1) of this Section.~~

16 (d) For purposes of determining the required State  
17 contribution to the System, the value of the System's assets  
18 shall be equal to the actuarial value of the System's assets,  
19 which shall be calculated as follows:

20 As of June 30, 2008, the actuarial value of the System's  
21 assets shall be equal to the market value of the assets as of  
22 that date. In determining the actuarial value of the System's  
23 assets for fiscal years after June 30, 2008, any actuarial  
24 gains or losses from investment return incurred in a fiscal  
25 year shall be recognized in equal annual amounts over the  
26 5-year period following that fiscal year.

1 (e) For purposes of determining the required State  
2 contribution to the system for a particular year, the actuarial  
3 value of assets shall be assumed to earn a rate of return equal  
4 to the system's actuarially assumed rate of return.

5 (Source: 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511,  
6 eff. 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11;  
7 09700HB1447sam002.)

8 (40 ILCS 5/14-103.42)

9 Sec. 14-103.42. Future increase in income. "Future  
10 increase in income": Any increase in income in any form offered  
11 by a department to an employee under this Article after  
12 December 31 ~~June 30~~, 2013 that would qualify as "compensation",  
13 as defined under Section 14-103.10, but for the fact that the  
14 department offered the increase in income to the employee on  
15 the condition that it not qualify as compensation and the  
16 employee accepted the increase in income subject to that  
17 condition. The term "future increase in income" does not  
18 include an increase in income in any form that is paid to a  
19 Tier I employee under an employment contract or collective  
20 bargaining agreement that is in effect on the effective date of  
21 this Section but does include an increase in income in any form  
22 pursuant to an extension, amendment, or renewal of any such  
23 employment contract or collective bargaining agreement on or  
24 after the effective date of this amendatory Act of the 97th  
25 General Assembly.

1 (Source: 09700HB1447sam002.)

2 (40 ILCS 5/14-106.5)

3 Sec. 14-106.5. Election by Tier I employees and Tier I  
4 retirees.

5 (a) Each Tier I employee shall make an irrevocable election  
6 either:

7 (1) to agree to the following:

8 (i) to have the amount of the automatic annual  
9 increases in his or her retirement annuity that are  
10 otherwise provided for in this Article calculated,  
11 instead, as provided in subsection (a-1) of Section  
12 14-114; and

13 (ii) to have his or her eligibility for automatic  
14 annual increases in retirement annuity postponed as  
15 provided in subsection (a-2) of Section 14-114; or

16 (2) to not agree to items (i) and (ii) as set forth in  
17 paragraph (1) of this subsection.

18 The election required under this subsection (a) shall be  
19 made by each Tier I employee no earlier than July ~~January~~ 1,  
20 2013 and no later than November 30 ~~May 31~~, 2013, except that:

21 (i) a person who becomes a Tier I employee under this  
22 Article after July ~~January~~ 1, 2013 must make the election  
23 under this subsection (a) within 60 days after becoming a  
24 Tier I employee;

25 (ii) a person who returns to active service as a Tier I

1 employee under this Article after July ~~January~~ 1, 2013 and  
2 has not yet made an election under this Section must make  
3 the election under this subsection (a) within 60 days after  
4 returning to active service as a Tier I employee; and

5 (iii) a person who made the election under subsection  
6 (a-5) as a Tier I retiree remains bound by that election  
7 and shall not make a later election under this subsection  
8 (a).

9 If a Tier I employee fails for any reason to make a  
10 required election under this subsection within the time  
11 specified, then the employee shall be deemed to have made the  
12 election under paragraph (2) of this subsection.

13 (a-5) Each Tier I retiree shall make an irrevocable  
14 election either:

15 (1) to agree to the following:

16 (i) to have the amount of the automatic annual  
17 increases in his or her retirement annuity that are  
18 otherwise provided for in this Article calculated,  
19 instead, as provided in subsection (a-1) of Section  
20 14-114; and

21 (ii) to have his or her eligibility for automatic  
22 annual increases in retirement annuity postponed as  
23 provided in subsection (a-2) of Section 14-114; or

24 (2) to not agree to items (i) and (ii) as set forth in  
25 paragraph (1) of this subsection.

26 The election required under this subsection (a-5) shall be



1 made by each Tier I retiree no earlier than July ~~January~~ 1,  
2 2013 and no later than November 30 ~~May 31~~, 2013, except that:

3 (i) a person who becomes a Tier I retiree under this  
4 Article on or after July ~~January~~ 1, 2013 must make the  
5 election under this subsection (a-5) within 60 days after  
6 becoming a Tier I retiree; and

7 (ii) a person who made the election under subsection  
8 (a) as a Tier I employee remains bound by that election and  
9 shall not make a later election under this subsection  
10 (a-5).

11 If a Tier I retiree fails for any reason to make a required  
12 election under this subsection within the time specified, then  
13 the Tier I retiree shall be deemed to have made the election  
14 under paragraph (2) of this subsection.

15 (a-10) All elections under subsection (a) or (a-5) that are  
16 made or deemed to be made before December ~~June~~ 1, 2013 shall  
17 take effect on January ~~July~~ 1, 2014 ~~2013~~. Elections that are  
18 made or deemed to be made on or after December ~~June~~ 1, 2013  
19 shall take effect on the first day of the month following the  
20 month in which the election is made or deemed to be made.

21 (b) As adequate and legal consideration provided under this  
22 amendatory Act of the 97th General Assembly for making the  
23 election under paragraph (1) of subsection (a) of this Section,  
24 any future increases in income offered by a department under  
25 this Article to a Tier I employee who has made the election  
26 under paragraph (1) of subsection (a) of this Section shall be

1 offered expressly and irrevocably as constituting compensation  
2 under Section 14-103.10. In addition, a Tier I employee who has  
3 made the election under paragraph (1) of subsection (a) of this  
4 Section shall receive the right to also participate in the  
5 optional cash balance plan established under Section 1-162.

6 As adequate and legal consideration provided under this  
7 amendatory Act of the 97th General Assembly for making the  
8 election under paragraph (1) of subsection (a-5) of this  
9 Section, any future increases in income offered by a department  
10 under this Article to a Tier I retiree who returns to active  
11 service after having made the election under paragraph (1) of  
12 subsection (a-5) of this Section shall be offered expressly and  
13 irrevocably as constituting compensation under Section  
14 14-103.10. In addition, a Tier I retiree who returns to active  
15 service and has made the election under paragraph (1) of  
16 subsection (a) of this Section shall receive the right to also  
17 participate in the optional cash balance plan established under  
18 Section 1-162.

19 (c) A Tier I employee who makes the election under  
20 paragraph (2) of subsection (a) of this Section shall not be  
21 subject to items (i) and (ii) set forth in paragraph (1) of  
22 subsection (a) of this Section. However, any future increases  
23 in income offered by a department under this Article to a Tier  
24 I employee who has made the election under paragraph (2) of  
25 subsection (a) of this Section shall be offered by the  
26 department expressly and irrevocably as not constituting

1 compensation under Section 14-103.10, and the employee may not  
2 accept any future increase in income that is offered in  
3 violation of this requirement. In addition, a Tier I employee  
4 who has made the election under paragraph (2) of subsection (a)  
5 of this Section shall not receive the right to participate in  
6 the optional cash balance plan established under Section 1-162.

7 A Tier I retiree who makes the election under paragraph (2)  
8 of subsection (a-5) of this Section shall not be subject to  
9 items (i) and (ii) set forth in paragraph (1) of subsection  
10 (a-5) of this Section. However, any future increases in income  
11 offered by a department under this Article to a Tier I retiree  
12 who returns to active service and has made the election under  
13 paragraph (2) of subsection (a-5) of this Section shall be  
14 offered by the department expressly and irrevocably as not  
15 constituting compensation under Section 14-103.10, and the  
16 employee may not accept any future increase in income that is  
17 offered in violation of this requirement. In addition, a Tier I  
18 retiree who returns to active service and has made the election  
19 under paragraph (2) of subsection (a) of this Section shall not  
20 receive the right to participate in the optional cash balance  
21 plan established under Section 1-162.

22 (d) The System shall make a good faith effort to contact  
23 each Tier I employee and Tier I retiree subject to this  
24 Section. The System shall mail information describing the  
25 required election to each Tier I employee and Tier I retiree by  
26 United States Postal Service mail to his or her last known

1 address on file with the System. If the Tier I employee or Tier  
2 I retiree is not responsive to other means of contact, it is  
3 sufficient for the System to publish the details of any  
4 required elections on its website or to publish those details  
5 in a regularly published newsletter or other existing public  
6 forum.

7 Tier I employees and Tier I retirees who are subject to  
8 this Section shall be provided with an election packet  
9 containing information regarding their options, as well as the  
10 forms necessary to make the required election. Upon request,  
11 the System shall offer Tier I employees and Tier I retirees an  
12 opportunity to receive information from the System before  
13 making the required election. The information may consist of  
14 video materials, group presentations, individual consultation  
15 with a member or authorized representative of the System in  
16 person or by telephone or other electronic means, or any  
17 combination of those methods. The System shall not provide  
18 advice or counseling with respect to which election a Tier I  
19 employee or Tier I retiree should make or specific to the legal  
20 or tax circumstances of or consequences to the Tier I employee  
21 or Tier I retiree.

22 The System shall inform Tier I employees and Tier I  
23 retirees in the election packet required under this subsection  
24 that the Tier I employee or Tier I retiree may also wish to  
25 obtain information and counsel relating to the election  
26 required under this Section from any other available source,

1 including but not limited to labor organizations and private  
2 counsel.

3 In no event shall the System, its staff, or the Board be  
4 held liable for any information given to a member, beneficiary,  
5 or annuitant regarding the elections under this Section. The  
6 System shall coordinate with the Illinois Department of Central  
7 Management Services and each other retirement system  
8 administering an election in accordance with this amendatory  
9 Act of the 97th General Assembly to provide information  
10 concerning the impact of the election set forth in this  
11 Section.

12 (e) Notwithstanding any other provision of law, a  
13 department under this Article is required to offer any future  
14 increases in income expressly and irrevocably as not  
15 constituting "compensation" under Section 14-103.10 to any  
16 Tier I employee, or Tier I retiree returning to active service,  
17 who has made an election under paragraph (2) of subsection (a)  
18 or (a-5) of Section 14-106.5. A Tier I employee, or Tier I  
19 retiree returning to active service, who has made an election  
20 under paragraph (2) of subsection (a) or (a-5) of Section  
21 14-106.5 shall not accept any future increase in income that is  
22 offered by an employer under this Article in violation of the  
23 requirement set forth in this subsection.

24 (f) A member's election under this Section is not a  
25 prohibited election under subdivision (j)(1) of Section 1-119  
26 of this Code.

1 (g) An employee who has made the election under paragraph  
2 (1) of subsection (a) or (a-5) of this Section may elect to  
3 participate in the optional cash balance plan under Section  
4 1-162.

5 The election to participate in the optional cash balance  
6 plan shall be made in writing, in the manner provided by the  
7 applicable retirement system.

8 (h) ~~Qualified Plan Status.~~ No provision of this Section  
9 shall be interpreted in a way that would cause the System to  
10 cease to be a qualified plan under Section 401(a) ~~section 461~~  
11 ~~(a)~~ of the Internal Revenue Code of 1986.

12 (i) If this Section is determined to be unconstitutional or  
13 otherwise invalid by a final unappealable decision of an  
14 Illinois court or a court of competent jurisdiction as applied  
15 to Tier I employees but not as applied to Tier I retirees, then  
16 this Section and the changes deriving from the election  
17 required under this Section shall be null and void as applied  
18 to Tier I employees but shall remain in full effect for Tier I  
19 retirees.

20 (j) If this Section is determined to be unconstitutional or  
21 otherwise invalid by a final unappealable decision of an  
22 Illinois court or a court of competent jurisdiction as applied  
23 to Tier I retirees but not as applied to Tier I employees, then  
24 this Section and the changes deriving from the election  
25 required under this Section shall be null and void as applied  
26 to Tier I retirees but shall remain in full effect for Tier I

1 employees.

2 (k) If Section 2-110.3 of this Code or any change deriving  
3 from the election required under that Section is determined to  
4 be unconstitutional or otherwise invalid by a final  
5 unappealable decision of an Illinois court or a court of  
6 competent jurisdiction, the invalidity of that provision shall  
7 not in any way affect the validity of this Section or the  
8 changes deriving from the election required under this Section.

9 (Source: 09700HB1447sam002.)

10 (40 ILCS 5/14-131)

11 Sec. 14-131. Contributions by State.

12 (a) Except as otherwise provided in this Section, the State  
13 shall make contributions to the System by appropriations of  
14 amounts which, together with other employer contributions from  
15 trust, federal, and other funds, employee contributions,  
16 investment income, and other income, will be sufficient to meet  
17 the cost of maintaining and administering the System on a 90%  
18 funded basis in accordance with actuarial recommendations.

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

24 (b) The Board shall determine the total amount of State  
25 contributions required for each fiscal year on the basis of the

1 actuarial tables and other assumptions adopted by the Board,  
2 using the formula in subsection (e).

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

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

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



1 of this amendatory Act of the 93rd General Assembly through the  
2 payment of the final payroll from fiscal year 2004  
3 appropriations, the several departments shall not make  
4 contributions for the remainder of fiscal year 2004 but shall  
5 instead make payments as required under subsection (a-1) of  
6 Section 14.1 of the State Finance Act. The several departments  
7 shall resume those contributions at the commencement of fiscal  
8 year 2005.

9 (c-1) Notwithstanding subsection (c) of this Section, for  
10 fiscal years 2010 and 2012 only, contributions by the several  
11 departments are not required to be made for General Revenue  
12 Funds payrolls processed by the Comptroller. Payrolls paid by  
13 the several departments from all other State funds must  
14 continue to be processed pursuant to subsection (c) of this  
15 Section.

16 (c-2) For State fiscal years 2010 and 2012 only, on or as  
17 soon as possible after the 15th day of each month, the Board  
18 shall submit vouchers for payment of State contributions to the  
19 System, in a total monthly amount of one-twelfth of the fiscal  
20 year General Revenue Fund contribution as certified by the  
21 System pursuant to Section 14-135.08 of the Illinois Pension  
22 Code.

23 (d) If an employee is paid from trust funds or federal  
24 funds, the department or other employer shall pay employer  
25 contributions from those funds to the System at the certified  
26 rate, unless the terms of the trust or the federal-State

1 agreement preclude the use of the funds for that purpose, in  
2 which case the required employer contributions shall be paid by  
3 the State. From the effective date of this amendatory Act of  
4 the 93rd General Assembly through the payment of the final  
5 payroll from fiscal year 2004 appropriations, the department or  
6 other employer shall not pay contributions for the remainder of  
7 fiscal year 2004 but shall instead make payments as required  
8 under subsection (a-1) of Section 14.1 of the State Finance  
9 Act. The department or other employer shall resume payment of  
10 contributions at the commencement of fiscal year 2005.

11 (e) Except as otherwise provided in this Section, for State  
12 fiscal years 2012 through 2045, the minimum contribution to the  
13 System to be made by the State for each fiscal year shall be an  
14 amount determined by the System to be sufficient to bring the  
15 total assets of the System up to 90% of the total actuarial  
16 liabilities of the System by the end of State fiscal year 2045.  
17 In making these determinations, the required State  
18 contribution shall be calculated each year as a level  
19 percentage of payroll over the years remaining to and including  
20 fiscal year 2045 and shall be determined under the projected  
21 unit credit actuarial cost method.

22 For State fiscal years 1996 through 2005, the State  
23 contribution to the System, as a percentage of the applicable  
24 employee payroll, shall be increased in equal annual increments  
25 so that by State fiscal year 2011, the State is contributing at  
26 the rate required under this Section; except that (i) for State

1 fiscal year 1998, for all purposes of this Code and any other  
2 law of this State, the certified percentage of the applicable  
3 employee payroll shall be 5.052% for employees earning eligible  
4 creditable service under Section 14-110 and 6.500% for all  
5 other employees, notwithstanding any contrary certification  
6 made under Section 14-135.08 before the effective date of this  
7 amendatory Act of 1997, and (ii) in the following specified  
8 State fiscal years, the State contribution to the System shall  
9 not be less than the following indicated percentages of the  
10 applicable employee payroll, even if the indicated percentage  
11 will produce a State contribution in excess of the amount  
12 otherwise required under this subsection and subsection (a):  
13 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY  
14 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

15 Notwithstanding any other provision of this Article, the  
16 total required State contribution to the System for State  
17 fiscal year 2006 is \$203,783,900.

18 Notwithstanding any other provision of this Article, the  
19 total required State contribution to the System for State  
20 fiscal year 2007 is \$344,164,400.

21 For each of State fiscal years 2008 through 2009, the State  
22 contribution to the System, as a percentage of the applicable  
23 employee payroll, shall be increased in equal annual increments  
24 from the required State contribution for State fiscal year  
25 2007, so that by State fiscal year 2011, the State is  
26 contributing at the rate otherwise required under this Section.

1           Notwithstanding any other provision of this Article, the  
2 total required State General Revenue Fund contribution for  
3 State fiscal year 2010 is \$723,703,100 and shall be made from  
4 the proceeds of bonds sold in fiscal year 2010 pursuant to  
5 Section 7.2 of the General Obligation Bond Act, less (i) the  
6 pro rata share of bond sale expenses determined by the System's  
7 share of total bond proceeds, (ii) any amounts received from  
8 the General Revenue Fund in fiscal year 2010, and (iii) any  
9 reduction in bond proceeds due to the issuance of discounted  
10 bonds, if applicable.

11           Notwithstanding any other provision of this Article, the  
12 total required State General Revenue Fund contribution for  
13 State fiscal year 2011 is the amount recertified by the System  
14 on or before April 1, 2011 pursuant to Section 14-135.08 and  
15 shall be made from the proceeds of bonds sold in fiscal year  
16 2011 pursuant to Section 7.2 of the General Obligation Bond  
17 Act, less (i) the pro rata share of bond sale expenses  
18 determined by the System's share of total bond proceeds, (ii)  
19 any amounts received from the General Revenue Fund in fiscal  
20 year 2011, and (iii) any reduction in bond proceeds due to the  
21 issuance of discounted bonds, if applicable.

22           Except as otherwise provided in this Section, beginning in  
23 State fiscal year 2046, the minimum State contribution for each  
24 fiscal year shall be the amount needed to maintain the total  
25 assets of the System at 90% of the total actuarial liabilities  
26 of the System.

1           Amounts received by the System pursuant to Section 25 of  
2 the Budget Stabilization Act or Section 8.12 of the State  
3 Finance Act in any fiscal year do not reduce and do not  
4 constitute payment of any portion of the minimum State  
5 contribution required under this Article in that fiscal year.  
6 Such amounts shall not reduce, and shall not be included in the  
7 calculation of, the required State contributions under this  
8 Article in any future year until the System has reached a  
9 funding ratio of at least 90%. A reference in this Article to  
10 the "required State contribution" or any substantially similar  
11 term does not include or apply to any amounts payable to the  
12 System under Section 25 of the Budget Stabilization Act.

13           Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under Section 14-135.08, shall  
17 not exceed an amount equal to (i) the amount of the required  
18 State contribution that would have been calculated under this  
19 Section for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued in fiscal year 2003 for the purposes of that Section  
24 7.2, as determined and certified by the Comptroller, that is  
25 the same as the System's portion of the total moneys  
26 distributed under subsection (d) of Section 7.2 of the General

1 Obligation Bond Act. In determining this maximum for State  
2 fiscal years 2008 through 2010, however, the amount referred to  
3 in item (i) shall be increased, as a percentage of the  
4 applicable employee payroll, in equal increments calculated  
5 from the sum of the required State contribution for State  
6 fiscal year 2007 plus the applicable portion of the State's  
7 total debt service payments for fiscal year 2007 on the bonds  
8 issued in fiscal year 2003 for the purposes of Section 7.2 of  
9 the General Obligation Bond Act, so that, by State fiscal year  
10 2011, the State is contributing at the rate otherwise required  
11 under this Section.

12 (e-1) If at least 50% of Tier I employees making an  
13 election under Section 14-106.5 before December 1, 2013 choose  
14 the option under paragraph (1) of subsection (a) of that  
15 Section, then beginning in State fiscal year 2015, instead of  
16 the contributions specified in subsection (e) of this Section,  
17 the State contributions specified in subsection (e-3) of this  
18 Section shall be paid.

19 In making its initial certification of the annual required  
20 contribution by the State for State fiscal year 2015, the Board  
21 shall assume that the new funding formula provided in  
22 subsection (e-3) of this Section applies. If fewer than 50% of  
23 Tier I employees making an election under Section 14-106.5  
24 before December 1, 2013 choose the option under paragraph (1)  
25 of subsection (a) of that Section, then:

26 (1) Instead of the contributions specified in

1 subsection (e-3) of this Section, the State contributions  
2 specified in subsection (e) shall continue to be paid.

3 (2) The Board shall, if necessary, promptly recertify  
4 the annual required contribution by the State for the  
5 affected State fiscal year.

6 (e-3) As provided in subsection (e-1), in lieu of the State  
7 contributions required under subsection (e):

8 (1) For State fiscal years 2015 through 2044 the  
9 minimum contribution to the System to be made by the State  
10 for each fiscal year shall be an amount determined by the  
11 System to be equal to the sum of (1) the State's portion of  
12 the projected normal cost for that fiscal year, plus (2) an  
13 amount sufficient to bring the total assets of the System  
14 up to 100% of the total actuarial liabilities of the System  
15 by the end of State fiscal year 2044. In making these  
16 determinations, the required State contribution shall be  
17 calculated each year as a level percentage of payroll over  
18 the years remaining to and including fiscal year 2044 and  
19 shall be determined under the projected unit credit  
20 actuarial cost method.

21 (2) Beginning in State fiscal year 2045, the minimum  
22 State contribution for each fiscal year shall be the amount  
23 needed to maintain the total assets of the System at 100%  
24 of the total actuarial liabilities of the System.

25 (e-5) Notwithstanding subsection (e-1), if the Tier I  
26 employee or Tier I retiree elections under Section 14-106.5, or

1 any of the consequences that are expressly dependent upon  
2 either of those elections, are determined to be  
3 unconstitutional or otherwise invalid on appeal by a final  
4 unappealable decision of an Illinois court or a court of  
5 competent jurisdiction, other than as applied to a particular  
6 individual or circumstance, then:

7 (1) Beginning with the next fiscal year after the date  
8 of that final decision, the annual required contribution to  
9 the System to be made by the State shall be determined  
10 under subsection (e) of this Section.

11 (2) The Board shall, if necessary, promptly recertify  
12 the annual required contribution by the State for that next  
13 State fiscal year.

14 ~~(c 1) If at least 50% of Tier I employees making an~~  
15 ~~election under Section 14 106.5 before June 1, 2013 choose the~~  
16 ~~option under paragraph (1) of subsection (a) of that Section,~~  
17 ~~then:~~

18 ~~(1) In lieu of the State contributions required under~~  
19 ~~subsection (c), for State fiscal years 2014 through 2043~~  
20 ~~the minimum contribution to the System to be made by the~~  
21 ~~State for each fiscal year shall be an amount determined by~~  
22 ~~the System to be equal to the sum of (1) the State's~~  
23 ~~portion of the projected normal cost for that fiscal year,~~  
24 ~~plus (2) an amount sufficient to bring the total assets of~~  
25 ~~the System up to 100% of the total actuarial liabilities of~~  
26 ~~the System by the end of State fiscal year 2043. In making~~



1 ~~these determinations, the required State contribution~~  
2 ~~shall be calculated each year as a level percentage of~~  
3 ~~payroll over the years remaining to and including fiscal~~  
4 ~~year 2043 and shall be determined under the projected unit~~  
5 ~~credit actuarial cost method.~~

6 ~~(2) Beginning in State fiscal year 2044, the minimum~~  
7 ~~State contribution for each fiscal year shall be the amount~~  
8 ~~needed to maintain the total assets of the System at 100%~~  
9 ~~of the total actuarial liabilities of the System.~~

10 ~~(c 2) If less than 50% of Tier I employees making an~~  
11 ~~election under Section 14-106.5 before June 1, 2013 choose the~~  
12 ~~option under paragraph (1) of subsection (a) of that Section,~~  
13 ~~then:~~

14 ~~(1) Instead of the annual required contribution~~  
15 ~~otherwise specified in subsection (c 1) of this Section,~~  
16 ~~the annual required contribution to the System to be made~~  
17 ~~by the State shall be determined under subsection (c) of~~  
18 ~~this Section.~~

19 ~~(2) As soon as possible after June 1, 2014, the Board~~  
20 ~~shall recertify the annual required contribution by the~~  
21 ~~State for State fiscal year 2015.~~

22 (f) After the submission of all payments for eligible  
23 employees from personal services line items in fiscal year 2004  
24 have been made, the Comptroller shall provide to the System a  
25 certification of the sum of all fiscal year 2004 expenditures  
26 for personal services that would have been covered by payments

1 to the System under this Section if the provisions of this  
2 amendatory Act of the 93rd General Assembly had not been  
3 enacted. Upon receipt of the certification, the System shall  
4 determine the amount due to the System based on the full rate  
5 certified by the Board under Section 14-135.08 for fiscal year  
6 2004 in order to meet the State's obligation under this  
7 Section. The System shall compare this amount due to the amount  
8 received by the System in fiscal year 2004 through payments  
9 under this Section and under Section 6z-61 of the State Finance  
10 Act. If the amount due is more than the amount received, the  
11 difference shall be termed the "Fiscal Year 2004 Shortfall" for  
12 purposes of this Section, and the Fiscal Year 2004 Shortfall  
13 shall be satisfied under Section 1.2 of the State Pension Funds  
14 Continuing Appropriation Act. If the amount due is less than  
15 the amount received, the difference shall be termed the "Fiscal  
16 Year 2004 Overpayment" for purposes of this Section, and the  
17 Fiscal Year 2004 Overpayment shall be repaid by the System to  
18 the Pension Contribution Fund as soon as practicable after the  
19 certification.

20 (g) For purposes of determining the required State  
21 contribution to the System, the value of the System's assets  
22 shall be equal to the actuarial value of the System's assets,  
23 which shall be calculated as follows:

24 As of June 30, 2008, the actuarial value of the System's  
25 assets shall be equal to the market value of the assets as of  
26 that date. In determining the actuarial value of the System's

1 assets for fiscal years after June 30, 2008, any actuarial  
2 gains or losses from investment return incurred in a fiscal  
3 year shall be recognized in equal annual amounts over the  
4 5-year period following that fiscal year.

5 (h) For purposes of determining the required State  
6 contribution to the System for a particular year, the actuarial  
7 value of assets shall be assumed to earn a rate of return equal  
8 to the System's actuarially assumed rate of return.

9 (i) After the submission of all payments for eligible  
10 employees from personal services line items paid from the  
11 General Revenue Fund in fiscal year 2010 have been made, the  
12 Comptroller shall provide to the System a certification of the  
13 sum of all fiscal year 2010 expenditures for personal services  
14 that would have been covered by payments to the System under  
15 this Section if the provisions of this amendatory Act of the  
16 96th General Assembly had not been enacted. Upon receipt of the  
17 certification, the System shall determine the amount due to the  
18 System based on the full rate certified by the Board under  
19 Section 14-135.08 for fiscal year 2010 in order to meet the  
20 State's obligation under this Section. The System shall compare  
21 this amount due to the amount received by the System in fiscal  
22 year 2010 through payments under this Section. If the amount  
23 due is more than the amount received, the difference shall be  
24 termed the "Fiscal Year 2010 Shortfall" for purposes of this  
25 Section, and the Fiscal Year 2010 Shortfall shall be satisfied  
26 under Section 1.2 of the State Pension Funds Continuing

1 Appropriation Act. If the amount due is less than the amount  
2 received, the difference shall be termed the "Fiscal Year 2010  
3 Overpayment" for purposes of this Section, and the Fiscal Year  
4 2010 Overpayment shall be repaid by the System to the General  
5 Revenue Fund as soon as practicable after the certification.

6 (j) After the submission of all payments for eligible  
7 employees from personal services line items paid from the  
8 General Revenue Fund in fiscal year 2011 have been made, the  
9 Comptroller shall provide to the System a certification of the  
10 sum of all fiscal year 2011 expenditures for personal services  
11 that would have been covered by payments to the System under  
12 this Section if the provisions of this amendatory Act of the  
13 96th General Assembly had not been enacted. Upon receipt of the  
14 certification, the System shall determine the amount due to the  
15 System based on the full rate certified by the Board under  
16 Section 14-135.08 for fiscal year 2011 in order to meet the  
17 State's obligation under this Section. The System shall compare  
18 this amount due to the amount received by the System in fiscal  
19 year 2011 through payments under this Section. If the amount  
20 due is more than the amount received, the difference shall be  
21 termed the "Fiscal Year 2011 Shortfall" for purposes of this  
22 Section, and the Fiscal Year 2011 Shortfall shall be satisfied  
23 under Section 1.2 of the State Pension Funds Continuing  
24 Appropriation Act. If the amount due is less than the amount  
25 received, the difference shall be termed the "Fiscal Year 2011  
26 Overpayment" for purposes of this Section, and the Fiscal Year

1 2011 Overpayment shall be repaid by the System to the General  
2 Revenue Fund as soon as practicable after the certification.

3 (k) For fiscal year 2012 only, after the submission of all  
4 payments for eligible employees from personal services line  
5 items paid from the General Revenue Fund in the fiscal year  
6 have been made, the Comptroller shall provide to the System a  
7 certification of the sum of all expenditures in the fiscal year  
8 for personal services. Upon receipt of the certification, the  
9 System shall determine the amount due to the System based on  
10 the full rate certified by the Board under Section 14-135.08  
11 for the fiscal year in order to meet the State's obligation  
12 under this Section. The System shall compare this amount due to  
13 the amount received by the System for the fiscal year. If the  
14 amount due is more than the amount received, the difference  
15 shall be termed the "Fiscal Year Shortfall" for purposes of  
16 this Section, and the Fiscal Year Shortfall shall be satisfied  
17 under Section 1.2 of the State Pension Funds Continuing  
18 Appropriation Act. If the amount due is less than the amount  
19 received, the difference shall be termed the "Fiscal Year  
20 Overpayment" for purposes of this Section, and the Fiscal Year  
21 Overpayment shall be repaid by the System to the General  
22 Revenue Fund as soon as practicable after the certification.

23 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;  
24 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.  
25 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11;

26 09700HB1447sam002.)

1 (H.B. 1447, 97th G.A., Sec. 105 rep.)

2 Section 10. If and only if House Bill 1447 of the 97th  
3 General Assembly becomes law in the form in which it was passed  
4 by the Senate, then "An Act concerning public employee  
5 benefits" (House Bill 1447 of the 97th General Assembly) is  
6 amended by repealing Section 105.

7 Section 99. Effective date. This Act takes effect upon  
8 becoming law or on the effective date of House Bill 1447 of the  
9 97th General Assembly, whichever is later."