



Rep. Barbara Flynn Currie

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LRB100 12674 RPS 27798 a

1 AMENDMENT TO HOUSE BILL 4045

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 4045 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. The State Employees Group Insurance Act of 1971  
5 is amended by changing Sections 3 and 10 as follows:

6 (5 ILCS 375/3) (from Ch. 127, par. 523)

7 Sec. 3. Definitions. Unless the context otherwise  
8 requires, the following words and phrases as used in this Act  
9 shall have the following meanings. The Department may define  
10 these and other words and phrases separately for the purpose of  
11 implementing specific programs providing benefits under this  
12 Act.

13 (a) "Administrative service organization" means any  
14 person, firm or corporation experienced in the handling of  
15 claims which is fully qualified, financially sound and capable  
16 of meeting the service requirements of a contract of

1 administration executed with the Department.

2 (b) "Annuitant" means (1) an employee who retires, or has  
3 retired, on or after January 1, 1966 on an immediate annuity  
4 under the provisions of Articles 2, 14 (including an employee  
5 who has elected to receive an alternative retirement  
6 cancellation payment under Section 14-108.5 of the Illinois  
7 Pension Code in lieu of an annuity or who meets the criteria  
8 for retirement, but in lieu of receiving an annuity under that  
9 Article has elected to receive an accelerated pension benefit  
10 payment under Section 14-147.5 of that Article), 15 (including  
11 an employee who has retired under the optional retirement  
12 program established under Section 15-158.2 or who meets the  
13 criteria for retirement but in lieu of receiving an annuity  
14 under that Article has elected to receive an accelerated  
15 pension benefit payment under Section 15-185.5 of the Article),  
16 paragraphs (2), (3), or (5) of Section 16-106 (including an  
17 employee who meets the criteria for retirement, but in lieu of  
18 receiving an annuity under that Article has elected to receive  
19 an accelerated pension benefit payment under Section 16-190.5  
20 of the Illinois Pension Code), or Article 18 of the Illinois  
21 Pension Code; (2) any person who was receiving group insurance  
22 coverage under this Act as of March 31, 1978 by reason of his  
23 status as an annuitant, even though the annuity in relation to  
24 which such coverage was provided is a proportional annuity  
25 based on less than the minimum period of service required for a  
26 retirement annuity in the system involved; (3) any person not

1 otherwise covered by this Act who has retired as a  
2 participating member under Article 2 of the Illinois Pension  
3 Code but is ineligible for the retirement annuity under Section  
4 2-119 of the Illinois Pension Code; (4) the spouse of any  
5 person who is receiving a retirement annuity under Article 18  
6 of the Illinois Pension Code and who is covered under a group  
7 health insurance program sponsored by a governmental employer  
8 other than the State of Illinois and who has irrevocably  
9 elected to waive his or her coverage under this Act and to have  
10 his or her spouse considered as the "annuitant" under this Act  
11 and not as a "dependent"; or (5) an employee who retires, or  
12 has retired, from a qualified position, as determined according  
13 to rules promulgated by the Director, under a qualified local  
14 government, a qualified rehabilitation facility, a qualified  
15 domestic violence shelter or service, or a qualified child  
16 advocacy center. (For definition of "retired employee", see (p)  
17 post).

18 (b-5) (Blank).

19 (b-6) (Blank).

20 (b-7) (Blank).

21 (c) "Carrier" means (1) an insurance company, a corporation  
22 organized under the Limited Health Service Organization Act or  
23 the Voluntary Health Services Plan Act, a partnership, or other  
24 nongovernmental organization, which is authorized to do group  
25 life or group health insurance business in Illinois, or (2) the  
26 State of Illinois as a self-insurer.

1           (d) "Compensation" means salary or wages payable on a  
2 regular payroll by the State Treasurer on a warrant of the  
3 State Comptroller out of any State, trust or federal fund, or  
4 by the Governor of the State through a disbursing officer of  
5 the State out of a trust or out of federal funds, or by any  
6 Department out of State, trust, federal or other funds held by  
7 the State Treasurer or the Department, to any person for  
8 personal services currently performed, and ordinary or  
9 accidental disability benefits under Articles 2, 14, 15  
10 (including ordinary or accidental disability benefits under  
11 the optional retirement program established under Section  
12 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or  
13 Article 18 of the Illinois Pension Code, for disability  
14 incurred after January 1, 1966, or benefits payable under the  
15 Workers' Compensation or Occupational Diseases Act or benefits  
16 payable under a sick pay plan established in accordance with  
17 Section 36 of the State Finance Act. "Compensation" also means  
18 salary or wages paid to an employee of any qualified local  
19 government, qualified rehabilitation facility, qualified  
20 domestic violence shelter or service, or qualified child  
21 advocacy center.

22           (e) "Commission" means the State Employees Group Insurance  
23 Advisory Commission authorized by this Act. Commencing July 1,  
24 1984, "Commission" as used in this Act means the Commission on  
25 Government Forecasting and Accountability as established by  
26 the Legislative Commission Reorganization Act of 1984.

1 (f) "Contributory", when referred to as contributory  
2 coverage, shall mean optional coverages or benefits elected by  
3 the member toward the cost of which such member makes  
4 contribution, or which are funded in whole or in part through  
5 the acceptance of a reduction in earnings or the foregoing of  
6 an increase in earnings by an employee, as distinguished from  
7 noncontributory coverage or benefits which are paid entirely by  
8 the State of Illinois without reduction of the member's salary.

9 (g) "Department" means any department, institution, board,  
10 commission, officer, court or any agency of the State  
11 government receiving appropriations and having power to  
12 certify payrolls to the Comptroller authorizing payments of  
13 salary and wages against such appropriations as are made by the  
14 General Assembly from any State fund, or against trust funds  
15 held by the State Treasurer and includes boards of trustees of  
16 the retirement systems created by Articles 2, 14, 15, 16 and 18  
17 of the Illinois Pension Code. "Department" also includes the  
18 Illinois Comprehensive Health Insurance Board, the Board of  
19 Examiners established under the Illinois Public Accounting  
20 Act, and the Illinois Finance Authority.

21 (h) "Dependent", when the term is used in the context of  
22 the health and life plan, means a member's spouse and any child  
23 (1) from birth to age 26 including an adopted child, a child  
24 who lives with the member from the time of the filing of a  
25 petition for adoption until entry of an order of adoption, a  
26 stepchild or adjudicated child, or a child who lives with the

1 member if such member is a court appointed guardian of the  
2 child or (2) age 19 or over who has a mental or physical  
3 disability from a cause originating prior to the age of 19 (age  
4 26 if enrolled as an adult child dependent). For the health  
5 plan only, the term "dependent" also includes (1) any person  
6 enrolled prior to the effective date of this Section who is  
7 dependent upon the member to the extent that the member may  
8 claim such person as a dependent for income tax deduction  
9 purposes and (2) any person who has received after June 30,  
10 2000 an organ transplant and who is financially dependent upon  
11 the member and eligible to be claimed as a dependent for income  
12 tax purposes. A member requesting to cover any dependent must  
13 provide documentation as requested by the Department of Central  
14 Management Services and file with the Department any and all  
15 forms required by the Department.

16 (i) "Director" means the Director of the Illinois  
17 Department of Central Management Services.

18 (j) "Eligibility period" means the period of time a member  
19 has to elect enrollment in programs or to select benefits  
20 without regard to age, sex or health.

21 (k) "Employee" means and includes each officer or employee  
22 in the service of a department who (1) receives his  
23 compensation for service rendered to the department on a  
24 warrant issued pursuant to a payroll certified by a department  
25 or on a warrant or check issued and drawn by a department upon  
26 a trust, federal or other fund or on a warrant issued pursuant

1 to a payroll certified by an elected or duly appointed officer  
2 of the State or who receives payment of the performance of  
3 personal services on a warrant issued pursuant to a payroll  
4 certified by a Department and drawn by the Comptroller upon the  
5 State Treasurer against appropriations made by the General  
6 Assembly from any fund or against trust funds held by the State  
7 Treasurer, and (2) is employed full-time or part-time in a  
8 position normally requiring actual performance of duty during  
9 not less than 1/2 of a normal work period, as established by  
10 the Director in cooperation with each department, except that  
11 persons elected by popular vote will be considered employees  
12 during the entire term for which they are elected regardless of  
13 hours devoted to the service of the State, and (3) except that  
14 "employee" does not include any person who is not eligible by  
15 reason of such person's employment to participate in one of the  
16 State retirement systems under Articles 2, 14, 15 (either the  
17 regular Article 15 system or the optional retirement program  
18 established under Section 15-158.2) or 18, or under paragraph  
19 (2), (3), or (5) of Section 16-106, of the Illinois Pension  
20 Code, but such term does include persons who are employed  
21 during the 6 month qualifying period under Article 14 of the  
22 Illinois Pension Code. Such term also includes any person who  
23 (1) after January 1, 1966, is receiving ordinary or accidental  
24 disability benefits under Articles 2, 14, 15 (including  
25 ordinary or accidental disability benefits under the optional  
26 retirement program established under Section 15-158.2),

1 paragraphs (2), (3), or (5) of Section 16-106, or Article 18 of  
2 the Illinois Pension Code, for disability incurred after  
3 January 1, 1966, (2) receives total permanent or total  
4 temporary disability under the Workers' Compensation Act or  
5 Occupational Disease Act as a result of injuries sustained or  
6 illness contracted in the course of employment with the State  
7 of Illinois, or (3) is not otherwise covered under this Act and  
8 has retired as a participating member under Article 2 of the  
9 Illinois Pension Code but is ineligible for the retirement  
10 annuity under Section 2-119 of the Illinois Pension Code.  
11 However, a person who satisfies the criteria of the foregoing  
12 definition of "employee" except that such person is made  
13 ineligible to participate in the State Universities Retirement  
14 System by clause (4) of subsection (a) of Section 15-107 of the  
15 Illinois Pension Code is also an "employee" for the purposes of  
16 this Act. "Employee" also includes any person receiving or  
17 eligible for benefits under a sick pay plan established in  
18 accordance with Section 36 of the State Finance Act. "Employee"  
19 also includes (i) each officer or employee in the service of a  
20 qualified local government, including persons appointed as  
21 trustees of sanitary districts regardless of hours devoted to  
22 the service of the sanitary district, (ii) each employee in the  
23 service of a qualified rehabilitation facility, (iii) each  
24 full-time employee in the service of a qualified domestic  
25 violence shelter or service, and (iv) each full-time employee  
26 in the service of a qualified child advocacy center, as



1 determined according to rules promulgated by the Director.

2 (l) "Member" means an employee, annuitant, retired  
3 employee or survivor. In the case of an annuitant or retired  
4 employee who first becomes an annuitant or retired employee on  
5 or after the effective date of this amendatory Act of the 97th  
6 General Assembly, the individual must meet the minimum vesting  
7 requirements of the applicable retirement system in order to be  
8 eligible for group insurance benefits under that system. In the  
9 case of a survivor who first becomes a survivor on or after the  
10 effective date of this amendatory Act of the 97th General  
11 Assembly, the deceased employee, annuitant, or retired  
12 employee upon whom the annuity is based must have been eligible  
13 to participate in the group insurance system under the  
14 applicable retirement system in order for the survivor to be  
15 eligible for group insurance benefits under that system.

16 (m) "Optional coverages or benefits" means those coverages  
17 or benefits available to the member on his or her voluntary  
18 election, and at his or her own expense.

19 (n) "Program" means the group life insurance, health  
20 benefits and other employee benefits designed and contracted  
21 for by the Director under this Act.

22 (o) "Health plan" means a health benefits program offered  
23 by the State of Illinois for persons eligible for the plan.

24 (p) "Retired employee" means any person who would be an  
25 annuitant as that term is defined herein but for the fact that  
26 such person retired prior to January 1, 1966. Such term also

1 includes any person formerly employed by the University of  
2 Illinois in the Cooperative Extension Service who would be an  
3 annuitant but for the fact that such person was made ineligible  
4 to participate in the State Universities Retirement System by  
5 clause (4) of subsection (a) of Section 15-107 of the Illinois  
6 Pension Code.

7 (q) "Survivor" means a person receiving an annuity as a  
8 survivor of an employee or of an annuitant. "Survivor" also  
9 includes: (1) the surviving dependent of a person who satisfies  
10 the definition of "employee" except that such person is made  
11 ineligible to participate in the State Universities Retirement  
12 System by clause (4) of subsection (a) of Section 15-107 of the  
13 Illinois Pension Code; (2) the surviving dependent of any  
14 person formerly employed by the University of Illinois in the  
15 Cooperative Extension Service who would be an annuitant except  
16 for the fact that such person was made ineligible to  
17 participate in the State Universities Retirement System by  
18 clause (4) of subsection (a) of Section 15-107 of the Illinois  
19 Pension Code; and (3) the surviving dependent of a person who  
20 was an annuitant under this Act by virtue of receiving an  
21 alternative retirement cancellation payment under Section  
22 14-108.5 of the Illinois Pension Code.

23 (q-2) "SERS" means the State Employees' Retirement System  
24 of Illinois, created under Article 14 of the Illinois Pension  
25 Code.

26 (q-3) "SURS" means the State Universities Retirement

1 System, created under Article 15 of the Illinois Pension Code.

2 (q-4) "TRS" means the Teachers' Retirement System of the  
3 State of Illinois, created under Article 16 of the Illinois  
4 Pension Code.

5 (q-5) (Blank).

6 (q-6) (Blank).

7 (q-7) (Blank).

8 (r) "Medical services" means the services provided within  
9 the scope of their licenses by practitioners in all categories  
10 licensed under the Medical Practice Act of 1987.

11 (s) "Unit of local government" means any county,  
12 municipality, township, school district (including a  
13 combination of school districts under the Intergovernmental  
14 Cooperation Act), special district or other unit, designated as  
15 a unit of local government by law, which exercises limited  
16 governmental powers or powers in respect to limited  
17 governmental subjects, any not-for-profit association with a  
18 membership that primarily includes townships and township  
19 officials, that has duties that include provision of research  
20 service, dissemination of information, and other acts for the  
21 purpose of improving township government, and that is funded  
22 wholly or partly in accordance with Section 85-15 of the  
23 Township Code; any not-for-profit corporation or association,  
24 with a membership consisting primarily of municipalities, that  
25 operates its own utility system, and provides research,  
26 training, dissemination of information, or other acts to

1 promote cooperation between and among municipalities that  
2 provide utility services and for the advancement of the goals  
3 and purposes of its membership; the Southern Illinois  
4 Collegiate Common Market, which is a consortium of higher  
5 education institutions in Southern Illinois; the Illinois  
6 Association of Park Districts; and any hospital provider that  
7 is owned by a county that has 100 or fewer hospital beds and  
8 has not already joined the program. "Qualified local  
9 government" means a unit of local government approved by the  
10 Director and participating in a program created under  
11 subsection (i) of Section 10 of this Act.

12 (t) "Qualified rehabilitation facility" means any  
13 not-for-profit organization that is accredited by the  
14 Commission on Accreditation of Rehabilitation Facilities or  
15 certified by the Department of Human Services (as successor to  
16 the Department of Mental Health and Developmental  
17 Disabilities) to provide services to persons with disabilities  
18 and which receives funds from the State of Illinois for  
19 providing those services, approved by the Director and  
20 participating in a program created under subsection (j) of  
21 Section 10 of this Act.

22 (u) "Qualified domestic violence shelter or service" means  
23 any Illinois domestic violence shelter or service and its  
24 administrative offices funded by the Department of Human  
25 Services (as successor to the Illinois Department of Public  
26 Aid), approved by the Director and participating in a program

1 created under subsection (k) of Section 10.

2 (v) "TRS benefit recipient" means a person who:

3 (1) is not a "member" as defined in this Section; and

4 (2) is receiving a monthly benefit or retirement  
5 annuity under Article 16 of the Illinois Pension Code; and

6 (3) either (i) has at least 8 years of creditable  
7 service under Article 16 of the Illinois Pension Code, or  
8 (ii) was enrolled in the health insurance program offered  
9 under that Article on January 1, 1996, or (iii) is the  
10 survivor of a benefit recipient who had at least 8 years of  
11 creditable service under Article 16 of the Illinois Pension  
12 Code or was enrolled in the health insurance program  
13 offered under that Article on the effective date of this  
14 amendatory Act of 1995, or (iv) is a recipient or survivor  
15 of a recipient of a disability benefit under Article 16 of  
16 the Illinois Pension Code.

17 (w) "TRS dependent beneficiary" means a person who:

18 (1) is not a "member" or "dependent" as defined in this  
19 Section; and

20 (2) is a TRS benefit recipient's: (A) spouse, (B)  
21 dependent parent who is receiving at least half of his or  
22 her support from the TRS benefit recipient, or (C) natural,  
23 step, adjudicated, or adopted child who is (i) under age  
24 26, (ii) was, on January 1, 1996, participating as a  
25 dependent beneficiary in the health insurance program  
26 offered under Article 16 of the Illinois Pension Code, or

1 (iii) age 19 or over who has a mental or physical  
2 disability from a cause originating prior to the age of 19  
3 (age 26 if enrolled as an adult child).

4 "TRS dependent beneficiary" does not include, as indicated  
5 under paragraph (2) of this subsection (w), a dependent of the  
6 survivor of a TRS benefit recipient who first becomes a  
7 dependent of a survivor of a TRS benefit recipient on or after  
8 the effective date of this amendatory Act of the 97th General  
9 Assembly unless that dependent would have been eligible for  
10 coverage as a dependent of the deceased TRS benefit recipient  
11 upon whom the survivor benefit is based.

12 (x) "Military leave" refers to individuals in basic  
13 training for reserves, special/advanced training, annual  
14 training, emergency call up, activation by the President of the  
15 United States, or any other training or duty in service to the  
16 United States Armed Forces.

17 (y) (Blank).

18 (z) "Community college benefit recipient" means a person  
19 who:

20 (1) is not a "member" as defined in this Section; and

21 (2) is receiving a monthly survivor's annuity or  
22 retirement annuity under Article 15 of the Illinois Pension  
23 Code; and

24 (3) either (i) was a full-time employee of a community  
25 college district or an association of community college  
26 boards created under the Public Community College Act

1 (other than an employee whose last employer under Article  
2 15 of the Illinois Pension Code was a community college  
3 district subject to Article VII of the Public Community  
4 College Act) and was eligible to participate in a group  
5 health benefit plan as an employee during the time of  
6 employment with a community college district (other than a  
7 community college district subject to Article VII of the  
8 Public Community College Act) or an association of  
9 community college boards, or (ii) is the survivor of a  
10 person described in item (i).

11 (aa) "Community college dependent beneficiary" means a  
12 person who:

13 (1) is not a "member" or "dependent" as defined in this  
14 Section; and

15 (2) is a community college benefit recipient's: (A)  
16 spouse, (B) dependent parent who is receiving at least half  
17 of his or her support from the community college benefit  
18 recipient, or (C) natural, step, adjudicated, or adopted  
19 child who is (i) under age 26, or (ii) age 19 or over and  
20 has a mental or physical disability from a cause  
21 originating prior to the age of 19 (age 26 if enrolled as  
22 an adult child).

23 "Community college dependent beneficiary" does not  
24 include, as indicated under paragraph (2) of this subsection  
25 (aa), a dependent of the survivor of a community college  
26 benefit recipient who first becomes a dependent of a survivor

1 of a community college benefit recipient on or after the  
2 effective date of this amendatory Act of the 97th General  
3 Assembly unless that dependent would have been eligible for  
4 coverage as a dependent of the deceased community college  
5 benefit recipient upon whom the survivor annuity is based.

6 (bb) "Qualified child advocacy center" means any Illinois  
7 child advocacy center and its administrative offices funded by  
8 the Department of Children and Family Services, as defined by  
9 the Children's Advocacy Center Act (55 ILCS 80/), approved by  
10 the Director and participating in a program created under  
11 subsection (n) of Section 10.

12 (Source: P.A. 98-488, eff. 8-16-13; 99-143, eff. 7-27-15.)

13 (5 ILCS 375/10) (from Ch. 127, par. 530)

14 Sec. 10. Contributions by the State and members.

15 (a) The State shall pay the cost of basic non-contributory  
16 group life insurance and, subject to member paid contributions  
17 set by the Department or required by this Section and except as  
18 provided in this Section, the basic program of group health  
19 benefits on each eligible member, except a member, not  
20 otherwise covered by this Act, who has retired as a  
21 participating member under Article 2 of the Illinois Pension  
22 Code but is ineligible for the retirement annuity under Section  
23 2-119 of the Illinois Pension Code, and part of each eligible  
24 member's and retired member's premiums for health insurance  
25 coverage for enrolled dependents as provided by Section 9. The



1 State shall pay the cost of the basic program of group health  
2 benefits only after benefits are reduced by the amount of  
3 benefits covered by Medicare for all members and dependents who  
4 are eligible for benefits under Social Security or the Railroad  
5 Retirement system or who had sufficient Medicare-covered  
6 government employment, except that such reduction in benefits  
7 shall apply only to those members and dependents who (1) first  
8 become eligible for such Medicare coverage on or after July 1,  
9 1992; or (2) are Medicare-eligible members or dependents of a  
10 local government unit which began participation in the program  
11 on or after July 1, 1992; or (3) remain eligible for, but no  
12 longer receive Medicare coverage which they had been receiving  
13 on or after July 1, 1992. The Department may determine the  
14 aggregate level of the State's contribution on the basis of  
15 actual cost of medical services adjusted for age, sex or  
16 geographic or other demographic characteristics which affect  
17 the costs of such programs.

18 The cost of participation in the basic program of group  
19 health benefits for the dependent or survivor of a living or  
20 deceased retired employee who was formerly employed by the  
21 University of Illinois in the Cooperative Extension Service and  
22 would be an annuitant but for the fact that he or she was made  
23 ineligible to participate in the State Universities Retirement  
24 System by clause (4) of subsection (a) of Section 15-107 of the  
25 Illinois Pension Code shall not be greater than the cost of  
26 participation that would otherwise apply to that dependent or

1 survivor if he or she were the dependent or survivor of an  
2 annuitant under the State Universities Retirement System.

3 (a-1) (Blank).

4 (a-2) (Blank).

5 (a-3) (Blank).

6 (a-4) (Blank).

7 (a-5) (Blank).

8 (a-6) (Blank).

9 (a-7) (Blank).

10 (a-8) Any annuitant, survivor, or retired employee may  
11 waive or terminate coverage in the program of group health  
12 benefits. Any such annuitant, survivor, or retired employee who  
13 has waived or terminated coverage may enroll or re-enroll in  
14 the program of group health benefits only during the annual  
15 benefit choice period, as determined by the Director; except  
16 that in the event of termination of coverage due to nonpayment  
17 of premiums, the annuitant, survivor, or retired employee may  
18 not re-enroll in the program.

19 (a-8.5) Beginning on the effective date of this amendatory  
20 Act of the 97th General Assembly, the Director of Central  
21 Management Services shall, on an annual basis, determine the  
22 amount that the State shall contribute toward the basic program  
23 of group health benefits on behalf of annuitants (including  
24 individuals who (i) participated in the General Assembly  
25 Retirement System, the State Employees' Retirement System of  
26 Illinois, the State Universities Retirement System, the

1 Teachers' Retirement System of the State of Illinois, or the  
2 Judges Retirement System of Illinois and (ii) qualify as  
3 annuitants under subsection (b) of Section 3 of this Act),  
4 survivors (including individuals who (i) receive an annuity as  
5 a survivor of an individual who participated in the General  
6 Assembly Retirement System, the State Employees' Retirement  
7 System of Illinois, the State Universities Retirement System,  
8 the Teachers' Retirement System of the State of Illinois, or  
9 the Judges Retirement System of Illinois and (ii) qualify as  
10 survivors under subsection (q) of Section 3 of this Act), and  
11 retired employees (as defined in subsection (p) of Section 3 of  
12 this Act). The remainder of the cost of coverage for each  
13 annuitant, survivor, or retired employee, as determined by the  
14 Director of Central Management Services, shall be the  
15 responsibility of that annuitant, survivor, or retired  
16 employee.

17 Contributions required of annuitants, survivors, and  
18 retired employees shall be the same for all retirement systems  
19 and shall also be based on whether an individual has made an  
20 election under Section 15-135.1 of the Illinois Pension Code.  
21 Contributions may be based on annuitants', survivors', or  
22 retired employees' Medicare eligibility, but may not be based  
23 on Social Security eligibility.

24 (a-9) No later than May 1 of each calendar year, the  
25 Director of Central Management Services shall certify in  
26 writing to the Executive Secretary of the State Employees'

1 Retirement System of Illinois the amounts of the Medicare  
2 supplement health care premiums and the amounts of the health  
3 care premiums for all other retirees who are not Medicare  
4 eligible.

5 A separate calculation of the premiums based upon the  
6 actual cost of each health care plan shall be so certified.

7 The Director of Central Management Services shall provide  
8 to the Executive Secretary of the State Employees' Retirement  
9 System of Illinois such information, statistics, and other data  
10 as he or she may require to review the premium amounts  
11 certified by the Director of Central Management Services.

12 The Department of Central Management Services, or any  
13 successor agency designated to procure healthcare contracts  
14 pursuant to this Act, is authorized to establish funds,  
15 separate accounts provided by any bank or banks as defined by  
16 the Illinois Banking Act, or separate accounts provided by any  
17 savings and loan association or associations as defined by the  
18 Illinois Savings and Loan Act of 1985 to be held by the  
19 Director, outside the State treasury, for the purpose of  
20 receiving the transfer of moneys from the Local Government  
21 Health Insurance Reserve Fund. The Department may promulgate  
22 rules further defining the methodology for the transfers. Any  
23 interest earned by moneys in the funds or accounts shall inure  
24 to the Local Government Health Insurance Reserve Fund. The  
25 transferred moneys, and interest accrued thereon, shall be used  
26 exclusively for transfers to administrative service

1 organizations or their financial institutions for payments of  
2 claims to claimants and providers under the self-insurance  
3 health plan. The transferred moneys, and interest accrued  
4 thereon, shall not be used for any other purpose including, but  
5 not limited to, reimbursement of administration fees due the  
6 administrative service organization pursuant to its contract  
7 or contracts with the Department.

8 (a-10) To the extent that participation, benefits, or  
9 premiums under this Act are based on a person's service credit  
10 under an Article of the Illinois Pension Code, service credit  
11 terminated in exchange for an accelerated pension benefit  
12 payment under Section 14-147.5, 15-185.5, or 16-190.5 of that  
13 Code shall be included in determining a person's service credit  
14 for the purposes of this Act.

15 (b) State employees who become eligible for this program on  
16 or after January 1, 1980 in positions normally requiring actual  
17 performance of duty not less than 1/2 of a normal work period  
18 but not equal to that of a normal work period, shall be given  
19 the option of participating in the available program. If the  
20 employee elects coverage, the State shall contribute on behalf  
21 of such employee to the cost of the employee's benefit and any  
22 applicable dependent supplement, that sum which bears the same  
23 percentage as that percentage of time the employee regularly  
24 works when compared to normal work period.

25 (c) The basic non-contributory coverage from the basic  
26 program of group health benefits shall be continued for each

1 employee not in pay status or on active service by reason of  
2 (1) leave of absence due to illness or injury, (2) authorized  
3 educational leave of absence or sabbatical leave, or (3)  
4 military leave. This coverage shall continue until expiration  
5 of authorized leave and return to active service, but not to  
6 exceed 24 months for leaves under item (1) or (2). This  
7 24-month limitation and the requirement of returning to active  
8 service shall not apply to persons receiving ordinary or  
9 accidental disability benefits or retirement benefits through  
10 the appropriate State retirement system or benefits under the  
11 Workers' Compensation or Occupational Disease Act.

12 (d) The basic group life insurance coverage shall continue,  
13 with full State contribution, where such person is (1) absent  
14 from active service by reason of disability arising from any  
15 cause other than self-inflicted, (2) on authorized educational  
16 leave of absence or sabbatical leave, or (3) on military leave.

17 (e) Where the person is in non-pay status for a period in  
18 excess of 30 days or on leave of absence, other than by reason  
19 of disability, educational or sabbatical leave, or military  
20 leave, such person may continue coverage only by making  
21 personal payment equal to the amount normally contributed by  
22 the State on such person's behalf. Such payments and coverage  
23 may be continued: (1) until such time as the person returns to  
24 a status eligible for coverage at State expense, but not to  
25 exceed 24 months or (2) until such person's employment or  
26 annuitant status with the State is terminated (exclusive of any

1 additional service imposed pursuant to law).

2 (f) The Department shall establish by rule the extent to  
3 which other employee benefits will continue for persons in  
4 non-pay status or who are not in active service.

5 (g) The State shall not pay the cost of the basic  
6 non-contributory group life insurance, program of health  
7 benefits and other employee benefits for members who are  
8 survivors as defined by paragraphs (1) and (2) of subsection  
9 (q) of Section 3 of this Act. The costs of benefits for these  
10 survivors shall be paid by the survivors or by the University  
11 of Illinois Cooperative Extension Service, or any combination  
12 thereof. However, the State shall pay the amount of the  
13 reduction in the cost of participation, if any, resulting from  
14 the amendment to subsection (a) made by this amendatory Act of  
15 the 91st General Assembly.

16 (h) Those persons occupying positions with any department  
17 as a result of emergency appointments pursuant to Section 8b.8  
18 of the Personnel Code who are not considered employees under  
19 this Act shall be given the option of participating in the  
20 programs of group life insurance, health benefits and other  
21 employee benefits. Such persons electing coverage may  
22 participate only by making payment equal to the amount normally  
23 contributed by the State for similarly situated employees. Such  
24 amounts shall be determined by the Director. Such payments and  
25 coverage may be continued until such time as the person becomes  
26 an employee pursuant to this Act or such person's appointment

1 is terminated.

2 (i) Any unit of local government within the State of  
3 Illinois may apply to the Director to have its employees,  
4 annuitants, and their dependents provided group health  
5 coverage under this Act on a non-insured basis. To participate,  
6 a unit of local government must agree to enroll all of its  
7 employees, who may select coverage under either the State group  
8 health benefits plan or a health maintenance organization that  
9 has contracted with the State to be available as a health care  
10 provider for employees as defined in this Act. A unit of local  
11 government must remit the entire cost of providing coverage  
12 under the State group health benefits plan or, for coverage  
13 under a health maintenance organization, an amount determined  
14 by the Director based on an analysis of the sex, age,  
15 geographic location, or other relevant demographic variables  
16 for its employees, except that the unit of local government  
17 shall not be required to enroll those of its employees who are  
18 covered spouses or dependents under this plan or another group  
19 policy or plan providing health benefits as long as (1) an  
20 appropriate official from the unit of local government attests  
21 that each employee not enrolled is a covered spouse or  
22 dependent under this plan or another group policy or plan, and  
23 (2) at least 50% of the employees are enrolled and the unit of  
24 local government remits the entire cost of providing coverage  
25 to those employees, except that a participating school district  
26 must have enrolled at least 50% of its full-time employees who



1 have not waived coverage under the district's group health plan  
2 by participating in a component of the district's cafeteria  
3 plan. A participating school district is not required to enroll  
4 a full-time employee who has waived coverage under the  
5 district's health plan, provided that an appropriate official  
6 from the participating school district attests that the  
7 full-time employee has waived coverage by participating in a  
8 component of the district's cafeteria plan. For the purposes of  
9 this subsection, "participating school district" includes a  
10 unit of local government whose primary purpose is education as  
11 defined by the Department's rules.

12 Employees of a participating unit of local government who  
13 are not enrolled due to coverage under another group health  
14 policy or plan may enroll in the event of a qualifying change  
15 in status, special enrollment, special circumstance as defined  
16 by the Director, or during the annual Benefit Choice Period. A  
17 participating unit of local government may also elect to cover  
18 its annuitants. Dependent coverage shall be offered on an  
19 optional basis, with the costs paid by the unit of local  
20 government, its employees, or some combination of the two as  
21 determined by the unit of local government. The unit of local  
22 government shall be responsible for timely collection and  
23 transmission of dependent premiums.

24 The Director shall annually determine monthly rates of  
25 payment, subject to the following constraints:

26 (1) In the first year of coverage, the rates shall be

1 equal to the amount normally charged to State employees for  
2 elected optional coverages or for enrolled dependents  
3 coverages or other contributory coverages, or contributed  
4 by the State for basic insurance coverages on behalf of its  
5 employees, adjusted for differences between State  
6 employees and employees of the local government in age,  
7 sex, geographic location or other relevant demographic  
8 variables, plus an amount sufficient to pay for the  
9 additional administrative costs of providing coverage to  
10 employees of the unit of local government and their  
11 dependents.

12 (2) In subsequent years, a further adjustment shall be  
13 made to reflect the actual prior years' claims experience  
14 of the employees of the unit of local government.

15 In the case of coverage of local government employees under  
16 a health maintenance organization, the Director shall annually  
17 determine for each participating unit of local government the  
18 maximum monthly amount the unit may contribute toward that  
19 coverage, based on an analysis of (i) the age, sex, geographic  
20 location, and other relevant demographic variables of the  
21 unit's employees and (ii) the cost to cover those employees  
22 under the State group health benefits plan. The Director may  
23 similarly determine the maximum monthly amount each unit of  
24 local government may contribute toward coverage of its  
25 employees' dependents under a health maintenance organization.

26 Monthly payments by the unit of local government or its

1 employees for group health benefits plan or health maintenance  
2 organization coverage shall be deposited in the Local  
3 Government Health Insurance Reserve Fund.

4 The Local Government Health Insurance Reserve Fund is  
5 hereby created as a nonappropriated trust fund to be held  
6 outside the State Treasury, with the State Treasurer as  
7 custodian. The Local Government Health Insurance Reserve Fund  
8 shall be a continuing fund not subject to fiscal year  
9 limitations. The Local Government Health Insurance Reserve  
10 Fund is not subject to administrative charges or charge-backs,  
11 including but not limited to those authorized under Section 8h  
12 of the State Finance Act. All revenues arising from the  
13 administration of the health benefits program established  
14 under this Section shall be deposited into the Local Government  
15 Health Insurance Reserve Fund. Any interest earned on moneys in  
16 the Local Government Health Insurance Reserve Fund shall be  
17 deposited into the Fund. All expenditures from this Fund shall  
18 be used for payments for health care benefits for local  
19 government and rehabilitation facility employees, annuitants,  
20 and dependents, and to reimburse the Department or its  
21 administrative service organization for all expenses incurred  
22 in the administration of benefits. No other State funds may be  
23 used for these purposes.

24 A local government employer's participation or desire to  
25 participate in a program created under this subsection shall  
26 not limit that employer's duty to bargain with the

1 representative of any collective bargaining unit of its  
2 employees.

3 (j) Any rehabilitation facility within the State of  
4 Illinois may apply to the Director to have its employees,  
5 annuitants, and their eligible dependents provided group  
6 health coverage under this Act on a non-insured basis. To  
7 participate, a rehabilitation facility must agree to enroll all  
8 of its employees and remit the entire cost of providing such  
9 coverage for its employees, except that the rehabilitation  
10 facility shall not be required to enroll those of its employees  
11 who are covered spouses or dependents under this plan or  
12 another group policy or plan providing health benefits as long  
13 as (1) an appropriate official from the rehabilitation facility  
14 attests that each employee not enrolled is a covered spouse or  
15 dependent under this plan or another group policy or plan, and  
16 (2) at least 50% of the employees are enrolled and the  
17 rehabilitation facility remits the entire cost of providing  
18 coverage to those employees. Employees of a participating  
19 rehabilitation facility who are not enrolled due to coverage  
20 under another group health policy or plan may enroll in the  
21 event of a qualifying change in status, special enrollment,  
22 special circumstance as defined by the Director, or during the  
23 annual Benefit Choice Period. A participating rehabilitation  
24 facility may also elect to cover its annuitants. Dependent  
25 coverage shall be offered on an optional basis, with the costs  
26 paid by the rehabilitation facility, its employees, or some

1 combination of the 2 as determined by the rehabilitation  
2 facility. The rehabilitation facility shall be responsible for  
3 timely collection and transmission of dependent premiums.

4 The Director shall annually determine quarterly rates of  
5 payment, subject to the following constraints:

6 (1) In the first year of coverage, the rates shall be  
7 equal to the amount normally charged to State employees for  
8 elected optional coverages or for enrolled dependents  
9 coverages or other contributory coverages on behalf of its  
10 employees, adjusted for differences between State  
11 employees and employees of the rehabilitation facility in  
12 age, sex, geographic location or other relevant  
13 demographic variables, plus an amount sufficient to pay for  
14 the additional administrative costs of providing coverage  
15 to employees of the rehabilitation facility and their  
16 dependents.

17 (2) In subsequent years, a further adjustment shall be  
18 made to reflect the actual prior years' claims experience  
19 of the employees of the rehabilitation facility.

20 Monthly payments by the rehabilitation facility or its  
21 employees for group health benefits shall be deposited in the  
22 Local Government Health Insurance Reserve Fund.

23 (k) Any domestic violence shelter or service within the  
24 State of Illinois may apply to the Director to have its  
25 employees, annuitants, and their dependents provided group  
26 health coverage under this Act on a non-insured basis. To

1 participate, a domestic violence shelter or service must agree  
2 to enroll all of its employees and pay the entire cost of  
3 providing such coverage for its employees. The domestic  
4 violence shelter shall not be required to enroll those of its  
5 employees who are covered spouses or dependents under this plan  
6 or another group policy or plan providing health benefits as  
7 long as (1) an appropriate official from the domestic violence  
8 shelter attests that each employee not enrolled is a covered  
9 spouse or dependent under this plan or another group policy or  
10 plan and (2) at least 50% of the employees are enrolled and the  
11 domestic violence shelter remits the entire cost of providing  
12 coverage to those employees. Employees of a participating  
13 domestic violence shelter who are not enrolled due to coverage  
14 under another group health policy or plan may enroll in the  
15 event of a qualifying change in status, special enrollment, or  
16 special circumstance as defined by the Director or during the  
17 annual Benefit Choice Period. A participating domestic  
18 violence shelter may also elect to cover its annuitants.  
19 Dependent coverage shall be offered on an optional basis, with  
20 employees, or some combination of the 2 as determined by the  
21 domestic violence shelter or service. The domestic violence  
22 shelter or service shall be responsible for timely collection  
23 and transmission of dependent premiums.

24 The Director shall annually determine rates of payment,  
25 subject to the following constraints:

26 (1) In the first year of coverage, the rates shall be

1 equal to the amount normally charged to State employees for  
2 elected optional coverages or for enrolled dependents  
3 coverages or other contributory coverages on behalf of its  
4 employees, adjusted for differences between State  
5 employees and employees of the domestic violence shelter or  
6 service in age, sex, geographic location or other relevant  
7 demographic variables, plus an amount sufficient to pay for  
8 the additional administrative costs of providing coverage  
9 to employees of the domestic violence shelter or service  
10 and their dependents.

11 (2) In subsequent years, a further adjustment shall be  
12 made to reflect the actual prior years' claims experience  
13 of the employees of the domestic violence shelter or  
14 service.

15 Monthly payments by the domestic violence shelter or  
16 service or its employees for group health insurance shall be  
17 deposited in the Local Government Health Insurance Reserve  
18 Fund.

19 (1) A public community college or entity organized pursuant  
20 to the Public Community College Act may apply to the Director  
21 initially to have only annuitants not covered prior to July 1,  
22 1992 by the district's health plan provided health coverage  
23 under this Act on a non-insured basis. The community college  
24 must execute a 2-year contract to participate in the Local  
25 Government Health Plan. Any annuitant may enroll in the event  
26 of a qualifying change in status, special enrollment, special

1 circumstance as defined by the Director, or during the annual  
2 Benefit Choice Period.

3 The Director shall annually determine monthly rates of  
4 payment subject to the following constraints: for those  
5 community colleges with annuitants only enrolled, first year  
6 rates shall be equal to the average cost to cover claims for a  
7 State member adjusted for demographics, Medicare  
8 participation, and other factors; and in the second year, a  
9 further adjustment of rates shall be made to reflect the actual  
10 first year's claims experience of the covered annuitants.

11 (l-5) The provisions of subsection (l) become inoperative  
12 on July 1, 1999.

13 (m) The Director shall adopt any rules deemed necessary for  
14 implementation of this amendatory Act of 1989 (Public Act  
15 86-978).

16 (n) Any child advocacy center within the State of Illinois  
17 may apply to the Director to have its employees, annuitants,  
18 and their dependents provided group health coverage under this  
19 Act on a non-insured basis. To participate, a child advocacy  
20 center must agree to enroll all of its employees and pay the  
21 entire cost of providing coverage for its employees. The child  
22 advocacy center shall not be required to enroll those of its  
23 employees who are covered spouses or dependents under this plan  
24 or another group policy or plan providing health benefits as  
25 long as (1) an appropriate official from the child advocacy  
26 center attests that each employee not enrolled is a covered



1 spouse or dependent under this plan or another group policy or  
2 plan and (2) at least 50% of the employees are enrolled and the  
3 child advocacy center remits the entire cost of providing  
4 coverage to those employees. Employees of a participating child  
5 advocacy center who are not enrolled due to coverage under  
6 another group health policy or plan may enroll in the event of  
7 a qualifying change in status, special enrollment, or special  
8 circumstance as defined by the Director or during the annual  
9 Benefit Choice Period. A participating child advocacy center  
10 may also elect to cover its annuitants. Dependent coverage  
11 shall be offered on an optional basis, with the costs paid by  
12 the child advocacy center, its employees, or some combination  
13 of the 2 as determined by the child advocacy center. The child  
14 advocacy center shall be responsible for timely collection and  
15 transmission of dependent premiums.

16 The Director shall annually determine rates of payment,  
17 subject to the following constraints:

18 (1) In the first year of coverage, the rates shall be  
19 equal to the amount normally charged to State employees for  
20 elected optional coverages or for enrolled dependents  
21 coverages or other contributory coverages on behalf of its  
22 employees, adjusted for differences between State  
23 employees and employees of the child advocacy center in  
24 age, sex, geographic location, or other relevant  
25 demographic variables, plus an amount sufficient to pay for  
26 the additional administrative costs of providing coverage

1 to employees of the child advocacy center and their  
2 dependents.

3 (2) In subsequent years, a further adjustment shall be  
4 made to reflect the actual prior years' claims experience  
5 of the employees of the child advocacy center.

6 Monthly payments by the child advocacy center or its  
7 employees for group health insurance shall be deposited into  
8 the Local Government Health Insurance Reserve Fund.

9 (Source: P.A. 97-695, eff. 7-1-12; 98-488, eff. 8-16-13.)

10 Section 10. **\*\*\*ADDITIONAL INFORMATION\*\*\*** is amended by  
11 changing Section 15-165 **\*\*\*PLACE IN TEXT BELOW\*\*\***

12 The Illinois Pension Code is amended by changing Sections  
13 1-160, 1-167 2-108, 2-119.1, 2-126, 2-162, 14-103.10, 14-114,  
14 14-133, 14-152.1, 15-108.1, 15-108.2, 15-111, 15-136, 15-155,  
15 15-157, 15-165, 15-198, 16-121, 16-133.1, 16-136.1, 16-152,  
16 16-158, 16-203, 17-116, 17-130, 20-121, 20-123, 20-124, and  
17 20-125 and by adding 1-161, 1-167, 1-162, 2-105.3, 2-110.3,  
18 2-165.1, 2-166.1, 14-103.41, 14-106.5, 14-147.5, 14-155.1,  
19 14-155.2, 14-156.1, 15-132.9, 15-155.2, 15-185.5, 15-200.1,  
20 15-201.1, 16-107.1, 16-122.9, 16-158.3, 16-190.5, 16-205.1,  
21 16-206.1, 17-106.05, 17-113.4, 17-115.5, and 17-119.2 as  
22 follows:

23 (40 ILCS 5/1-160)

24 (Text of Section WITHOUT the changes made by P.A. 98-641,

1 which has been held unconstitutional)

2 Sec. 1-160. Provisions applicable to new hires.

3 (a) The provisions of this Section apply to a person who,  
4 on or after January 1, 2011, first becomes a member or a  
5 participant under any reciprocal retirement system or pension  
6 fund established under this Code, other than a retirement  
7 system or pension fund established under Article 2, 3, 4, 5, 6,  
8 15 or 18 of this Code, notwithstanding any other provision of  
9 this Code to the contrary, but do not apply to any self-managed  
10 plan established under this Code, to any person with respect to  
11 service as a sheriff's law enforcement employee under Article  
12 7, or to any participant of the retirement plan established  
13 under Section 22-101. Notwithstanding anything to the contrary  
14 in this Section, for purposes of this Section, a person who  
15 participated in a retirement system under Article 15 prior to  
16 January 1, 2011 shall be deemed a person who first became a  
17 member or participant prior to January 1, 2011 under any  
18 retirement system or pension fund subject to this Section. The  
19 changes made to this Section by Public Act 98-596 ~~this~~  
20 ~~amendatory Act of the 98th General Assembly~~ are a clarification  
21 of existing law and are intended to be retroactive to January  
22 1, 2011 (the effective date of Public Act 96-889),  
23 notwithstanding the provisions of Section 1-103.1 of this Code.

24 This Section does not apply to a person who, on or after  
25 July 1, 2018, first becomes a member or participant under  
26 Article 14 or 16, unless that person (i) is a covered employee

1 under Article 14 who has not made the election to participate  
2 in the defined contribution plan under Section 14-155.2 or (ii)  
3 elects under subsection (b) of Section 1-161 to receive the  
4 benefits provided under this Section and the applicable  
5 provisions of the Article under which he or she is a member or  
6 participant.

7 This Section does not apply to a person who first becomes a  
8 member or participant of an affected pension fund on or after 6  
9 months after the resolution or ordinance date, as defined in  
10 Section 1-162, unless that person elects under subsection (c)  
11 of Section 1-162 to receive the benefits provided under this  
12 Section and the applicable provisions of the Article under  
13 which he or she is a member or participant.

14 This Section does not apply to a person who elects under  
15 subsection (c-5) of Section 1-161 to receive the benefits under  
16 Section 1-161.

17 (b) "Final average salary" means the average monthly (or  
18 annual) salary obtained by dividing the total salary or  
19 earnings calculated under the Article applicable to the member  
20 or participant during the 96 consecutive months (or 8  
21 consecutive years) of service within the last 120 months (or 10  
22 years) of service in which the total salary or earnings  
23 calculated under the applicable Article was the highest by the  
24 number of months (or years) of service in that period. For the  
25 purposes of a person who first becomes a member or participant  
26 of any retirement system or pension fund to which this Section

1 applies on or after January 1, 2011, in this Code, "final  
2 average salary" shall be substituted for the following:

3 (1) In Article 7 (except for service as sheriff's law  
4 enforcement employees), "final rate of earnings".

5 (2) In Articles 8, 9, 10, 11, and 12, "highest average  
6 annual salary for any 4 consecutive years within the last  
7 10 years of service immediately preceding the date of  
8 withdrawal".

9 (3) In Article 13, "average final salary".

10 (4) In Article 14, "final average compensation".

11 (5) In Article 17, "average salary".

12 (6) In Section 22-207, "wages or salary received by him  
13 at the date of retirement or discharge".

14 (b-5) Beginning on January 1, 2011, for all purposes under  
15 this Code (including without limitation the calculation of  
16 benefits and employee contributions), the annual earnings,  
17 salary, or wages (based on the plan year) of a member or  
18 participant to whom this Section applies shall not exceed  
19 \$106,800; however, that amount shall annually thereafter be  
20 increased by the lesser of (i) 3% of that amount, including all  
21 previous adjustments, or (ii) one-half the annual unadjusted  
22 percentage increase (but not less than zero) in the consumer  
23 price index-u for the 12 months ending with the September  
24 preceding each November 1, including all previous adjustments.

25 For the purposes of this Section, "consumer price index-u"  
26 means the index published by the Bureau of Labor Statistics of

1 the United States Department of Labor that measures the average  
2 change in prices of goods and services purchased by all urban  
3 consumers, United States city average, all items, 1982-84 =  
4 100. The new amount resulting from each annual adjustment shall  
5 be determined by the Public Pension Division of the Department  
6 of Insurance and made available to the boards of the retirement  
7 systems and pension funds by November 1 of each year.

8 (c) A member or participant is entitled to a retirement  
9 annuity upon written application if he or she has attained age  
10 67 (beginning January 1, 2015, age 65 with respect to service  
11 under Article 12 of this Code that is subject to this Section)  
12 and has at least 10 years of service credit and is otherwise  
13 eligible under the requirements of the applicable Article.

14 A member or participant who has attained age 62 (beginning  
15 January 1, 2015, age 60 with respect to service under Article  
16 12 of this Code that is subject to this Section) and has at  
17 least 10 years of service credit and is otherwise eligible  
18 under the requirements of the applicable Article may elect to  
19 receive the lower retirement annuity provided in subsection (d)  
20 of this Section.

21 (d) The retirement annuity of a member or participant who  
22 is retiring after attaining age 62 (beginning January 1, 2015,  
23 age 60 with respect to service under Article 12 of this Code  
24 that is subject to this Section) with at least 10 years of  
25 service credit shall be reduced by one-half of 1% for each full  
26 month that the member's age is under age 67 (beginning January

1 1, 2015, age 65 with respect to service under Article 12 of  
2 this Code that is subject to this Section).

3 (e) Any retirement annuity or supplemental annuity shall be  
4 subject to annual increases on the January 1 occurring either  
5 on or after the attainment of age 67 (beginning January 1,  
6 2015, age 65 with respect to service under Article 12 of this  
7 Code that is subject to this Section) or the first anniversary  
8 of the annuity start date, whichever is later. Each annual  
9 increase shall be calculated at 3% or one-half the annual  
10 unadjusted percentage increase (but not less than zero) in the  
11 consumer price index-u for the 12 months ending with the  
12 September preceding each November 1, whichever is less, of the  
13 originally granted retirement annuity. If the annual  
14 unadjusted percentage change in the consumer price index-u for  
15 the 12 months ending with the September preceding each November  
16 1 is zero or there is a decrease, then the annuity shall not be  
17 increased.

18 (f) The initial survivor's or widow's annuity of an  
19 otherwise eligible survivor or widow of a retired member or  
20 participant who first became a member or participant on or  
21 after January 1, 2011 shall be in the amount of 66 2/3% of the  
22 retired member's or participant's retirement annuity at the  
23 date of death. In the case of the death of a member or  
24 participant who has not retired and who first became a member  
25 or participant on or after January 1, 2011, eligibility for a  
26 survivor's or widow's annuity shall be determined by the

1 applicable Article of this Code. The initial benefit shall be  
2 66 2/3% of the earned annuity without a reduction due to age. A  
3 child's annuity of an otherwise eligible child shall be in the  
4 amount prescribed under each Article if applicable. Any  
5 survivor's or widow's annuity shall be increased (1) on each  
6 January 1 occurring on or after the commencement of the annuity  
7 if the deceased member died while receiving a retirement  
8 annuity or (2) in other cases, on each January 1 occurring  
9 after the first anniversary of the commencement of the annuity.  
10 Each annual increase shall be calculated at 3% or one-half the  
11 annual unadjusted percentage increase (but not less than zero)  
12 in the consumer price index-u for the 12 months ending with the  
13 September preceding each November 1, whichever is less, of the  
14 originally granted survivor's annuity. If the annual  
15 unadjusted percentage change in the consumer price index-u for  
16 the 12 months ending with the September preceding each November  
17 1 is zero or there is a decrease, then the annuity shall not be  
18 increased.

19 (g) The benefits in Section 14-110 apply only if the person  
20 is a State policeman, a fire fighter in the fire protection  
21 service of a department, or a security employee of the  
22 Department of Corrections or the Department of Juvenile  
23 Justice, as those terms are defined in subsection (b) of  
24 Section 14-110. A person who meets the requirements of this  
25 Section is entitled to an annuity calculated under the  
26 provisions of Section 14-110, in lieu of the regular or minimum



1 retirement annuity, only if the person has withdrawn from  
2 service with not less than 20 years of eligible creditable  
3 service and has attained age 60, regardless of whether the  
4 attainment of age 60 occurs while the person is still in  
5 service.

6 (h) If a person who first becomes a member or a participant  
7 of a retirement system or pension fund subject to this Section  
8 on or after January 1, 2011 is receiving a retirement annuity  
9 or retirement pension under that system or fund and becomes a  
10 member or participant under any other system or fund created by  
11 this Code and is employed on a full-time basis, except for  
12 those members or participants exempted from the provisions of  
13 this Section under subsection (a) of this Section, then the  
14 person's retirement annuity or retirement pension under that  
15 system or fund shall be suspended during that employment. Upon  
16 termination of that employment, the person's retirement  
17 annuity or retirement pension payments shall resume and be  
18 recalculated if recalculation is provided for under the  
19 applicable Article of this Code.

20 If a person who first becomes a member of a retirement  
21 system or pension fund subject to this Section on or after  
22 January 1, 2012 and is receiving a retirement annuity or  
23 retirement pension under that system or fund and accepts on a  
24 contractual basis a position to provide services to a  
25 governmental entity from which he or she has retired, then that  
26 person's annuity or retirement pension earned as an active

1 employee of the employer shall be suspended during that  
2 contractual service. A person receiving an annuity or  
3 retirement pension under this Code shall notify the pension  
4 fund or retirement system from which he or she is receiving an  
5 annuity or retirement pension, as well as his or her  
6 contractual employer, of his or her retirement status before  
7 accepting contractual employment. A person who fails to submit  
8 such notification shall be guilty of a Class A misdemeanor and  
9 required to pay a fine of \$1,000. Upon termination of that  
10 contractual employment, the person's retirement annuity or  
11 retirement pension payments shall resume and, if appropriate,  
12 be recalculated under the applicable provisions of this Code.

13 (i) (Blank).

14 (j) Except for Sections 1-161 and 1-162, in ~~in~~ the case of  
15 a conflict between the provisions of this Section and any other  
16 provision of this Code, the provisions of this Section shall  
17 control.

18 (Source: P.A. 97-609, eff. 1-1-12; 98-92, eff. 7-16-13; 98-596,  
19 eff. 11-19-13; 98-622, eff. 6-1-14; revised 3-24-16.)

20 (40 ILCS 5/1-161 new)

21 Sec. 1-161. Optional benefits for certain Tier 2 members  
22 under Articles 14, 15, and 16.

23 (a) Notwithstanding any other provision of this Code to the  
24 contrary, the provisions of this Section apply to a person who  
25 first becomes a member or a participant under Article 14, 15,

1 or 16 on or after July 1, 2018 and who does not make the  
2 election under subsection (b) or (c), whichever is applicable.  
3 The provisions of this Section apply to a person who makes the  
4 election under subsection (c-5). The provisions of this Section  
5 do not apply to any participant in a self-managed plan or to a  
6 covered employee under Article 14.

7 (b) In lieu of the benefits provided under this Section, a  
8 member or participant, except for a participant under Article  
9 15, may irrevocably elect the benefits under Section 1-160 and  
10 the benefits otherwise applicable to that member or  
11 participant. The election must be made within 30 days after  
12 becoming a member or participant. Each retirement system shall  
13 establish procedures for making this election.

14 (c) A participant under Article 15 may irrevocably elect  
15 the benefits otherwise provided to a Tier 2 member under  
16 Article 15. The election must be made within 30 days after  
17 becoming a member. The retirement system under Article 15 shall  
18 establish procedures for making this election.

19 (c-5) A non-covered participant under Article 14 to whom  
20 Section 1-160 applies, a Tier 2 member under Article 15, or a  
21 participant under Article 16 to whom Section 1-160 applies may  
22 irrevocably elect to receive the benefits under this Section in  
23 lieu of the benefits under Section 1-160 or the benefits  
24 otherwise available to a Tier 2 member under Article 15,  
25 whichever is applicable. Each retirement System shall  
26 establish procedures for making this election.

1       (d) "Final average salary" means the average monthly (or  
2 annual) salary obtained by dividing the total salary or  
3 earnings calculated under the Article applicable to the member  
4 or participant during the last 120 months (or 10 years) of  
5 service in which the total salary or earnings calculated under  
6 the applicable Article was the highest by the number of months  
7 (or years) of service in that period. For the purposes of a  
8 person to whom this Section applies, in this Code, "final  
9 average salary" shall be substituted for "final average  
10 compensation" in Article 14.

11       (e) Beginning July 1, 2018, for all purposes under this  
12 Code (including without limitation the calculation of benefits  
13 and employee contributions), the annual earnings, salary,  
14 compensation, or wages (based on the plan year) of a member or  
15 participant to whom this Section applies shall not at any time  
16 exceed the federal Social Security Wage Base then in effect.

17       (f) A member or participant is entitled to a retirement  
18 annuity upon written application if he or she has attained the  
19 normal retirement age determined by the Social Security  
20 Administration for that member or participant's year of birth,  
21 but no earlier than 67 years of age, and has at least 10 years  
22 of service credit and is otherwise eligible under the  
23 requirements of the applicable Article.

24       (g) The amount of the retirement annuity to which a member  
25 or participant is entitled shall be computed by multiplying  
26 1.25% for each year of service credit by his or her final

1 average salary.

2 (h) Any retirement annuity or supplemental annuity shall be  
3 subject to annual increases on the first anniversary of the  
4 annuity start date. Each annual increase shall be one-half the  
5 annual unadjusted percentage increase (but not less than zero)  
6 in the consumer price index-w for the 12 months ending with the  
7 September preceding each November 1 of the originally granted  
8 retirement annuity. If the annual unadjusted percentage change  
9 in the consumer price index-w for the 12 months ending with the  
10 September preceding each November 1 is zero or there is a  
11 decrease, then the annuity shall not be increased.

12 For the purposes of this Section, "consumer price index-w"  
13 means the index published by the Bureau of Labor Statistics of  
14 the United States Department of Labor that measures the average  
15 change in prices of goods and services purchased by Urban Wage  
16 Earners and Clerical Workers, United States city average, all  
17 items, 1982-84 = 100. The new amount resulting from each annual  
18 adjustment shall be determined by the Public Pension Division  
19 of the Department of Insurance and made available to the boards  
20 of the retirement systems and pension funds by November 1 of  
21 each year.

22 (i) The initial survivor's or widow's annuity of an  
23 otherwise eligible survivor or widow of a retired member or  
24 participant to whom this Section applies shall be in the amount  
25 of 66 2/3% of the retired member's or participant's retirement  
26 annuity at the date of death. In the case of the death of a

1 member or participant who has not retired and to whom this  
2 Section applies, eligibility for a survivor's or widow's  
3 annuity shall be determined by the applicable Article of this  
4 Code. The benefit shall be 66 2/3% of the earned annuity  
5 without a reduction due to age. A child's annuity of an  
6 otherwise eligible child shall be in the amount prescribed  
7 under each Article if applicable.

8 (j) In lieu of any other employee contributions, except for  
9 the contribution to the defined contribution plan under  
10 subsection (k) of this Section, each employee shall contribute  
11 6.2% of his her or salary to the retirement system. However,  
12 the employee contribution under this subsection shall not  
13 exceed the amount of the total normal cost of the benefits for  
14 all members making contributions under this Section (except for  
15 the defined contribution plan under subsection (k) of this  
16 Section), expressed as a percentage of payroll and certified on  
17 or before January 15 of each year by the board of trustees of  
18 the retirement system. If the board of trustees of the  
19 retirement system certifies that the 6.2% employee  
20 contribution rate exceeds the normal cost of the benefits under  
21 this Section (except for the defined contribution plan under  
22 subsection (k) of this Section), then on or before December 1  
23 of that year, the board of trustees shall certify the amount of  
24 the normal cost of the benefits under this Section (except for  
25 the defined contribution plan under subsection (k) of this  
26 Section), expressed as a percentage of payroll, to the State

1 Actuary and the Commission on Government Forecasting and  
2 Accountability, and the employee contribution under this  
3 subsection shall be reduced to that amount beginning July 1 of  
4 that year. Thereafter, if the normal cost of the benefits under  
5 this Section (except for the defined contribution plan under  
6 subsection (k) of this Section), expressed as a percentage of  
7 payroll and certified on or before January 1 of each year by  
8 the board of trustees of the retirement system, exceeds 6.2% of  
9 salary, then on or before January 15 of that year, the board of  
10 trustees shall certify the normal cost to the State Actuary and  
11 the Commission on Government Forecasting and Accountability,  
12 and the employee contributions shall revert back to 6.2% of  
13 salary beginning January 1 of the following year.

14 (k) No later than July 1, 2018, each retirement system  
15 under Article 14, 15, or 16 shall prepare and implement a  
16 defined contribution plan for members or participants who are  
17 subject to this Section. The defined contribution plan  
18 developed under this subsection shall be a plan that aggregates  
19 employer and employee contributions in individual participant  
20 accounts which, after meeting any other requirements, are used  
21 for payouts after retirement in accordance with this subsection  
22 and any other applicable laws.

23 (1) Each member or participant shall contribute a  
24 minimum of 4% of his or her salary to the defined  
25 contribution plan.

26 (2) For each participant in the defined contribution

1       plan who has been employed with the same employer for at  
2       least one year, employer contributions shall be paid into  
3       that participant's accounts at a rate expressed as a  
4       percentage of salary. This rate may be set for individual  
5       employees, but shall be no higher than 6% of salary and  
6       shall be no lower than 2% of salary.

7       (3) Employer contributions shall vest when those  
8       contributions are paid into a member's or participant's  
9       account.

10       (4) The defined contribution plan shall provide a  
11       variety of options for investments. These options shall  
12       include investments handled by the Illinois State Board of  
13       Investment as well as private sector investment options.

14       (5) The defined contribution plan shall provide a  
15       variety of options for payouts to retirees and their  
16       survivors.

17       (6) To the extent authorized under federal law and as  
18       authorized by the retirement system, the defined  
19       contribution plan shall allow former participants in the  
20       plan to transfer or roll over employee and employer  
21       contributions, and the earnings thereon, into other  
22       qualified retirement plans.

23       (7) Each retirement system shall reduce the employee  
24       contributions credited to the member's defined  
25       contribution plan account by an amount determined by that  
26       retirement system to cover the cost of offering the



1 benefits under this subsection and any applicable  
2 administrative fees.

3 (8) No person shall begin participating in the defined  
4 contribution plan until it has attained qualified plan  
5 status and received all necessary approvals from the U.S.  
6 Internal Revenue Service.

7 (1) In the case of a conflict between the provisions of  
8 this Section and any other provision of this Code, the  
9 provisions of this Section shall control.

10 (40 ILCS 5/1-162 new)

11 Sec. 1-162. Optional benefits for certain Tier 2 members of  
12 pension funds under Articles 8, 9, 10, 11, 12, and 17.

13 (a) As used in this Section:

14 "Affected pension fund" means a pension fund established  
15 under Article 8, 9, 10, 11, 12, or 17 that the governing body  
16 of the unit of local government has designated as an affected  
17 pension fund by adoption of a resolution or ordinance.

18 "Resolution or ordinance date" means the date on which the  
19 governing body of the unit of local government designates a  
20 pension fund under Article 8, 9, 10, 11, 12, or 17 as an  
21 affected pension fund by adoption of a resolution or ordinance  
22 or July 1, 2018, whichever is later.

23 (b) Notwithstanding any other provision of this Code to the  
24 contrary, the provisions of this Section apply to a person who  
25 first becomes a member or a participant in an affected pension

1 fund on or after 6 months after the resolution or ordinance  
2 date and who does not make the election under subsection (c).

3 (c) In lieu of the benefits provided under this Section, a  
4 member or participant may irrevocably elect the benefits under  
5 Section 1-160 and the benefits otherwise applicable to that  
6 member or participant. The election must be made within 30 days  
7 after becoming a member or participant. Each affected pension  
8 fund shall establish procedures for making this election.

9 (d) "Final average salary" means the average monthly (or  
10 annual) salary obtained by dividing the total salary or  
11 earnings calculated under the Article applicable to the member  
12 or participant during the last 120 months (or 10 years) of  
13 service in which the total salary or earnings calculated under  
14 the applicable Article was the highest by the number of months  
15 (or years) of service in that period. For the purposes of a  
16 person who first becomes a member or participant of an affected  
17 pension fund on or after 6 months after the ordinance or  
18 resolution date, in this Code, "final average salary" shall be  
19 substituted for the following:

20 (1) In Articles 8, 9, 10, 11, and 12, "highest average  
21 annual salary for any 4 consecutive years within the last  
22 10 years of service immediately preceding the date of  
23 withdrawal".

24 (2) In Article 17, "average salary".

25 (e) Beginning 6 months after the resolution or ordinance  
26 date, for all purposes under this Code (including without

1 limitation the calculation of benefits and employee  
2 contributions), the annual earnings, salary, or wages (based on  
3 the plan year) of a member or participant to whom this Section  
4 applies shall not at any time exceed the federal Social  
5 Security Wage Base then in effect.

6 (f) A member or participant is entitled to a retirement  
7 annuity upon written application if he or she has attained the  
8 normal retirement age determined by the Social Security  
9 Administration for that member or participant's year of birth,  
10 but no earlier than 67 years of age, and has at least 10 years  
11 of service credit and is otherwise eligible under the  
12 requirements of the applicable Article.

13 (g) The amount of the retirement annuity to which a member  
14 or participant is entitled shall be computed by multiplying  
15 1.25% for each year of service credit by his or her final  
16 average salary.

17 (h) Any retirement annuity or supplemental annuity shall be  
18 subject to annual increases on the first anniversary of the  
19 annuity start date. Each annual increase shall be one-half the  
20 annual unadjusted percentage increase (but not less than zero)  
21 in the consumer price index-w for the 12 months ending with the  
22 September preceding each November 1 of the originally granted  
23 retirement annuity. If the annual unadjusted percentage change  
24 in the consumer price index-w for the 12 months ending with the  
25 September preceding each November 1 is zero or there is a  
26 decrease, then the annuity shall not be increased.

1       For the purposes of this Section, "consumer price index-w"  
2 means the index published by the Bureau of Labor Statistics of  
3 the United States Department of Labor that measures the average  
4 change in prices of goods and services purchased by Urban Wage  
5 Earners and Clerical Workers, United States city average, all  
6 items, 1982-84 = 100. The new amount resulting from each annual  
7 adjustment shall be determined by the Public Pension Division  
8 of the Department of Insurance and made available to the boards  
9 of the retirement systems and pension funds by November 1 of  
10 each year.

11       (i) The initial survivor's or widow's annuity of an  
12 otherwise eligible survivor or widow of a retired member or  
13 participant who first became a member or participant on or  
14 after 6 months after the resolution or ordinance date shall be  
15 in the amount of 66 2/3% of the retired member's or  
16 participant's retirement annuity at the date of death. In the  
17 case of the death of a member or participant who has not  
18 retired and who first became a member or participant on or  
19 after 6 months after the resolution or ordinance date,  
20 eligibility for a survivor's or widow's annuity shall be  
21 determined by the applicable Article of this Code. The benefit  
22 shall be 66 2/3% of the earned annuity without a reduction due  
23 to age. A child's annuity of an otherwise eligible child shall  
24 be in the amount prescribed under each Article if applicable.

25       (j) In lieu of any other employee contributions, except for  
26 the contribution to the defined contribution plan under

1 subsection (k) of this Section, each employee shall contribute  
2 6.2% of his her or salary to the affected pension fund.  
3 However, the employee contribution under this subsection shall  
4 not exceed the amount of the normal cost of the benefits under  
5 this Section (except for the defined contribution plan under  
6 subsection (k) of this Section), expressed as a percentage of  
7 payroll and determined on or before November 1 of each year by  
8 the board of trustees of the affected pension fund. If the  
9 board of trustees of the affected pension fund determines that  
10 the 6.2% employee contribution rate exceeds the normal cost of  
11 the benefits under this Section (except for the defined  
12 contribution plan under subsection (k) of this Section), then  
13 on or before December 1 of that year, the board of trustees  
14 shall certify the amount of the normal cost of the benefits  
15 under this Section (except for the defined contribution plan  
16 under subsection (k) of this Section), expressed as a  
17 percentage of payroll, to the State Actuary and the Commission  
18 on Government Forecasting and Accountability, and the employee  
19 contribution under this subsection shall be reduced to that  
20 amount beginning January 1 of the following year. Thereafter,  
21 if the normal cost of the benefits under this Section (except  
22 for the defined contribution plan under subsection (k) of this  
23 Section), expressed as a percentage of payroll and determined  
24 on or before November 1 of each year by the board of trustees  
25 of the affected pension fund, exceeds 6.2% of salary, then on  
26 or before December 1 of that year, the board of trustees shall

1 certify the normal cost to the State Actuary and the Commission  
2 on Government Forecasting and Accountability, and the employee  
3 contributions shall revert back to 6.2% of salary beginning  
4 January 1 of the following year.

5 (k) No later than 5 months after the resolution or  
6 ordinance date, an affected pension fund shall prepare and  
7 implement a defined contribution plan for members or  
8 participants who are subject to this Section. The defined  
9 contribution plan developed under this subsection shall be a  
10 plan that aggregates employer and employee contributions in  
11 individual participant accounts which, after meeting any other  
12 requirements, are used for payouts after retirement in  
13 accordance with this subsection and any other applicable laws.

14 (1) Each member or participant shall contribute a  
15 minimum of 4% of his or her salary to the defined  
16 contribution plan.

17 (2) For each participant in the defined contribution  
18 plan who has been employed with the same employer for at  
19 least one year, employer contributions shall be paid into  
20 that participant's accounts at a rate expressed as a  
21 percentage of salary. This rate may be set for individual  
22 employees, but shall be no higher than 6% of salary and  
23 shall be no lower than 2% of salary.

24 (3) Employer contributions shall vest when those  
25 contributions are paid into a member's or participant's  
26 account.

1           (4) The defined contribution plan shall provide a  
2           variety of options for investments. These options shall  
3           include investments handled by the Illinois State Board of  
4           Investment as well as private sector investment options.

5           (5) The defined contribution plan shall provide a  
6           variety of options for payouts to retirees and their  
7           survivors.

8           (6) To the extent authorized under federal law and as  
9           authorized by the affected pension fund, the defined  
10           contribution plan shall allow former participants in the  
11           plan to transfer or roll over employee and employer  
12           contributions, and the earnings thereon, into other  
13           qualified retirement plans.

14           (7) Each affected pension fund shall reduce the  
15           employee contributions credited to the member's defined  
16           contribution plan account by an amount determined by that  
17           affected pension fund to cover the cost of offering the  
18           benefits under this subsection and any applicable  
19           administrative fees.

20           (8) No person shall begin participating in the defined  
21           contribution plan until it has attained qualified plan  
22           status and received all necessary approvals from the U.S.  
23           Internal Revenue Service.

24           (l) In the case of a conflict between the provisions of  
25           this Section and any other provision of this Code, the  
26           provisions of this Section shall control.

1 (40 ILCS 5/1-167 new)

2 Sec. 1-167. Election by Tier 1 employees.

3 (a) The Board of any pension fund or retirement system  
4 established under this Code may, by resolution, provide Tier 1  
5 employees with the opportunity to make an irrevocable election  
6 in accordance with this Section. The fund or system shall adopt  
7 rules for the administration of the election.

8 (b) If approved by the Board of the applicable pension fund  
9 or retirement system, an active Tier 1 employee may make an  
10 irrevocable election to agree to delay his or her eligibility  
11 for automatic annual increases in retirement annuity and to  
12 reduce the amount of the automatic annual increases in his or  
13 her retirement annuity and survivor's annuity as provided in  
14 subsection (e) of Section 1-160.

15 (c) As adequate and legal consideration provided under  
16 this amendatory Act of the 100th General Assembly for making an  
17 election under subsection (b) of this Section, a Tier 1  
18 employee shall be entitled to receive:

19 (1) a consideration payment equal to 10% of the  
20 contributions made by or on behalf of the employee before  
21 the effective date of that election; and

22 (2) a 10% reduction in future employee pension  
23 contributions under the applicable Article.

24 (d) Each fund or system that conducts the election shall  
25 make a good faith effort to contact Tier 1 members subject to



1 this Section. The fund or system shall describe the election,  
2 publish the details on its website, and publish those details  
3 in a regularly published newsletter or other existing public  
4 forum. Upon request, the fund or system shall offer Tier 1  
5 employees an opportunity to receive information before making  
6 the election. The information may be provided through video  
7 materials, group presentations, individual consultation with a  
8 member or authorized representative of the fund or system in  
9 person or by telephone or other electronic means, or any  
10 combination of those methods. The fund or system shall inform  
11 Tier 1 members that the member may also wish to obtain  
12 information and counsel relating to the election under this  
13 Section from any other available source, including, but not  
14 limited to, labor organizations and private counsel.

15 (e) The fund or system shall not provide advice or  
16 counseling with respect to the legal or tax circumstances of or  
17 consequences of making the election in subsection (b) this  
18 Section. In no event shall the System, its staff, or the Board  
19 be held liable for any information given to a member regarding  
20 the election under this Section.

21 (f) This subsection does not apply to Articles 2, 14, 15,  
22 16, and 17.

23 (40 ILCS 5/2-105.3 new)

24 Sec. 2-105.3. Tier 1 employee. "Tier 1 employee": A  
25 participant who first became a participant before January 1,

1     2011.

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

3           (Text of Section WITHOUT the changes made by P.A. 98-599,  
4 which has been held unconstitutional)

5           Sec. 2-108. Salary. "Salary":

6           (1) For members of the General Assembly, the total  
7 compensation paid to the member by the State for one year of  
8 service, including the additional amounts, if any, paid to the  
9 member as an officer pursuant to Section 1 of "An Act in  
10 relation to the compensation and emoluments of the members of  
11 the General Assembly", approved December 6, 1907, as now or  
12 hereafter amended.

13           (2) For the State executive officers specified in Section  
14 2-105, the total compensation paid to the member for one year  
15 of service.

16           (3) For members of the System who are participants under  
17 Section 2-117.1, or who are serving as Clerk or Assistant Clerk  
18 of the House of Representatives or Secretary or Assistant  
19 Secretary of the Senate, the total compensation paid to the  
20 member for one year of service, but not to exceed the salary of  
21 the highest salaried officer of the General Assembly.

22           However, in the event that federal law results in any  
23 participant receiving imputed income based on the value of  
24 group term life insurance provided by the State, such imputed  
25 income shall not be included in salary for the purposes of this

1 Article.

2 Notwithstanding any other provision of this Section,  
3 "salary" does not include any consideration payment made to a  
4 Tier 1 employee.

5 (Source: P.A. 86-27; 86-273; 86-1028; 86-1488.)

6 (40 ILCS 5/2-110.3 new)

7 Sec. 2-110.3. Election by Tier 1 employees.

8 (a) If approved by resolution of the Board, an active Tier  
9 1 employee may make an irrevocable election to agree to delay  
10 his or her eligibility for automatic annual increases in  
11 retirement annuity as provided in subsection (a-1) of Section  
12 2-119.1 and to have the amount of the automatic annual  
13 increases in his or her retirement annuity and survivor's  
14 annuity that are otherwise provided for in this Article  
15 calculated, instead, as provided in subsection (a-1) of Section  
16 2-119.1.

17 (b) As adequate and legal consideration provided under this  
18 amendatory Act of the 100th General Assembly for making an  
19 election under subsection (a) of this Section, each Tier 1  
20 employee who has made an election under subsection (a) of this  
21 Section shall receive a consideration payment equal to 10% of  
22 the contributions made by or on behalf of the employee under  
23 Section 2-126 before the effective date of that election. The  
24 System shall pay the amount of the consideration payment.

25 (c) A Tier 1 employee who does not make the election under

1 subsection (a) of this Section shall not be subject to the  
2 benefits of subsection (b) of this Section.

3 (d) The System shall make a good faith effort to contact  
4 each Tier 1 employee subject to this Section. Such  
5 correspondence shall describe the election to each Tier 1  
6 employee. If the Tier 1 employee is not responsive, it is  
7 sufficient for the System to publish the details of any  
8 elections on its website or to publish those details in a  
9 regularly published newsletter or other existing public forum.

10 Tier 1 employees who are subject to this Section shall be  
11 provided with an election packet containing information  
12 regarding their options, as well as the forms necessary to make  
13 the election. Upon request, the System shall offer Tier 1  
14 employees an opportunity to receive information from the System  
15 before making the election. The information may be provided  
16 through video materials, group presentations, individual  
17 consultation with a member or authorized representative of the  
18 System in person or by telephone or other electronic means, or  
19 any combination of those methods. The System shall not provide  
20 advice or counseling with respect to the legal or tax  
21 circumstances of or consequences of making the election in  
22 subsection (a) of this Section.

23 The System shall inform Tier 1 employees in the election  
24 packet required under this subsection that the Tier 1 employee  
25 may also wish to obtain information and counsel relating to the  
26 election 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 regarding the  
5 election under this Section. The System shall coordinate with  
6 other retirement systems administering an election in  
7 accordance with this amendatory Act of the 100th General  
8 Assembly to provide information concerning the impact of the  
9 election set forth in this Section.

10 (d-5) To the extent authorized under federal law and as  
11 authorized by the retirement system, a Tier 1 employee may  
12 transfer or roll over the consideration payment into other  
13 qualified retirement plans.

14 (e) A member's election under this Section is not a  
15 prohibited election under subdivision (j)(1) of Section 1-119  
16 of this Code.

17 (f) No provision of this Section shall be interpreted in a  
18 way that would cause the System to cease to be a qualified plan  
19 under Section 401(a) of the Internal Revenue Code of 1986. The  
20 provisions of this Section shall be subject to and implemented  
21 in a manner that complies with Section 11 of Article IV of the  
22 Illinois Constitution.

23 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

24 (Text of Section WITHOUT the changes made by P.A. 98-599,  
25 which has been held unconstitutional)

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

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

16           (a-1) Notwithstanding any other provision of this Article,  
17 for a Tier 1 employee who made the election under subsection  
18 (a) of Section 2-110.3:

19           (1) The initial increase in retirement annuity under  
20 this Section shall occur on the January 1 occurring either  
21 on or after the attainment of age 67 or the fifth  
22 anniversary of the annuity start date, whichever is  
23 earlier.

24           (2) The amount of each automatic annual increase in  
25 retirement annuity or survivor's annuity occurring on or  
26 after the effective date of that election shall be

1       calculated as a percentage of the originally granted  
2       retirement annuity or survivor's annuity, equal to 3% or  
3       one-half the annual unadjusted percentage increase (but  
4       not less than zero) in the consumer price index-u for the  
5       12 months ending with the September preceding each November  
6       1, whichever is less. If the annual unadjusted percentage  
7       change in the consumer price index-u for the 12 months  
8       ending with the September preceding each November 1 is zero  
9       or there is a decrease, then the annuity shall not be  
10       increased.

11       For the purposes of this Section, "consumer price index-u"  
12       means the index published by the Bureau of Labor Statistics of  
13       the United States Department of Labor that measures the average  
14       change in prices of goods and services purchased by all urban  
15       consumers, United States city average, all items, 1982-84 =  
16       100. The new amount resulting from each annual adjustment shall  
17       be determined by the Public Pension Division of the Department  
18       of Insurance and made available to the board of the retirement  
19       system by November 1 of each year.

20       (b) Beginning January 1, 1990, for eligible participants  
21       who remain in service after attaining 20 years of creditable  
22       service, the 3% increases provided under subsection (a) shall  
23       begin to accrue on the January 1 next following the date upon  
24       which the participant (1) attains age 55, or (2) attains 20  
25       years of creditable service, whichever occurs later, and shall  
26       continue to accrue while the participant remains in service;

1 such increases shall become payable on January 1 or July 1,  
2 whichever occurs first, next following the first anniversary of  
3 retirement. For any person who has service credit in the System  
4 for the entire period from January 15, 1969 through December  
5 31, 1992, regardless of the date of termination of service, the  
6 reference to age 55 in clause (1) of this subsection (b) shall  
7 be deemed to mean age 50.

8 This subsection (b) does not apply to any person who first  
9 becomes a member of the System after August 8, 2003 (the  
10 effective date of Public Act 93-494) ~~this amendatory Act of the~~  
11 ~~93rd General Assembly.~~

12 (b-5) Notwithstanding any other provision of this Article,  
13 a participant who first becomes a participant on or after  
14 January 1, 2011 (the effective date of Public Act 96-889)  
15 shall, in January or July next following the first anniversary  
16 of retirement, whichever occurs first, and in the same month of  
17 each year thereafter, but in no event prior to age 67, have the  
18 amount of the retirement annuity then being paid increased by  
19 3% or the annual unadjusted percentage increase in the Consumer  
20 Price Index for All Urban Consumers as determined by the Public  
21 Pension Division of the Department of Insurance under  
22 subsection (a) of Section 2-108.1, whichever is less.

23 (c) The foregoing provisions relating to automatic  
24 increases are not applicable to a participant who retires  
25 before having made contributions (at the rate prescribed in  
26 Section 2-126) for automatic increases for less than the



1 equivalent of one full year. However, in order to be eligible  
2 for the automatic increases, such a participant may make  
3 arrangements to pay to the system the amount required to bring  
4 the total contributions for the automatic increase to the  
5 equivalent of one year's contributions based upon his or her  
6 last salary.

7 (d) A participant who terminated service prior to July 1,  
8 1967, with at least 14 years of service is entitled to an  
9 increase in retirement annuity beginning January, 1976, and to  
10 additional increases in January of each year thereafter.

11 The initial increase shall be 1 1/2% of the originally  
12 granted retirement annuity multiplied by the number of full  
13 years that the annuitant was in receipt of such annuity prior  
14 to January 1, 1972, plus 2% of the originally granted  
15 retirement annuity for each year after that date. The  
16 subsequent annual increases shall be at the rate of 2% of the  
17 originally granted retirement annuity for each year through  
18 1979 and at the rate of 3% for 1980 and thereafter.

19 (e) Beginning January 1, 1990, and except as provided in  
20 subsection (a-1), all automatic annual increases payable under  
21 this Section shall be calculated as a percentage of the total  
22 annuity payable at the time of the increase, including previous  
23 increases granted under this Article.

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

1 (Text of Section WITHOUT the changes made by P.A. 98-599,  
2 which has been held unconstitutional)

3 Sec. 2-126. Contributions by participants.

4 (a) Each participant shall contribute toward the cost of  
5 his or her retirement annuity a percentage of each payment of  
6 salary received by him or her for service as a member as  
7 follows: for service between October 31, 1947 and January 1,  
8 1959, 5%; for service between January 1, 1959 and June 30,  
9 1969, 6%; for service between July 1, 1969 and January 10,  
10 1973, 6 1/2%; for service after January 10, 1973, 7%; for  
11 service after December 31, 1981, 8 1/2%.

12 (b) Beginning August 2, 1949, each male participant, and  
13 from July 1, 1971, each female participant shall contribute  
14 towards the cost of the survivor's annuity 2% of salary.

15 A participant who has no eligible survivor's annuity  
16 beneficiary may elect to cease making contributions for  
17 survivor's annuity under this subsection. A survivor's annuity  
18 shall not be payable upon the death of a person who has made  
19 this election, unless prior to that death the election has been  
20 revoked and the amount of the contributions that would have  
21 been paid under this subsection in the absence of the election  
22 is paid to the System, together with interest at the rate of 4%  
23 per year from the date the contributions would have been made  
24 to the date of payment.

25 (c) Beginning July 1, 1967, each participant shall  
26 contribute 1% of salary towards the cost of automatic increase

1 in annuity provided in Section 2-119.1. These contributions  
2 shall be made concurrently with contributions for retirement  
3 annuity purposes.

4 (d) In addition, each participant serving as an officer of  
5 the General Assembly shall contribute, for the same purposes  
6 and at the same rates as are required of a regular participant,  
7 on each additional payment received as an officer. If the  
8 participant serves as an officer for at least 2 but less than 4  
9 years, he or she shall contribute an amount equal to the amount  
10 that would have been contributed had the participant served as  
11 an officer for 4 years. Persons who serve as officers in the  
12 87th General Assembly but cannot receive the additional payment  
13 to officers because of the ban on increases in salary during  
14 their terms may nonetheless make contributions based on those  
15 additional payments for the purpose of having the additional  
16 payments included in their highest salary for annuity purposes;  
17 however, persons electing to make these additional  
18 contributions must also pay an amount representing the  
19 corresponding employer contributions, as calculated by the  
20 System.

21 (e) Notwithstanding any other provision of this Article,  
22 the required contribution of a participant who first becomes a  
23 participant on or after January 1, 2011 shall not exceed the  
24 contribution that would be due under this Article if that  
25 participant's highest salary for annuity purposes were  
26 \$106,800, plus any increases in that amount under Section

1 2-108.1.

2 (f) As adequate and legal consideration provided under this  
3 amendatory Act of the 100th General Assembly for making an  
4 election under subsection (a) of Section 2-110.3, beginning on  
5 the effective date of the Tier 1 employee's election under  
6 subsection (a) of Section 2-110.3, in lieu of the contributions  
7 otherwise required under this Section, each Tier 1 employee who  
8 made the election under subsection (a) of Section 2-110.3 shall  
9 contribute 8.5% of each payment of salary toward the cost of  
10 his or her retirement annuity and 1.85% of each payment of  
11 salary toward the cost of the survivor's annuity.

12 (g) As adequate and legal consideration provided under this  
13 amendatory Act of the 100th General Assembly for making an  
14 election under subsection (a) of Section 2-110.3,  
15 notwithstanding subsection (f) of this Section, beginning on  
16 the effective date of the Tier 1 employee's election under  
17 subsection (a) of Section 2-110.3, in lieu of the contributions  
18 otherwise required under this Section, each Tier 1 employee who  
19 made the election under subsection (a) of Section 2-110.3 and  
20 has elected to cease making contributions for survivor's  
21 annuity under subsection (b) of this Section, shall contribute  
22 8.55% of each payment of salary toward the cost of his or her  
23 retirement annuity.

24 (Source: P.A. 96-1490, eff. 1-1-11.)

25 (40 ILCS 5/2-162)

1 (Text of Section WITHOUT the changes made by P.A. 98-599,  
2 which has been held unconstitutional)

3 Sec. 2-162. Application and expiration of new benefit  
4 increases.

5 (a) As used in this Section, "new benefit increase" means  
6 an increase in the amount of any benefit provided under this  
7 Article, or an expansion of the conditions of eligibility for  
8 any benefit under this Article, that results from an amendment  
9 to this Code that takes effect after the effective date of this  
10 amendatory Act of the 94th General Assembly. "New benefit  
11 increase", however, does not include any benefit increase  
12 resulting from the changes made to this Article by this  
13 amendatory Act of the 100th General Assembly.

14 (b) Notwithstanding any other provision of this Code or any  
15 subsequent amendment to this Code, every new benefit increase  
16 is subject to this Section and shall be deemed to be granted  
17 only in conformance with and contingent upon compliance with  
18 the provisions of this Section.

19 (c) The Public Act enacting a new benefit increase must  
20 identify and provide for payment to the System of additional  
21 funding at least sufficient to fund the resulting annual  
22 increase in cost to the System as it accrues.

23 Every new benefit increase is contingent upon the General  
24 Assembly providing the additional funding required under this  
25 subsection. The Commission on Government Forecasting and  
26 Accountability shall analyze whether adequate additional

1 funding has been provided for the new benefit increase and  
2 shall report its analysis to the Public Pension Division of the  
3 Department of Insurance ~~Financial and Professional Regulation~~.

4 A new benefit increase created by a Public Act that does not  
5 include the additional funding required under this subsection  
6 is null and void. If the Public Pension Division determines  
7 that the additional funding provided for a new benefit increase  
8 under this subsection is or has become inadequate, it may so  
9 certify to the Governor and the State Comptroller and, in the  
10 absence of corrective action by the General Assembly, the new  
11 benefit increase shall expire at the end of the fiscal year in  
12 which the certification is made.

13 (d) Every new benefit increase shall expire 5 years after  
14 its effective date or on such earlier date as may be specified  
15 in the language enacting the new benefit increase or provided  
16 under subsection (c). This does not prevent the General  
17 Assembly from extending or re-creating a new benefit increase  
18 by law.

19 (e) Except as otherwise provided in the language creating  
20 the new benefit increase, a new benefit increase that expires  
21 under this Section continues to apply to persons who applied  
22 and qualified for the affected benefit while the new benefit  
23 increase was in effect and to the affected beneficiaries and  
24 alternate payees of such persons, but does not apply to any  
25 other person, including without limitation a person who  
26 continues in service after the expiration date and did not

1 apply and qualify for the affected benefit while the new  
2 benefit increase was in effect.

3 (Source: P.A. 94-4, eff. 6-1-05.)

4 (40 ILCS 5/2-165.1 new)

5 Sec. 2-165.1. Defined contribution plan.

6 (a) By July 1, 2018, the System shall prepare and implement  
7 a voluntary defined contribution plan for up to 5% of eligible  
8 active Tier 1 employees. The System shall determine the 5% cap  
9 by the number of active Tier 1 employees on the effective date  
10 of this Section. The defined contribution plan developed under  
11 this Section shall be a plan that aggregates employer and  
12 employee contributions in individual participant accounts  
13 which, after meeting any other requirements, are used for  
14 payouts after retirement in accordance with this Section and  
15 any other applicable laws.

16 As used in this Section, "defined benefit plan" means the  
17 retirement plan available under this Article to Tier 1  
18 employees who have not made the election authorized under this  
19 Section.

20 (1) Under the defined contribution plan, an active Tier  
21 1 employee of this System could elect to cease accruing  
22 benefits in the defined benefit plan under this Article and  
23 begin accruing benefits for future service in the defined  
24 contribution plan. Service credit under the defined  
25 contribution plan may be used for determining retirement

1 eligibility under the defined benefit plan.

2 (2) Participants in the defined contribution plan  
3 shall pay employee contributions at the same rate as Tier 1  
4 employees in this System who do not participate in the  
5 defined contribution plan.

6 (3) State contributions shall be paid into the accounts  
7 of all participants in the defined contribution plan at a  
8 uniform rate, expressed as a percentage of compensation and  
9 determined for each year. This rate shall be no higher than  
10 the employer's normal cost for Tier 1 employees in the  
11 defined benefit plan for that year, as determined by the  
12 System and expressed as a percentage of compensation, and  
13 shall be no lower than 3% of compensation. The State shall  
14 adjust this rate annually.

15 (4) The defined contribution plan shall require 5 years  
16 of participation in the defined contribution plan before  
17 vesting in State contributions. If the participant fails to  
18 vest in them, the State contributions, and the earnings  
19 thereon, shall be forfeited.

20 (5) The defined contribution plan may provide for  
21 participants in the plan to be eligible for defined  
22 disability benefits. If it does, the System shall reduce  
23 the employee contributions credited to the participant's  
24 defined contribution plan account by an amount determined  
25 by the System to cover the cost of offering such benefits.

26 (6) The defined contribution plan shall provide a



1 variety of options for investments. These options shall  
2 include investments handled by the Illinois State Board of  
3 Investment as well as private sector investment options.

4 (7) The defined contribution plan shall provide a  
5 variety of options for payouts to retirees and their  
6 survivors.

7 (8) To the extent authorized under federal law and as  
8 authorized by the System, the plan shall allow former  
9 participants in the plan to transfer or roll over employee  
10 and vested State contributions, and the earnings thereon,  
11 into other qualified retirement plans.

12 (9) The System shall reduce the employee contributions  
13 credited to the participant's defined contribution plan  
14 account by an amount determined by the System to cover the  
15 cost of offering these benefits and any applicable  
16 administrative fees.

17 (b) Only persons who are active Tier 1 employees of the  
18 System on the effective date of this Section are eligible to  
19 participate in the defined contribution plan. Participation in  
20 the defined contribution plan shall be limited to the first 5%  
21 of eligible persons who elect to participate. The election to  
22 participate in the defined contribution plan is voluntary and  
23 irrevocable.

24 (c) An eligible active Tier 1 employee may irrevocably  
25 elect to participate in the defined contribution plan by filing  
26 with the System a written application to participate that is

1 received by the System prior to its determination that 5% of  
2 eligible persons have elected to participate in the defined  
3 contribution plan.

4 When the System first determines that 5% of eligible  
5 persons have elected to participate in the defined contribution  
6 plan, the System shall provide notice to previously eligible  
7 employees that the plan is no longer available and shall cease  
8 accepting applications to participate.

9 (d) The System shall make a good faith effort to contact  
10 each active Tier 1 employee who is eligible to participate in  
11 the defined contribution plan. Such correspondence shall  
12 describe the option to join the defined contribution plan to  
13 each of these employees. If the employee is not responsive to  
14 other means of contact, it is sufficient for the System to  
15 publish the details of the option on its website.

16 Upon request for further information describing the  
17 option, the System shall provide employees with information  
18 from the System before exercising the option to join the plan,  
19 including information on the impact to their vested benefits or  
20 non-vested service. The individual consultation shall include  
21 projections of the participant's defined benefits at  
22 retirement or earlier termination of service and the value of  
23 the participant's account at retirement or earlier termination  
24 of service. The System shall not provide advice or counseling  
25 with respect to whether the employee should exercise the  
26 option. The System shall inform Tier 1 employees who are

1 eligible to participate in the defined contribution plan that  
2 they may also wish to obtain information and counsel relating  
3 to their option from any other available source, including, but  
4 not limited to, labor organizations, private counsel, and  
5 financial advisors.

6 (e) In no event shall the System, its staff, its authorized  
7 representatives, or the Board be liable for any information  
8 given to an employee under this Section. The System may  
9 coordinate with other retirement systems administering a  
10 defined contribution plan in accordance with this amendatory  
11 Act of the 100th General Assembly to provide information  
12 concerning the impact of the option set forth in this Section.

13 (f) Notwithstanding any other provision of this Section, no  
14 person shall begin participating in the defined contribution  
15 plan until it has attained qualified plan status and received  
16 all necessary approvals from the U.S. Internal Revenue Service.

17 (g) The System shall report on its progress under this  
18 Section, including the available details of the defined  
19 contribution plan and the System's plans for informing eligible  
20 Tier 1 employees about the plan, to the Governor and the  
21 General Assembly.

22 (h) The Illinois State Board of Investments shall be the  
23 plan sponsor for the defined contribution plan established  
24 under this Section.

25 (i) The intent of this amendatory Act of the 100th General  
26 Assembly is to ensure that the State's normal cost of

1 participation in the defined contribution plan is similar, and  
2 if possible equal, to the State's normal cost of participation  
3 in the defined benefit plan, unless a lower State's normal cost  
4 is necessary to ensure cost neutrality.

5 (40 ILCS 5/2-166.1 new)

6 Sec. 2-166.1. Defined contribution plan; termination. If  
7 the defined contribution plan is terminated or becomes  
8 inoperative pursuant to law, then each participant in the plan  
9 shall automatically be deemed to have been a contributing Tier  
10 1 employee in the System's defined benefit plan during the time  
11 in which he or she participated in the defined contribution  
12 plan, and for that purpose the System shall be entitled to  
13 recover the amounts in the participant's defined contribution  
14 accounts.

15 (40 ILCS 5/14-103.10) (from Ch. 108 1/2, par. 14-103.10)

16 (Text of Section WITHOUT the changes made by P.A. 98-599,  
17 which has been held unconstitutional)

18 Sec. 14-103.10. Compensation.

19 (a) For periods of service prior to January 1, 1978, the  
20 full rate of salary or wages payable to an employee for  
21 personal services performed if he worked the full normal  
22 working period for his position, subject to the following  
23 maximum amounts: (1) prior to July 1, 1951, \$400 per month or  
24 \$4,800 per year; (2) between July 1, 1951 and June 30, 1957

1 inclusive, \$625 per month or \$7,500 per year; (3) beginning  
2 July 1, 1957, no limitation.

3 In the case of service of an employee in a position  
4 involving part-time employment, compensation shall be  
5 determined according to the employees' earnings record.

6 (b) For periods of service on and after January 1, 1978,  
7 all remuneration for personal services performed defined as  
8 "wages" under the Social Security Enabling Act, including that  
9 part of such remuneration which is in excess of any maximum  
10 limitation provided in such Act, and including any benefits  
11 received by an employee under a sick pay plan in effect before  
12 January 1, 1981, but excluding lump sum salary payments:

- 13 (1) for vacation,  
14 (2) for accumulated unused sick leave,  
15 (3) upon discharge or dismissal,  
16 (4) for approved holidays.

17 (c) For periods of service on or after December 16, 1978,  
18 compensation also includes any benefits, other than lump sum  
19 salary payments made at termination of employment, which an  
20 employee receives or is eligible to receive under a sick pay  
21 plan authorized by law.

22 (d) For periods of service after September 30, 1985,  
23 compensation also includes any remuneration for personal  
24 services not included as "wages" under the Social Security  
25 Enabling Act, which is deducted for purposes of participation  
26 in a program established pursuant to Section 125 of the

1 Internal Revenue Code or its successor laws.

2 (e) For members for which Section 1-160 applies for periods  
3 of service on and after January 1, 2011, all remuneration for  
4 personal services performed defined as "wages" under the Social  
5 Security Enabling Act, excluding remuneration that is in excess  
6 of the annual earnings, salary, or wages of a member or  
7 participant, as provided in subsection (b-5) of Section 1-160,  
8 but including any benefits received by an employee under a sick  
9 pay plan in effect before January 1, 1981. Compensation shall  
10 exclude lump sum salary payments:

- 11 (1) for vacation;  
12 (2) for accumulated unused sick leave;  
13 (3) upon discharge or dismissal; and  
14 (4) for approved holidays.

15 (f) Notwithstanding the other provisions of this Section,  
16 for service on or after July 1, 2013, "compensation" does not  
17 include any stipend payable to an employee for service on a  
18 board or commission.

19 (g) Notwithstanding any other provision of this Section,  
20 "compensation" does not include any consideration payment made  
21 to a Tier 1 employee.

22 (Source: P.A. 98-449, eff. 8-16-13.)

23 (40 ILCS 5/14-103.41 new)

24 Sec. 14-103.41. Tier 1 employee. "Tier 1 employee": An  
25 employee under this Article who first became a member or

1 participant before January 1, 2011 under any reciprocal  
2 retirement system or pension fund established under this Code  
3 other than a retirement system or pension fund established  
4 under Article 2, 3, 4, 5, 6, or 18 of this Code.

5 (40 ILCS 5/14-106.5 new)

6 Sec. 14-106.5. Election by Tier 1 employees.

7 (a) If approved by resolution of the Board, an active Tier  
8 1 employee may make an irrevocable election to agree to delay  
9 his or her eligibility for automatic annual increases in  
10 retirement annuity as provided in subsection (a-1) of Section  
11 14-114 and to have the amount of the automatic annual increases  
12 in his or her retirement annuity and survivors or widow's  
13 annuity that are otherwise provided for in this Article  
14 calculated, instead, as provided in subsection (a-1) of Section  
15 14-114.

16 (b) As adequate and legal consideration provided under this  
17 amendatory Act of the 100th General Assembly for making an  
18 election under subsection (a) of this Section, each Tier 1  
19 employee who has made an election under subsection (a) of this  
20 Section shall receive a consideration payment equal to 10% of  
21 the contributions made by or on behalf of the employee before  
22 the effective date of that election. The System shall pay the  
23 amount of the consideration payment.

24 (c) A Tier 1 employee who does not make the election under  
25 subsection (a) of this Section shall not be subject to the

1 benefits of subsection (b) of this Section.

2 (d) The System shall make a good faith effort to contact  
3 each Tier 1 employee subject to this Section. Such  
4 correspondence shall describe the election to each Tier 1  
5 employee. If the Tier 1 employee is not responsive, it is  
6 sufficient for the System to publish the details of any  
7 elections on its website or to publish those details in a  
8 regularly published newsletter or other existing public forum.

9 Tier 1 employees who are subject to this Section shall be  
10 provided with an election packet containing information  
11 regarding their options, as well as the forms necessary to make  
12 the election. Upon request, the System shall offer Tier 1  
13 employees an opportunity to receive information from the System  
14 before making the election. The information may be provided  
15 through video materials, group presentations, individual  
16 consultation with a member or authorized representative of the  
17 System in person or by telephone or other electronic means, or  
18 any combination of those methods. The System shall not provide  
19 advice or counseling with respect to the legal or tax  
20 circumstances of or consequences of making the election in  
21 subsection (a) of this Section.

22 The System shall inform Tier 1 employees in the election  
23 packet required under this subsection that the Tier 1 employee  
24 may also wish to obtain information and counsel relating to the  
25 election under this Section from any other available source,  
26 including, but not limited to, labor organizations and private



1 counsel.

2 In no event shall the System, its staff, or the Board be  
3 held liable for any information given to a member regarding the  
4 election under this Section. The System shall coordinate with  
5 other retirement systems administering an election in  
6 accordance with this amendatory Act of the 100th General  
7 Assembly to provide information concerning the impact of the  
8 election set forth in this Section.

9 (d-5) To the extent authorized under federal law and as  
10 authorized by the retirement system, a Tier 1 employee may  
11 transfer or roll over the consideration payment into other  
12 qualified retirement plans.

13 (e) A member's election under this Section is not a  
14 prohibited election under subdivision (j)(1) of Section 1-119  
15 of this Code.

16 (f) No provision of this Section shall be interpreted in a  
17 way that would cause the System to cease to be a qualified plan  
18 under Section 401(a) of the Internal Revenue Code of 1986. The  
19 provisions of this Section shall be subject to and implemented  
20 in a manner that complies with Section 21 of Article V of the  
21 Illinois Constitution.

22 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

23 (Text of Section WITHOUT the changes made by P.A. 98-599,  
24 which has been held unconstitutional)

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

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

1 who retires on or after June 28, 2001 and on or before October  
2 1, 2001, and whose retirement annuity is calculated, in whole  
3 or in part, under Section 14-110 or subsection (g) or (h) of  
4 Section 14-108, the first anniversary of retirement shall be  
5 deemed to be January 1, 2002.

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

9 Beginning January 1, 1990, and except as provided in  
10 subsection (a-1), all automatic annual increases payable under  
11 this Section shall be calculated as a percentage of the total  
12 annuity payable at the time of the increase, including previous  
13 increases granted under this Article.

14 (a-1) Notwithstanding any other provision of this Article,  
15 for a Tier 1 employee who made the election under subsection  
16 (a) of Section 14-106.5:

17 (1) The initial increase in retirement annuity under  
18 this Section shall occur on the January 1 occurring either  
19 on or after the attainment of age 67 or the fifth  
20 anniversary of the annuity start date, whichever is  
21 earlier.

22 (2) The amount of each automatic annual increase in  
23 retirement annuity or survivors or widow's annuity  
24 occurring on or after the effective date of that election  
25 shall be calculated as a percentage of the originally  
26 granted retirement annuity or survivors or widow's

1       annuity, equal to 3% or one-half the annual unadjusted  
2       percentage increase (but not less than zero) in the  
3       consumer price index-u for the 12 months ending with the  
4       September preceding each November 1, whichever is less. If  
5       the annual unadjusted percentage change in the consumer  
6       price index-u for the 12 months ending with the September  
7       preceding each November 1 is zero or there is a decrease,  
8       then the annuity shall not be increased.

9       For the purposes of this Section, "consumer price index-u"  
10       means the index published by the Bureau of Labor Statistics of  
11       the United States Department of Labor that measures the average  
12       change in prices of goods and services purchased by all urban  
13       consumers, United States city average, all items, 1982-84 =  
14       100. The new amount resulting from each annual adjustment shall  
15       be determined by the Public Pension Division of the Department  
16       of Insurance and made available to the board of the retirement  
17       system by November 1 of each year.

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

1 for the increasing annuity authorized by this Section.

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

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

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

21 (e) Every person who receives the alternative retirement  
22 annuity under Section 14-110 and who is eligible to receive the  
23 3% increase under subsection (a) on January 1, 1986, shall also  
24 receive on that date a one-time increase in retirement annuity  
25 equal to the difference between (1) his actual retirement  
26 annuity on that date, including any increases received under

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

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

7 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

8 (Text of Section WITHOUT the changes made by P.A. 98-599,  
9 which has been held unconstitutional)

10 Sec. 14-133. Contributions on behalf of members.

11 (a) Except as provided in subsection (a-5), each ~~Each~~  
12 participating employee shall make contributions to the System,  
13 based on the employee's compensation, as follows:

14 (1) Covered employees, except as indicated below, 3.5%  
15 for retirement annuity, and 0.5% for a widow or survivors  
16 annuity;

17 (2) Noncovered employees, except as indicated below,  
18 7% for retirement annuity and 1% for a widow or survivors  
19 annuity;

20 (3) Noncovered employees serving in a position in which  
21 "eligible creditable service" as defined in Section 14-110  
22 may be earned, 1% for a widow or survivors annuity plus the  
23 following amount for retirement annuity: 8.5% through  
24 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%  
25 in 2004 and thereafter;

1           (4) Covered employees serving in a position in which  
2 "eligible creditable service" as defined in Section 14-110  
3 may be earned, 0.5% for a widow or survivors annuity plus  
4 the following amount for retirement annuity: 5% through  
5 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004  
6 and thereafter;

7           (5) Each security employee of the Department of  
8 Corrections or of the Department of Human Services who is a  
9 covered employee, 0.5% for a widow or survivors annuity  
10 plus the following amount for retirement annuity: 5%  
11 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%  
12 in 2004 and thereafter;

13           (6) Each security employee of the Department of  
14 Corrections or of the Department of Human Services who is  
15 not a covered employee, 1% for a widow or survivors annuity  
16 plus the following amount for retirement annuity: 8.5%  
17 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and  
18 11.5% in 2004 and thereafter.

19           (a-5) As adequate and legal consideration provided under  
20 this amendatory Act of the 100th General Assembly for making an  
21 election under subsection (a) of Section 14-106.5, beginning on  
22 the effective date of the Tier 1 employee's election under  
23 subsection (a) of Section 14-106.5, in lieu of the  
24 contributions otherwise required under subsection (a), each  
25 Tier 1 employee who made the election under subsection (a) of  
26 Section 14-106.5 who is a participating employee shall make

1 contributions to the System, based on his or her compensation,  
2 as follows:

3 (1) Covered employees, except as indicated below,  
4 3.15% for retirement annuity, and 0.45% for a widow or  
5 survivors annuity;

6 (2) Noncovered employees, except as indicated below,  
7 6.3% for retirement annuity and 0.9% for a widow or  
8 survivors annuity;

9 (3) Noncovered employees serving in a position in which  
10 "eligible creditable service" as defined in Section 14-110  
11 may be earned, 10.35% for retirement annuity and 0.9% for a  
12 widow or survivors annuity;

13 (4) Covered employees serving in a position in which  
14 "eligible creditable service" as defined in Section 14-110  
15 may be earned, 7.2% for retirement annuity and 0.45% for a  
16 widow or survivors annuity;

17 (5) Each security employee of the Department of  
18 Corrections or of the Department of Human Services who is a  
19 covered employee, 7.2% for retirement annuity and 0.45% for  
20 a widow or survivors annuity;

21 (6) Each security employee of the Department of  
22 Corrections or of the Department of Human Services who is  
23 not a covered employee, 10.35% for retirement annuity and  
24 0.9% for a widow or survivors annuity.

25 (b) Contributions shall be in the form of a deduction from  
26 compensation and shall be made notwithstanding that the



1 compensation paid in cash to the employee shall be reduced  
2 thereby below the minimum prescribed by law or regulation. Each  
3 member is deemed to consent and agree to the deductions from  
4 compensation provided for in this Article, and shall receipt in  
5 full for salary or compensation.

6 (Source: P.A. 92-14, eff. 6-28-01.)

7 (40 ILCS 5/14-147.5 new)

8 Sec. 14-147.5. Accelerated pension benefit payment.

9 (a) As used in this Section:

10 "Eligible person" means a person who:

11 (1) has terminated service;

12 (2) has accrued sufficient service credit to be  
13 eligible to receive a retirement annuity under this  
14 Article;

15 (3) has not received any retirement annuity under this  
16 Article; and

17 (4) is not a party to a pending divorce proceeding and  
18 does not have a QILDRO in effect against him or her under  
19 this Article.

20 "Pension benefit" means the benefits under this Article, or  
21 Article 1 as it relates to those benefits, including any  
22 anticipated annual increases, that an eligible person is  
23 entitled to upon attainment of the applicable retirement age.  
24 "Pension benefit" also includes applicable survivor's or  
25 disability benefits.

1       (b) If approved by resolution of the Board in any year, the  
2 System shall calculate, using actuarial tables and other  
3 assumptions adopted by the Board, the net present value of  
4 pension benefits for each eligible person and shall offer each  
5 eligible person the opportunity to irrevocably elect to receive  
6 an amount determined by the System to be equal to 70% of the  
7 net present value of his or her pension benefits in lieu of  
8 receiving any pension benefit. The offer shall specify the  
9 dollar amount that the eligible person will receive if he or  
10 she so elects and shall expire when a subsequent offer is made  
11 to an eligible person. The System shall make a good faith  
12 effort to contact every eligible person to notify him or her of  
13 the election and of the amount of the accelerated pension  
14 benefit payment.

15       During a period of 3 months determined by the Board, an  
16 eligible person may irrevocably elect to receive an accelerated  
17 pension benefit payment in the amount that the System offers  
18 under this subsection in lieu of receiving any pension benefit.  
19 A person who elects to receive an accelerated pension benefit  
20 payment under this Section may not elect to proceed under the  
21 Retirement Systems Reciprocal Act with respect to service under  
22 this Article. The accelerated pension benefit payment shall be  
23 paid by the System.

24       (c) A person's credits and creditable service under this  
25 Article shall be terminated upon the person's receipt of an  
26 accelerated pension benefit payment under this Section, and no

1 other benefit shall be paid under this Article based on those  
2 terminated credits and creditable service, including any  
3 retirement, survivor, or other benefit; except that to the  
4 extent that participation, benefits, or premiums under the  
5 State Employees Group Insurance Act of 1971 are based on the  
6 amount of service credit, the terminated service credit shall  
7 be used for that purpose.

8 (d) If a person who has received an accelerated pension  
9 benefit payment under this Section returns to active service  
10 under this Article, then:

11 (1) Any benefits under the System earned as a result of  
12 that return to active service shall be based solely on the  
13 person's credits and creditable service arising from the  
14 return to active service.

15 (2) The accelerated pension benefit payment may not be  
16 repaid to the System, and the terminated credits and  
17 creditable service may not under any circumstances be  
18 reinstated.

19 (e) As a condition of receiving an accelerated pension  
20 benefit payment, an eligible person must have another  
21 retirement plan or account qualified under the Internal Revenue  
22 Code of 1986, as amended, for the accelerated pension benefit  
23 payment to be rolled into. The accelerated pension benefit  
24 payment under this Section may be subject to withholding or  
25 payment of applicable taxes, but to the extent permitted by  
26 federal law, a person who receives an accelerated pension

1 benefit payment under this Section must direct the System to  
2 pay all of that payment as a rollover into another retirement  
3 plan or account qualified under the Internal Revenue Code of  
4 1986, as amended.

5 (f) The Board may adopt any rules necessary to implement  
6 this Section.

7 (g) No provision of this Section shall be interpreted in a  
8 way that would cause the applicable System to cease to be a  
9 qualified plan under the Internal Revenue Code of 1986.

10 (40 ILCS 5/14-152.1)

11 (Text of Section WITHOUT the changes made by P.A. 98-599,  
12 which has been held unconstitutional)

13 Sec. 14-152.1. Application and expiration of new benefit  
14 increases.

15 (a) As used in this Section, "new benefit increase" means  
16 an increase in the amount of any benefit provided under this  
17 Article, or an expansion of the conditions of eligibility for  
18 any benefit under this Article, that results from an amendment  
19 to this Code that takes effect after June 1, 2005 (the  
20 effective date of Public Act 94-4). "New benefit increase",  
21 however, does not include any benefit increase resulting from  
22 the changes made to this Article by Public Act 96-37 or by this  
23 amendatory Act of the 100th General Assembly ~~this amendatory~~  
24 ~~Act of the 96th General Assembly.~~

25 (b) Notwithstanding any other provision of this Code or any

1 subsequent amendment to this Code, every new benefit increase  
2 is subject to this Section and shall be deemed to be granted  
3 only in conformance with and contingent upon compliance with  
4 the provisions of this Section.

5 (c) The Public Act enacting a new benefit increase must  
6 identify and provide for payment to the System of additional  
7 funding at least sufficient to fund the resulting annual  
8 increase in cost to the System as it accrues.

9 Every new benefit increase is contingent upon the General  
10 Assembly providing the additional funding required under this  
11 subsection. The Commission on Government Forecasting and  
12 Accountability shall analyze whether adequate additional  
13 funding has been provided for the new benefit increase and  
14 shall report its analysis to the Public Pension Division of the  
15 Department of Insurance ~~Financial and Professional Regulation~~.

16 A new benefit increase created by a Public Act that does not  
17 include the additional funding required under this subsection  
18 is null and void. If the Public Pension Division determines  
19 that the additional funding provided for a new benefit increase  
20 under this subsection is or has become inadequate, it may so  
21 certify to the Governor and the State Comptroller and, in the  
22 absence of corrective action by the General Assembly, the new  
23 benefit increase shall expire at the end of the fiscal year in  
24 which the certification is made.

25 (d) Every new benefit increase shall expire 5 years after  
26 its effective date or on such earlier date as may be specified

1 in the language enacting the new benefit increase or provided  
2 under subsection (c). This does not prevent the General  
3 Assembly from extending or re-creating a new benefit increase  
4 by law.

5 (e) Except as otherwise provided in the language creating  
6 the new benefit increase, a new benefit increase that expires  
7 under this Section continues to apply to persons who applied  
8 and qualified for the affected benefit while the new benefit  
9 increase was in effect and to the affected beneficiaries and  
10 alternate payees of such persons, but does not apply to any  
11 other person, including without limitation a person who  
12 continues in service after the expiration date and did not  
13 apply and qualify for the affected benefit while the new  
14 benefit increase was in effect.

15 (Source: P.A. 96-37, eff. 7-13-09.)

16 (40 ILCS 5/14-155.1 new)

17 Sec. 14-155.1. Defined contribution plan.

18 (a) By July 1, 2018, the System shall prepare and implement  
19 a voluntary defined contribution plan for up to 5% of eligible  
20 active Tier 1 employees. The System shall determine the 5% cap  
21 by the number of active Tier 1 employees on the effective date  
22 of this Section. The defined contribution plan developed under  
23 this Section shall be a plan that aggregates employer and  
24 employee contributions in individual participant accounts  
25 which, after meeting any other requirements, are used for

1 payouts after retirement in accordance with this Section and  
2 any other applicable laws.

3 As used in this Section, "defined benefit plan" means the  
4 retirement plan available under this Article to Tier 1  
5 employees who have not made the election authorized under this  
6 Section.

7 (1) Under the defined contribution plan, an active Tier  
8 1 employee of this System could elect to cease accruing  
9 benefits in the defined benefit plan under this Article and  
10 begin accruing benefits for future service in the defined  
11 contribution plan. Service credit under the defined  
12 contribution plan may be used for determining retirement  
13 eligibility under the defined benefit plan.

14 (2) Participants in the defined contribution plan  
15 shall pay employee contributions at the same rate as Tier 1  
16 employees in this System who do not participate in the  
17 defined contribution plan.

18 (3) State contributions shall be paid into the accounts  
19 of all participants in the defined contribution plan at a  
20 uniform rate, expressed as a percentage of compensation and  
21 determined for each year. This rate shall be no higher than  
22 the employer's normal cost for Tier 1 employees in the  
23 defined benefit plan for that year, as determined by the  
24 System and expressed as a percentage of compensation, and  
25 shall be no lower than 3% of compensation. The State shall  
26 adjust this rate annually.

1           (4) The defined contribution plan shall require 5 years  
2           of participation in the defined contribution plan before  
3           vesting in State contributions. If the participant fails to  
4           vest in them, the State contributions, and the earnings  
5           thereon, shall be forfeited.

6           (5) The defined contribution plan may provide for  
7           participants in the plan to be eligible for the defined  
8           disability benefits available to other participants under  
9           this Article. If it does, the System shall reduce the  
10           employee contributions credited to the member's defined  
11           contribution plan account by an amount determined by the  
12           System to cover the cost of offering such benefits.

13           (6) The defined contribution plan shall provide a  
14           variety of options for investments. These options shall  
15           include investments handled by the Illinois State Board of  
16           Investment as well as private sector investment options.

17           (7) The defined contribution plan shall provide a  
18           variety of options for payouts to retirees and their  
19           survivors.

20           (8) To the extent authorized under federal law and as  
21           authorized by the System, the plan shall allow former  
22           participants in the plan to transfer or roll over employee  
23           and vested State contributions, and the earnings thereon,  
24           into other qualified retirement plans.

25           (9) The System shall reduce the employee contributions  
26           credited to the member's defined contribution plan account



1       by an amount determined by the System to cover the cost of  
2       offering these benefits and any applicable administrative  
3       fees.

4       (b) Only persons who are active Tier 1 employees of the  
5       System on the effective date of this Section are eligible to  
6       participate in the defined contribution plan. Participation in  
7       the defined contribution plan shall be limited to the first 5%  
8       of eligible persons who elect to participate. The election to  
9       participate in the defined contribution plan is voluntary and  
10      irrevocable.

11      (c) An eligible Tier 1 employee may irrevocably elect to  
12      participate in the defined contribution plan by filing with the  
13      System a written application to participate that is received by  
14      the System prior to its determination that 5% of eligible  
15      persons have elected to participate in the defined contribution  
16      plan.

17      When the System first determines that 5% of eligible  
18      persons have elected to participate in the defined contribution  
19      plan, the System shall provide notice to previously eligible  
20      employees that the plan is no longer available and shall cease  
21      accepting applications to participate.

22      (d) The System shall make a good faith effort to contact  
23      each active Tier 1 employee who is eligible to participate in  
24      the defined contribution plan. Such correspondence shall  
25      describe the option to join the defined contribution plan to  
26      each of these employees. If the employee is not responsive to

1 other means of contact, it is sufficient for the System to  
2 publish the details of the option on its website.

3 Upon request for further information describing the  
4 option, the System shall provide employees with information  
5 from the System before exercising the option to join the plan,  
6 including information on the impact to their vested benefits or  
7 non-vested service. The individual consultation shall include  
8 projections of the member's defined benefits at retirement or  
9 earlier termination of service and the value of the member's  
10 account at retirement or earlier termination of service. The  
11 System shall not provide advice or counseling with respect to  
12 whether the employee should exercise the option. The System  
13 shall inform Tier 1 employees who are eligible to participate  
14 in the defined contribution plan that they may also wish to  
15 obtain information and counsel relating to their option from  
16 any other available source, including, but not limited to,  
17 labor organizations, private counsel, and financial advisors.

18 (e) In no event shall the System, its staff, its authorized  
19 representatives, or the Board be liable for any information  
20 given to an employee under this Section. The System may  
21 coordinate with the other retirement systems administering a  
22 defined contribution plan in accordance with this amendatory  
23 Act of the 100th General Assembly to provide information  
24 concerning the impact of the option set forth in this Section.

25 (f) Notwithstanding any other provision of this Section, no  
26 person shall begin participating in the defined contribution

1 plan until it has attained qualified plan status and received  
2 all necessary approvals from the U.S. Internal Revenue Service.

3 (g) The System shall report on its progress under this  
4 Section, including the available details of the defined  
5 contribution plan and the System's plans for informing eligible  
6 Tier 1 employees about the plan, to the Governor and the  
7 General Assembly.

8 (h) The Illinois State Board of Investment shall be the  
9 plan sponsor for the defined contribution plan established  
10 under this Section.

11 (i) The intent of this amendatory Act of the 100th General  
12 Assembly is to ensure that the State's normal cost of  
13 participation in the defined contribution plan is similar, and  
14 if possible equal, to the State's normal cost of participation  
15 in the defined benefit plan, unless a lower State's normal cost  
16 is necessary to ensure cost neutrality.

17 (40 ILCS 5/14-155.2 new)

18 Sec. 14-155.2. Defined contribution plan for certain  
19 covered employees.

20 (a) As used in this Section:

21 "Defined benefit plan" means the retirement plan available  
22 under this Article and Section 1-160 to eligible covered  
23 employees who do not make the election authorized under this  
24 Section.

25 "Eligible covered employee" means a covered employee who

1 first becomes a participant under this Article on or after July  
2 1, 2018.

3 (b) In lieu of the defined benefit plan, an eligible  
4 covered employee may irrevocably elect to participate in the  
5 defined contribution plan under this Section. The election to  
6 participate in the defined contribution plan must be made  
7 within 30 days after becoming an eligible covered employee. The  
8 election to participate in the defined contribution plan under  
9 this Section is voluntary and irrevocable.

10 (c) No later than July 1, 2018, the System shall prepare  
11 and implement a voluntary defined contribution plan for  
12 eligible covered employees. The defined contribution plan  
13 developed under this Section shall be a plan that aggregates  
14 employer and employee contributions in individual participant  
15 accounts which, after meeting any other requirements, are used  
16 for payouts after retirement in accordance with this Section  
17 and any other applicable laws.

18 (1) A participant in the defined contribution plan  
19 shall contribute a minimum of 3% of his or her compensation  
20 to the defined contribution plan.

21 (2) For persons who participate in the defined  
22 contribution plan for at least one year, employer  
23 contributions shall be paid into the accounts of those  
24 participants at a rate of 3% of compensation.

25 (3) Employer contributions shall vest when those  
26 contributions are paid into a participant's account.

1           (4) The defined contribution plan shall provide a  
2           variety of options for investments. These options shall  
3           include investments handled by the Illinois State Board of  
4           Investment as well as private sector investment options.

5           (5) The defined contribution plan shall provide a  
6           variety of options for payouts to retirees and their  
7           survivors.

8           (6) To the extent authorized under federal law and as  
9           authorized by the affected pension fund, the defined  
10          contribution plan shall allow former participants in the  
11          plan to transfer or roll over employee and employer  
12          contributions, and the earnings thereon, into other  
13          qualified retirement plans.

14          (7) The System shall reduce the employee contributions  
15          credited to the participant's defined contribution plan  
16          account by an amount determined by the System to cover the  
17          cost of offering the benefits under this Section and any  
18          applicable administrative fees.

19           (40 ILCS 5/14-156.1 new)

20          Sec. 14-156.1. Defined contribution plan; termination. If  
21          the defined contribution plan under Section 14-155.1 is  
22          terminated or becomes inoperative pursuant to law, then each  
23          participant in the plan shall automatically be deemed to have  
24          been a contributing Tier 1 employee in the System's defined  
25          benefit plan during the time in which he or she participated in

1 the defined contribution plan, and for that purpose the System  
2 shall be entitled to recover the amounts in the participant's  
3 defined contribution accounts.

4 (40 ILCS 5/15-108.1)

5 Sec. 15-108.1. Tier 1 member; Tier 1 employee.

6 "Tier 1 member": A participant or an annuitant of a  
7 retirement annuity under this Article, other than a participant  
8 in the self-managed plan under Section 15-158.2, who first  
9 became a participant or member before January 1, 2011 under any  
10 reciprocal retirement system or pension fund established under  
11 this Code, other than a retirement system or pension fund  
12 established under Articles 2, 3, 4, 5, 6, or 18 of this Code.  
13 "Tier 1 member" includes a person who first became a  
14 participant under this System before January 1, 2011 and who  
15 accepts a refund and is subsequently reemployed by an employer  
16 on or after January 1, 2011.

17 "Tier 1 employee": A Tier 1 member who is a participating  
18 employee, unless he or she is a disability benefit recipient  
19 under Section 15-150. However, for the purposes of the election  
20 under Section 15-132.9, "Tier 1 employee" does not include an  
21 individual who has made an irrevocable election on or before  
22 June 1, 2017 to retire from service pursuant to the terms of an  
23 employment contract or a collective bargaining agreement in  
24 effect on June 1, 2017, excluding any extension, amendment, or  
25 renewal of that agreement on or after that date, and has

1 notified the System of that election.

2 (Source: P.A. 98-92, eff. 7-16-13.)

3 (40 ILCS 5/15-108.2)

4 Sec. 15-108.2. Tier 2 member. "Tier 2 member": A person who  
5 first becomes a participant under this Article on or after  
6 January 1, 2011 and before July 1, 2018, other than a person in  
7 the self-managed plan established under Section 15-158.2 or a  
8 person who makes the election under subsection (c) of Section  
9 1-161, unless the person is otherwise a Tier 1 member. "Tier 2  
10 member" does not include a person who makes the election under  
11 subsection (c-5) of Section 1-161. The changes made to this  
12 Section by this amendatory Act of the 98th General Assembly are  
13 a correction of existing law and are intended to be retroactive  
14 to the effective date of Public Act 96-889, notwithstanding the  
15 provisions of Section 1-103.1 of this Code.

16 (Source: P.A. 98-92, eff. 7-16-13; 98-596, eff. 11-19-13.)

17 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

18 Sec. 15-111. Earnings.

19 (a) "Earnings": Subject to Section 15-111.5, an amount paid  
20 for personal services equal to the sum of the basic  
21 compensation plus extra compensation for summer teaching,  
22 overtime or other extra service. For periods for which an  
23 employee receives service credit under subsection (c) of  
24 Section 15-113.1 or Section 15-113.2, earnings are equal to the

1 basic compensation on which contributions are paid by the  
2 employee during such periods. Compensation for employment  
3 which is irregular, intermittent and temporary shall not be  
4 considered earnings, unless the participant is also receiving  
5 earnings from the employer as an employee under Section 15-107.

6 With respect to transition pay paid by the University of  
7 Illinois to a person who was a participating employee employed  
8 in the fire department of the University of Illinois's  
9 Champaign-Urbana campus immediately prior to the elimination  
10 of that fire department:

11 (1) "Earnings" includes transition pay paid to the  
12 employee on or after the effective date of this amendatory  
13 Act of the 91st General Assembly.

14 (2) "Earnings" includes transition pay paid to the  
15 employee before the effective date of this amendatory Act  
16 of the 91st General Assembly only if (i) employee  
17 contributions under Section 15-157 have been withheld from  
18 that transition pay or (ii) the employee pays to the System  
19 before January 1, 2001 an amount representing employee  
20 contributions under Section 15-157 on that transition pay.  
21 Employee contributions under item (ii) may be paid in a  
22 lump sum, by withholding from additional transition pay  
23 accruing before January 1, 2001, or in any other manner  
24 approved by the System. Upon payment of the employee  
25 contributions on transition pay, the corresponding  
26 employer contributions become an obligation of the State.



1       (a-10) Notwithstanding any other provision of this  
2 Section, "earnings" does not include any consideration payment  
3 made to a Tier 1 employee.

4       (b) For a Tier 2 member, the annual earnings shall not  
5 exceed \$106,800; however, that amount shall annually  
6 thereafter be increased by the lesser of (i) 3% of that amount,  
7 including all previous adjustments, or (ii) one half the annual  
8 unadjusted percentage increase (but not less than zero) in the  
9 consumer price index-u for the 12 months ending with the  
10 September preceding each November 1, including all previous  
11 adjustments.

12       For the purposes of this Section, "consumer price index u"  
13 means the index published by the Bureau of Labor Statistics of  
14 the United States Department of Labor that measures the average  
15 change in prices of goods and services purchased by all urban  
16 consumers, United States city average, all items, 1982-84 =  
17 100. The new amount resulting from each annual adjustment shall  
18 be determined by the Public Pension Division of the Department  
19 of Insurance and made available to the boards of the retirement  
20 systems and pension funds by November 1 of each year.

21       (c) With each submission of payroll information in the  
22 manner prescribed by the System, the employer shall certify  
23 that the payroll information is correct and complies with all  
24 applicable State and federal laws.

25       (Source: P.A. 98-92, eff. 7-16-13; 99-897, eff. 1-1-17.)

1 (40 ILCS 5/15-132.9 new)

2 Sec. 15-132.9. Election by Tier 1 employees.

3 (a) If approved by resolution of the Board, an active Tier  
4 1 employee may make an irrevocable election to agree to delay  
5 his or her eligibility for automatic annual increases in  
6 retirement annuity as provided in subsection (d-1) of Section  
7 15-136 and to have the amount of the automatic annual increases  
8 in his or her retirement annuity and survivors or widow's  
9 annuity that are otherwise provided for in this Article  
10 calculated, instead, as provided in subsection (d-1) of Section  
11 15-136.

12 (b) As adequate and legal consideration provided under this  
13 amendatory Act of the 100th General Assembly for making an  
14 election under subsection (a) of this Section, each Tier 1  
15 employee who has made an election under subsection (a) of this  
16 Section shall receive a consideration payment equal to 10% of  
17 the contributions made by or on behalf of the employee under  
18 Section 15-157 before the effective date of that election. The  
19 System shall pay the amount of the consideration payment.

20 (c) A Tier 1 employee who does not make the election under  
21 subsection (a) of this Section shall not be subject to the  
22 benefits of subsection (b) of this Section.

23 (d) The System shall make a good faith effort to contact  
24 each Tier 1 employee subject to this Section. Such  
25 correspondence shall describe the election to each Tier 1  
26 employee. If the Tier 1 employee is not responsive, it is

1 sufficient for the System to publish the details of any  
2 elections on its website or to publish those details in a  
3 regularly published newsletter or other existing public forum.

4 Tier 1 employees who are subject to this Section shall be  
5 provided with an election packet containing information  
6 regarding their options, as well as the forms necessary to make  
7 the election. Upon request, the System shall offer Tier 1  
8 employees an opportunity to receive information from the System  
9 before making the election. The information may consist of  
10 video materials, benefit estimators, group presentations,  
11 individual consultation with a member or authorized  
12 representative of the System in person or by telephone or other  
13 electronic means, or any combination of these methods. The  
14 System shall not provide advice or counseling with respect to  
15 the legal or tax circumstances of or consequences of making the  
16 election in subsection (a) of this Section.

17 The System shall inform Tier 1 employees in the election  
18 packet required under this subsection that the Tier 1 employee  
19 may also wish to obtain information and counsel relating to the  
20 election under this Section from any other available source,  
21 including, but not limited to, labor organizations and private  
22 counsel.

23 In no event shall the System, its staff, or the Board be  
24 held liable for any information given to a member regarding the  
25 election under this Section. The System shall coordinate with  
26 other retirement systems administering an election in

1 accordance with this amendatory Act of the 100th General  
2 Assembly to provide information concerning the impact of the  
3 election set forth in this Section.

4 (d-5) To the extent authorized under federal law and as  
5 authorized by the retirement system, a Tier 1 employee may  
6 transfer or roll over the consideration payment into other  
7 qualified retirement plans.

8 (e) A member's election under this Section is not a  
9 prohibited election under subdivision (j)(1) of Section 1-119  
10 of this Code.

11 (f) No provision of this Section shall be interpreted in a  
12 way that would cause the System to cease to be a qualified plan  
13 under Section 401(a) of the Internal Revenue Code of 1986.

14 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

15 (Text of Section WITHOUT the changes made by P.A. 98-599,  
16 which has been held unconstitutional)

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

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

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

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

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

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

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

26           With respect to a police officer or firefighter who retires

1 on or after August 14, 1998, the accumulated normal  
2 contributions taken into account under clauses (i) and (ii) of  
3 this Rule 2 shall include the additional normal contributions  
4 made by the police officer or firefighter under Section  
5 15-157(a).

6 The amount of a retirement annuity calculated under this  
7 Rule 2 shall be computed solely on the basis of the  
8 participant's accumulated normal contributions, as specified  
9 in this Rule and defined in Section 15-116. Neither an employee  
10 or employer contribution for early retirement under Section  
11 15-136.2 nor any other employer contribution shall be used in  
12 the calculation of the amount of a retirement annuity under  
13 this Rule 2.

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

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

20 Rule 3: The retirement annuity of a participant who is  
21 employed at least one-half time during the period on which his  
22 or her final rate of earnings is based, shall be equal to the  
23 participant's years of service not to exceed 30, multiplied by  
24 (1) \$96 if the participant's final rate of earnings is less  
25 than \$3,500, (2) \$108 if the final rate of earnings is at least  
26 \$3,500 but less than \$4,500, (3) \$120 if the final rate of

1 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if  
2 the final rate of earnings is at least \$5,500 but less than  
3 \$6,500, (5) \$144 if the final rate of earnings is at least  
4 \$6,500 but less than \$7,500, (6) \$156 if the final rate of  
5 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if  
6 the final rate of earnings is at least \$8,500 but less than  
7 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or  
8 more, except that the annuity for those persons having made an  
9 election under Section 15-154(a-1) shall be calculated and  
10 payable under the portable retirement benefit program pursuant  
11 to the provisions of Section 15-136.4.

12 Rule 4: A participant who is at least age 50 and has 25 or  
13 more years of service as a police officer or firefighter, and a  
14 participant who is age 55 or over and has at least 20 but less  
15 than 25 years of service as a police officer or firefighter,  
16 shall be entitled to a retirement annuity of 2 1/4% of the  
17 final rate of earnings for each of the first 10 years of  
18 service as a police officer or firefighter, 2 1/2% for each of  
19 the next 10 years of service as a police officer or  
20 firefighter, and 2 3/4% for each year of service as a police  
21 officer or firefighter in excess of 20. The retirement annuity  
22 for all other service shall be computed under Rule 1. A Tier 2  
23 member is eligible for a retirement annuity calculated under  
24 Rule 4 only if that Tier 2 member meets the service  
25 requirements for that benefit calculation as prescribed under  
26 this Rule 4 in addition to the applicable age requirement under

1 subsection (a-5) of Section 15-135.

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

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

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

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

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

26 (2) For a participant who has at least the number of



1 years of service required to retire at any age under  
2 subsection (a) of Section 15-135; or

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

9 (b-5) The retirement annuity of a Tier 2 member who is  
10 retiring after attaining age 62 with at least 10 years of  
11 service credit shall be reduced by 1/2 of 1% for each full  
12 month that the member's age is under age 67.

13 (c) The maximum retirement annuity provided under Rules 1,  
14 2, 4, and 5 shall be the lesser of (1) the annual limit of  
15 benefits as specified in Section 415 of the Internal Revenue  
16 Code of 1986, as such Section may be amended from time to time  
17 and as such benefit limits shall be adjusted by the  
18 Commissioner of Internal Revenue, and (2) 80% of final rate of  
19 earnings.

20 (d) Subject to the provisions of subsection (d-1), a Tier  
21 1 member whose status as an employee terminates after August  
22 14, 1969 shall receive automatic increases in his or her  
23 retirement annuity as follows:

24 Effective January 1 immediately following the date the  
25 retirement annuity begins, the annuitant shall receive an  
26 increase in his or her monthly retirement annuity of 0.125% of

1 the monthly retirement annuity provided under Rule 1, Rule 2,  
2 Rule 3, or Rule 4 contained in this Section, multiplied by the  
3 number of full months which elapsed from the date the  
4 retirement annuity payments began to January 1, 1972, plus  
5 0.1667% of such annuity, multiplied by the number of full  
6 months which elapsed from January 1, 1972, or the date the  
7 retirement annuity payments began, whichever is later, to  
8 January 1, 1978, plus 0.25% of such annuity multiplied by the  
9 number of full months which elapsed from January 1, 1978, or  
10 the date the retirement annuity payments began, whichever is  
11 later, to the effective date of the increase.

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

20 Beginning January 1, 1990, and except as provided in  
21 subsection (d-1), all automatic annual increases payable under  
22 this Section shall be calculated as a percentage of the total  
23 annuity payable at the time of the increase, including all  
24 increases previously granted under this Article.

25 The change made in this subsection by P.A. 85-1008 is  
26 effective January 26, 1988, and is applicable without regard to

1 whether status as an employee terminated before that date.

2 (d-1) Notwithstanding any other provision of this Article,  
3 for a Tier 1 employee who made the election under subsection  
4 (a) of Section 15-132.9:

5 (1) The initial increase in retirement annuity under  
6 this Section shall occur on the January 1 occurring either  
7 on or after the attainment of age 67 or the fifth  
8 anniversary of the annuity start date, whichever is  
9 earlier.

10 (2) The amount of each automatic annual increase in  
11 retirement annuity or survivor annuity occurring on or  
12 after the effective date of that election shall be  
13 calculated as a percentage of the originally granted  
14 retirement annuity or survivor annuity, equal to 3% or  
15 one-half the annual unadjusted percentage increase (but  
16 not less than zero) in the consumer price index-u for the  
17 12 months ending with the September preceding each November  
18 1, whichever is less. If the annual unadjusted percentage  
19 change in the consumer price index-u for the 12 months  
20 ending with the September preceding each November 1 is zero  
21 or there is a decrease, then the annuity shall not be  
22 increased.

23 For the purposes of this Section, "consumer price index-u"  
24 means the index published by the Bureau of Labor Statistics of  
25 the United States Department of Labor that measures the average  
26 change in prices of goods and services purchased by all urban

1 consumers, United States city average, all items, 1982-84 =  
2 100. The new amount resulting from each annual adjustment shall  
3 be determined by the Public Pension Division of the Department  
4 of Insurance and made available to the board of the retirement  
5 system by November 1 of each year.

6 (d-5) A retirement annuity of a Tier 2 member shall receive  
7 annual increases on the January 1 occurring either on or after  
8 the attainment of age 67 or the first anniversary of the  
9 annuity start date, whichever is later. Each annual increase  
10 shall be calculated at 3% or one half the annual unadjusted  
11 percentage increase (but not less than zero) in the consumer  
12 price index-u for the 12 months ending with the September  
13 preceding each November 1, whichever is less, of the originally  
14 granted retirement annuity. If the annual unadjusted  
15 percentage change in the consumer price index-u for the 12  
16 months ending with the September preceding each November 1 is  
17 zero or there is a decrease, then the annuity shall not be  
18 increased.

19 (e) If, on January 1, 1987, or the date the retirement  
20 annuity payment period begins, whichever is later, the sum of  
21 the retirement annuity provided under Rule 1 or Rule 2 of this  
22 Section and the automatic annual increases provided under the  
23 preceding subsection or Section 15-136.1, amounts to less than  
24 the retirement annuity which would be provided by Rule 3, the  
25 retirement annuity shall be increased as of January 1, 1987, or  
26 the date the retirement annuity payment period begins,

1       whichever is later, to the amount which would be provided by  
2       Rule 3 of this Section. Such increased amount shall be  
3       considered as the retirement annuity in determining benefits  
4       provided under other Sections of this Article. This paragraph  
5       applies without regard to whether status as an employee  
6       terminated before the effective date of this amendatory Act of  
7       1987, provided that the annuitant was employed at least  
8       one-half time during the period on which the final rate of  
9       earnings was based.

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

17       (g) If, (1) by law, a function of a governmental unit, as  
18       defined by Section 20-107 of this Code, is transferred in whole  
19       or in part to an employer, and (2) a participant transfers  
20       employment from such governmental unit to such employer within  
21       6 months after the transfer of the function, and (3) the sum of  
22       (A) the annuity payable to the participant under Rule 1, 2, or  
23       3 of this Section (B) all proportional annuities payable to the  
24       participant by all other retirement systems covered by Article  
25       20, and (C) the initial primary insurance amount to which the  
26       participant is entitled under the Social Security Act, is less

1 than the retirement annuity which would have been payable if  
2 all of the participant's pension credits validated under  
3 Section 20-109 had been validated under this system, a  
4 supplemental annuity equal to the difference in such amounts  
5 shall be payable to the participant.

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

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

19 (Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12;  
20 98-92, eff. 7-16-13.)

21 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

22 Sec. 15-155. Employer contributions.

23 (a) The State of Illinois shall make contributions by  
24 appropriations of amounts which, together with the other  
25 employer contributions from trust, federal, and other funds,

1 employee contributions, income from investments, and other  
2 income of this System, will be sufficient to meet the cost of  
3 maintaining and administering the System on a 90% funded basis  
4 in accordance with actuarial recommendations.

5 The Board shall determine the amount of State contributions  
6 required for each fiscal year on the basis of the actuarial  
7 tables and other assumptions adopted by the Board and the  
8 recommendations of the actuary, using the formula in subsection  
9 (a-1).

10 (a-1) For State fiscal years 2012 through 2045, the minimum  
11 contribution to the System to be made by the State for each  
12 fiscal year shall be an amount determined by the System to be  
13 sufficient to bring the total assets of the System up to 90% of  
14 the total actuarial liabilities of the System by the end of  
15 State fiscal year 2045. In making these determinations, the  
16 required State contribution shall be calculated each year as a  
17 level percentage of payroll over the years remaining to and  
18 including fiscal year 2045 and shall be determined under the  
19 projected unit credit actuarial cost method.

20 For each of State fiscal years 2019 and 2020, the State  
21 shall make an additional contribution to the System equal to 2%  
22 of the total payroll of each employee who is deemed to have  
23 elected the benefits under Section 1-161 or who has made the  
24 election under subsection (c) of Section 1-161.

25 For State fiscal years 1996 through 2005, the State  
26 contribution to the System, as a percentage of the applicable

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

4 Notwithstanding any other provision of this Article, the  
5 total required State contribution for State fiscal year 2006 is  
6 \$166,641,900.

7 Notwithstanding any other provision of this Article, the  
8 total required State contribution for State fiscal year 2007 is  
9 \$252,064,100.

10 For each of State fiscal years 2008 through 2009, the State  
11 contribution to the System, as a percentage of the applicable  
12 employee payroll, shall be increased in equal annual increments  
13 from the required State contribution for State fiscal year  
14 2007, so that by State fiscal year 2011, the State is  
15 contributing at the rate otherwise required under this Section.

16 Notwithstanding any other provision of this Article, the  
17 total required State contribution for State fiscal year 2010 is  
18 \$702,514,000 and shall be made from the State Pensions Fund and  
19 proceeds of bonds sold in fiscal year 2010 pursuant to Section  
20 7.2 of the General Obligation Bond Act, less (i) the pro rata  
21 share of bond sale expenses determined by the System's share of  
22 total bond proceeds, (ii) any amounts received from the General  
23 Revenue Fund in fiscal year 2010, (iii) any reduction in bond  
24 proceeds due to the issuance of discounted bonds, if  
25 applicable.

26 Notwithstanding any other provision of this Article, the



1 total required State contribution for State fiscal year 2011 is  
2 the amount recertified by the System on or before April 1, 2011  
3 pursuant to Section 15-165 and shall be made from the State  
4 Pensions Fund and proceeds of bonds sold in fiscal year 2011  
5 pursuant to Section 7.2 of the General Obligation Bond Act,  
6 less (i) the pro rata share of bond sale expenses determined by  
7 the System's share of total bond proceeds, (ii) any amounts  
8 received from the General Revenue Fund in fiscal year 2011, and  
9 (iii) any reduction in bond proceeds due to the issuance of  
10 discounted bonds, if applicable.

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

15 Amounts received by the System pursuant to Section 25 of  
16 the Budget Stabilization Act or Section 8.12 of the State  
17 Finance Act in any fiscal year do not reduce and do not  
18 constitute payment of any portion of the minimum State  
19 contribution required under this Article in that fiscal year.  
20 Such amounts shall not reduce, and shall not be included in the  
21 calculation of, the required State contributions under this  
22 Article in any future year until the System has reached a  
23 funding ratio of at least 90%. A reference in this Article to  
24 the "required State contribution" or any substantially similar  
25 term does not include or apply to any amounts payable to the  
26 System under Section 25 of the Budget Stabilization Act.

1           Notwithstanding any other provision of this Section, the  
2           required State contribution for State fiscal year 2005 and for  
3           fiscal year 2008 and each fiscal year thereafter, as calculated  
4           under this Section and certified under Section 15-165, shall  
5           not exceed an amount equal to (i) the amount of the required  
6           State contribution that would have been calculated under this  
7           Section for that fiscal year if the System had not received any  
8           payments under subsection (d) of Section 7.2 of the General  
9           Obligation Bond Act, minus (ii) the portion of the State's  
10          total debt service payments for that fiscal year on the bonds  
11          issued in fiscal year 2003 for the purposes of that Section  
12          7.2, as determined and certified by the Comptroller, that is  
13          the same as the System's portion of the total moneys  
14          distributed under subsection (d) of Section 7.2 of the General  
15          Obligation Bond Act. In determining this maximum for State  
16          fiscal years 2008 through 2010, however, the amount referred to  
17          in item (i) shall be increased, as a percentage of the  
18          applicable employee payroll, in equal increments calculated  
19          from the sum of the required State contribution for State  
20          fiscal year 2007 plus the applicable portion of the State's  
21          total debt service payments for fiscal year 2007 on the bonds  
22          issued in fiscal year 2003 for the purposes of Section 7.2 of  
23          the General Obligation Bond Act, so that, by State fiscal year  
24          2011, the State is contributing at the rate otherwise required  
25          under this Section.

26           (a-2) Beginning in fiscal year 2019, each employer under

1 this Article shall pay to the System a required contribution  
2 determined as a percentage of projected payroll and sufficient  
3 to produce an annual amount equal to:

4 (i) for each of fiscal year 2019 and 2020, the defined  
5 benefit normal cost of the defined benefit plan, less the  
6 employee contribution, for each employee of that employer  
7 who has elected or who is deemed to have elected the  
8 benefits under Section 1-161 or who has made the election  
9 under subsection (c) of Section 1-161; for fiscal year 2021  
10 and each fiscal year thereafter, the defined benefit normal  
11 cost of the defined benefit plan, less the employee  
12 contribution, plus 2%, for each employee of that employer  
13 who has elected or who is deemed to have elected the  
14 benefits under Section 1-161 or who has made the election  
15 under subsection (c) of Section 1-161; plus

16 (ii) the amount required for that fiscal year to  
17 amortize any unfunded actuarial accrued liability  
18 associated with the present value of liabilities  
19 attributable to the employer's account under Section  
20 15-155.2, determined as a level percentage of payroll over  
21 a 30-year rolling amortization period.

22 In determining contributions required under item (i) of  
23 this subsection, the System shall determine an aggregate rate  
24 for all employers, expressed as a percentage of projected  
25 payroll.

26 In determining the contributions required under item (ii)

1 of this subsection, the amount shall be computed by the System  
2 on the basis of the actuarial assumptions and tables used in  
3 the most recent actuarial valuation of the System that is  
4 available at the time of the computation.

5 The contributions required under this subsection (a-5)  
6 shall be paid by an employer concurrently with that employer's  
7 payroll payment period. The State, as the actual employer of an  
8 employee, shall make the required contributions under this  
9 subsection.

10 As used in this subsection, "academic year" means the  
11 12-month period beginning September 1.

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

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

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

25           (d) Beginning in State fiscal year 1996, the required State  
26 contributions to the System shall be appropriated directly to

1 the System and shall be payable through vouchers issued in  
2 accordance with subsection (c) of Section 15-165, except as  
3 provided in subsection (g).

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

8 (f) Normal costs under this Section means liability for  
9 pensions and other benefits which accrues to the System because  
10 of the credits earned for service rendered by the participants  
11 during the fiscal year and expenses of administering the  
12 System, but shall not include the principal of or any  
13 redemption premium or interest on any bonds issued by the Board  
14 or any expenses incurred or deposits required in connection  
15 therewith.

16 (g) If the amount of a participant's earnings for any  
17 academic year used to determine the final rate of earnings,  
18 determined on a full-time equivalent basis, exceeds the amount  
19 of his or her earnings with the same employer for the previous  
20 academic year, determined on a full-time equivalent basis, by  
21 more than 6%, the participant's employer shall pay to the  
22 System, in addition to all other payments required under this  
23 Section and in accordance with guidelines established by the  
24 System, the present value of the increase in benefits resulting  
25 from the portion of the increase in earnings that is in excess  
26 of 6%. This present value shall be computed by the System on

1 the basis of the actuarial assumptions and tables used in the  
2 most recent actuarial valuation of the System that is available  
3 at the time of the computation. The System may require the  
4 employer to provide any pertinent information or  
5 documentation.

6 Whenever it determines that a payment is or may be required  
7 under this subsection (g), the System shall calculate the  
8 amount of the payment and bill the employer for that amount.  
9 The bill shall specify the calculations used to determine the  
10 amount due. If the employer disputes the amount of the bill, it  
11 may, within 30 days after receipt of the bill, apply to the  
12 System in writing for a recalculation. The application must  
13 specify in detail the grounds of the dispute and, if the  
14 employer asserts that the calculation is subject to subsection  
15 (h) or (i) of this Section, must include an affidavit setting  
16 forth and attesting to all facts within the employer's  
17 knowledge that are pertinent to the applicability of subsection  
18 (h) or (i). Upon receiving a timely application for  
19 recalculation, the System shall review the application and, if  
20 appropriate, recalculate the amount due.

21 The employer contributions required under this subsection  
22 (g) may be paid in the form of a lump sum within 90 days after  
23 receipt of the bill. If the employer contributions are not paid  
24 within 90 days after receipt of the bill, then interest will be  
25 charged at a rate equal to the System's annual actuarially  
26 assumed rate of return on investment compounded annually from

1 the 91st day after receipt of the bill. Payments must be  
2 concluded within 3 years after the employer's receipt of the  
3 bill.

4 When assessing payment for any amount due under this  
5 subsection (g), the System shall include earnings, to the  
6 extent not established by a participant under Section 15-113.11  
7 or 15-113.12, that would have been paid to the participant had  
8 the participant not taken (i) periods of voluntary or  
9 involuntary furlough occurring on or after July 1, 2015 and on  
10 or before June 30, 2017 or (ii) periods of voluntary pay  
11 reduction in lieu of furlough occurring on or after July 1,  
12 2015 and on or before June 30, 2017. Determining earnings that  
13 would have been paid to a participant had the participant not  
14 taken periods of voluntary or involuntary furlough or periods  
15 of voluntary pay reduction shall be the responsibility of the  
16 employer, and shall be reported in a manner prescribed by the  
17 System.

18 (h) This subsection (h) applies only to payments made or  
19 salary increases given on or after June 1, 2005 but before July  
20 1, 2011. The changes made by Public Act 94-1057 shall not  
21 require the System to refund any payments received before July  
22 31, 2006 (the effective date of Public Act 94-1057).

23 When assessing payment for any amount due under subsection  
24 (g), the System shall exclude earnings increases paid to  
25 participants under contracts or collective bargaining  
26 agreements entered into, amended, or renewed before June 1,



1 2005.

2 When assessing payment for any amount due under subsection  
3 (g), the System shall exclude earnings increases paid to a  
4 participant at a time when the participant is 10 or more years  
5 from retirement eligibility under Section 15-135.

6 When assessing payment for any amount due under subsection  
7 (g), the System shall exclude earnings increases resulting from  
8 overload work, including a contract for summer teaching, or  
9 overtime when the employer has certified to the System, and the  
10 System has approved the certification, that: (i) in the case of  
11 overloads (A) the overload work is for the sole purpose of  
12 academic instruction in excess of the standard number of  
13 instruction hours for a full-time employee occurring during the  
14 academic year that the overload is paid and (B) the earnings  
15 increases are equal to or less than the rate of pay for  
16 academic instruction computed using the participant's current  
17 salary rate and work schedule; and (ii) in the case of  
18 overtime, the overtime was necessary for the educational  
19 mission.

20 When assessing payment for any amount due under subsection  
21 (g), the System shall exclude any earnings increase resulting  
22 from (i) a promotion for which the employee moves from one  
23 classification to a higher classification under the State  
24 Universities Civil Service System, (ii) a promotion in academic  
25 rank for a tenured or tenure-track faculty position, or (iii) a  
26 promotion that the Illinois Community College Board has

1 recommended in accordance with subsection (k) of this Section.  
2 These earnings increases shall be excluded only if the  
3 promotion is to a position that has existed and been filled by  
4 a member for no less than one complete academic year and the  
5 earnings increase as a result of the promotion is an increase  
6 that results in an amount no greater than the average salary  
7 paid for other similar positions.

8 (i) When assessing payment for any amount due under  
9 subsection (g), the System shall exclude any salary increase  
10 described in subsection (h) of this Section given on or after  
11 July 1, 2011 but before July 1, 2014 under a contract or  
12 collective bargaining agreement entered into, amended, or  
13 renewed on or after June 1, 2005 but before July 1, 2011.  
14 Notwithstanding any other provision of this Section, any  
15 payments made or salary increases given after June 30, 2014  
16 shall be used in assessing payment for any amount due under  
17 subsection (g) of this Section.

18 (j) The System shall prepare a report and file copies of  
19 the report with the Governor and the General Assembly by  
20 January 1, 2007 that contains all of the following information:

21 (1) The number of recalculations required by the  
22 changes made to this Section by Public Act 94-1057 for each  
23 employer.

24 (2) The dollar amount by which each employer's  
25 contribution to the System was changed due to  
26 recalculations required by Public Act 94-1057.

1           (3) The total amount the System received from each  
2           employer as a result of the changes made to this Section by  
3           Public Act 94-4.

4           (4) The increase in the required State contribution  
5           resulting from the changes made to this Section by Public  
6           Act 94-1057.

7           (k) The Illinois Community College Board shall adopt rules  
8           for recommending lists of promotional positions submitted to  
9           the Board by community colleges and for reviewing the  
10          promotional lists on an annual basis. When recommending  
11          promotional lists, the Board shall consider the similarity of  
12          the positions submitted to those positions recognized for State  
13          universities by the State Universities Civil Service System.  
14          The Illinois Community College Board shall file a copy of its  
15          findings with the System. The System shall consider the  
16          findings of the Illinois Community College Board when making  
17          determinations under this Section. The System shall not exclude  
18          any earnings increases resulting from a promotion when the  
19          promotion was not submitted by a community college. Nothing in  
20          this subsection (k) shall require any community college to  
21          submit any information to the Community College Board.

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

26          As of June 30, 2008, the actuarial value of the System's

1 assets shall be equal to the market value of the assets as of  
2 that date. In determining the actuarial value of the System's  
3 assets for fiscal years after June 30, 2008, any actuarial  
4 gains or losses from investment return incurred in a fiscal  
5 year shall be recognized in equal annual amounts over the  
6 5-year period following that fiscal year.

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

11 (Source: P.A. 98-92, eff. 7-16-13; 98-463, eff. 8-16-13;  
12 99-897, eff. 1-1-17.)

13 (40 ILCS 5/15-155.2 new)

14 Sec. 15-155.2. Individual employer accounts.

15 (a) The System shall create and maintain an individual  
16 account for each employer for the purposes of determining  
17 employer contributions under subsection (a-2) of Section  
18 15-155. Each employer's account shall be notionally charged  
19 with the liabilities attributable to that employer and credited  
20 with the assets attributable to that employer.

21 (b) Beginning in fiscal year 2019, the System shall assign  
22 notional liabilities to each employer's account, equal to the  
23 amount of employer contributions required to be made by the  
24 employer pursuant to items (i) and (ii) of subsection (a-2) of  
25 Section 15-155, plus any unfunded actuarial accrued liability

1 associated with the defined benefits attributable to the  
2 employer's employees who first became participants on or after  
3 July 1, 2018 and the employer's employees who made the election  
4 under subsection (c-5) of Section 1-161.

5 (c) Beginning in fiscal year 2019, the System shall assign  
6 notional assets to each employer's account equal to the amounts  
7 of employer contributions made pursuant to items (i) and (ii)  
8 of subsection (a-2) of Section 15-155.

9 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

10 Sec. 15-157. Employee Contributions.

11 (a) Each participating employee shall make contributions  
12 towards the retirement benefits payable under the retirement  
13 program applicable to the employee from each payment of  
14 earnings applicable to employment under this system on and  
15 after the date of becoming a participant as follows: Prior to  
16 September 1, 1949, 3 1/2% of earnings; from September 1, 1949  
17 to August 31, 1955, 5%; from September 1, 1955 to August 31,  
18 1969, 6%; from September 1, 1969, 6 1/2%. These contributions  
19 are to be considered as normal contributions for purposes of  
20 this Article.

21 Each participant who is a police officer or firefighter  
22 shall make normal contributions of 8% of each payment of  
23 earnings applicable to employment as a police officer or  
24 firefighter under this system on or after September 1, 1981,  
25 unless he or she files with the board within 60 days after the

1 effective date of this amendatory Act of 1991 or 60 days after  
2 the board receives notice that he or she is employed as a  
3 police officer or firefighter, whichever is later, a written  
4 notice waiving the retirement formula provided by Rule 4 of  
5 Section 15-136. This waiver shall be irrevocable. If a  
6 participant had met the conditions set forth in Section  
7 15-132.1 prior to the effective date of this amendatory Act of  
8 1991 but failed to make the additional normal contributions  
9 required by this paragraph, he or she may elect to pay the  
10 additional contributions plus compound interest at the  
11 effective rate. If such payment is received by the board, the  
12 service shall be considered as police officer service in  
13 calculating the retirement annuity under Rule 4 of Section  
14 15-136. While performing service described in clause (i) or  
15 (ii) of Rule 4 of Section 15-136, a participating employee  
16 shall be deemed to be employed as a firefighter for the purpose  
17 of determining the rate of employee contributions under this  
18 Section.

19 (b) Starting September 1, 1969, each participating  
20 employee shall make additional contributions of 1/2 of 1% of  
21 earnings to finance a portion of the cost of the annual  
22 increases in retirement annuity provided under Section 15-136,  
23 except that with respect to participants in the self-managed  
24 plan this additional contribution shall be used to finance the  
25 benefits obtained under that retirement program. Beginning on  
26 the effective date of the Tier 1 employee's election under

1 subsection (a) of Section 15-132.9, each Tier 1 employee who  
2 made the election under subsection (a) of Section 15-132.9 is  
3 no longer required to make contributions under this subsection.

4 (c) Except as provided in subsection (c-5), in ~~in~~ addition  
5 to the amounts described in subsections (a) and (b) of this  
6 Section, each participating employee shall make contributions  
7 of 1% of earnings applicable under this system on and after  
8 August 1, 1959. The contributions made under this subsection  
9 (c) shall be considered as survivor's insurance contributions  
10 for purposes of this Article if the employee is covered under  
11 the traditional benefit package, and such contributions shall  
12 be considered as additional contributions for purposes of this  
13 Article if the employee is participating in the self-managed  
14 plan or has elected to participate in the portable benefit  
15 package and has completed the applicable one-year waiting  
16 period. Contributions in excess of \$80 during any fiscal year  
17 beginning before August 31, 1969 and in excess of \$120 during  
18 any fiscal year thereafter until September 1, 1971 shall be  
19 considered as additional contributions for purposes of this  
20 Article.

21 (c-5) As adequate and legal consideration provided under  
22 this amendatory Act of the 100th General Assembly for making an  
23 election under subsection (a) of Section 15-132.9, beginning on  
24 the effective date of the Tier 1 employee's election under  
25 subsection (a) of Section 15-132.9, in lieu of the  
26 contributions otherwise required under subsection (c), each

1 Tier 1 employee who made the election under subsection (a) of  
2 Section 15-132.9 shall make contributions of 0.7% of earnings  
3 applicable under this System and each Tier 1 employee who is a  
4 police officer or firefighter who makes normal contributions of  
5 8% of each payment of earnings applicable to employment as a  
6 police officer or firefighter under this System and who made  
7 the election under subsection (a) of Section 15-132.9 shall  
8 make contributions of 0.55% of earnings applicable under this  
9 System. The contributions made under this subsection (c-5)  
10 shall be considered as survivor's insurance contributions for  
11 purposes of this Article and such contributions shall be  
12 considered as additional contributions for purposes of this  
13 Article if the employee has elected to participate in the  
14 portable benefit package and has completed the applicable  
15 one-year waiting period.

16 (d) If the board by board rule so permits and subject to  
17 such conditions and limitations as may be specified in its  
18 rules, a participant may make other additional contributions of  
19 such percentage of earnings or amounts as the participant shall  
20 elect in a written notice thereof received by the board.

21 (e) That fraction of a participant's total accumulated  
22 normal contributions, the numerator of which is equal to the  
23 number of years of service in excess of that which is required  
24 to qualify for the maximum retirement annuity, and the  
25 denominator of which is equal to the total service of the  
26 participant, shall be considered as accumulated additional



1 contributions. The determination of the applicable maximum  
2 annuity and the adjustment in contributions required by this  
3 provision shall be made as of the date of the participant's  
4 retirement.

5 (f) Notwithstanding the foregoing, a participating  
6 employee shall not be required to make contributions under this  
7 Section after the date upon which continuance of such  
8 contributions would otherwise cause his or her retirement  
9 annuity to exceed the maximum retirement annuity as specified  
10 in clause (1) of subsection (c) of Section 15-136.

11 (g) A participant may make contributions for the purchase  
12 of service credit under this Article; however, only a  
13 participating employee may make optional contributions under  
14 subsection (b) of Section 15-157.1 of this Article.

15 (h) A Tier 2 member shall not make contributions on  
16 earnings that exceed the limitation as prescribed under  
17 subsection (b) of Section 15-111 of this Article.

18 (Source: P.A. 98-92, eff. 7-16-13; 99-450, eff. 8-24-15.)

19 (40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

20 (Text of Section WITHOUT the changes made by P.A. 98-599,  
21 which has been held unconstitutional)

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

23 (a) The Board shall certify to the Governor on or before  
24 November 15 of each year until November 15, 2011 the  
25 appropriation required from State funds for the purposes of

1 this System for the following fiscal year. The certification  
2 under this subsection (a) shall include a copy of the actuarial  
3 recommendations upon which it is based and shall specifically  
4 identify the System's projected State normal cost for that  
5 fiscal year and the projected State cost for the self-managed  
6 plan for that fiscal year.

7 On or before May 1, 2004, the Board shall recalculate and  
8 recertify to the Governor the amount of the required State  
9 contribution to the System for State fiscal year 2005, taking  
10 into account the amounts appropriated to and received by the  
11 System under subsection (d) of Section 7.2 of the General  
12 Obligation Bond Act.

13 On or before July 1, 2005, the Board shall recalculate and  
14 recertify to the Governor the amount of the required State  
15 contribution to the System for State fiscal year 2006, taking  
16 into account the changes in required State contributions made  
17 by this amendatory Act of the 94th General Assembly.

18 On or before April 1, 2011, the Board shall recalculate and  
19 recertify to the Governor the amount of the required State  
20 contribution to the System for State fiscal year 2011, applying  
21 the changes made by Public Act 96-889 to the System's assets  
22 and liabilities as of June 30, 2009 as though Public Act 96-889  
23 was approved on that date.

24 (a-5) On or before November 1 of each year, beginning  
25 November 1, 2012, the Board shall submit to the State Actuary,  
26 the Governor, and the General Assembly a proposed certification

1 of the amount of the required State contribution to the System  
2 for the next fiscal year, along with all of the actuarial  
3 assumptions, calculations, and data upon which that proposed  
4 certification is based. On or before January 1 of each year,  
5 beginning January 1, 2013, the State Actuary shall issue a  
6 preliminary report concerning the proposed certification and  
7 identifying, if necessary, recommended changes in actuarial  
8 assumptions that the Board must consider before finalizing its  
9 certification of the required State contributions. On or before  
10 January 15, 2013 and each January 15 thereafter, the Board  
11 shall certify to the Governor and the General Assembly the  
12 amount of the required State contribution for the next fiscal  
13 year. The Board's certification must note, in a written  
14 response to the State Actuary, any deviations from the State  
15 Actuary's recommended changes, the reason or reasons for not  
16 following the State Actuary's recommended changes, and the  
17 fiscal impact of not following the State Actuary's recommended  
18 changes on the required State contribution.

19 If necessary the Board shall recalculate and recertify to  
20 the Governor the amount of the required State contribution to  
21 the System for State fiscal year 2019, taking into  
22 consideration the changes made by this amendatory Act of the  
23 100th General Assembly.

24 (b) The Board shall certify to the State Comptroller or  
25 employer, as the case may be, from time to time, by its  
26 chairperson and secretary, with its seal attached, the amounts

1 payable to the System from the various funds.

2 (c) Beginning in State fiscal year 1996, on or as soon as  
3 possible after the 15th day of each month the Board shall  
4 submit vouchers for payment of State contributions to the  
5 System, in a total monthly amount of one-twelfth of the  
6 required annual State contribution certified under subsection  
7 (a). From the effective date of this amendatory Act of the 93rd  
8 General Assembly through June 30, 2004, the Board shall not  
9 submit vouchers for the remainder of fiscal year 2004 in excess  
10 of the fiscal year 2004 certified contribution amount  
11 determined under this Section after taking into consideration  
12 the transfer to the System under subsection (b) of Section  
13 6z-61 of the State Finance Act. These vouchers shall be paid by  
14 the State Comptroller and Treasurer by warrants drawn on the  
15 funds appropriated to the System for that fiscal year.

16 If in any month the amount remaining unexpended from all  
17 other appropriations to the System for the applicable fiscal  
18 year (including the appropriations to the System under Section  
19 8.12 of the State Finance Act and Section 1 of the State  
20 Pension Funds Continuing Appropriation Act) is less than the  
21 amount lawfully vouchered under this Section, the difference  
22 shall be paid from the General Revenue Fund under the  
23 continuing appropriation authority provided in Section 1.1 of  
24 the State Pension Funds Continuing Appropriation Act.

25 (d) So long as the payments received are the full amount  
26 lawfully vouchered under this Section, payments received by the

1 System under this Section shall be applied first toward the  
2 employer contribution to the self-managed plan established  
3 under Section 15-158.2. Payments shall be applied second toward  
4 the employer's portion of the normal costs of the System, as  
5 defined in subsection (f) of Section 15-155. The balance shall  
6 be applied toward the unfunded actuarial liabilities of the  
7 System.

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

19 (Source: P.A. 97-694, eff. 6-18-12; 98-92, eff. 7-16-13.)

20 (40 ILCS 5/15-185.5 new)

21 Sec. 15-185.5. Accelerated pension benefit payment.

22 (a) As used in this Section:

23 "Eligible participant" means a participant who:

24 (1) is no longer a participating employee;

25 (2) has accrued sufficient service credit to be

1 eligible to receive a retirement annuity under this  
2 Article;

3 (3) has not received any retirement annuity under this  
4 Article;

5 (4) is not a party to a pending divorce proceeding and  
6 does not have a QILDRO in effect against him or her under  
7 this Article; and

8 (5) is not a participant in the self-managed plan under  
9 Section 15-158.2.

10 "Pension benefit" means the benefits under this Article, or  
11 Article 1 as it relates to those benefits, including any  
12 anticipated annual increases, that an eligible participant is  
13 entitled to upon attainment of the applicable retirement age.  
14 "Pension benefit" also includes applicable survivor's or  
15 disability benefits.

16 (b) If approved by resolution of the Board in any year, the  
17 System shall calculate, using actuarial tables and other  
18 assumptions adopted by the Board, the net present value of  
19 pension benefits for each eligible person and shall offer each  
20 eligible person the opportunity to irrevocably elect to receive  
21 an amount determined by the System to be equal to 70% of the  
22 net present value of his or her pension benefits in lieu of  
23 receiving any pension benefit. The offer shall specify the  
24 dollar amount that the eligible person will receive if he or  
25 she so elects and shall expire when a subsequent offer is made  
26 to an eligible person. The System shall make a good faith

1 effort to contact every eligible person to notify him or her of  
2 the election and of the amount of the accelerated pension  
3 benefit payment.

4 During a period of 3 months determined by the Board, an  
5 eligible person may irrevocably elect to receive an accelerated  
6 pension benefit payment in the amount that the System offers  
7 under this subsection in lieu of receiving any pension benefit.  
8 A person who elects to receive an accelerated pension benefit  
9 payment under this Section may not elect to proceed under the  
10 Retirement Systems Reciprocal Act with respect to service under  
11 this Article. The accelerated pension benefit payment shall be  
12 paid by the System.

13 (c) Upon acceptance of an accelerated pension benefit  
14 payment under this Section, the participant forfeits all  
15 accrued rights and credits in the System and no other benefit  
16 shall be paid under this Article based on those terminated  
17 credits and creditable service, including any retirement,  
18 survivor, or other benefit; except that to the extent that  
19 participation, benefits, or premiums under the State Employees  
20 Group Insurance Act of 1971 are based on the amount of service  
21 credit, the terminated service credit shall be used for that  
22 purpose.

23 (d) If a person who has received an accelerated pension  
24 benefit payment under this Section returns to active service  
25 under this Article, then:

26 (1) Any benefits under the System earned as a result of

1       that return to active service shall be based solely on the  
2       person's credits and creditable service arising from the  
3       return to active service.

4           (2) The accelerated pension benefit payment may not be  
5       repaid to the System, and the terminated credits and  
6       creditable service may not under any circumstances be  
7       reinstated.

8       (e) As a condition of receiving an accelerated pension  
9       benefit payment, an eligible participant must have another  
10      retirement plan or account qualified under the Internal Revenue  
11      Code of 1986, as amended, for the accelerated pension benefit  
12      payment to be rolled into. The accelerated pension benefit  
13      payment under this Section may be subject to withholding or  
14      payment of applicable taxes, but to the extent permitted by  
15      federal law, a person who accepts an accelerated pension  
16      benefit payment under this Section must direct the System to  
17      pay all of that payment as a rollover into another retirement  
18      plan or account qualified under the Internal Revenue Code of  
19      1986, as amended.

20      (f) The Board shall adopt any rules necessary to implement  
21      this Section.

22      (g) No provision of this Section shall be interpreted in a  
23      way that would cause the applicable System to cease to be a  
24      qualified plan under the Internal Revenue Code of 1986.



1 (Text of Section WITHOUT the changes made by P.A. 98-599,  
2 which has been held unconstitutional)

3 Sec. 15-198. Application and expiration of new benefit  
4 increases.

5 (a) As used in this Section, "new benefit increase" means  
6 an increase in the amount of any benefit provided under this  
7 Article, or an expansion of the conditions of eligibility for  
8 any benefit under this Article, that results from an amendment  
9 to this Code that takes effect after the effective date of this  
10 amendatory Act of the 94th General Assembly. "New benefit  
11 increase", however, does not include any benefit increase  
12 resulting from the changes made to this Article by this  
13 amendatory Act of the 100th General Assembly.

14 (b) Notwithstanding any other provision of this Code or any  
15 subsequent amendment to this Code, every new benefit increase  
16 is subject to this Section and shall be deemed to be granted  
17 only in conformance with and contingent upon compliance with  
18 the provisions of this Section.

19 (c) The Public Act enacting a new benefit increase must  
20 identify and provide for payment to the System of additional  
21 funding at least sufficient to fund the resulting annual  
22 increase in cost to the System as it accrues.

23 Every new benefit increase is contingent upon the General  
24 Assembly providing the additional funding required under this  
25 subsection. The Commission on Government Forecasting and  
26 Accountability shall analyze whether adequate additional

1 funding has been provided for the new benefit increase and  
2 shall report its analysis to the Public Pension Division of the  
3 Department of Insurance ~~Financial and Professional Regulation~~.

4 A new benefit increase created by a Public Act that does not  
5 include the additional funding required under this subsection  
6 is null and void. If the Public Pension Division determines  
7 that the additional funding provided for a new benefit increase  
8 under this subsection is or has become inadequate, it may so  
9 certify to the Governor and the State Comptroller and, in the  
10 absence of corrective action by the General Assembly, the new  
11 benefit increase shall expire at the end of the fiscal year in  
12 which the certification is made.

13 (d) Every new benefit increase shall expire 5 years after  
14 its effective date or on such earlier date as may be specified  
15 in the language enacting the new benefit increase or provided  
16 under subsection (c). This does not prevent the General  
17 Assembly from extending or re-creating a new benefit increase  
18 by law.

19 (e) Except as otherwise provided in the language creating  
20 the new benefit increase, a new benefit increase that expires  
21 under this Section continues to apply to persons who applied  
22 and qualified for the affected benefit while the new benefit  
23 increase was in effect and to the affected beneficiaries and  
24 alternate payees of such persons, but does not apply to any  
25 other person, including without limitation a person who  
26 continues in service after the expiration date and did not

1 apply and qualify for the affected benefit while the new  
2 benefit increase was in effect.

3 (Source: P.A. 94-4, eff. 6-1-05.)

4 (40 ILCS 5/15-200.1 new)

5 Sec. 15-200.1. Defined contribution plan.

6 (a) By July 1, 2018, the System shall prepare and implement  
7 a voluntary defined contribution plan for up to 5% of eligible  
8 Tier 1 employees. The System shall determine the 5% cap by the  
9 number of Tier 1 employees on the effective date of this  
10 Section. The defined contribution plan developed under this  
11 Section shall be a plan that aggregates employer and employee  
12 contributions in individual participant accounts which, after  
13 meeting any other requirements, are used for payouts after  
14 retirement in accordance with this Section and any other  
15 applicable laws.

16 As used in this Section, "defined benefit plan" means the  
17 retirement plan available under this Article to Tier 1  
18 employees who have not made the election authorized under this  
19 Section.

20 (1) Under the defined contribution plan, a Tier 1  
21 employee of this System could elect to cease accruing  
22 benefits in the defined benefit plan under this Article and  
23 begin accruing benefits for future service in the defined  
24 contribution plan. Service credit under the defined  
25 contribution plan may be used for determining retirement

1 eligibility under the defined benefit plan. A Tier 1  
2 employee who elects to cease accruing benefits in his or  
3 her defined benefit plan shall be prohibited from  
4 purchasing service credit on or after the date of his or  
5 her election. A Tier 1 employee making the irrevocable  
6 election provided under this Section shall not receive  
7 interest accruals to his or her Rule 2 benefit on or after  
8 the date of his or her election.

9 (2) Participants in the defined contribution plan  
10 shall pay employee contributions at the same rate as other  
11 participants under this Article as determined by the  
12 System.

13 (3) State contributions shall be paid into the accounts  
14 of all participants in the defined contribution plan at a  
15 uniform rate, expressed as a percentage of earnings and  
16 determined for each year. This rate shall be no higher than  
17 the employer's normal cost for Tier 1 employees in the  
18 defined benefit plan for that year, as determined by the  
19 System and expressed as a percentage of earnings, and shall  
20 be no lower than 3% of earnings. The State shall adjust  
21 this rate annually.

22 (4) The defined contribution plan shall require 5 years  
23 of participation in the defined contribution plan before  
24 vesting in State contributions. If the participant fails to  
25 vest in them, the State contributions, and the earnings  
26 thereon, shall be forfeited.

1           (5) The defined contribution plan may provide for  
2           participants in the plan to be eligible for the defined  
3           disability benefits available to other participants under  
4           this Article. If it does, the System shall reduce the  
5           employee contributions credited to the member's defined  
6           contribution plan account by an amount determined by the  
7           System to cover the cost of offering such benefits.

8           (6) The defined contribution plan shall provide a  
9           variety of options for investments. These options shall  
10           include investments handled by the System as well as  
11           private sector investment options.

12           (7) The defined contribution plan shall provide a  
13           variety of options for payouts to retirees and their  
14           survivors.

15           (8) To the extent authorized under federal law and as  
16           authorized by the System, the plan shall allow former  
17           participants in the plan to transfer or roll over employee  
18           and vested State contributions, and the earnings thereon,  
19           into other qualified retirement plans.

20           (9) The System shall reduce the employee contributions  
21           credited to the member's defined contribution plan account  
22           by an amount determined by the System to cover the cost of  
23           offering these benefits and any applicable administrative  
24           fees.

25           (b) Only persons who are Tier 1 employees of the System on  
26           the effective date of this Section are eligible to participate

1 in the defined contribution plan. Participation in the defined  
2 contribution plan shall be limited to the first 5% of eligible  
3 persons who elect to participate. The election to participate  
4 in the defined contribution plan is voluntary and irrevocable.

5 (c) An eligible Tier 1 employee may irrevocably elect to  
6 participate in the defined contribution plan by filing with the  
7 System a written application to participate that is received by  
8 the System prior to its determination that 5% of eligible  
9 persons have elected to participate in the defined contribution  
10 plan.

11 When the System first determines that 5% of eligible  
12 persons have elected to participate in the defined contribution  
13 plan, the System shall provide notice to previously eligible  
14 employees that the plan is no longer available and shall cease  
15 accepting applications to participate.

16 (d) The System shall make a good faith effort to contact  
17 each Tier 1 employee who is eligible to participate in the  
18 defined contribution plan. Such correspondence shall describe  
19 the option to join the defined contribution plan to each of  
20 these employees. If the employee is not responsive to other  
21 means of contact, it is sufficient for the System to publish  
22 the details of the option on its website.

23 Upon request for further information describing the  
24 option, the System shall provide employees with information  
25 from the System before exercising the option to join the plan,  
26 including information on the impact to their vested benefits or

1 non-vested service. The individual consultation shall include  
2 projections of the member's defined benefits at retirement or  
3 earlier termination of service and the value of the member's  
4 account at retirement or earlier termination of service. The  
5 System shall not provide advice or counseling with respect to  
6 whether the employee should exercise the option. The System  
7 shall inform Tier 1 employees who are eligible to participate  
8 in the defined contribution plan that they may also wish to  
9 obtain information and counsel relating to their option from  
10 any other available source, including, but not limited to,  
11 labor organizations, private counsel, and financial advisors.

12 (e) In no event shall the System, its staff, its authorized  
13 representatives, or the Board be liable for any information  
14 given to an employee under this Section. The System may  
15 coordinate with other retirement systems administering a  
16 defined contribution plan in accordance with this amendatory  
17 Act of the 100th General Assembly to provide information  
18 concerning the impact of the option set forth in this Section.

19 (f) Notwithstanding any other provision of this Section, no  
20 person shall begin participating in the defined contribution  
21 plan until it has attained qualified plan status and received  
22 all necessary approvals from the U.S. Internal Revenue Service.

23 (g) The System shall report on its progress under this  
24 Section, including the available details of the defined  
25 contribution plan and the System's plans for informing eligible  
26 Tier 1 employees about the plan, to the Governor and the

1 General Assembly.

2 (h) If a Tier 1 employee has not made an election under  
3 Section 15-134.5 of this Code, then the plan prescribed under  
4 this Section shall not apply to that Tier 1 employee and that  
5 Tier 1 employee shall remain eligible to make the election  
6 prescribed under Section 15-134.5.

7 (i) The intent of this amendatory Act of the 100th General  
8 Assembly is to ensure that the State's normal cost of  
9 participation in the defined contribution plan is similar, and  
10 if possible equal, to the State's normal cost of participation  
11 in the defined benefit plan, unless a lower State's normal cost  
12 is necessary to ensure cost neutrality.

13 (40 ILCS 5/15-201.1 new)

14 Sec. 15-201.1. Defined contribution plan; termination. If  
15 the defined contribution plan is terminated or becomes  
16 inoperative pursuant to law, then each participant in the plan  
17 shall automatically be deemed to have been a contributing Tier  
18 1 employee participating in the System's defined benefit plan  
19 during the time in which he or she participated in the defined  
20 contribution plan, and for that purpose the System shall be  
21 entitled to recover the amounts in the participant's defined  
22 contribution accounts.

23 (40 ILCS 5/16-107.1 new)

24 Sec. 16-107.1. Tier 1 employee. "Tier 1 employee": A



1 teacher under this Article who first became a member or  
2 participant before January 1, 2011 under any reciprocal  
3 retirement system or pension fund established under this Code  
4 other than a retirement system or pension fund established  
5 under Article 2, 3, 4, 5, 6, or 18 of this Code. However, for  
6 the purposes of the election under Section 16-122.9, "Tier 1  
7 employee" does not include a teacher under this Article who  
8 would qualify as a Tier 1 employee but who has made an  
9 irrevocable election on or before June 1, 2017 to retire from  
10 service pursuant to the terms of an employment contract or a  
11 collective bargaining agreement in effect on June 1, 2017,  
12 excluding any extension, amendment, or renewal of that  
13 agreement after that date, and has notified the System of that  
14 election.

15 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

16 (Text of Section WITHOUT the changes made by P.A. 98-599,  
17 which has been held unconstitutional)

18 Sec. 16-121. Salary. "Salary": The actual compensation  
19 received by a teacher during any school year and recognized by  
20 the system in accordance with rules of the board. For purposes  
21 of this Section, "school year" includes the regular school term  
22 plus any additional period for which a teacher is compensated  
23 and such compensation is recognized by the rules of the board.

24 Notwithstanding any other provision of this Section,  
25 "salary" does not include any consideration payment made to a

1 Tier 1 employee.

2 (Source: P.A. 84-1028.)

3 (40 ILCS 5/16-122.9 new)

4 Sec. 16-122.9. Election by Tier 1 employees.

5 (a) If approved by resolution of the Board, an active Tier  
6 1 employee may make an irrevocable election to agree to delay  
7 his or her eligibility for automatic annual increases in  
8 retirement annuity as provided in subsection (a-1) of Section  
9 16-133.1 or subsection (b-1) of Section 16-136.1, whichever is  
10 applicable, and to have the amount of the automatic annual  
11 increases in his or her retirement annuity and survivor benefit  
12 that are otherwise provided for in this Article calculated,  
13 instead, as provided in subsection (a-1) of Section 16-133.1 or  
14 subsection (b-1) of Section 16-136.1, whichever is applicable.

15 (b) As adequate and legal consideration provided under this  
16 amendatory Act of the 100th General Assembly for making an  
17 election under subsection (a) of this Section, each Tier 1  
18 employee who has made an election under subsection (a) of this  
19 Section shall receive a consideration payment equal to 10% of  
20 the contributions made by or on behalf of the employee under  
21 paragraphs (1), (2), and (3) of subsection (a) of Section  
22 16-152 before the effective date of that election. The System  
23 shall pay the amount of the consideration payment.

24 (c) A Tier 1 employee who does not make the election under  
25 subsection (a) of this Section shall not be subject to the

1 benefits of subsection (b) of this Section.

2 (d) The System shall make a good faith effort to contact  
3 each Tier 1 employee subject to this Section. Such  
4 correspondence shall describe the election to each Tier 1  
5 employee. If the Tier 1 employee is not responsive, it is  
6 sufficient for the System to publish the details of any  
7 elections on its website or to publish those details in a  
8 regularly published newsletter or other existing public forum.

9 Tier 1 employees who are subject to this Section shall be  
10 provided with an election packet containing information  
11 regarding their options, as well as the forms necessary to make  
12 the election. Upon request, the System shall offer Tier 1  
13 employees an opportunity to receive information from the System  
14 before making the election. The information may be provided  
15 through video materials, group presentations, individual  
16 consultation with a member or authorized representative of the  
17 System in person or by telephone or other electronic means, or  
18 any combination of those methods. The System shall not provide  
19 advice or counseling with respect to the legal or tax  
20 circumstances of or consequences of making the election in  
21 subsection (a) of this Section.

22 The System shall inform Tier 1 employees in the election  
23 packet required under this subsection that the Tier 1 employee  
24 may also wish to obtain information and counsel relating to the  
25 election under this Section from any other available source,  
26 including, but not limited to, labor organizations and private

1 counsel.

2 In no event shall the System, its staff, or the Board be  
3 held liable for any information given to a member regarding the  
4 election under this Section. The System shall coordinate with  
5 other retirement systems administering an election in  
6 accordance with this amendatory Act of the 100th General  
7 Assembly to provide information concerning the impact of the  
8 election set forth in this Section.

9 (d-5) To the extent authorized under federal law and as  
10 authorized by the retirement system, a Tier 1 employee may  
11 transfer or roll over the consideration payment into other  
12 qualified retirement plans.

13 (e) A member's election under this Section is not a  
14 prohibited election under subdivision (j)(1) of Section 1-119  
15 of this Code.

16 (f) No provision of this Section shall be interpreted in a  
17 way that would cause the System to cease to be a qualified plan  
18 under Section 401(a) of the Internal Revenue Code of 1986.

19 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

20 (Text of Section WITHOUT the changes made by P.A. 98-599,  
21 which has been held unconstitutional)

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

23 (a) Each member with creditable service and retiring on or  
24 after August 26, 1969 is entitled to the automatic annual  
25 increases in annuity provided under this Section while

1 receiving a retirement annuity or disability retirement  
2 annuity from the system.

3 Except as otherwise provided in subsection (a-1), an An  
4 annuitant shall first be entitled to an initial increase under  
5 this Section on the January 1 next following the first  
6 anniversary of retirement, or January 1 of the year next  
7 following attainment of age 61, whichever is later. At such  
8 time, the system shall pay an initial increase determined as  
9 follows:

10 (1) 1.5% of the originally granted retirement annuity  
11 or disability retirement annuity multiplied by the number  
12 of years elapsed, if any, from the date of retirement until  
13 January 1, 1972, plus

14 (2) 2% of the originally granted annuity multiplied by  
15 the number of years elapsed, if any, from the date of  
16 retirement or January 1, 1972, whichever is later, until  
17 January 1, 1978, plus

18 (3) 3% of the originally granted annuity multiplied by  
19 the number of years elapsed from the date of retirement or  
20 January 1, 1978, whichever is later, until the effective  
21 date of the initial increase.

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

1 the initial increase otherwise provided under this Section).

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

14 (a-1) Notwithstanding any other provision of this Article,  
15 for a Tier 1 employee who made the election under subsection  
16 (a) of Section 16-122.9:

17 (1) The initial increase in retirement annuity under  
18 this Section shall occur on the January 1 occurring either  
19 on or after the attainment of age 67 or the fifth  
20 anniversary of the annuity start date, whichever is  
21 earlier.

22 (2) The amount of each automatic annual increase in  
23 retirement annuity and survivor benefit occurring on or  
24 after the effective date of that election shall be  
25 calculated as a percentage of the originally granted  
26 retirement annuity or survivor benefit, equal to 3% or

1       one-half the annual unadjusted percentage increase (but  
2       not less than zero) in the consumer price index-u for the  
3       12 months ending with the September preceding each November  
4       1, whichever is less. If the annual unadjusted percentage  
5       change in the consumer price index-u for the 12 months  
6       ending with the September preceding each November 1 is zero  
7       or there is a decrease, then the annuity shall not be  
8       increased.

9       For the purposes of this Section, "consumer price index-u"  
10       means the index published by the Bureau of Labor Statistics of  
11       the United States Department of Labor that measures the average  
12       change in prices of goods and services purchased by all urban  
13       consumers, United States city average, all items, 1982-84 =  
14       100. The new amount resulting from each annual adjustment shall  
15       be determined by the Public Pension Division of the Department  
16       of Insurance and made available to the board of the retirement  
17       system by November 1 of each year.

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

1 annual increases in annuity provided under this Section.

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

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

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

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



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

2 (40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

3 (Text of Section WITHOUT the changes made by P.A. 98-599,  
4 which has been held unconstitutional)

5 Sec. 16-136.1. Annual increase for certain annuitants.

6 (a) Any annuitant receiving a retirement annuity on June  
7 30, 1969 and any member retiring after June 30, 1969 shall be  
8 eligible for the annual increases provided under this Section  
9 provided the annuitant is ineligible for the automatic annual  
10 increase in annuity provided under Section 16-133.1, and  
11 provided further that (1) retirement occurred at age 55 or over  
12 and was based on 5 or more years of creditable service or (2)  
13 if retirement occurred prior to age 55, the retirement annuity  
14 was based on 20 or more years of creditable service.

15 (b) Except as otherwise provided in subsection (b-1), an An  
16 annuitant entitled to increases under this Section shall be  
17 entitled to the initial increase as of the later of: (1)  
18 January 1 following attainment of age 65, (2) January 1  
19 following the first anniversary of retirement, or (3) the first  
20 day of the month following receipt of the required qualifying  
21 contribution from the annuitant. The initial monthly increase  
22 shall be computed on the basis of the period elapsed between  
23 the later of the date of last retirement or attainment of age  
24 50 and the date of qualification for the initial increase, at  
25 the rate of 1 1/2% of the original monthly retirement annuity

1 per year for periods prior to September 1, 1971, and at the  
2 rate of 2% per year for periods between September 1, 1971 and  
3 September 1, 1978, and at the rate of 3% per year for periods  
4 thereafter.

5 Except as otherwise provided in subsection (b-1), if  
6 applicable, an ~~An~~ annuitant who has received an initial  
7 increase under this Section, shall be entitled, on each January  
8 1 following the granting of the initial increase, to an  
9 increase of 3% of the original monthly retirement annuity for  
10 increases granted prior to January 1, 1990, and equal to 3% of  
11 the total annuity, including previous increases under this  
12 Section, for increases granted on or after January 1, 1990. The  
13 original monthly retirement annuity for computations under  
14 this subsection (b) shall be considered to be \$83.34 for any  
15 annuitant entitled to benefits under Section 16-134. The  
16 minimum original disability retirement annuity for  
17 computations under this subsection (b) shall be considered to  
18 be \$33.34 per month for any annuitant retired on account of  
19 disability.

20 (b-1) Notwithstanding any other provision of this Article,  
21 for a Tier 1 employee who made the election under subsection  
22 (a) of Section 16-122.9:

23 (1) The initial increase in retirement annuity under  
24 this Section shall occur on the January 1 occurring either  
25 on or after the attainment of age 67 or the fifth  
26 anniversary of the annuity start date, whichever is

1       earlier.

2           (2) The amount of each automatic annual increase in  
3       retirement annuity or survivor benefit occurring on or  
4       after the effective date of that election shall be  
5       calculated as a percentage of the originally granted  
6       retirement annuity or survivor benefit, equal to 3% or  
7       one-half the annual unadjusted percentage increase (but  
8       not less than zero) in the consumer price index-u for the  
9       12 months ending with the September preceding each November  
10       1, whichever is less. If the annual unadjusted percentage  
11       change in the consumer price index-u for the 12 months  
12       ending with the September preceding each November 1 is zero  
13       or there is a decrease, then the annuity shall not be  
14       increased.

15       For the purposes of this Section, "consumer price index-u"  
16       means the index published by the Bureau of Labor Statistics of  
17       the United States Department of Labor that measures the average  
18       change in prices of goods and services purchased by all urban  
19       consumers, United States city average, all items, 1982-84 =  
20       100. The new amount resulting from each annual adjustment shall  
21       be determined by the Public Pension Division of the Department  
22       of Insurance and made available to the board of the retirement  
23       system by November 1 of each year.

24           (c) An annuitant who otherwise qualifies for annual  
25       increases under this Section must make a one-time payment of 1%  
26       of the monthly final average salary for each full year of the

1     creditable service forming the basis of the retirement annuity  
2     or, if the retirement annuity was not computed using final  
3     average salary, 1% of the original monthly retirement annuity  
4     for each full year of service forming the basis of the  
5     retirement annuity.

6           (d) In addition to other increases which may be provided by  
7     this Section, regardless of creditable service, annuitants not  
8     meeting the service requirements of Section 16-133.1 and whose  
9     retirement annuity began on or before January 1, 1971 shall  
10    receive, on January 1, 1981, an increase in the retirement  
11    annuity then being paid of one dollar per month for each year  
12    of creditable service forming the basis of the retirement  
13    allowance. On January 1, 1982, annuitants whose retirement  
14    annuity began on or before January 1, 1977, shall receive an  
15    increase in the retirement annuity then being paid of one  
16    dollar per month for each year of creditable service.

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

22           (Source: P.A. 86-273.)

23           (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

24           (Text of Section WITHOUT the changes made by P.A. 98-599,  
25    which has been held unconstitutional)

1           Sec. 16-152. Contributions by members.

2           (a) Except as otherwise provided in subsection (a-5), each  
3 ~~Each~~ member shall make contributions for membership service to  
4 this System as follows:

5           (1) Effective July 1, 1998, contributions of 7.50% of  
6 salary towards the cost of the retirement annuity. Such  
7 contributions shall be deemed "normal contributions".

8           (2) Effective July 1, 1969, contributions of 1/2 of 1%  
9 of salary toward the cost of the automatic annual increase  
10 in retirement annuity provided under Section 16-133.1.

11           (3) Effective July 24, 1959, contributions of 1% of  
12 salary towards the cost of survivor benefits. Such  
13 contributions shall not be credited to the individual  
14 account of the member and shall not be subject to refund  
15 except as provided under Section 16-143.2.

16           (4) Effective July 1, 2005, contributions of 0.40% of  
17 salary toward the cost of the early retirement without  
18 discount option provided under Section 16-133.2. This  
19 contribution shall cease upon termination of the early  
20 retirement without discount option as provided in Section  
21 16-133.2.

22           (a-5) As adequate and legal consideration provided under  
23 this amendatory Act of the 100th General Assembly for making an  
24 election under subsection (a) of Section 16-122.9, beginning on  
25 the effective date of the Tier 1 employee's election under  
26 subsection (a) of Section 16-122.9, in lieu of the

1 contributions otherwise required under subsection (a), each  
2 Tier 1 employee who made the election under subsection (a) of  
3 Section 16-122.9 shall make contributions as follows:

4 (1) Contributions of 7.50% of salary towards the cost  
5 of the retirement annuity. Such contributions shall be  
6 deemed "normal contributions".

7 (2) Contributions of 0.60% towards the cost of survivor  
8 benefits. Such contributions shall not be credited to the  
9 individual account of the member and shall not be subject  
10 to refund except as provided in Section 16-143.2.

11 (3) Contributions of 0.40% of salary toward the cost of  
12 the early retirement without discount option provided  
13 under Section 16-133.2. This contribution shall cease upon  
14 termination of the early retirement without discount  
15 option as provided in Section 16-133.2.

16 (b) The minimum required contribution for any year of  
17 full-time teaching service shall be \$192.

18 (c) Contributions shall not be required of any annuitant  
19 receiving a retirement annuity who is given employment as  
20 permitted under Section 16-118 or 16-150.1.

21 (d) A person who (i) was a member before July 1, 1998, (ii)  
22 retires with more than 34 years of creditable service, and  
23 (iii) does not elect to qualify for the augmented rate under  
24 Section 16-129.1 shall be entitled, at the time of retirement,  
25 to receive a partial refund of contributions made under this  
26 Section for service occurring after the later of June 30, 1998

1 or attainment of 34 years of creditable service, in an amount  
2 equal to 1.00% of the salary upon which those contributions  
3 were based.

4 (e) A member's contributions toward the cost of early  
5 retirement without discount made under item (a)(4) of this  
6 Section shall not be refunded if the member has elected early  
7 retirement without discount under Section 16-133.2 and has  
8 begun to receive a retirement annuity under this Article  
9 calculated in accordance with that election. Otherwise, a  
10 member's contributions toward the cost of early retirement  
11 without discount made under item (a)(4) of this Section shall  
12 be refunded according to whichever one of the following  
13 circumstances occurs first:

14 (1) The contributions shall be refunded to the member,  
15 without interest, within 120 days after the member's  
16 retirement annuity commences, if the member does not elect  
17 early retirement without discount under Section 16-133.2.

18 (2) The contributions shall be included, without  
19 interest, in any refund claimed by the member under Section  
20 16-151.

21 (3) The contributions shall be refunded to the member's  
22 designated beneficiary (or if there is no beneficiary, to  
23 the member's estate), without interest, if the member dies  
24 without having begun to receive a retirement annuity under  
25 this Article.

26 (4) The contributions shall be refunded to the member,

1 without interest, if the early retirement without discount  
2 option provided under subsection (d) of Section 16-133.2 is  
3 terminated. In that event, the System shall provide to the  
4 member, within 120 days after the option is terminated, an  
5 application for a refund of those contributions.

6 (Source: P.A. 98-42, eff. 6-28-13; 98-92, eff. 7-16-13; 99-642,  
7 eff. 7-28-16.)

8 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

9 (Text of Section WITHOUT the changes made by P.A. 98-599,  
10 which has been held unconstitutional)

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

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

20 The Board shall determine the amount of State contributions  
21 required for each fiscal year on the basis of the actuarial  
22 tables and other assumptions adopted by the Board and the  
23 recommendations of the actuary, using the formula in subsection  
24 (b-3).

25 (a-1) Annually, on or before November 15 until November 15,



1 2011, the Board shall certify to the Governor the amount of the  
2 required State contribution for the coming fiscal year. The  
3 certification under this subsection (a-1) shall include a copy  
4 of the actuarial recommendations upon which it is based and  
5 shall specifically identify the System's projected State  
6 normal cost for that fiscal year.

7 On or before May 1, 2004, the Board shall recalculate and  
8 recertify to the Governor the amount of the required State  
9 contribution to the System for State fiscal year 2005, taking  
10 into account the amounts appropriated to and received by the  
11 System under subsection (d) of Section 7.2 of the General  
12 Obligation Bond Act.

13 On or before July 1, 2005, the Board shall recalculate and  
14 recertify to the Governor the amount of the required State  
15 contribution to the System for State fiscal year 2006, taking  
16 into account the changes in required State contributions made  
17 by this amendatory Act of the 94th General Assembly.

18 On or before April 1, 2011, the Board shall recalculate and  
19 recertify to the Governor the amount of the required State  
20 contribution to the System for State fiscal year 2011, applying  
21 the changes made by Public Act 96-889 to the System's assets  
22 and liabilities as of June 30, 2009 as though Public Act 96-889  
23 was approved on that date.

24 (a-5) On or before November 1 of each year, beginning  
25 November 1, 2012, the Board shall submit to the State Actuary,  
26 the Governor, and the General Assembly a proposed certification

1 of the amount of the required State contribution to the System  
2 for the next fiscal year, along with all of the actuarial  
3 assumptions, calculations, and data upon which that proposed  
4 certification is based. On or before January 1 of each year,  
5 beginning January 1, 2013, the State Actuary shall issue a  
6 preliminary report concerning the proposed certification and  
7 identifying, if necessary, recommended changes in actuarial  
8 assumptions that the Board must consider before finalizing its  
9 certification of the required State contributions. On or before  
10 January 15, 2013 and each January 15 thereafter, the Board  
11 shall certify to the Governor and the General Assembly the  
12 amount of the required State contribution for the next fiscal  
13 year. The Board's certification must note any deviations from  
14 the State Actuary's recommended changes, the reason or reasons  
15 for not following the State Actuary's recommended changes, and  
16 the fiscal impact of not following the State Actuary's  
17 recommended changes on the required State contribution.

18 If necessary, the Board shall recalculate and recertify to  
19 the Governor the amount of the required State contribution to  
20 the System for State fiscal year 2019, applying the changes  
21 made by this amendatory Act of the 100th General Assembly.

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

25 (b-1) Beginning in State fiscal year 1996, on the 15th day  
26 of each month, or as soon thereafter as may be practicable, the

1 Board shall submit vouchers for payment of State contributions  
2 to the System, in a total monthly amount of one-twelfth of the  
3 required annual State contribution certified under subsection  
4 (a-1). From the effective date of this amendatory Act of the  
5 93rd General Assembly through June 30, 2004, the Board shall  
6 not submit vouchers for the remainder of fiscal year 2004 in  
7 excess of the fiscal year 2004 certified contribution amount  
8 determined under this Section after taking into consideration  
9 the transfer to the System under subsection (a) of Section  
10 6z-61 of the State Finance Act. These vouchers shall be paid by  
11 the State Comptroller and Treasurer by warrants drawn on the  
12 funds appropriated to the System for that fiscal year.

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

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

25 (b-3) For State fiscal years 2012 through 2045, the minimum  
26 contribution to the System to be made by the State for each

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

9 For each of State fiscal years 2019 and 2020, the State  
10 shall make an additional contribution to the System equal to 2%  
11 of the total payroll of each employee who is deemed to have  
12 elected the benefits under Section 1-161 or who has made the  
13 election under subsection (c) of Section 1-161.

14 For State fiscal years 1996 through 2005, the State  
15 contribution to the System, as a percentage of the applicable  
16 employee payroll, shall be increased in equal annual increments  
17 so that by State fiscal year 2011, the State is contributing at  
18 the rate required under this Section; except that in the  
19 following specified State fiscal years, the State contribution  
20 to the System shall not be less than the following indicated  
21 percentages of the applicable employee payroll, even if the  
22 indicated percentage will produce a State contribution in  
23 excess of the amount otherwise required under this subsection  
24 and subsection (a), and notwithstanding any contrary  
25 certification made under subsection (a-1) before the effective  
26 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%

1 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
2 2003; and 13.56% in FY 2004.

3 Notwithstanding any other provision of this Article, the  
4 total required State contribution for State fiscal year 2006 is  
5 \$534,627,700.

6 Notwithstanding any other provision of this Article, the  
7 total required State contribution for State fiscal year 2007 is  
8 \$738,014,500.

9 For each of State fiscal years 2008 through 2009, the State  
10 contribution to the System, as a percentage of the applicable  
11 employee payroll, shall be increased in equal annual increments  
12 from the required State contribution for State fiscal year  
13 2007, so that by State fiscal year 2011, the State is  
14 contributing at the rate otherwise required under this Section.

15 Notwithstanding any other provision of this Article, the  
16 total required State contribution for State fiscal year 2010 is  
17 \$2,089,268,000 and shall be made from the proceeds of bonds  
18 sold in fiscal year 2010 pursuant to Section 7.2 of the General  
19 Obligation Bond Act, less (i) the pro rata share of bond sale  
20 expenses determined by the System's share of total bond  
21 proceeds, (ii) any amounts received from the Common School Fund  
22 in fiscal year 2010, and (iii) any reduction in bond proceeds  
23 due to the issuance of discounted bonds, if applicable.

24 Notwithstanding any other provision of this Article, the  
25 total required State contribution for State fiscal year 2011 is  
26 the amount recertified by the System on or before April 1, 2011

1 pursuant to subsection (a-1) of this Section and shall be made  
2 from the proceeds of bonds sold in fiscal year 2011 pursuant to  
3 Section 7.2 of the General Obligation Bond Act, less (i) the  
4 pro rata share of bond sale expenses determined by the System's  
5 share of total bond proceeds, (ii) any amounts received from  
6 the Common School Fund in fiscal year 2011, and (iii) any  
7 reduction in bond proceeds due to the issuance of discounted  
8 bonds, if applicable. This amount shall include, in addition to  
9 the amount certified by the System, an amount necessary to meet  
10 employer contributions required by the State as an employer  
11 under paragraph (e) of this Section, which may also be used by  
12 the System for contributions required by paragraph (a) of  
13 Section 16-127.

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

18 Amounts received by the System pursuant to Section 25 of  
19 the Budget Stabilization Act or Section 8.12 of the State  
20 Finance Act in any fiscal year do not reduce and do not  
21 constitute payment of any portion of the minimum State  
22 contribution required under this Article in that fiscal year.  
23 Such amounts shall not reduce, and shall not be included in the  
24 calculation of, the required State contributions under this  
25 Article in any future year until the System has reached a  
26 funding ratio of at least 90%. A reference in this Article to

1 the "required State contribution" or any substantially similar  
2 term does not include or apply to any amounts payable to the  
3 System under Section 25 of the Budget Stabilization Act.

4 Notwithstanding any other provision of this Section, the  
5 required State contribution for State fiscal year 2005 and for  
6 fiscal year 2008 and each fiscal year thereafter, as calculated  
7 under this Section and certified under subsection (a-1), shall  
8 not exceed an amount equal to (i) the amount of the required  
9 State contribution that would have been calculated under this  
10 Section for that fiscal year if the System had not received any  
11 payments under subsection (d) of Section 7.2 of the General  
12 Obligation Bond Act, minus (ii) the portion of the State's  
13 total debt service payments for that fiscal year on the bonds  
14 issued in fiscal year 2003 for the purposes of that Section  
15 7.2, as determined and certified by the Comptroller, that is  
16 the same as the System's portion of the total moneys  
17 distributed under subsection (d) of Section 7.2 of the General  
18 Obligation Bond Act. In determining this maximum for State  
19 fiscal years 2008 through 2010, however, the amount referred to  
20 in item (i) shall be increased, as a percentage of the  
21 applicable employee payroll, in equal increments calculated  
22 from the sum of the required State contribution for State  
23 fiscal year 2007 plus the applicable portion of the State's  
24 total debt service payments for fiscal year 2007 on the bonds  
25 issued in fiscal year 2003 for the purposes of Section 7.2 of  
26 the General Obligation Bond Act, so that, by State fiscal year

1 2011, the State is contributing at the rate otherwise required  
2 under this Section.

3 (b-4) Beginning in fiscal year 2019, each employer under  
4 this Article shall pay to the System a required contribution  
5 determined as a percentage of projected payroll and sufficient  
6 to produce an annual amount equal to:

7 (i) for each of fiscal years 2019 and 2020, the defined  
8 benefit normal cost of the defined benefit plan, less the  
9 employee contribution, for each employee of that employer  
10 who has elected or who is deemed to have elected the  
11 benefits under Section 1-161 or who has made the election  
12 under subsection (b) of Section 1-161; for fiscal year 2021  
13 and each fiscal year thereafter, the defined benefit normal  
14 cost of the defined benefit plan, less the employee  
15 contribution, plus 2%, for each employee of that employer  
16 who has elected or who is deemed to have elected the  
17 benefits under Section 1-161 or who has made the election  
18 under subsection (b) of Section 1-161; plus

19 (ii) the amount required for that fiscal year to  
20 amortize any unfunded actuarial accrued liability  
21 associated with the present value of liabilities  
22 attributable to the employer's account under Section  
23 16-158.3, determined as a level percentage of payroll over  
24 a 30-year rolling amortization period.

25 In determining contributions required under item (i) of  
26 this subsection, the System shall determine an aggregate rate



1 for all employers, expressed as a percentage of projected  
2 payroll.

3 In determining the contributions required under item (ii)  
4 of this subsection, the amount shall be computed by the System  
5 on the basis of the actuarial assumptions and tables used in  
6 the most recent actuarial valuation of the System that is  
7 available at the time of the computation.

8 The contributions required under this subsection (b-4)  
9 shall be paid by an employer concurrently with that employer's  
10 payroll payment period. The State, as the actual employer of an  
11 employee, shall make the required contributions under this  
12 subsection.

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

18 If members are paid from special trust or federal funds  
19 which are administered by the employing unit, whether school  
20 district or other unit, the employing unit shall pay to the  
21 System from such funds the full accruing retirement costs based  
22 upon that service, which, beginning July 1, 2014, shall be at a  
23 rate, expressed as a percentage of salary, equal to the total  
24 minimum contribution to the System to be made by the State for  
25 that fiscal year, including both normal cost and unfunded  
26 liability components, expressed as a percentage of payroll, as

1 determined by the System under subsection (b-3) of this  
2 Section. Employer contributions, based on salary paid to  
3 members from federal funds, may be forwarded by the  
4 distributing agency of the State of Illinois to the System  
5 prior to allocation, in an amount determined in accordance with  
6 guidelines established by such agency and the System. Any  
7 contribution for fiscal year 2015 collected as a result of the  
8 change made by this amendatory Act of the 98th General Assembly  
9 shall be considered a State contribution under subsection (b-3)  
10 of this Section.

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

18 However, with respect to benefits granted under Section  
19 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
20 of Section 16-106, the employer's contribution shall be 12%  
21 (rather than 20%) of the member's highest annual salary rate  
22 for each year of creditable service granted, and the employer  
23 shall also pay the required employee contribution on behalf of  
24 the teacher. For the purposes of Sections 16-133.4 and  
25 16-133.5, a teacher as defined in paragraph (8) of Section  
26 16-106 who is serving in that capacity while on leave of

1 absence from another employer under this Article shall not be  
2 considered an employee of the employer from which the teacher  
3 is on leave.

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

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

10 (2) Beginning July 1, 1999 and thereafter, the employer  
11 contribution shall be equal to 0.58% of each teacher's  
12 salary.

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

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

21 Each employer of teachers is entitled to a credit against  
22 the contributions required under this subsection (e) with  
23 respect to salaries paid to teachers for the period January 1,  
24 2002 through June 30, 2003, equal to the amount paid by that  
25 employer under subsection (a-5) of Section 6.6 of the State  
26 Employees Group Insurance Act of 1971 with respect to salaries

1 paid to teachers for that period.

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

7 If an employer is required by a contract in effect on May  
8 1, 1998 between the employer and an employee organization to  
9 pay, on behalf of all its full-time employees covered by this  
10 Article, all mandatory employee contributions required under  
11 this Article, then the employer shall be excused from paying  
12 the employer contribution required under this subsection (e)  
13 for the balance of the term of that contract. The employer and  
14 the employee organization shall jointly certify to the System  
15 the existence of the contractual requirement, in such form as  
16 the System may prescribe. This exclusion shall cease upon the  
17 termination, extension, or renewal of the contract at any time  
18 after May 1, 1998.

19 (f) If the amount of a teacher's salary for any school year  
20 used to determine final average salary exceeds the member's  
21 annual full-time salary rate with the same employer for the  
22 previous school year by more than 6%, the teacher's employer  
23 shall pay to the System, in addition to all other payments  
24 required under this Section and in accordance with guidelines  
25 established by the System, the present value of the increase in  
26 benefits resulting from the portion of the increase in salary

1 that is in excess of 6%. This present value shall be computed  
2 by the System on the basis of the actuarial assumptions and  
3 tables used in the most recent actuarial valuation of the  
4 System that is available at the time of the computation. If a  
5 teacher's salary for the 2005-2006 school year is used to  
6 determine final average salary under this subsection (f), then  
7 the changes made to this subsection (f) by Public Act 94-1057  
8 shall apply in calculating whether the increase in his or her  
9 salary is in excess of 6%. For the purposes of this Section,  
10 change in employment under Section 10-21.12 of the School Code  
11 on or after June 1, 2005 shall constitute a change in employer.  
12 The System may require the employer to provide any pertinent  
13 information or documentation. The changes made to this  
14 subsection (f) by this amendatory Act of the 94th General  
15 Assembly apply without regard to whether the teacher was in  
16 service on or after its effective date.

17 Whenever it determines that a payment is or may be required  
18 under this subsection, the System shall calculate the amount of  
19 the payment and bill the employer for that amount. The bill  
20 shall specify the calculations used to determine the amount  
21 due. If the employer disputes the amount of the bill, it may,  
22 within 30 days after receipt of the bill, apply to the System  
23 in writing for a recalculation. The application must specify in  
24 detail the grounds of the dispute and, if the employer asserts  
25 that the calculation is subject to subsection (g) or (h) of  
26 this Section, must include an affidavit setting forth and

1 attesting to all facts within the employer's knowledge that are  
2 pertinent to the applicability of that subsection. Upon  
3 receiving a timely application for recalculation, the System  
4 shall review the application and, if appropriate, recalculate  
5 the amount due.

6 The employer contributions required under this subsection  
7 (f) may be paid in the form of a lump sum within 90 days after  
8 receipt of the bill. If the employer contributions are not paid  
9 within 90 days after receipt of the bill, then interest will be  
10 charged at a rate equal to the System's annual actuarially  
11 assumed rate of return on investment compounded annually from  
12 the 91st day after receipt of the bill. Payments must be  
13 concluded within 3 years after the employer's receipt of the  
14 bill.

15 (g) This subsection (g) applies only to payments made or  
16 salary increases given on or after June 1, 2005 but before July  
17 1, 2011. The changes made by Public Act 94-1057 shall not  
18 require the System to refund any payments received before July  
19 31, 2006 (the effective date of Public Act 94-1057).

20 When assessing payment for any amount due under subsection  
21 (f), the System shall exclude salary increases paid to teachers  
22 under contracts or collective bargaining agreements entered  
23 into, amended, or renewed before June 1, 2005.

24 When assessing payment for any amount due under subsection  
25 (f), the System shall exclude salary increases paid to a  
26 teacher at a time when the teacher is 10 or more years from

1 retirement eligibility under Section 16-132 or 16-133.2.

2 When assessing payment for any amount due under subsection  
3 (f), the System shall exclude salary increases resulting from  
4 overload work, including summer school, when the school  
5 district has certified to the System, and the System has  
6 approved the certification, that (i) the overload work is for  
7 the sole purpose of classroom instruction in excess of the  
8 standard number of classes for a full-time teacher in a school  
9 district during a school year and (ii) the salary increases are  
10 equal to or less than the rate of pay for classroom instruction  
11 computed on the teacher's current salary and work schedule.

12 When assessing payment for any amount due under subsection  
13 (f), the System shall exclude a salary increase resulting from  
14 a promotion (i) for which the employee is required to hold a  
15 certificate or supervisory endorsement issued by the State  
16 Teacher Certification Board that is a different certification  
17 or supervisory endorsement than is required for the teacher's  
18 previous position and (ii) to a position that has existed and  
19 been filled by a member for no less than one complete academic  
20 year and the salary increase from the promotion is an increase  
21 that results in an amount no greater than the lesser of the  
22 average salary paid for other similar positions in the district  
23 requiring the same certification or the amount stipulated in  
24 the collective bargaining agreement for a similar position  
25 requiring the same certification.

26 When assessing payment for any amount due under subsection

1 (f), the System shall exclude any payment to the teacher from  
2 the State of Illinois or the State Board of Education over  
3 which the employer does not have discretion, notwithstanding  
4 that the payment is included in the computation of final  
5 average salary.

6 (h) When assessing payment for any amount due under  
7 subsection (f), the System shall exclude any salary increase  
8 described in subsection (g) of this Section given on or after  
9 July 1, 2011 but before July 1, 2014 under a contract or  
10 collective bargaining agreement entered into, amended, or  
11 renewed on or after June 1, 2005 but before July 1, 2011.  
12 Notwithstanding any other provision of this Section, any  
13 payments made or salary increases given after June 30, 2014  
14 shall be used in assessing payment for any amount due under  
15 subsection (f) of this Section.

16 (i) The System shall prepare a report and file copies of  
17 the report with the Governor and the General Assembly by  
18 January 1, 2007 that contains all of the following information:

19 (1) The number of recalculations required by the  
20 changes made to this Section by Public Act 94-1057 for each  
21 employer.

22 (2) The dollar amount by which each employer's  
23 contribution to the System was changed due to  
24 recalculations required by Public Act 94-1057.

25 (3) The total amount the System received from each  
26 employer as a result of the changes made to this Section by



1 Public Act 94-4.

2 (4) The increase in the required State contribution  
3 resulting from the changes made to this Section by Public  
4 Act 94-1057.

5 (j) For purposes of determining the required State  
6 contribution to the System, the value of the System's assets  
7 shall be equal to the actuarial value of the System's assets,  
8 which shall be calculated as follows:

9 As of June 30, 2008, the actuarial value of the System's  
10 assets shall be equal to the market value of the assets as of  
11 that date. In determining the actuarial value of the System's  
12 assets for fiscal years after June 30, 2008, any actuarial  
13 gains or losses from investment return incurred in a fiscal  
14 year shall be recognized in equal annual amounts over the  
15 5-year period following that fiscal year.

16 (k) For purposes of determining the required State  
17 contribution to the system for a particular year, the actuarial  
18 value of assets shall be assumed to earn a rate of return equal  
19 to the system's actuarially assumed rate of return.

20 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
21 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.  
22 6-18-12; 97-813, eff. 7-13-12; 98-674, eff. 6-30-14.)

23 (40 ILCS 5/16-158.3 new)

24 Sec. 16-158.3. Individual employer accounts.

25 (a) The System shall create and maintain an individual

1 account for each employer for the purposes of determining  
2 employer contributions under subsection (b-4) of Section  
3 16-158. Each employer's account shall be notionally charged  
4 with the liabilities attributable to that employer and credited  
5 with the assets attributable to that employer.

6 (b) Beginning in fiscal year 2019, the System shall assign  
7 notional liabilities to each employer's account, equal to the  
8 amount of the employer contributions required to be made by the  
9 employer pursuant to items (i) and (ii) of subsection (b-4) of  
10 Section 16-158, plus any unfunded actuarial accrued liability  
11 associated with the defined benefits attributable to the  
12 employer's employees who first became members on or after July  
13 1, 2018 and the employer's employees who made the election  
14 under subsection (c-5) of Section 1-161.

15 (c) Beginning in fiscal year 2019, the System shall assign  
16 notional assets to each employer's account equal to the amounts  
17 of employer contributions made pursuant to items (i) and (ii)  
18 of subsection (b-4) of Section 16-158.

19 (40 ILCS 5/16-190.5 new)

20 Sec. 16-190.5. Accelerated pension benefit payment.

21 (a) As used in this Section:

22 "Eligible person" means a person who:

23 (1) has terminated service;

24 (2) has accrued sufficient service credit to be  
25 eligible to receive a retirement annuity under this

1       Article;

2           (3) is not a party to a pending divorce proceeding and  
3       does not have a QILDRO in effect against him or her under  
4       this Article; and

5           (4) does not have a QILDRO in effect against him or her  
6       under this Article.

7       "Pension benefit" means the benefits under this Article, or  
8       Article 1 as it relates to those benefits, including any  
9       anticipated annual increases, that an eligible person is  
10       entitled to upon attainment of the applicable retirement age.  
11       "Pension benefit" also includes applicable survivor's or  
12       disability benefits.

13       (b) If approved by resolution of the Board in any year, the  
14       System shall calculate, using actuarial tables and other  
15       assumptions adopted by the Board, the net present value of  
16       pension benefits for each eligible person and shall offer each  
17       eligible person the opportunity to irrevocably elect to receive  
18       an amount determined by the System to be equal to 70% of the  
19       net present value of his or her pension benefits in lieu of  
20       receiving any pension benefit. The offer shall specify the  
21       dollar amount that the eligible person will receive if he or  
22       she so elects and shall expire when a subsequent offer is made  
23       to an eligible person. The System shall make a good faith  
24       effort to contact every eligible person to notify him or her of  
25       the election and of the amount of the accelerated pension  
26       benefit payment.

1       During a period of 3 months determined by the Board, an  
2 eligible person may irrevocably elect to receive an accelerated  
3 pension benefit payment in the amount that the System offers  
4 under this subsection in lieu of receiving any pension benefit.  
5 A person who elects to receive an accelerated pension benefit  
6 payment under this Section may not elect to proceed under the  
7 Retirement Systems Reciprocal Act with respect to service under  
8 this Article. The accelerated pension benefit payment shall be  
9 paid by the System.

10       (c) A person's credits and creditable service under this  
11 Article shall be terminated upon the person's receipt of an  
12 accelerated pension benefit payment under this Section, and no  
13 other benefit shall be paid under this Article based on those  
14 terminated credits and creditable service, including any  
15 retirement, survivor, or other benefit; except that to the  
16 extent that participation, benefits, or premiums under the  
17 State Employees Group Insurance Act of 1971 are based on the  
18 amount of service credit, the terminated service credit shall  
19 be used for that purpose.

20       (d) If a person who has received an accelerated pension  
21 benefit payment under this Section returns to active service  
22 under this Article, then:

23           (1) Any benefits under the System earned as a result of  
24 that return to active service shall be based solely on the  
25 person's credits and creditable service arising from the  
26 return to active service.

1           (2) The accelerated pension benefit payment may not be  
2           repaid to the System, and the terminated credits and  
3           creditable service may not under any circumstances be  
4           reinstated.

5           (e) As a condition of receiving an accelerated pension  
6           benefit payment, an eligible person must have another  
7           retirement plan or account qualified under the Internal Revenue  
8           Code of 1986, as amended, for the accelerated pension benefit  
9           payment to be rolled into. The accelerated pension benefit  
10           payment under this Section may be subject to withholding or  
11           payment of applicable taxes, but to the extent permitted by  
12           federal law, a person who receives an accelerated pension  
13           benefit payment under this Section must direct the System to  
14           pay all of that payment as a rollover into another retirement  
15           plan or account qualified under the Internal Revenue Code of  
16           1986, as amended.

17           (f) The Board shall adopt any rules necessary to implement  
18           this Section.

19           (g) No provision of this Section shall be interpreted in a  
20           way that would cause the applicable System to cease to be a  
21           qualified plan under the Internal Revenue Code of 1986.

22           (40 ILCS 5/16-203)

23           (Text of Section WITHOUT the changes made by P.A. 98-599,  
24           which has been held unconstitutional)

25           Sec. 16-203. Application and expiration of new benefit

1 increases.

2 (a) As used in this Section, "new benefit increase" means  
3 an increase in the amount of any benefit provided under this  
4 Article, or an expansion of the conditions of eligibility for  
5 any benefit under this Article, that results from an amendment  
6 to this Code that takes effect after June 1, 2005 (the  
7 effective date of Public Act 94-4). "New benefit increase",  
8 however, does not include any benefit increase resulting from  
9 the changes made to this Article by Public Act 95-910 or this  
10 amendatory Act of the 100th General Assembly ~~this amendatory~~  
11 ~~Act of the 95th General Assembly~~.

12 (b) Notwithstanding any other provision of this Code or any  
13 subsequent amendment to this Code, every new benefit increase  
14 is subject to this Section and shall be deemed to be granted  
15 only in conformance with and contingent upon compliance with  
16 the provisions of this Section.

17 (c) The Public Act enacting a new benefit increase must  
18 identify and provide for payment to the System of additional  
19 funding at least sufficient to fund the resulting annual  
20 increase in cost to the System as it accrues.

21 Every new benefit increase is contingent upon the General  
22 Assembly providing the additional funding required under this  
23 subsection. The Commission on Government Forecasting and  
24 Accountability shall analyze whether adequate additional  
25 funding has been provided for the new benefit increase and  
26 shall report its analysis to the Public Pension Division of the

1 Department of Insurance ~~Financial and Professional Regulation~~.

2 A new benefit increase created by a Public Act that does not  
3 include the additional funding required under this subsection  
4 is null and void. If the Public Pension Division determines  
5 that the additional funding provided for a new benefit increase  
6 under this subsection is or has become inadequate, it may so  
7 certify to the Governor and the State Comptroller and, in the  
8 absence of corrective action by the General Assembly, the new  
9 benefit increase shall expire at the end of the fiscal year in  
10 which the certification is made.

11 (d) Every new benefit increase shall expire 5 years after  
12 its effective date or on such earlier date as may be specified  
13 in the language enacting the new benefit increase or provided  
14 under subsection (c). This does not prevent the General  
15 Assembly from extending or re-creating a new benefit increase  
16 by law.

17 (e) Except as otherwise provided in the language creating  
18 the new benefit increase, a new benefit increase that expires  
19 under this Section continues to apply to persons who applied  
20 and qualified for the affected benefit while the new benefit  
21 increase was in effect and to the affected beneficiaries and  
22 alternate payees of such persons, but does not apply to any  
23 other person, including without limitation a person who  
24 continues in service after the expiration date and did not  
25 apply and qualify for the affected benefit while the new  
26 benefit increase was in effect.

1 (Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

2 (40 ILCS 5/16-205.1 new)

3 Sec. 16-205.1. Defined contribution plan.

4 (a) By July 1, 2018, the System shall prepare and implement  
5 a voluntary defined contribution plan for up to 5% of eligible  
6 active Tier 1 employees. The System shall determine the 5% cap  
7 by the number of active Tier 1 employees on the effective date  
8 of this Section. The defined contribution plan developed under  
9 this Section shall be a plan that aggregates employer and  
10 employee contributions in individual participant accounts  
11 which, after meeting any other requirements, are used for  
12 payouts after retirement in accordance with this Section and  
13 any other applicable laws.

14 As used in this Section, "defined benefit plan" means the  
15 retirement plan available under this Article to Tier 1  
16 employees who have not made the election authorized under this  
17 Section.

18 (1) Under the defined contribution plan, an active Tier  
19 1 employee of this System could elect to cease accruing  
20 benefits in the defined benefit plan under this Article and  
21 begin accruing benefits for future service in the defined  
22 contribution plan. Service credit under the defined  
23 contribution plan may be used for determining retirement  
24 eligibility under the defined benefit plan. An active Tier  
25 1 employee who elects to cease accruing benefits in his or



1 her defined benefit plan shall be prohibited from  
2 purchasing service credit on or after the date of his or  
3 her election. A Tier 1 employee making the irrevocable  
4 election provided under this Section shall not receive  
5 interest accruals to his or her benefit under paragraph (A)  
6 of subsection (a) of Section 16-133 on or after the date of  
7 his or her election.

8 (2) Participants in the defined contribution plan  
9 shall pay employee contributions at the same rate as Tier 1  
10 employees in this System who do not participate in the  
11 defined contribution plan.

12 (3) State contributions shall be paid into the accounts  
13 of all participants in the defined contribution plan at a  
14 uniform rate, expressed as a percentage of salary and  
15 determined for each year. This rate shall be no higher than  
16 the employer's normal cost for Tier 1 employees in the  
17 defined benefit plan for that year, as determined by the  
18 System and expressed as a percentage of salary, and shall  
19 be no lower than 0% of salary. The State shall adjust this  
20 rate annually.

21 (4) The defined contribution plan shall require 5 years  
22 of participation in the defined contribution plan before  
23 vesting in State contributions. If the participant fails to  
24 vest in them, the State contributions, and the earnings  
25 thereon, shall be forfeited.

26 (5) The defined contribution plan may provide for

1 participants in the plan to be eligible for the defined  
2 disability benefits available to other participants under  
3 this Article. If it does, the System shall reduce the  
4 employee contributions credited to the member's defined  
5 contribution plan account by an amount determined by the  
6 System to cover the cost of offering such benefits.

7 (6) The defined contribution plan shall provide a  
8 variety of options for investments. These options shall  
9 include investments in a fund created by the System and  
10 managed in accordance with legal and fiduciary standards,  
11 as well as investment options otherwise available.

12 (7) The defined contribution plan shall provide a  
13 variety of options for payouts to retirees and their  
14 survivors.

15 (8) To the extent authorized under federal law and as  
16 authorized by the System, the plan shall allow former  
17 participants in the plan to transfer or roll over employee  
18 and vested State contributions, and the earnings thereon,  
19 into other qualified retirement plans.

20 (9) The System shall reduce the employee contributions  
21 credited to the member's defined contribution plan account  
22 by an amount determined by the System to cover the cost of  
23 offering these benefits and any applicable administrative  
24 fees.

25 (b) Only persons who are active Tier 1 employees of the  
26 System on the effective date of this Section are eligible to

1 participate in the defined contribution plan. Participation in  
2 the defined contribution plan shall be limited to the first 5%  
3 of eligible persons who elect to participate. The election to  
4 participate in the defined contribution plan is voluntary and  
5 irrevocable.

6 (c) An eligible Tier 1 employee may irrevocably elect to  
7 participate in the defined contribution plan by filing with the  
8 System a written application to participate that is received by  
9 the System prior to its determination that 5% of eligible  
10 persons have elected to participate in the defined contribution  
11 plan.

12 When the System first determines that 5% of eligible  
13 persons have elected to participate in the defined contribution  
14 plan, the System shall provide notice to previously eligible  
15 employees that the plan is no longer available and shall cease  
16 accepting applications to participate.

17 (d) The System shall make a good faith effort to contact  
18 each active Tier 1 employee who is eligible to participate in  
19 the defined contribution plan. Such correspondence shall  
20 describe the option to join the defined contribution plan to  
21 each of these employees. If the employee is not responsive to  
22 other means of contact, it is sufficient for the System to  
23 publish the details of the option on its website.

24 Upon request for further information describing the  
25 option, the System shall provide employees with information  
26 from the System before exercising the option to join the plan,

1 including information on the impact to their vested benefits or  
2 non-vested service. The individual consultation shall include  
3 projections of the member's defined benefits at retirement or  
4 earlier termination of service and the value of the member's  
5 account at retirement or earlier termination of service. The  
6 System shall not provide advice or counseling with respect to  
7 whether the employee should exercise the option. The System  
8 shall inform Tier 1 employees who are eligible to participate  
9 in the defined contribution plan that they may also wish to  
10 obtain information and counsel relating to their option from  
11 any other available source, including, but not limited to,  
12 labor organizations, private counsel, and financial advisors.

13 (e) In no event shall the System, its staff, its authorized  
14 representatives, or the Board be liable for any information  
15 given to an employee under this Section. The System may  
16 coordinate with other retirement systems administering a  
17 defined contribution plan in accordance with this amendatory  
18 Act of the 100th General Assembly to provide information  
19 concerning the impact of the option set forth in this Section.

20 (f) Notwithstanding any other provision of this Section, no  
21 person shall begin participating in the defined contribution  
22 plan until it has attained qualified plan status and received  
23 all necessary approvals from the U.S. Internal Revenue Service.

24 (g) The System shall report on its progress under this  
25 Section, including the available details of the defined  
26 contribution plan and the System's plans for informing eligible

1 Tier 1 employees about the plan, to the Governor and the  
2 General Assembly.

3 (h) The intent of this amendatory Act of the 100th General  
4 Assembly is to ensure that the State's normal cost of  
5 participation in the defined contribution plan is similar, and  
6 if possible equal, to the State's normal cost of participation  
7 in the defined benefit plan, unless a lower State's normal cost  
8 is necessary to ensure cost neutrality.

9 (40 ILCS 5/16-206.1 new)

10 Sec. 16-206.1. Defined contribution plan; termination. If  
11 the defined contribution plan is terminated or becomes  
12 inoperative pursuant to law, then each participant in the plan  
13 shall automatically be deemed to have been a contributing Tier  
14 1 employee in the System's defined benefit plan during the time  
15 in which he or she participated in the defined contribution  
16 plan, and for that purpose the System shall be entitled to  
17 recover the amounts in the participant's defined contribution  
18 accounts.

19 (40 ILCS 5/17-106.05 new)

20 Sec. 17-106.05. Tier 1 employee. "Tier 1 employee": A  
21 teacher under this Article who first became a member or  
22 participant before January 1, 2011 under any reciprocal  
23 retirement system or pension fund established under this Code  
24 other than a retirement system or pension fund established

1 under Article 2, 3, 4, 5, 6, or 18 of this Code. However, for  
2 the purposes of the election under Section 17-115.5, "Tier 1  
3 employee" does not include a teacher under this Article who  
4 would qualify as a Tier 1 employee but who has made an  
5 irrevocable election on or before June 1, 2017 to retire from  
6 service pursuant to the terms of an employment contract or a  
7 collective bargaining agreement in effect on June 1, 2017,  
8 excluding any extension, amendment, or renewal of that  
9 agreement after that date, and has notified the Fund of that  
10 election.

11 (40 ILCS 5/17-113.4 new)

12 Sec. 17-113.4. Salary. "Salary" means any income in any  
13 form that qualifies as "average salary" or "annual rate of  
14 salary" for purposes of paragraph (1) of subsection (c) of  
15 Section 17-116 and "salary" for payroll deduction purposes  
16 under Sections 17-130, 17-131, and 17-132.

17 (40 ILCS 5/17-115.5 new)

18 Sec. 17-115.5. Election by Tier 1 employees.

19 (a) If approved by resolution of the Board, an active Tier  
20 1 employee may make an irrevocable election to agree to delay  
21 his or her eligibility for automatic annual increases in  
22 service retirement pension as provided in Section 17-119.2 and  
23 to have the amount of the automatic annual increases in his or  
24 her service retirement pension and survivor's pension that are

1 otherwise provided for in this Article calculated, instead, as  
2 provided in Section 17-119.2.

3 (b) As adequate and legal consideration provided under this  
4 amendatory Act of the 100th General Assembly for making an  
5 election under subsection (a) of this Section, each Tier 1  
6 employee who has made an election under subsection (a) of this  
7 Section shall receive a consideration payment equal to 10% of  
8 the contributions made by or on behalf of the employee under  
9 Section 17-130 before the effective date of that election. The  
10 Fund shall pay the amount of the consideration payment.

11 (c) A Tier 1 employee who does not make the election under  
12 subsection (a) of this Section shall not be subject to the  
13 benefits of subsection (b) of this Section.

14 (d) The Fund shall make a good faith effort to contact each  
15 Tier 1 employee subject to this Section. Such correspondence  
16 shall describe the election to each Tier 1 employee. If the  
17 Tier 1 employee is not responsive, it is sufficient for the  
18 Fund to publish the details of any elections on its website or  
19 to publish those details in a regularly published newsletter or  
20 other existing public forum.

21 Tier 1 employees who are subject to this Section shall be  
22 provided with an election packet containing information  
23 regarding their options, as well as the forms necessary to make  
24 the election. Upon request, the Fund shall offer Tier 1  
25 employees an opportunity to receive information from the Fund  
26 before making the election. The information may be provided

1 through video materials, group presentations, individual  
2 consultation with a member or authorized representative of the  
3 Fund in person or by telephone or other electronic means, or  
4 any combination of those methods. The Fund shall not provide  
5 advice or counseling with respect to the legal or tax  
6 circumstances of or consequences of making the election in  
7 subsection (a) of this Section.

8 The Fund shall inform Tier 1 employees in the election  
9 packet required under this subsection that the Tier 1 employee  
10 may also wish to obtain information and counsel relating to the  
11 election under this Section from any other available source,  
12 including, but not limited to, labor organizations and private  
13 counsel.

14 In no event shall the Fund, its staff, or the Board be held  
15 liable for any information given to a member regarding the  
16 election under this Section. The Fund shall coordinate with  
17 other retirement systems administering an election in  
18 accordance with this amendatory Act of the 100th General  
19 Assembly to provide information concerning the impact of the  
20 election set forth in this Section.

21 (d-5) To the extent authorized under federal law and as  
22 authorized by the Fund, a Tier 1 employee may transfer or roll  
23 over the consideration payment into other qualified retirement  
24 plans.

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



1 of this Code.

2 (f) No provision of this Section shall be interpreted in a  
3 way that would cause the Fund to cease to be a qualified plan  
4 under Section 401(a) of the Internal Revenue Code of 1986.

5 (40 ILCS 5/17-116) (from Ch. 108 1/2, par. 17-116)  
6 Sec. 17-116. Service retirement pension.

7 (a) Each teacher having 20 years of service upon attainment  
8 of age 55, or who thereafter attains age 55 shall be entitled  
9 to a service retirement pension upon or after attainment of age  
10 55; and each teacher in service on or after July 1, 1971, with  
11 5 or more but less than 20 years of service shall be entitled  
12 to receive a service retirement pension upon or after  
13 attainment of age 62.

14 (b) The service retirement pension for a teacher who  
15 retires on or after June 25, 1971, at age 60 or over, shall be  
16 calculated as follows:

17 (1) For creditable service earned before July 1, 1998  
18 that has not been augmented under Section 17-119.1: 1.67%  
19 for each of the first 10 years of service; 1.90% for each  
20 of the next 10 years of service; 2.10% for each year of  
21 service in excess of 20 but not exceeding 30; and 2.30% for  
22 each year of service in excess of 30, based upon average  
23 salary as herein defined.

24 (2) For creditable service earned on or after July 1,  
25 1998 by a member who has at least 30 years of creditable

1 service on July 1, 1998 and who does not elect to augment  
2 service under Section 17-119.1: 2.3% of average salary for  
3 each year of creditable service earned on or after July 1,  
4 1998.

5 (3) For all other creditable service: 2.2% of average  
6 salary for each year of creditable service.

7 (c) When computing such service retirement pensions, the  
8 following conditions shall apply:

9 1. Average salary shall consist of the average annual  
10 rate of salary for the 4 consecutive years of validated  
11 service within the last 10 years of service when such  
12 average annual rate was highest. In the determination of  
13 average salary for retirement allowance purposes, for  
14 members who commenced employment after August 31, 1979,  
15 that part of the salary for any year shall be excluded  
16 which exceeds the annual full-time salary rate for the  
17 preceding year by more than 20%. In the case of a member  
18 who commenced employment before August 31, 1979 and who  
19 receives salary during any year after September 1, 1983  
20 which exceeds the annual full time salary rate for the  
21 preceding year by more than 20%, an Employer and other  
22 employers of eligible contributors as defined in Section  
23 17-106 shall pay to the Fund an amount equal to the present  
24 value of the additional service retirement pension  
25 resulting from such excess salary. The present value of the  
26 additional service retirement pension shall be computed by

1 the Board on the basis of actuarial tables adopted by the  
2 Board. If a member elects to receive a pension from this  
3 Fund provided by Section 20-121, his salary under the State  
4 Universities Retirement System and the Teachers'  
5 Retirement System of the State of Illinois shall be  
6 considered in determining such average salary. Amounts  
7 paid after the effective date of this amendatory Act of  
8 1991 for unused vacation time earned after that effective  
9 date shall not under any circumstances be included in the  
10 calculation of average salary or the annual rate of salary  
11 for the purposes of this Article.

12 2. Proportionate credit shall be given for validated  
13 service of less than one year.

14 3. For retirement at age 60 or over the pension shall  
15 be payable at the full rate.

16 4. For separation from service below age 60 to a  
17 minimum age of 55, the pension shall be discounted at the  
18 rate of 1/2 of one per cent for each month that the age of  
19 the contributor is less than 60, but a teacher may elect to  
20 defer the effective date of pension in order to eliminate  
21 or reduce this discount. This discount shall not be  
22 applicable to any participant who has at least 34 years of  
23 service or a retirement pension of at least 74.6% of  
24 average salary on the date the retirement annuity begins.

25 5. No additional pension shall be granted for service  
26 exceeding 45 years. Beginning June 26, 1971 no pension

1 shall exceed the greater of \$1,500 per month or 75% of  
2 average salary as herein defined.

3 6. Service retirement pensions shall begin on the  
4 effective date of resignation, retirement, the day  
5 following the close of the payroll period for which service  
6 credit was validated, or the time the person resigning or  
7 retiring attains age 55, or on a date elected by the  
8 teacher, whichever shall be latest; provided that, for a  
9 person who first becomes a member after the effective date  
10 of this amendatory Act of the 99th General Assembly, the  
11 benefit shall not commence more than one year prior to the  
12 date of the Fund's receipt of an application for the  
13 benefit.

14 7. A member who is eligible to receive a retirement  
15 pension of at least 74.6% of average salary and will attain  
16 age 55 on or before December 31 during the year which  
17 commences on July 1 shall be deemed to attain age 55 on the  
18 preceding June 1.

19 8. A member retiring after the effective date of this  
20 amendatory Act of 1998 shall receive a pension equal to 75%  
21 of average salary if the member is qualified to receive a  
22 retirement pension equal to at least 74.6% of average  
23 salary under this Article or as proportional annuities  
24 under Article 20 of this Code.

25 (d) Notwithstanding any other provision of this Section,  
26 annual salary does not include any consideration payment made

1 to a Tier 1 employee.

2 (Source: P.A. 99-702, eff. 7-29-16.)

3 (40 ILCS 5/17-119.2 new)

4 Sec. 17-119.2. Automatic annual increases in service  
5 retirement pension and survivor's pension for certain Tier 1  
6 employees. Notwithstanding any other provision of this  
7 Article, for a Tier 1 employee who made the election under  
8 subsection (a) of Section 17-115.5:

9 (1) The initial increase in service retirement pension  
10 shall occur on the January 1 occurring either on or after  
11 the attainment of age 67 or the fifth anniversary of the  
12 pension start date, whichever is earlier.

13 (2) The amount of each automatic annual increase in  
14 service retirement pension or survivor's pension occurring  
15 on or after the effective date of that election shall be  
16 calculated as a percentage of the originally granted  
17 service retirement pension or survivor's pension, equal to  
18 3% or one-half the annual unadjusted percentage increase  
19 (but not less than zero) in the consumer price index-u for  
20 the 12 months ending with the September preceding each  
21 November 1, whichever is less. If the annual unadjusted  
22 percentage change in the consumer price index-u for the 12  
23 months ending with the September preceding each November 1  
24 is zero or there is a decrease, then the annuity shall not  
25 be increased.

1       For the purposes of this Section, "consumer price index-u"  
2 means the index published by the Bureau of Labor Statistics of  
3 the United States Department of Labor that measures the average  
4 change in prices of goods and services purchased by all urban  
5 consumers, United States city average, all items, 1982-84 =  
6 100. The new amount resulting from each annual adjustment shall  
7 be determined by the Public Pension Division of the Department  
8 of Insurance and made available to the Board by November 1 of  
9 each year.

10       (40 ILCS 5/17-130) (from Ch. 108 1/2, par. 17-130)

11       Sec. 17-130. Participants' contributions by payroll  
12 deductions.

13       (a) Except as provided in subsection (a-5), there ~~There~~  
14 shall be deducted from the salary of each teacher 7.50% of his  
15 salary for service or disability retirement pension and 0.5% of  
16 salary for the annual increase in base pension.

17       In addition, there shall be deducted from the salary of  
18 each teacher 1% of his salary for survivors' and children's  
19 pensions.

20       (a-5) As adequate and legal consideration provided under  
21 this amendatory Act of the 100th General Assembly for making an  
22 election under subsection (a) of Section 17-115.5, beginning on  
23 the effective date of the Tier 1 employee's election under  
24 subsection (a) of Section 17-115.5, in lieu of the  
25 contributions otherwise required under subsection (a), each

1 Tier 1 employee who made the election under paragraph (1) of  
2 Section 17-115.5 shall make contributions of 7.50% of salary  
3 for service or disability retirement pension and 0.6% of salary  
4 for survivors' and children's pensions.

5 (b) An Employer and any employer of eligible contributors  
6 as defined in Section 17-106 is authorized to make the  
7 necessary deductions from the salaries of its teachers. Such  
8 amounts shall be included as a part of the Fund. An Employer  
9 and any employer of eligible contributors as defined in Section  
10 17-106 shall formulate such rules and regulations as may be  
11 necessary to give effect to the provisions of this Section.

12 (c) All persons employed as teachers shall, by such  
13 employment, accept the provisions of this Article and of  
14 Sections 34-83 to 34-85, inclusive, of "The School Code",  
15 approved March 18, 1961, as amended, and thereupon become  
16 contributors to the Fund in accordance with the terms thereof.  
17 The provisions of this Article and of those Sections shall  
18 become a part of the contract of employment.

19 (d) A person who (i) was a member before July 1, 1998, (ii)  
20 retires with more than 34 years of creditable service, and  
21 (iii) does not elect to qualify for the augmented rate under  
22 Section 17-119.1 shall be entitled, at the time of retirement,  
23 to receive a partial refund of contributions made under this  
24 Section for service occurring after the later of June 30, 1998  
25 or attainment of 34 years of creditable service, in an amount  
26 equal to 1.00% of the salary upon which those contributions

1 were based.

2 (Source: P.A. 97-8, eff. 6-13-11.)

3 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

4 (Text of Section WITHOUT the changes made by P.A. 98-599,  
5 which has been held unconstitutional)

6 Sec. 20-121. Calculation of proportional retirement  
7 annuities.

8 (a) Upon retirement of the employee, a proportional  
9 retirement annuity shall be computed by each participating  
10 system in which pension credit has been established on the  
11 basis of pension credits under each system. The computation  
12 shall be in accordance with the formula or method prescribed by  
13 each participating system which is in effect at the date of the  
14 employee's latest withdrawal from service covered by any of the  
15 systems in which he has pension credits which he elects to have  
16 considered under this Article. However, the amount of any  
17 retirement annuity payable under the self-managed plan  
18 established under Section 15-158.2 of this Code or under the  
19 defined contribution plan established under Article 2, 14, 15,  
20 or 16 of this Code depends solely on the value of the  
21 participant's vested account balances and is not subject to any  
22 proportional adjustment under this Section.

23 (a-5) For persons who participate in a defined contribution  
24 plan established under Article 2, 14, 15, or 16 of this Code to  
25 whom the provisions of this Article apply, the pension credits



1 established under the defined contribution plan may be  
2 considered in determining eligibility for or the amount of the  
3 defined benefit retirement annuity that is payable by any other  
4 participating system.

5 (b) Combined pension credit under all retirement systems  
6 subject to this Article shall be considered in determining  
7 whether the minimum qualification has been met and the formula  
8 or method of computation which shall be applied, except as may  
9 be otherwise provided with respect to vesting in State or  
10 employer contributions in a defined contribution plan. If a  
11 system has a step-rate formula for calculation of the  
12 retirement annuity, pension credits covering previous service  
13 which have been established under another system shall be  
14 considered in determining which range or ranges of the  
15 step-rate formula are to be applicable to the employee.

16 (c) Interest on pension credit shall continue to accumulate  
17 in accordance with the provisions of the law governing the  
18 retirement system in which the same has been established during  
19 the time an employee is in the service of another employer, on  
20 the assumption such employee, for interest purposes for pension  
21 credit, is continuing in the service covered by such retirement  
22 system.

23 (Source: P.A. 91-887, eff. 7-6-00.)

24 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

25 (Text of Section WITHOUT the changes made by P.A. 98-599,

1 which has been held unconstitutional)

2       Sec. 20-123. Survivor's annuity. The provisions governing  
3 a retirement annuity shall be applicable to a survivor's  
4 annuity. Appropriate credits shall be established for  
5 survivor's annuity purposes in those participating systems  
6 which provide survivor's annuities, according to the same  
7 conditions and subject to the same limitations and restrictions  
8 herein prescribed for a retirement annuity. If a participating  
9 system has no survivor's annuity benefit, or if the survivor's  
10 annuity benefit under that system is waived, pension credit  
11 established in that system shall not be considered in  
12 determining eligibility for or the amount of the survivor's  
13 annuity which may be payable by any other participating system.

14       For persons who participate in the self-managed plan  
15 established under Section 15-158.2 or the portable benefit  
16 package established under Section 15-136.4, pension credit  
17 established under Article 15 may be considered in determining  
18 eligibility for or the amount of the survivor's annuity that is  
19 payable by any other participating system, but pension credit  
20 established in any other system shall not result in any right  
21 to a survivor's annuity under the Article 15 system.

22       For persons who participate in a defined contribution plan  
23 established under Article 2, 14, 15, or 16 of this Code to whom  
24 the provisions of this Article apply, the pension credits  
25 established under the defined contribution plan may be  
26 considered in determining eligibility for or the amount of the

1 defined benefit survivor's annuity that is payable by any other  
2 participating system, but pension credits established in any  
3 other system shall not result in any right to or increase in  
4 the value of a survivor's annuity under the defined  
5 contribution plan, which depends solely on the options chosen  
6 and the value of the participant's vested account balances and  
7 is not subject to any proportional adjustment under this  
8 Section.

9 (Source: P.A. 91-887, eff. 7-6-00.)

10 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

11 (Text of Section WITHOUT the changes made by P.A. 98-599,  
12 which has been held unconstitutional)

13 Sec. 20-124. Maximum benefits.

14 (a) In no event shall the combined retirement or survivors  
15 annuities exceed the highest annuity which would have been  
16 payable by any participating system in which the employee has  
17 pension credits, if all of his pension credits had been  
18 validated in that system.

19 If the combined annuities should exceed the highest maximum  
20 as determined in accordance with this Section, the respective  
21 annuities shall be reduced proportionately according to the  
22 ratio which the amount of each proportional annuity bears to  
23 the aggregate of all such annuities.

24 (b) In the case of a participant in the self-managed plan  
25 established under Section 15-158.2 of this Code to whom the

1 provisions of this Article apply:

2 (i) For purposes of calculating the combined  
3 retirement annuity and the proportionate reduction, if  
4 any, in a retirement annuity other than one payable under  
5 the self-managed plan, the amount of the Article 15  
6 retirement annuity shall be deemed to be the highest  
7 annuity to which the annuitant would have been entitled if  
8 he or she had participated in the traditional benefit  
9 package as defined in Section 15-103.1 rather than the  
10 self-managed plan.

11 (ii) For purposes of calculating the combined  
12 survivor's annuity and the proportionate reduction, if  
13 any, in a survivor's annuity other than one payable under  
14 the self-managed plan, the amount of the Article 15  
15 survivor's annuity shall be deemed to be the highest  
16 survivor's annuity to which the survivor would have been  
17 entitled if the deceased employee had participated in the  
18 traditional benefit package as defined in Section 15-103.1  
19 rather than the self-managed plan.

20 (iii) Benefits payable under the self-managed plan are  
21 not subject to proportionate reduction under this Section.

22 (c) In the case of a participant in a defined contribution  
23 plan established under Article 2, 14, 15, or 16 of this Code to  
24 whom the provisions of this Article apply:

25 (i) For purposes of calculating the combined  
26 retirement annuity and the proportionate reduction, if

1       any, in a defined benefit retirement annuity, any benefit  
2       payable under the defined contribution plan shall not be  
3       considered.

4       (ii) For purposes of calculating the combined  
5       survivor's annuity and the proportionate reduction, if  
6       any, in a defined benefit survivor's annuity, any benefit  
7       payable under the defined contribution plan shall not be  
8       considered.

9       (iii) Benefits payable under a defined contribution  
10       plan established under Article 2, 14, 15, or 16 of this  
11       Code are not subject to proportionate reduction under this  
12       Section.

13       (Source: P.A. 91-887, eff. 7-6-00.)

14       (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

15       (Text of Section WITHOUT the changes made by P.A. 98-599,  
16       which has been held unconstitutional)

17       Sec. 20-125. Return to employment - suspension of benefits.  
18       If a retired employee returns to employment which is covered by  
19       a system from which he is receiving a proportional annuity  
20       under this Article, his proportional annuity from all  
21       participating systems shall be suspended during the period of  
22       re-employment, except that this suspension does not apply to  
23       any distributions payable under the self-managed plan  
24       established under Section 15-158.2 or under a defined  
25       contribution plan established under Article 2, 14, 15, or 16 of

1 this Code.

2 The provisions of the Article under which such employment  
3 would be covered shall govern the determination of whether the  
4 employee has returned to employment, and if applicable the  
5 exemption of temporary employment or employment not exceeding a  
6 specified duration or frequency, for all participating systems  
7 from which the retired employee is receiving a proportional  
8 annuity under this Article, notwithstanding any contrary  
9 provisions in the other Articles governing such systems.

10 (Source: P.A. 91-887, eff. 7-6-00.)

11 (40 ILCS 5/2-165 rep.)

12 (40 ILCS 5/2-166 rep.)

13 (40 ILCS 5/14-155 rep.)

14 (40 ILCS 5/14-156 rep.)

15 (40 ILCS 5/15-200 rep.)

16 (40 ILCS 5/15-201 rep.)

17 (40 ILCS 5/16-205 rep.)

18 (40 ILCS 5/16-206 rep.)

19 Section 15. The Illinois Pension Code is amended by  
20 repealing Sections 2-165, 2-166, 14-155, 14-156, 15-200,  
21 15-201, 16-205, and 16-206.

22 Section 900. The State Mandates Act is amended by adding  
23 Section 8.41 as follows:

1 (30 ILCS 805/8.41 new)

2 Sec. 8.41. Exempt mandate. Notwithstanding Sections 6 and 8  
3 of this Act, no reimbursement by the State is required for the  
4 implementation of any mandate created by this amendatory Act of  
5 the 100th General Assembly.

6 Section 970. Severability. The provisions of this Act are  
7 severable under Section 1.31 of the Statute on Statutes."