AN ACT concerning public employee benefits.

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

Section 3. The Department of Professional Regulation Law of the Civil Administrative Code of Illinois is amended by changing Section 2105-300 as follows:

(20 ILCS 2105/2105-300) (was 20 ILCS 2105/61e)

Sec. 2105-300. Professions Indirect Cost Fund; allocations; analyses.

(a) Appropriations for the direct and allocable indirect costs of licensing and regulating each regulated profession, trade, occupation, or industry are intended to be payable from the fees and fines that are assessed and collected from that profession, trade, occupation, or industry, to the extent that those fees and fines are sufficient. In any fiscal year in which the fees and fines generated by a specific profession, trade, occupation, or industry are insufficient to finance the necessary direct and allocable indirect costs of licensing and regulating that profession, trade, occupation, or industry, the remainder of those costs shall be financed from appropriations payable from revenue sources other than fees and fines. The direct and allocable indirect costs of the Department identified in its cost allocation plans that are not attributable to the licensing and regulation of a specific profession, trade, or occupation, or industry or group of professions, trades, occupations, or industries shall be financed from appropriations from revenue sources other than fees and fines.

(b) The Professions Indirect Cost Fund is hereby created as a special fund in the State Treasury. Except as provided in subsection (e), the ~~The~~ Fund may receive transfers of moneys authorized by the Department from the cash balances in special funds that receive revenues from the fees and fines associated with the licensing of regulated professions, trades, occupations, and industries by the Department. Moneys in the Fund shall be invested and earnings on the investments shall be retained in the Fund. Subject to appropriation, the Department shall use moneys in the Fund to pay the ordinary and necessary allocable indirect expenses associated with each of the regulated professions, trades, occupations, and industries.

(c) Before the beginning of each fiscal year, the Department shall prepare a cost allocation analysis to be used in establishing the necessary appropriation levels for each cost purpose and revenue source. At the conclusion of each fiscal year, the Department shall prepare a cost allocation analysis reflecting the extent of the variation between how the costs were actually financed in that year and the planned cost allocation for that year. Variations between the planned and actual cost allocations for the prior fiscal year shall be adjusted into the Department's planned cost allocation for the next fiscal year.

Each cost allocation analysis shall separately identify the direct and allocable indirect costs of each regulated profession, trade, occupation, or industry and the costs of the Department's general public health and safety purposes. The analyses shall determine whether the direct and allocable indirect costs of each regulated profession, trade, occupation, or industry and the costs of the Department's general public health and safety purposes are sufficiently financed from their respective funding sources. The Department shall prepare the cost allocation analyses in consultation with the respective regulated professions, trades, occupations, and industries and shall make copies of the analyses available to them in a timely fashion.

(d) Except as provided in subsection (e), the ~~The~~ Department may direct the State Comptroller and Treasurer to transfer moneys from the special funds that receive fees and fines associated with regulated professions, trades, occupations, and industries into the Professions Indirect Cost Fund in accordance with the Department's cost allocation analysis plan for the applicable fiscal year. For a given fiscal year, the Department shall not direct the transfer of moneys under this subsection from a special fund associated with a specific regulated profession, trade, occupation, or industry (or group of professions, trades, occupations, or industries) in an amount exceeding the allocable indirect costs associated with that profession, trade, occupation, or industry (or group of professions, trades, occupations, or industries) as provided in the cost allocation analysis for that fiscal year and adjusted for allocation variations from the prior fiscal year. No direct costs identified in the cost allocation plan shall be used as a basis for transfers into the Professions Indirect Cost Fund or for expenditures from the Fund.

(e) No transfer may be made to the Professions Indirect Cost Fund under this Section from the Public Pension Regulation Fund.

(Source: P.A. 94-91, eff. 7-1-05.)

Section 4. The Pension Impact Note Act is amended by changing Section 3 as follows:

(25 ILCS 55/3) (from Ch. 63, par. 42.43)

Sec. 3. Content of pension impact note.

(a) The pension impact note shall be factual in nature, as brief and concise as may be, and shall provide a reliable estimate of the impact of the bill on any public pension systems to be effected by it, in dollars where appropriate, and, in addition, it shall include both the immediate effect and, if determinable or reasonably foreseeable, the long range effect of the measure. If, after careful investigation, it is determined that no dollar estimate is possible, the note shall contain a statement to that effect, setting forth the reasons why no dollar estimate can be given. A brief summary or work sheet of computations used in arriving at pension impact note figures shall be included.

(b) The pension impact note for any legislation or amendment that the Commission on Government Forecasting and Accountability determines would result in an increase in benefits or increased costs to a pension fund established under Article 3 or 4 of the Illinois Pension Code may demonstrate the fiscal impact of the legislation being considered on selected individual municipalities with such pension funds.

(Source: P.A. 79-1397.)

Section 5. The State Finance Act is amended by changing Sections 8.12 and 8f as follows:

(30 ILCS 105/8.12) (from Ch. 127, par. 144.12)

Sec. 8.12. State Pensions Fund.

(a) The moneys in the State Pensions Fund shall be used exclusively for the administration of the Uniform Disposition of Unclaimed Property Act and for the funding of the unfunded liabilities of the designated retirement systems. Payments to the designated retirement systems under this Section shall be in addition to, and not in lieu of, any State contributions required under the Illinois Pension Code ~~payment of or~~

~~repayment to the General Revenue Fund a portion of the required State contributions to the designated retirement systems~~.

"Designated retirement systems" means:

(1) the State Employees' Retirement System of Illinois;

(2) the Teachers' Retirement System of the State of Illinois;

(3) the State Universities Retirement System;

(4) the Judges Retirement System of Illinois; and

(5) the General Assembly Retirement System.

(b) Each year the General Assembly may make appropriations from the State Pensions Fund for the administration of the Uniform Disposition of Unclaimed Property Act.

Each month, the Commissioner of the Office of Banks and Real Estate shall certify to the State Treasurer the actual expenditures that the Office of Banks and Real Estate incurred conducting unclaimed property examinations under the Uniform Disposition of Unclaimed Property Act during the immediately preceding month. Within a reasonable time following the acceptance of such certification by the State Treasurer, the State Treasurer shall pay from its appropriation from the State Pensions Fund to the Bank and Trust Company Fund and the Savings and Residential Finance Regulatory Fund an amount equal to the expenditures incurred by each Fund for that month.

Each month, the Director of Financial Institutions shall certify to the State Treasurer the actual expenditures that the

Department of Financial Institutions incurred conducting unclaimed property examinations under the Uniform Disposition of Unclaimed Property Act during the immediately preceding month. Within a reasonable time following the acceptance of such certification by the State Treasurer, the State Treasurer shall pay from its appropriation from the State Pensions Fund to the Financial Institutions Fund and the Credit Union Fund an amount equal to the expenditures incurred by each Fund for that month.

(c) As soon as possible after the effective date of this amendatory Act of the 93rd General Assembly, the General Assembly shall appropriate from the State Pensions Fund (1) to the State Universities Retirement System the amount certified under Section 15-165 during the prior year, (2) to the Judges Retirement System of Illinois the amount certified under Section 18-140 during the prior year, and (3) to the General Assembly Retirement System the amount certified under Section 2-134 during the prior year as part of the required State contributions to each of those designated retirement systems; except that amounts appropriated under this subsection (c) in State fiscal year 2005 shall not reduce the amount in the State Pensions Fund below $5,000,000. If the amount in the State Pensions Fund does not exceed the sum of the amounts certified in Sections 15-165, 18-140, and 2-134 by at least $5,000,000, the amount paid to each designated retirement system under this subsection shall be reduced in proportion to the amount certified by each of those designated retirement systems.

(c-5) For fiscal years ~~year~~ 2006 ~~and thereafter~~, 2007, 2008, 2009, and 2010 the General Assembly shall appropriate from the State Pensions Fund to the State Universities Retirement System the amount estimated to be available during the fiscal year in the State Pensions Fund; provided, however, that the amounts appropriated under this subsection (c-5) shall not reduce the amount in the State Pensions Fund below $5,000,000.

(c-6) For fiscal year 2011 and each fiscal year thereafter, as soon as may be practical after any money is deposited into the State Pensions Fund from the Unclaimed Property Trust Fund, the State Treasurer shall apportion the deposited amount among the designated retirement systems as defined in subsection (a) to reduce their actuarial reserve deficiencies. The State Comptroller and State Treasurer shall pay the apportioned amounts to the designated retirement systems to fund the unfunded liabilities of the designated retirement systems. The amount apportioned to each designated retirement system shall constitute a portion of the amount estimated to be available for appropriation from the State Pensions Fund that is the same as that retirement system's portion of the total actual reserve deficiency of the systems, as determined annually by the Governor's Office of Management and Budget at the request of the State Treasurer. The amounts apportioned under this subsection shall not reduce the amount in the State Pensions

Fund below $5,000,000.

(d) The Governor's Office of Management and Budget shall determine the individual and total reserve deficiencies of the designated retirement systems. For this purpose, the Governor's Office of Management and Budget shall utilize the latest available audit and actuarial reports of each of the retirement systems and the relevant reports and statistics of the Public Employee Pension Fund Division of the Department of Insurance.

(d-1) As soon as practicable after the effective date of this amendatory Act of the 93rd General Assembly, the Comptroller shall direct and the Treasurer shall transfer from the State Pensions Fund to the General Revenue Fund, as funds become available, a sum equal to the amounts that would have been paid from the State Pensions Fund to the Teachers' Retirement System of the State of Illinois, the State Universities Retirement System, the Judges Retirement System of Illinois, the General Assembly Retirement System, and the State Employees' Retirement System of Illinois after the effective date of this amendatory Act during the remainder of fiscal year 2004 to the designated retirement systems from the appropriations provided for in this Section if the transfers provided in Section 6z-61 had not occurred. The transfers described in this subsection (d-1) are to partially repay the General Revenue Fund for the costs associated with the bonds used to fund the moneys transferred to the designated retirement systems under Section 6z-61.

(e) The changes to this Section made by this amendatory Act of 1994 shall first apply to distributions from the Fund for State fiscal year 1996.

(Source: P.A. 93-665, eff. 3-5-04; 93-839, eff. 7-30-04; 94-91, eff. 7-1-05.)

(30 ILCS 105/8f)

Sec. 8f. Public Pension Regulation Fund. The Public Pension Regulation Fund is created in the State Treasury. Except as otherwise provided in the Illinois Pension Code, all money received by the Department of Financial and Professional Regulation, as successor to the Illinois Department of Insurance, under the Illinois Pension Code shall be paid into the Fund. ~~Moneys in the Fund may be transferred to the Professions Indirect Cost Fund, as authorized under Section 2105-300 of the Department of Professional Regulation Law of the Civil Administrative Code of Illinois.~~ The State Treasurer promptly shall invest the money in the Fund, and all earnings that accrue on the money in the Fund shall be credited to the Fund. No money may be transferred from this Fund to any other fund. The General Assembly may make appropriations from this Fund for the ordinary and contingent expenses of the Public Pension Division of the Illinois Department of Insurance.

(Source: P.A. 94-91, eff. 7-1-05.)

Section 10. The Illinois Pension Code is amended by changing Sections 1-110, 1-113.5, 1A-104, 2-124, 3-143, 4-134, 14-131, 15-155, 16-158, and 18-131 and by adding Sections 1-125, 3-141.1, 3-144.5, 4-138.5, and 22-1004 as follows:

(40 ILCS 5/1-110) (from Ch. 108 1/2, par. 1-110)

Sec. 1-110. Prohibited Transactions.

(a) A fiduciary with respect to a retirement system or pension fund shall not cause the retirement system or pension fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

(1) Sale or exchange, or leasing of any property from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.

(2) Lending of money or other extension of credit from the retirement system or pension fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement system or pension fund with the provision of excessive security or an unreasonably high rate of interest.

(3) Furnishing of goods, services or facilities from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a

party in interest to a retirement system or pension fund for more than adequate consideration.

(4) Transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system or pension fund for less than adequate consideration.

(b) A fiduciary with respect to a retirement system or pension fund established under this Code shall not:

(1) Deal with the assets of the retirement system or pension fund in his own interest or for his own account;

(2) In his individual or any other capacity act in any transaction involving the retirement system or pension fund on behalf of a party whose interests are adverse to the interests of the retirement system or pension fund or the interests of its participants or beneficiaries; or

(3) Receive any consideration for his own personal account from any party dealing with the retirement system or pension fund in connection with a transaction involving the assets of the retirement system or pension fund.

(c) Nothing in this Section shall be construed to prohibit any trustee from:

(1) Receiving any benefit to which he may be entitled as a participant or beneficiary in the retirement system or pension fund.

(2) Receiving any reimbursement of expenses properly and actually incurred in the performance of his duties with the retirement system or pension fund.

(3) Serving as a trustee in addition to being an officer, employee, agent or other representative of a party in interest.

<u>(d) A fiduciary of a pension fund established under Article 3 or 4 shall not knowingly cause or advise the pension fund to engage in an investment transaction when the fiduciary (i) has any direct interest in the income, gains, or profits of the investment advisor through which the investment transaction is made or (ii) has a business relationship with that investment advisor that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.</u>

<u>Violation of this subsection (d) is a Class 4 felony.</u>

(Source: P.A. 88-535.)

(40 ILCS 5/1-113.5)

Sec. 1-113.5. Investment advisers and investment services.

(a) The board of trustees of a pension fund may appoint investment advisers as defined in Section 1-101.4. The board of any pension fund investing in common or preferred stock under Section 1-113.4 shall appoint an investment adviser before making such investments.

The investment adviser shall be a fiduciary, as defined in Section 1-101.2, with respect to the pension fund and shall be one of the following:

(1) an investment adviser registered under the federal Investment Advisers Act of 1940 and the Illinois Securities

Law of 1953;

(2) a bank or trust company authorized to conduct a trust business in Illinois;

(3) a life insurance company authorized to transact business in Illinois; or

(4) an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

(a-5) Notwithstanding any other provision of law, a person or entity that provides consulting services (referred to as a "consultant" in this Section) to a pension fund with respect to the selection of fiduciaries may not be awarded a contract to provide those consulting services that is more than 5 years in duration. No contract to provide such consulting services may be renewed or extended. At the end of the term of a contract, however, the contractor is eligible to compete for a new contract. No person shall attempt to avoid or contravene the restrictions of this subsection by any means. All offers from responsive offerors shall be accompanied by disclosure of the names and addresses of the following:

(1) The offeror.

(2) Any entity that is a parent of, or owns a controlling interest in, the offeror.

(3) Any entity that is a subsidiary of, or in which a controlling interest is owned by, the offeror.

Beginning on July 1, 2008, a person, other than a trustee or an employee of a pension fund or retirement system, may not act as a consultant under this Section unless that person is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

(b) All investment advice and services provided by an investment adviser or a consultant appointed under this Section shall be rendered pursuant to a written contract between the investment adviser and the board, and in accordance with the board's investment policy.

The contract shall include all of the following:

(1) acknowledgement in writing by the investment adviser that he or she is a fiduciary with respect to the pension fund;

(2) the board's investment policy;

(3) full disclosure of direct and indirect fees, commissions, penalties, and any other compensation that may be received by the investment adviser, including reimbursement for expenses; and

(4) a requirement that the investment adviser submit periodic written reports, on at least a quarterly basis, for the board's review at its regularly scheduled meetings.

All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation.

(b-5) Each contract described in subsection (b) shall also include (i) full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the investment adviser or consultant in connection with the provision of services to the pension fund and (ii) a requirement that the investment adviser or consultant update the disclosure promptly after a modification of those payments or an additional payment.

Within 30 days after the effective date of this amendatory Act of the 95th General Assembly, each investment adviser and consultant providing services on the effective date or subject to an existing contract for the provision of services must disclose to the board of trustees all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment adviser or consultant in connection with the provision of those services and shall update that disclosure promptly after a modification of those payments or an additional payment.

A person required to make a disclosure under subsection (d) is also required to disclose direct and indirect fees, commissions, penalties, or other compensation that shall or may be paid by or on behalf of the person in connection with the rendering of those services. The person shall update the disclosure promptly after a modification of those payments or an additional payment.

The disclosures required by this subsection shall be in writing and shall include the date and amount of each payment and the name and address of each recipient of a payment.

(c) Within 30 days after appointing an investment adviser or consultant, the board shall submit a copy of the contract to the Division ~~Department~~ of Insurance of the Department of Financial and Professional Regulation.

(d) Investment services provided by a person other than an investment adviser appointed under this Section, including but not limited to services provided by the kinds of persons listed in items (1) through (4) of subsection (a), shall be rendered only after full written disclosure of direct and indirect fees, commissions, penalties, and any other compensation that shall or may be received by the person rendering those services.

(e) The board of trustees of each pension fund shall retain records of investment transactions in accordance with the rules of the Department of Financial and Professional Regulation ~~Insurance~~.

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-125 new)

Sec. 1-125. Prohibition on gifts.

(a) For the purposes of this Section:

"Gift" means a gift as defined in Section 1-5 of the State Officials and Employees Ethics Act.

"Prohibited source" means a person or entity who:

(i) is seeking official action (A) by the board or (B) by a board member;

(ii) does business or seeks to do business (A) with the board or (B) with a board member;

(iii) has interests that may be substantially affected by the performance or non-performance of the official duties of the board member; or

(iv) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a registered lobbyist is one of its members or serves on its board of directors.

(b) No trustee of a board created under Article 3 or 4 of this Code shall intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act, including the exceptions contained in Section 10-15 of that Act, other than paragraphs (4) and (5) of that Section. Solicitation or acceptance of educational materials, however, is not prohibited. For the purposes of this Section, references to "State employee" and "employee" in Article 10 of the State Officials and Employees Ethics Act shall include a trustee of a board created under

Article 3 or 4 of this Code.

(c) A municipality may adopt or maintain policies or ordinances that are more restrictive than those set forth in this Section and may continue to follow any existing policies or ordinances that are more restrictive or are in addition to those set forth in this Section.

(d) Violation of this Section is a Class A misdemeanor.

(40 ILCS 5/1A-104)

Sec. 1A-104. Examinations and investigations.

(a) The Division shall make periodic examinations and investigations of all pension funds established under this Code and maintained for the benefit of employees and officers of governmental units in the State of Illinois. However, in lieu of making an examination and investigation, the Division may accept and rely upon a report of audit or examination of any pension fund made by an independent certified public accountant pursuant to the provisions of the Article of this Code governing the pension fund. The acceptance of the report of audit or examination does not bar the Division from making a further audit, examination, and investigation if deemed necessary by the Division.

The Department may implement a flexible system of examinations under which it directs resources as it deems necessary or appropriate. In consultation with the pension fund being examined, the Division may retain attorneys, independent actuaries, independent certified public accountants, and other professionals and specialists as examiners, the cost of which (except in the case of pension funds established under Article 3 or 4) shall be borne by the pension fund that is the subject of the examination.

(b) The Division shall examine or investigate each pension fund established under Article 3 or Article 4 of this Code. The schedule of each examination shall be such that each fund shall be examined once every 3 years.

Each examination shall include the following:

(1) an audit of financial transactions, investment policies, and procedures;

(2) an examination of books, records, documents, files, and other pertinent memoranda relating to financial, statistical, and administrative operations;

(3) a review of policies and procedures maintained for the administration and operation of the pension fund;

(4) a determination of whether or not full effect is being given to the statutory provisions governing the operation of the pension fund;

(5) a determination of whether or not the administrative policies in force are in accord with the purposes of the statutory provisions and effectively protect and preserve the rights and equities of the participants; ~~and~~

(6) a determination of whether or not proper financial

and statistical records have been established and adequate documentary evidence is recorded and maintained in support of the several types of annuity and benefit payments being made; and~~.~~

(7) a determination of whether or not the calculations made by the fund for the payment of all annuities and benefits are accurate.

In addition, the Division may conduct investigations, which shall be identified as such and which may include one or more of the items listed in this subsection.

A copy of the report of examination or investigation as prepared by the Division shall be submitted to the secretary of the board of trustees of the pension fund examined or investigated and to the chief executive officer of the municipality. The Director, upon request, shall grant a hearing to the officers or trustees of the pension fund or their duly appointed representatives, upon any facts contained in the report of examination. The hearing shall be conducted before filing the report or making public any information contained in the report. The Director may withhold the report from public inspection for up to 60 days following the hearing.

(Source: P.A. 90-507, eff. 8-22-97.)

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

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 90% funded basis in accordance with actuarial recommendations.

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

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

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

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

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

For each of State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(Source: P.A. 93-2, eff. 4-7-03; 94-4, eff. 6-1-05; 94-839, eff. 6-6-06.)

(40 ILCS 5/3-141.1 new)

Sec. 3-141.1. Award of benefits. Prior to the board's determination of benefits, the board shall provide, in writing, the total amount of the annuity for a member and all information used in the calculation of that benefit to the Treasurer of the municipality. If the Treasurer is of the opinion that the calculated annuity is incorrect, the Treasurer shall immediately notify the board. The board shall review the Treasurer's findings, and if the Board concurs that an error exists it shall re-determine the annuity so that it is calculated in accordance with the Illinois Pension Code.

(40 ILCS 5/3-143) (from Ch. 108 1/2, par. 3-143)

Sec. 3-143. Report by pension board.

(a) The pension board shall report annually to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for the levying of taxes for the year for which the report is made.

The pension board shall certify and provide the following information to the city council or board of trustees of the municipality:

(1) the total assets of the fund in its custody at the

end of the fiscal year and the current market value of those assets;

(2) the estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers, and from all other sources;

(3) the estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in this Article, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127; ~~and~~

(4) the total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year~~,~~ compared to the total net ~~such~~ income, assumed investment return, and actual investment return received during the preceding fiscal year;~~.~~

(5) the total number of active employees who are financially contributing to the fund;

(6) the total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits;

(7) the funded ratio of the fund;

(8) the unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability; and

(9) the investment policy of the pension board under the statutory investment restrictions imposed on the fund.

Before the pension board makes its report, the municipality shall have the assets of the fund and their current market value verified by an independent certified public accountant of its choice.

(b) The municipality is authorized to publish the report submitted under this Section. This publication may be made, without limitation, by publication in a local newspaper of general circulation in the municipality or by publication on the municipality's Internet website. If the municipality publishes the report, then that publication must include all of the information submitted by the pension board under subsection (a).

(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/3-144.5 new)

Sec. 3-144.5. Fraud. Any person, member, trustee, or employee of the board who knowingly makes any false statement or falsifies or permits to be falsified any record of a fund in any attempt to defraud such fund as a result of such act, or intentionally or knowingly defrauds a fund in any manner, is guilty of a Class A misdemeanor.

(40 ILCS 5/4-134) (from Ch. 108 1/2, par. 4-134)

Sec. 4-134. Report for tax levy. (a) The board shall report to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for appropriating and levying taxes for the year for which the report is made.

The pension board in the report shall certify and provide the following information to the city council or board of trustees of the municipality:

(1) the total assets of the fund and their current market value of those assets;

(2) the estimated receipts during the next succeeding fiscal year from deductions from the salaries or wages of firefighters, and from all other sources;

(3) the estimated amount necessary during the fiscal year to meet the annual actuarial requirements of the pension fund as provided in Sections 4-118 and 4-120;

(4) the total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year~~,~~ compared to the total net ~~such~~ income, assumed investment return, and actual investment return received during the preceding fiscal year; ~~and~~

(5) the increase in employer pension contributions that results from the implementation of the provisions of this amendatory Act of the 93rd General Assembly;~~.~~

(6) the total number of active employees who are financially contributing to the fund;

(7) the total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits;

(8) the funded ratio of the fund;

(9) the unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability; and

(10) the investment policy of the pension board under the statutory investment restrictions imposed on the fund.

Before the pension board makes its report, the municipality shall have the assets of the fund and their current market value verified by an independent certified public accountant of its choice.

(b) The municipality is authorized to publish the report submitted under this Section. This publication may be made, without limitation, by publication in a local newspaper of general circulation in the municipality or by publication on the municipality's Internet website. If the municipality publishes the report, then that publication must include all of the information submitted by the pension board under subsection (a).

(Source: P.A. 93-689, eff. 7-1-04.)

(40 ILCS 5/4-138.5 new)

Sec. 4-138.5. Fraud. Any person, member, trustee, or employee of the board who knowingly makes any false statement or falsifies or permits to be falsified any record of a fund in any attempt to defraud such fund as a result of such act, or intentionally or knowingly defrauds a fund in any manner, is guilty of a Class A misdemeanor.

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

Sec. 14-131. Contributions by State.

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

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

(b) The Board shall determine the total amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board, using the formula in subsection (e).

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

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

(c) Contributions shall be made by the several departments for each pay period by warrants drawn by the State Comptroller against their respective funds or appropriations based upon vouchers stating the amount to be so contributed. These amounts shall be based on the full rate certified by the Board under Section 14-135.08 for that fiscal year. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final payroll from fiscal year 2004 appropriations, the several departments shall not make contributions for the remainder of fiscal year 2004 but shall instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The several departments shall resume those contributions at the commencement of fiscal year 2005.

(d) If an employee is paid from trust funds or federal funds, the department or other employer shall pay employer contributions from those funds to the System at the certified rate, unless the terms of the trust or the federal-State agreement preclude the use of the funds for that purpose, in which case the required employer contributions shall be paid by the State. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final payroll from fiscal year 2004 appropriations, the department or other employer shall not pay contributions for the remainder of fiscal year 2004 but shall instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The department or other employer shall resume payment of contributions at the commencement of fiscal year 2005.

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

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that (i) for State fiscal year 1998, for all purposes of this Code and any other law of this State, the certified percentage of the applicable employee payroll shall be 5.052% for employees earning eligible creditable service under Section 14-110 and 6.500% for all other employees, notwithstanding any contrary certification made under Section 14-135.08 before the effective date of this amendatory Act of 1997, and (ii) in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a):

9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

For each of State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under Section 14-135.08, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(f) After the submission of all payments for eligible employees from personal services line items in fiscal year 2004 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2004 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 93rd General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2004 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2004 through payments under this Section and under Section 6z-61 of the State Finance Act. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2004 Shortfall" for purposes of this Section, and the Fiscal Year 2004 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2004 Overpayment" for purposes of this Section, and the Fiscal Year 2004 Overpayment shall be repaid by the System to the Pension Contribution Fund as soon as practicable after the certification.

(Source: P.A. 93-2, eff. 4-7-03; 93-665, eff. 3-5-04; 94-4, eff. 6-1-05; 94-839, eff. 6-6-06.)

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

Sec. 15-155. Employer contributions.

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

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

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

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

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

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

For each of State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

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

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

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

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

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

(g) If the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 6%, the participant's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. The System may require the employer to provide any pertinent information or documentation.

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

The employer contributions required under this subsection (f) may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill.

(h) This subsection (h) applies only to payments made or salary increases given on or after June 1, 2005 but before July

1, 2011. The changes made by Public Act 94-1057 shall not require the System to refund any payments received before July 31, 2006 (the effective date of Public Act 94-1057).

When assessing payment for any amount due under subsection (g), the System shall exclude earnings increases paid to participants under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

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

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

When assessing payment for any amount due under subsection (g), the System shall exclude any earnings increase resulting from (i) a promotion for which the employee moves from one classification to a higher classification under the State Universities Civil Service System, (ii) a promotion in academic rank for a tenured or tenure-track faculty position, or (iii) a promotion that the Illinois Community College Board has recommended in accordance with subsection (k) of this Section. These earnings increases shall be excluded only if the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions.

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

(j) The System shall prepare a report and file copies of the report with the Governor and the General Assembly by

January 1, 2007 that contains all of the following information:

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

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

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

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

(k) The Illinois Community College Board shall adopt rules for recommending lists of promotional positions submitted to the Board by community colleges and for reviewing the promotional lists on an annual basis. When recommending promotional lists, the Board shall consider the similarity of the positions submitted to those positions recognized for State universities by the State Universities Civil Service System. The Illinois Community College Board shall file a copy of its findings with the System. The System shall consider the findings of the Illinois Community College Board when making determinations under this Section. The System shall not exclude any earnings increases resulting from a promotion when the promotion was not submitted by a community college. Nothing in

this subsection (k) shall require any community college to submit any information to the Community College Board.
(Source: P.A. 94-4, eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057, eff. 7-31-06; 95-331, eff. 8-21-07.)

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

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

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

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

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

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

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

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

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (a) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

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

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

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

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

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

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

For each of State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

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

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

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

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

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

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

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

If an employer is required by a contract in effect on May 1, 1998 between the employer and an employee organization to pay, on behalf of all its full-time employees covered by this

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

(f) If the amount of a teacher's salary for any school year used to determine final average salary exceeds the member's annual full-time salary rate with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. If a teacher's salary for the 2005-2006 school year is used to determine final average salary under this subsection (f), then the changes made to this subsection (f) by Public Act 94-1057 shall apply in calculating whether the increase in his or her salary is in excess of 6%. For the purposes of this Section, change in employment under Section 10-21.12 of the School Code on or after June 1, 2005 shall constitute a change in employer. The System may require the employer to provide any pertinent information or documentation. The changes made to this subsection (f) by this amendatory Act of the 94th General Assembly apply without regard to whether the teacher was in service on or after its effective date.

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

The employer contributions required under this subsection (f) may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill.

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

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to teachers under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to a teacher at a time when the teacher is 10 or more years from retirement eligibility under Section 16-132 or 16-133.2.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases resulting from overload work, including summer school, when the school district has certified to the System, and the System has approved the certification, that (i) the overload work is for the sole purpose of classroom instruction in excess of the standard number of classes for a full-time teacher in a school district during a school year and (ii) the salary increases are equal to or less than the rate of pay for classroom instruction computed on the teacher's current salary and work schedule.

When assessing payment for any amount due under subsection (f), the System shall exclude a salary increase resulting from a promotion (i) for which the employee is required to hold a certificate or supervisory endorsement issued by the State Teacher Certification Board that is a different certification or supervisory endorsement than is required for the teacher's previous position and (ii) to a position that has existed and been filled by a member for no less than one complete academic year and the salary increase from the promotion is an increase that results in an amount no greater than the lesser of the average salary paid for other similar positions in the district requiring the same certification or the amount stipulated in the collective bargaining agreement for a similar position requiring the same certification.

When assessing payment for any amount due under subsection (f), the System shall exclude any payment to the teacher from the State of Illinois or the State Board of Education over which the employer does not have discretion, notwithstanding that the payment is included in the computation of final average salary.

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

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

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

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

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

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

(Source: P.A. 94-4, eff. 6-1-05; 94-839, eff. 6-6-06; 94-1057, eff. 7-31-06; 94-1111, eff. 2-27-07; 95-331, eff. 8-21-07.)

(40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

Sec. 18-131. Financing; employer contributions.

(a) The State of Illinois shall make contributions to this System by appropriations of the amounts which, together with the contributions of participants, net earnings on investments, and other income, will meet the costs of maintaining and administering this System on a 90% funded basis in accordance with actuarial recommendations.

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is $29,189,400.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2007 is $35,236,800.

For each of State fiscal years 2008 through 2010, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under Section 18-140, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(Source: P.A. 93-2, eff. 4-7-03; 94-4, eff. 6-1-05; 94-839, eff. 6-6-06.)

(40 ILCS 5/22-1004 new)

Sec. 22-1004. Commission on Government Forecasting and Accountability report on Articles 3 and 4 funds. Each odd numbered year, the Commission on Government Forecasting and Accountability shall analyze data submitted by the Public Pension Division of the Illinois Department of Financial and Professional Regulation pertaining to the pension systems established under Article 3 and Article 4 of this Code. The Commission shall issue a formal report during such years, the content of which is, to the extent practicable, to be similar in nature to that required under Section 22-1003. In addition to providing aggregate analyses of both systems, the report shall analyze the fiscal status and provide forecasting projections for selected individual funds in each system. To the fullest extent practicable, the report shall analyze factors that affect each selected individual fund's unfunded liability and any actuarial gains and losses caused by salary increases, investment returns, employer contributions, benefit increases, change in assumptions, the difference in employer contributions and the normal cost plus interest, and any other applicable factors. In analyzing net investment returns, the report shall analyze the assumed investment return compared to the actual investment return over the preceding 10 fiscal years. The Public Pension Division of the Department of Financial and Professional Regulation shall provide to the Commission any assistance that the Commission may request with respect to its report under this Section.

Section 15. The State Pension Funds Continuing Appropriation Act is amended by changing Section 1 as follows:

(40 ILCS 15/1)

Sec. 1. Appropriations from State Pensions Fund. For the purpose of making up any deficiency in the appropriations to the designated retirement systems that are required to be made under Section 8.12 of the State Finance Act, there is hereby appropriated, on a continuing annual basis in each fiscal year, from the State Pensions Fund to each designated retirement system, the amount, if any, by which the total appropriation to that system from the State Pensions Fund for that fiscal year is less than the amount required to be appropriated to that retirement system under Section 8.12 of the State Finance Act.

The annual appropriation under this Section to each designated retirement system shall take effect on July 1 for the State fiscal year beginning on that date.

The amount of any continuing appropriation used by a retirement system under this Section for a given fiscal year shall be charged against the unexpended amount of any appropriation to that retirement system for that fiscal year under Section 8.12 of the State Finance Act that subsequently becomes available, subject to Section 8.3 of the State Finance Act.

"Designated retirement systems" means the State Employees' Retirement System of Illinois, the Teachers' Retirement System of the State of Illinois, the State Universities Retirement System, the Judges Retirement System of Illinois, and the General Assembly Retirement System.

The appropriations made in this Section are appropriated to the designated retirement systems for the funding of the unfunded liabilities of the designated retirement systems and are in addition to, and not in lieu of, any State contributions required under the Illinois Pension Code. ~~as a part of the annual State contribution required by the laws providing for the funding of those systems.~~

(Source: P.A. 93-1067, eff. 1-15-05.)

Section 20. The Uniform Disposition of Unclaimed Property Act is amended by changing Section 18 as follows:

(765 ILCS 1025/18) (from Ch. 141, par. 118)

Sec. 18. Deposit of funds received under the Act.

(a) The State Treasurer shall retain all funds received under this Act, including the proceeds from the sale of abandoned property under Section 17, in a trust fund. The State Treasurer may deposit any amount in the Trust Fund into the

State Pensions Fund during the fiscal year at his or her discretion; however, he or she ~~and~~ shall, on April 15 and October 15 of each year, deposit any amount in the trust fund exceeding $2,500,000 into the State Pensions Fund. All amounts in excess of $2,500,000 that are deposited into the State Pension Fund from the unclaimed Property Trust Fund shall be apportioned to the designated retirement systems as provided in subsection (c-6) of Section 8.12 of the state Finance Act to reduce their actuarial reserve deficiencies. He or she shall make prompt payment of claims he or she duly allows as provided for in this Act for the trust fund. Before making the deposit the State Treasurer shall record the name and last known address of each person appearing from the holders' reports to be entitled to the abandoned property. The record shall be available for public inspection during reasonable business hours.

(b) Before making any deposit to the credit of the State Pensions Fund, the State Treasurer may deduct: (1) any costs in connection with sale of abandoned property, (2) any costs of mailing and publication in connection with any abandoned property, and (3) any costs in connection with the maintenance of records or disposition of claims made pursuant to this Act. The State Treasurer shall semiannually file an itemized report of all such expenses with the Legislative Audit Commission.

(Source: P.A. 93-531, eff. 8-14-03.)

Section 90. The State Mandates Act is amended by adding Section 8.32 as follows:

(30 ILCS 805/8.32 new)

Sec. 8.32. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 95th General Assembly.

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

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Statutes amended in order of appearance