



Sen. John J. Cullerton

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1 AMENDMENT TO HOUSE BILL 3076

2 AMENDMENT NO. _____. Amend House Bill 3076, AS AMENDED, by
3 replacing everything after the enacting clause with the
4 following:

5 "Section 5. The Illinois Public Labor Relations Act is
6 amended by changing Sections 4 and 15 as follows:

7 (5 ILCS 315/4) (from Ch. 48, par. 1604)

8 Sec. 4. Management Rights. Employers shall not be required
9 to bargain over matters of inherent managerial policy, which
10 shall include such areas of discretion or policy as the
11 functions of the employer, standards of services, its overall
12 budget, the organizational structure and selection of new
13 employees, examination techniques and direction of employees.
14 Employers, however, shall be required to bargain collectively
15 with regard to policy matters directly affecting wages (but
16 subject to any applicable restrictions in Section 15-134.6 of

1 the Illinois Pension Code), hours and terms and conditions of
2 employment as well as the impact thereon upon request by
3 employee representatives, but excluding the changes, the
4 impact of changes, and the implementation of the changes set
5 forth in this amendatory Act of the 97th General Assembly.

6 To preserve the rights of employers and exclusive
7 representatives which have established collective bargaining
8 relationships or negotiated collective bargaining agreements
9 prior to the effective date of this Act, employers shall be
10 required to bargain collectively with regard to any matter
11 concerning wages (but subject to any applicable restrictions in
12 Section 15-134.6 of the Illinois Pension Code), hours or
13 conditions of employment about which they have bargained for
14 and agreed to in a collective bargaining agreement prior to the
15 effective date of this Act, but excluding the changes, the
16 impact of changes, and the implementation of the changes set
17 forth in this amendatory Act of the 97th General Assembly.

18 The chief judge of the judicial circuit that employs a
19 public employee who is a court reporter, as defined in the
20 Court Reporters Act, has the authority to hire, appoint,
21 promote, evaluate, discipline, and discharge court reporters
22 within that judicial circuit.

23 Nothing in this amendatory Act of the 94th General Assembly
24 shall be construed to intrude upon the judicial functions of
25 any court. This amendatory Act of the 94th General Assembly
26 applies only to nonjudicial administrative matters relating to

1 the collective bargaining rights of court reporters.

2 (Source: P.A. 94-98, eff. 7-1-05.)

3 (5 ILCS 315/15) (from Ch. 48, par. 1615)

4 Sec. 15. Act Takes Precedence.

5 (a) In case of any conflict between the provisions of this
6 Act and any other law (other than Section 5 of the State
7 Employees Group Insurance Act of 1971 and other than the
8 changes made to the Illinois Pension Code by Public Act 96-889
9 and the changes, impact of changes, and the implementation of
10 the changes made to the Illinois Pension Code and the State
11 Employees Group Insurance Act of 1971 by this amendatory Act of
12 the 97th ~~96th~~ General Assembly), executive order or
13 administrative regulation relating to wages, hours and
14 conditions of employment and employment relations, the
15 provisions of this Act or any collective bargaining agreement
16 negotiated thereunder shall prevail and control. Nothing in
17 this Act shall be construed to replace or diminish the rights
18 of employees established by Sections 28 and 28a of the
19 Metropolitan Transit Authority Act, Sections 2.15 through 2.19
20 of the Regional Transportation Authority Act. The provisions of
21 this Act are subject to the changes made by this amendatory Act
22 of the 97th General Assembly, including Section 15-134.6 of the
23 Illinois Pension Code, and Section 5 of the State Employees
24 Group Insurance Act of 1971. Nothing in this Act shall be
25 construed to replace the necessity of complaints against a

1 sworn peace officer, as defined in Section 2(a) of the Uniform
2 Peace Officer Disciplinary Act, from having a complaint
3 supported by a sworn affidavit.

4 (b) Except as provided in subsection (a) above, any
5 collective bargaining contract between a public employer and a
6 labor organization executed pursuant to this Act shall
7 supersede any contrary statutes, charters, ordinances, rules
8 or regulations relating to wages, hours and conditions of
9 employment and employment relations adopted by the public
10 employer or its agents. Any collective bargaining agreement
11 entered into prior to the effective date of this Act shall
12 remain in full force during its duration.

13 (c) It is the public policy of this State, pursuant to
14 paragraphs (h) and (i) of Section 6 of Article VII of the
15 Illinois Constitution, that the provisions of this Act are the
16 exclusive exercise by the State of powers and functions which
17 might otherwise be exercised by home rule units. Such powers
18 and functions may not be exercised concurrently, either
19 directly or indirectly, by any unit of local government,
20 including any home rule unit, except as otherwise authorized by
21 this Act.

22 (Source: P.A. 95-331, eff. 8-21-07; 96-889, eff. 1-1-11.)

23 Section 10. The State Employees Group Insurance Act of 1971
24 is amended by changing Sections 6.9 and 6.10 and by adding
25 6.10A and 6.16 as follows:

1 (5 ILCS 375/6.9)

2 Sec. 6.9. Health benefits for community college benefit
3 recipients and community college dependent beneficiaries.

4 (a) Purpose. It is the purpose of this amendatory Act of
5 1997 to establish a uniform program of health benefits for
6 community college benefit recipients and their dependent
7 beneficiaries under the administration of the Department of
8 Central Management Services.

9 (b) Creation of program. Beginning July 1, 1999, the
10 Department of Central Management Services shall be responsible
11 for administering a program of health benefits for community
12 college benefit recipients and community college dependent
13 beneficiaries under this Section. The State Universities
14 Retirement System and the boards of trustees of the various
15 community college districts shall cooperate with the
16 Department in this endeavor.

17 (c) Eligibility. All community college benefit recipients
18 and community college dependent beneficiaries shall be
19 eligible to participate in the program established under this
20 Section, without any interruption or delay in coverage or
21 limitation as to pre-existing medical conditions. Eligibility
22 to participate shall be determined by the State Universities
23 Retirement System. Eligibility information shall be
24 communicated to the Department of Central Management Services
25 in a format acceptable to the Department.

1 (d) Coverage. The health benefit coverage provided under
2 this Section shall be a program of health, dental, and vision
3 benefits.

4 The program of health benefits under this Section may
5 include any or all of the benefit limitations, including but
6 not limited to a reduction in benefits based on eligibility for
7 federal medicare benefits, that are provided under subsection
8 (a) of Section 6 of this Act for other health benefit programs
9 under this Act.

10 (e) Insurance rates and premiums. The Director shall
11 determine the insurance rates and premiums for community
12 college benefit recipients and community college dependent
13 beneficiaries. Rates and premiums may be based in part on age
14 and eligibility for federal Medicare coverage. The Director
15 shall also determine premiums that will allow for the
16 establishment of an actuarially sound reserve for this program.

17 The cost of health benefits under the program shall be paid
18 as follows:

19 (1) For a community college benefit recipient, costs
20 shall be an amount equal to the difference between the
21 projected costs of health benefits under the program and
22 projected contributions from community college districts,
23 active contributors, and other income of the program. Other
24 income of the program shall exclude contributions made by
25 the State to retire unpaid claims of the program ~~up to 75%~~
26 ~~of the total insurance rate shall be paid from the~~

1 ~~Community College Health Insurance Security Fund.~~

2 (2) The balance of the rate of insurance, including the
3 entire premium for any coverage for community college
4 dependent beneficiaries that has been elected, shall be
5 paid by deductions authorized by the community college
6 benefit recipient to be withheld from his or her monthly
7 annuity or benefit payment from the State Universities
8 Retirement System; except that (i) if the balance of the
9 cost of coverage exceeds the amount of the monthly annuity
10 or benefit payment, the difference shall be paid directly
11 to the State Universities Retirement System by the
12 community college benefit recipient, and (ii) all or part
13 of the balance of the cost of coverage may, at the option
14 of the board of trustees of the community college district,
15 be paid to the State Universities Retirement System by the
16 board of the community college district from which the
17 community college benefit recipient retired. The State
18 Universities Retirement System shall promptly deposit all
19 moneys withheld by or paid to it under this subdivision
20 (e) (2) into the Community College Health Insurance
21 Security Fund. These moneys shall not be considered assets
22 of the State Universities Retirement System.

23 (f) Financing. All revenues arising from the
24 administration of the health benefit program established under
25 this Section shall be deposited into the Community College
26 Health Insurance Security Fund, which is hereby created as a

1 nonappropriated trust fund to be held outside the State
2 Treasury, with the State Treasurer as custodian. Any interest
3 earned on moneys in the Community College Health Insurance
4 Security Fund shall be deposited into the Fund.

5 Moneys in the Community College Health Insurance Security
6 Fund shall be used only to pay the costs of the health benefit
7 program established under this Section, including associated
8 administrative costs and the establishment of a program
9 reserve. Beginning January 1, 1999, the Department of Central
10 Management Services may make expenditures from the Community
11 College Health Insurance Security Fund for those costs.

12 (g) Contract for benefits. The Director shall by contract,
13 self-insurance, or otherwise make available the program of
14 health benefits for community college benefit recipients and
15 their community college dependent beneficiaries that is
16 provided for in this Section. The contract or other arrangement
17 for the provision of these health benefits shall be on terms
18 deemed by the Director to be in the best interest of the State
19 of Illinois and the community college benefit recipients based
20 on, but not limited to, such criteria as administrative cost,
21 service capabilities of the carrier or other contractor, and
22 the costs of the benefits.

23 (h) Continuation of program. It is the intention of the
24 General Assembly that the program of health benefits provided
25 under this Section be maintained on an ongoing, affordable
26 basis. The program of health benefits provided under this

1 Section may be amended by the State and is not intended to be a
2 pension or retirement benefit subject to protection under
3 Article XIII, Section 5 of the Illinois Constitution.

4 (i) Other health benefit plans. A health benefit plan
5 provided by a community college district (other than a
6 community college district subject to Article VII of the Public
7 Community College Act) under the terms of a collective
8 bargaining agreement in effect on or prior to the effective
9 date of this amendatory Act of 1997 shall continue in force
10 according to the terms of that agreement, unless otherwise
11 mutually agreed by the parties to that agreement and the
12 affected retiree. A community college benefit recipient or
13 community college dependent beneficiary whose coverage under
14 such a plan expires shall be eligible to begin participating in
15 the program established under this Section without any
16 interruption or delay in coverage or limitation as to
17 pre-existing medical conditions.

18 This Act does not prohibit any community college district
19 from offering additional health benefits for its retirees or
20 their dependents or survivors.

21 (Source: P.A. 90-497, eff. 8-18-97; 90-655, eff. 7-30-98.)

22 (5 ILCS 375/6.10)

23 Sec. 6.10. Contributions to the Community College Health
24 Insurance Security Fund.

25 (a) Beginning January 1, 1999, every active contributor of

1 the State Universities Retirement System (established under
2 Article 15 of the Illinois Pension Code) who (1) is a full-time
3 employee of a community college district (other than a
4 community college district subject to Article VII of the Public
5 Community College Act) or an association of community college
6 boards and (2) is not an employee as defined in Section 3 of
7 this Act shall make contributions toward the cost of community
8 college annuitant and survivor health benefits at the rate of
9 0.50% of salary. Beginning July 1, 2012 and until July 1, 2013,
10 the contribution rate under this subsection (a) shall be 1.25%
11 of salary. Beginning July 1, 2013, the contribution rate under
12 this subsection (a) shall be a percentage of salary determined
13 by the Department of Central Management Services, or its
14 successor, by rule, which in each fiscal year shall not exceed
15 108% of the percentage of salary actually required to be
16 contributed in the previous fiscal year. However, the required
17 contribution rate determined by the Department or its successor
18 under this subsection (a) shall equal the required contribution
19 rate determined by the Department or its successor under
20 subsection (b) of this Section.

21 These contributions shall be deducted by the employer and
22 paid to the State Universities Retirement System as service
23 agent for the Department of Central Management Services. The
24 System may use the same processes for collecting the
25 contributions required by this subsection that it uses to
26 collect the contributions received from those employees under

1 Section 15-157 of the Illinois Pension Code. An employer may
2 agree to pick up or pay the contributions required under this
3 subsection on behalf of the employee; such contributions shall
4 be deemed to have been paid by the employee.

5 The State Universities Retirement System shall promptly
6 deposit all moneys collected under this subsection (a) into the
7 Community College Health Insurance Security Fund created in
8 Section 6.9 of this Act. The moneys collected under this
9 Section shall be used only for the purposes authorized in
10 Section 6.9 of this Act and shall not be considered to be
11 assets of the State Universities Retirement System.
12 Contributions made under this Section are not transferable to
13 other pension funds or retirement systems and are not
14 refundable upon termination of service.

15 (b) Beginning January 1, 1999, every community college
16 district (other than a community college district subject to
17 Article VII of the Public Community College Act) or association
18 of community college boards that is an employer under the State
19 Universities Retirement System shall contribute toward the
20 cost of the community college health benefits provided under
21 Section 6.9 of this Act an amount equal to 0.50% of the salary
22 paid to its full-time employees who participate in the State
23 Universities Retirement System and are not members as defined
24 in Section 3 of this Act. Beginning July 1, 2012 and until July
25 1, 2013, the contribution rate under this subsection (b) shall
26 be 1.25% of salary. Beginning July 1, 2013, the contribution

1 rate under this subsection (b) shall be a percentage of salary
2 determined by the Department of Central Management Services, or
3 its successor, by rule, which in each fiscal year shall not
4 exceed 108% of the percentage of salary actually required to be
5 contributed in the previous fiscal year. However, the required
6 contribution rate determined by the Department or its successor
7 under this subsection (b) shall equal the required contribution
8 rate determined by the Department or its successor under
9 subsection (a) of this Section.

10 These contributions shall be paid by the employer to the
11 State Universities Retirement System as service agent for the
12 Department of Central Management Services. The System may use
13 the same processes for collecting the contributions required by
14 this subsection that it uses to collect the contributions
15 received from those employers under Section 15-155 of the
16 Illinois Pension Code.

17 The State Universities Retirement System shall promptly
18 deposit all moneys collected under this subsection (b) into the
19 Community College Health Insurance Security Fund created in
20 Section 6.9 of this Act. The moneys collected under this
21 Section shall be used only for the purposes authorized in
22 Section 6.9 of this Act and shall not be considered to be
23 assets of the State Universities Retirement System.
24 Contributions made under this Section are not transferable to
25 other pension funds or retirement systems and are not
26 refundable upon termination of service.

1 The Department of Healthcare and Family Services, or any
2 successor agency designated to procure healthcare contracts
3 pursuant to this Act, is authorized to establish funds,
4 separate accounts provided by any bank or banks as defined by
5 the Illinois Banking Act, or separate accounts provided by any
6 savings and loan association or associations as defined by the
7 Illinois Savings and Loan Act of 1985 to be held by the
8 Director, outside the State treasury, for the purpose of
9 receiving the transfer of moneys from the Community College
10 Health Insurance Security Fund. The Department may promulgate
11 rules further defining the methodology for the transfers. Any
12 interest earned by moneys in the funds or accounts shall inure
13 to the Community College Health Insurance Security Fund. The
14 transferred moneys, and interest accrued thereon, shall be used
15 exclusively for transfers to administrative service
16 organizations or their financial institutions for payments of
17 claims to claimants and providers under the self-insurance
18 health plan. The transferred moneys, and interest accrued
19 thereon, shall not be used for any other purpose including, but
20 not limited to, reimbursement of administration fees due the
21 administrative service organization pursuant to its contract
22 or contracts with the Department.

23 (c) On or before November 15 of each year but not after
24 November 15, 2011, the Board of Trustees of the State
25 Universities Retirement System shall certify to the Governor,
26 the Director of Central Management Services, and the State

1 Comptroller its estimate of the total amount of contributions
2 to be paid under subsection (a) of this Section for the next
3 fiscal year. Beginning in fiscal year 2008, the amount
4 certified shall be decreased or increased each year by the
5 amount that the actual active employee contributions either
6 fell short of or exceeded the estimate used by the Board in
7 making the certification for the previous fiscal year. The
8 State Universities Retirement System shall calculate the
9 amount of actual active employee contributions in fiscal years
10 1999 through 2005. Based upon this calculation, the fiscal year
11 2008 certification shall include an amount equal to the
12 cumulative amount that the actual active employee
13 contributions either fell short of or exceeded the estimate
14 used by the Board in making the certification for those fiscal
15 years. The certification shall include a detailed explanation
16 of the methods and information that the Board relied upon in
17 preparing its estimate. As soon as possible after the effective
18 date of this Section, the Board shall submit its estimate for
19 fiscal year 1999.

20 (d) Beginning in fiscal year 1999, on the first day of each
21 month, or as soon thereafter as may be practical, the State
22 Treasurer and the State Comptroller shall transfer from the
23 General Revenue Fund to the Community College Health Insurance
24 Security Fund 1/12 of the annual amount appropriated for that
25 fiscal year to the State Comptroller for deposit into the
26 Community College Health Insurance Security Fund under Section

1 1.4 of the State Pension Funds Continuing Appropriation Act.

2 (e) Except where otherwise specified in this Section, the
3 definitions that apply to Article 15 of the Illinois Pension
4 Code apply to this Section.

5 (Source: P.A. 94-839, eff. 6-6-06; 95-632, eff. 9-25-07.)

6 (5 ILCS 375/6.10A new)

7 Sec. 6.10A. City colleges; optional participation in
8 program of health benefits. Notwithstanding any other
9 provision of this Act, the Department of Central Management
10 Services shall adopt rules authorizing optional participation
11 in the program of health benefits for community college benefit
12 recipients and community college dependent beneficiaries by
13 any person who is otherwise ineligible to participate in that
14 program solely as a result of that or another person's
15 employment with a community college district subject to Article
16 VII of the Public Community College Act.

17 (5 ILCS 375/6.16 new)

18 Sec. 6.16. Health benefit election for Tier I employees and
19 Tier I retirees.

20 (a) For purposes of this Section:

21 "Eligible Tier I employee" means an individual who makes or
22 is deemed to have made an election under paragraph (1) of
23 subsection (a) of Sections 2-110.3 and 15-134.6 of the Illinois
24 Pension Code.

1 "Eligible Tier I retiree" means an individual who makes or
2 is deemed to have made an election under paragraph (1) of
3 subsection (a-5) of Sections 2-110.3 and 15-134.6 of the
4 Illinois Pension Code.

5 "Program of health benefits" means (i) a health plan, as
6 defined in subsection (o) of Section 3 of this Act, that is
7 designed and contracted for by the Director under this Act or
8 any successor Act or (ii) if administration of that health plan
9 is transferred to a trust established by the State or an
10 independent Board in order to provide health benefits to a
11 class of a persons that includes eligible Tier I retirees, then
12 the plan of health benefits provided through that trust.

13 For persons who receive healthcare benefits under a
14 collective bargaining agreement with a community college
15 district subject to Article VII of the Public Community College
16 Act, the term "program of health benefits" also includes any
17 health benefit arrangement provided under such a collective
18 bargaining agreement, except that if such an agreement expires
19 and if those persons are otherwise eligible to participate in a
20 program of health benefits pursuant to item (i) or (ii), then
21 "program of health benefits" does not include the health
22 benefit arrangements provided under such a collective
23 bargaining agreement.

24 For persons who are eligible to receive benefits under a
25 health plan made available by a community college district
26 subject to Article VII of the Public Community College Act and

1 who do not receive those benefits pursuant to a collective
2 bargaining agreement, "program of health benefits" also
3 includes the health plan made available to such persons by the
4 community college district, except that if those persons
5 otherwise become eligible to participate in a program of health
6 benefits pursuant to item (i) or (ii), then "program of health
7 benefits" does not include the health plan made available to
8 such persons by the community college district.

9 (b) As adequate and legal consideration for making the
10 election under paragraph (1) of subsection (a) or (a-5) of
11 Sections 2-110.3 and 15-134.6 of the Illinois Pension Code,
12 each eligible Tier I employee and each eligible Tier I retiree
13 shall receive a vested and enforceable contractual right to
14 participate in a program of health benefits while he or she
15 qualifies as an annuitant or retired employee, or as a
16 community college benefit recipient receiving a retirement
17 annuity. That right also extends to such a person's dependents,
18 survivors, and community college dependent beneficiaries who
19 are eligible under the applicable program of health benefits.

20 (c) Notwithstanding subsection (b), eligible Tier I
21 employees and eligible Tier I retirees may be required to make
22 contributions toward the cost of coverage under a program of
23 health benefits.

24 (d) The vested and enforceable contractual right to a
25 program of health benefits is not offered as, and shall not be
26 considered, a pension benefit under Article XIII, Section 5 of

1 the Illinois Constitution, the Illinois Pension Code, or any
2 subsequent or successor enactment providing pension benefits.

3 (e) Notwithstanding any other provision of this Act, a Tier
4 I employee or Tier I retiree who has made an election under
5 paragraph (2) of subsection (a) or (a-5) of Sections 2-110.3
6 and 15-134.6 of the Illinois Pension Code shall not be entitled
7 to participate in the program of health benefits as an
8 annuitant or retired employee, or community college benefit
9 recipient receiving a retirement annuity, regardless of any
10 contrary election pursuant to any of those Sections under any
11 other retirement system.

12 Notwithstanding any other provision of this Act, a Tier I
13 employee who is not entitled to participate in the program of
14 health benefits as an annuitant or retired employee, or as a
15 community college benefit recipient receiving a retirement
16 annuity, due to an election under paragraph (2) of subsection
17 (a) or (a-5) of Sections 2-110.3 and 15-134.6 of the Illinois
18 Pension Code shall not be required to make contributions toward
19 the program of health benefits while he or she is an employee
20 or active contributor. However, an active employee may be
21 required to make contributions toward health benefits he or she
22 receives during active employment.

23 (f) The Department shall coordinate with each retirement
24 system administering an election in accordance with this
25 amendatory Act of the 97th General Assembly to provide
26 information concerning the impact of the election of health

1 benefits. Each System shall include information prepared by the
2 Department in the required election packet. The Department
3 shall make information available to Tier I employees and Tier I
4 retirees through video materials, group presentations,
5 consultation by telephone or electronic means, or any
6 combination of these methods.

7 Section 15. The Governor's Office of Management and Budget
8 Act is amended by changing Sections 7 and 8 as follows:

9 (20 ILCS 3005/7) (from Ch. 127, par. 417)

10 Sec. 7. All statements and estimates of expenditures
11 submitted to the Office in connection with the preparation of a
12 State budget, and any other estimates of expenditures,
13 supporting requests for appropriations, shall be formulated
14 according to the various functions and activities for which the
15 respective department, office or institution of the State
16 government (including the elective officers in the executive
17 department and including the University of Illinois and the
18 judicial department) is responsible. All such statements and
19 estimates of expenditures relating to a particular function or
20 activity shall be further formulated or subject to analysis in
21 accordance with the following classification of objects:

22 (1) Personal services

23 (2) State contribution for employee group insurance

24 (3) Contractual services

- 1 (4) Travel
2 (5) Commodities
3 (6) Equipment
4 (7) Permanent improvements
5 (8) Land
6 (9) Electronic Data Processing
7 (10) Telecommunication services
8 (11) Operation of Automotive Equipment
9 (12) Contingencies
10 (13) Reserve
11 (14) Interest
12 (15) Awards and Grants
13 (16) Debt Retirement
14 (17) Non-cost Charges.
15 (18) State retirement contribution for annual normal cost
16 (19) State retirement contribution for unfunded accrued
17 liability.
18 (Source: P.A. 93-25, eff. 6-20-03.)

19 (20 ILCS 3005/8) (from Ch. 127, par. 418)
20 Sec. 8. When used in connection with a State budget or
21 expenditure or estimate, items (1) through (16) in the
22 classification of objects stated in Section 7 shall have the
23 meanings ascribed to those items in Sections 14 through 24.7,
24 respectively, of the State Finance Act. ~~"An Act in relation to~~
25 ~~State finance", approved June 10, 1919, as amended.~~

1 When used in connection with a State budget or expenditure
2 or estimate, items (18) and (19) in the classification of
3 objects stated in Section 7 shall have the meanings ascribed to
4 those items in Sections 24.12 and 24.13, respectively, of the
5 State Finance Act.

6 (Source: P.A. 82-325.)

7 Section 20. The Illinois State Auditing Act is amended by
8 adding Section 2-8.1 as follows:

9 (30 ILCS 5/2-8.1 new)

10 Sec. 2-8.1. Actuarial Responsibilities.

11 (a) The Auditor General shall contract with or hire an
12 actuary to serve as the State Actuary. The State Actuary shall
13 be retained by, serve at the pleasure of, and be under the
14 supervision of the Auditor General and shall be paid from
15 appropriations to the office of the Auditor General. The State
16 Actuary may be selected by the Auditor General without engaging
17 in a competitive procurement process.

18 (b) The State Actuary shall:

19 (1) review assumptions and valuations prepared by
20 actuaries retained by the boards of trustees of the
21 State-funded retirement systems;

22 (2) issue preliminary reports to the boards of trustees
23 of the State-funded retirement systems concerning proposed
24 certifications of required State contributions submitted

1 to the State Actuary by those boards;

2 (3) cooperate with the boards of trustees of the
3 State-funded retirement systems to identify recommended
4 changes in actuarial assumptions that the boards must
5 consider before finalizing their certifications of the
6 required State contributions;

7 (4) conduct reviews of the actuarial practices of the
8 boards of trustees of the State-funded retirement systems;

9 (5) make additional reports as directed by joint
10 resolution of the General Assembly; and

11 (6) perform any other duties assigned by the Auditor
12 General, including, but not limited to, reviews of the
13 actuarial practices of other entities.

14 (c) On or before January 1, 2013 and each January 1
15 thereafter, the Auditor General shall submit a written report
16 to the General Assembly and Governor documenting the initial
17 assumptions and valuations prepared by actuaries retained by
18 the boards of trustees of the State-funded retirement systems,
19 any changes recommended by the State Actuary in the actuarial
20 assumptions, and the responses of each board to the State
21 Actuary's recommendations.

22 (d) For the purposes of this Section, "State-funded
23 retirement system" means a retirement system established
24 pursuant to Article 2, 14, 15, 16, or 18 of the Illinois
25 Pension Code.

1 Section 25. The State Finance Act is amended by changing
2 Section 13 and by adding Sections 24.12 and 24.13 as follows:

3 (30 ILCS 105/13) (from Ch. 127, par. 149)

4 Sec. 13. The objects and purposes for which appropriations
5 are made are classified and standardized by items as follows:

6 (1) Personal services;

7 (2) State contribution for employee group insurance;

8 (3) Contractual services;

9 (4) Travel;

10 (5) Commodities;

11 (6) Equipment;

12 (7) Permanent improvements;

13 (8) Land;

14 (9) Electronic Data Processing;

15 (10) Operation of automotive equipment;

16 (11) Telecommunications services;

17 (12) Contingencies;

18 (13) Reserve;

19 (14) Interest;

20 (15) Awards and Grants;

21 (16) Debt Retirement;

22 (17) Non-Cost Charges;

23 (18) State retirement contribution for annual normal cost;

24 (19) State retirement contribution for unfunded accrued

25 liability;

1 (20) ~~(18)~~ Purchase Contract for Real Estate.

2 When an appropriation is made to an officer, department,
3 institution, board, commission or other agency, or to a private
4 association or corporation, in one or more of the items above
5 specified, such appropriation shall be construed in accordance
6 with the definitions and limitations specified in this Act,
7 unless the appropriation act otherwise provides.

8 An appropriation for a purpose other than one specified and
9 defined in this Act may be made only as an additional, separate
10 and distinct item, specifically stating the object and purpose
11 thereof.

12 (Source: P.A. 84-263; 84-264.)

13 (30 ILCS 105/24.12 new)

14 Sec. 24.12. "State retirement contribution for annual
15 normal cost" defined. The term "State retirement contribution
16 for annual normal cost" means the portion of the total required
17 State contribution to a retirement system for a fiscal year
18 that represents the State's portion of the System's projected
19 normal cost for that fiscal year, as determined and certified
20 by the board of trustees of the retirement system in
21 conformance with the applicable provisions of the Illinois
22 Pension Code.

23 (30 ILCS 105/24.13 new)

24 Sec. 24.13. "State retirement contribution for unfunded

1 accrued liability" defined. The term "State retirement
2 contribution for unfunded accrued liability" means the portion
3 of the total required State contribution to a retirement system
4 for a fiscal year that is not included in the State retirement
5 contribution for annual normal cost.

6 Section 30. The Illinois Pension Code is amended by
7 changing Sections 1-103.3, 1-160, 2-108, 2-119.1, 2-124,
8 2-134, 7-109, 14-106, 14-135.08, 15-106, 15-107, 15-111,
9 15-113.2, 15-113.6, 15-134.5, 15-136, 15-155, 15-157,
10 15-158.2, 15-159, 15-163, 15-198, 16-106, 16-127, 16-158,
11 18-140, 20-121, 20-123, 20-124, and 20-125 and by adding
12 Sections 1-161, 1-162, 2-105.1, 2-105.2, 2-107.9, 2-110.3,
13 15-107.1, 15-107.2, 15-111.1, 15-134.6, 15-155.1, 15-155.2,
14 and as follows:

15 (40 ILCS 5/1-103.3)

16 Sec. 1-103.3. Application of 1994 amendment; funding
17 standard.

18 (a) The provisions of Public Act 88-593 ~~this amendatory Act~~
19 ~~of 1994~~ that change the method of calculating, certifying, and
20 paying the required State contributions to the retirement
21 systems established under Articles 2, 14, 15, 16, and 18 shall
22 first apply to the State contributions required for State
23 fiscal year 1996.

24 (b) (Blank). ~~The General Assembly declares that a funding~~

1 ~~ratio (the ratio of a retirement system's total assets to its~~
2 ~~total actuarial liabilities) of 90% is an appropriate goal for~~
3 ~~State-funded retirement systems in Illinois, and it finds that~~
4 ~~a funding ratio of 90% is now the generally recognized norm~~
5 ~~throughout the nation for public employee retirement systems~~
6 ~~that are considered to be financially secure and funded in an~~
7 ~~appropriate and responsible manner.~~

8 (c) Every 5 years, beginning in 1999, the Commission on
9 Government Forecasting and Accountability, in consultation
10 with the affected retirement systems and the Governor's Office
11 of Management and Budget (formerly Bureau of the Budget), shall
12 consider and determine whether the funding goals ~~90% funding~~
13 ~~ratio~~ adopted in Articles 2, 14, 15, 16, and 18 of this Code
14 continue ~~subsection (b) continues~~ to represent ~~an~~ appropriate
15 funding goals ~~goal~~ for State-funded retirement systems in
16 Illinois, and it shall report its findings and recommendations
17 on this subject to the Governor and the General Assembly.

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

19 (40 ILCS 5/1-160)

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

21 (a) The provisions of this Section apply to a person who,
22 on or after January 1, 2011, first becomes a member or a
23 participant under any reciprocal retirement system or pension
24 fund established under this Code, other than a retirement
25 system or pension fund established under Article 2, 3, 4, 5, 6,

1 or 18 of this Code, notwithstanding any other provision of this
2 Code to the contrary, but do not apply (i) to any self-managed
3 plan established under this Code, (ii) to any person with
4 respect to service as a sheriff's law enforcement employee
5 under Article 7, (iii) to any person with respect to service
6 for which the person participates in the cash balance plan
7 established under Section 1-161, or (iv) to any participant of
8 the retirement plan established under Section 22-101.

9 A person subject to this Section with respect to service
10 under the State Universities Retirement System may irrevocably
11 elect to transfer to the cash balance plan under Section 1-161
12 with respect to service under the State Universities Retirement
13 System by filing with the State Universities Retirement System
14 in the manner required by that System, his or her irrevocable
15 written election to transfer to the cash balance plan.
16 Participation in the cash balance plan shall begin no earlier
17 than July 1, 2013.

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

1 of any retirement system or pension fund to which this Section
2 applies on or after January 1, 2011, in this Code, "final
3 average salary" shall be substituted for the following:

4 (1) In Articles 7 (except for service as sheriff's law
5 enforcement employees) and 15, "final rate of earnings".

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

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

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

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

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

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

26 For the purposes of this Section, "consumer price index-u"

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

9 (c) A member or participant is entitled to a retirement
10 annuity upon written application if he or she has attained age
11 67 and has at least 10 years of service credit and is otherwise
12 eligible under the requirements of the applicable Article.

13 A member or participant who has attained age 62 and has at
14 least 10 years of service credit and is otherwise eligible
15 under the requirements of the applicable Article may elect to
16 receive the lower retirement annuity provided in subsection (d)
17 of this Section.

18 (d) The retirement annuity of a member or participant who
19 is retiring after attaining age 62 with at least 10 years of
20 service credit shall be reduced by one-half of 1% for each full
21 month that the member's age is under age 67.

22 (e) Any retirement annuity or supplemental annuity shall be
23 subject to annual increases on the January 1 occurring either
24 on or after the attainment of age 67 or the first anniversary
25 of the annuity start date, whichever is later. Each annual
26 increase shall be calculated at 3% or one-half the annual

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

9 (f) The initial survivor's or widow's annuity of an
10 otherwise eligible survivor or widow of a retired member or
11 participant who first became a member or participant on or
12 after January 1, 2011 shall be in the amount of 66 2/3% of the
13 retired member's or participant's retirement annuity at the
14 date of death. In the case of the death of a member or
15 participant who has not retired and who first became a member
16 or participant on or after January 1, 2011, eligibility for a
17 survivor's or widow's annuity shall be determined by the
18 applicable Article of this Code. The initial benefit shall be
19 66 2/3% of the earned annuity without a reduction due to age. A
20 child's annuity of an otherwise eligible child shall be in the
21 amount prescribed under each Article if applicable. Any
22 survivor's or widow's annuity shall be increased (1) on each
23 January 1 occurring on or after the commencement of the annuity
24 if the deceased member died while receiving a retirement
25 annuity or (2) in other cases, on each January 1 occurring
26 after the first anniversary of the commencement of the annuity.

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

10 (g) The benefits in Section 14-110 apply only if the person
11 is a State policeman, a fire fighter in the fire protection
12 service of a department, or a security employee of the
13 Department of Corrections or the Department of Juvenile
14 Justice, as those terms are defined in subsection (c) ~~(b)~~ of
15 Section 14-110. A person who meets the requirements of this
16 Section is entitled to an annuity calculated under the
17 provisions of Section 14-110, in lieu of the regular or minimum
18 retirement annuity, only if the person has withdrawn from
19 service with not less than 20 years of eligible creditable
20 service and has attained age 60, regardless of whether the
21 attainment of age 60 occurs while the person is still in
22 service.

23 (h) If a person who first becomes a member or a participant
24 of a retirement system or pension fund subject to this Section
25 on or after January 1, 2011 is receiving a retirement annuity
26 or retirement pension under that system or fund and becomes a

1 member or participant under any other system or fund created by
2 this Code and is employed on a full-time basis, except for
3 those members or participants exempted from the provisions of
4 this Section under subsection (a) of this Section, then the
5 person's retirement annuity or retirement pension under that
6 system or fund shall be suspended during that employment. Upon
7 termination of that employment, the person's retirement
8 annuity or retirement pension payments shall resume and be
9 recalculated if recalculation is provided for under the
10 applicable Article of this Code.

11 If a person who first becomes a member of a retirement
12 system or pension fund subject to this Section on or after
13 January 1, 2012 and is receiving a retirement annuity or
14 retirement pension under that system or fund ~~and~~ accepts on a
15 contractual basis a position to provide services to a
16 governmental entity from which he or she has retired, then that
17 person's annuity or retirement pension earned as an active
18 employee of the employer shall be suspended during that
19 contractual service. A person receiving an annuity or
20 retirement pension under this Code shall notify the pension
21 fund or retirement system from which he or she is receiving an
22 annuity or retirement pension, as well as his or her
23 contractual employer, of his or her retirement status before
24 accepting contractual employment. A person who fails to submit
25 such notification shall be guilty of a Class A misdemeanor and
26 required to pay a fine of \$1,000. Upon termination of that

1 contractual employment, the person's retirement annuity or
2 retirement pension payments shall resume and, if appropriate,
3 be recalculated under the applicable provisions of this Code.

4 (i) Notwithstanding any other provision of this Section, a
5 person who first becomes a participant of the retirement system
6 established under Article 15 on or after January 1, 2011 shall
7 have the option to enroll in the self-managed plan created
8 under Section 15-158.2 of this Code.

9 (j) In the case of a conflict between the provisions of
10 this Section and any other provision of this Code, the
11 provisions of this Section shall control.

12 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;
13 97-609, eff. 1-1-12.)

14 (40 ILCS 5/1-161 new)

15 Sec. 1-161. Cash Balance Plan.

16 (a) Participation and Applicability. This Section applies
17 to all new cash balance plan participants and all legacy Tier
18 II participants.

19 This Section does not, however, apply to any person with
20 respect to service for which the person participates in the
21 self-managed plan established under Section 15-158.2 in lieu of
22 the retirement benefits otherwise provided by the State
23 Universities Retirement System.

24 (b) Title. The package of benefits provided under this
25 Section may be referred to as the "cash balance plan". Persons

1 subject to the provisions of this Section may be referred to as
2 "participants in the cash balance plan".

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

4 "Account" means the notional cash balance account
5 established under this Section for a participant in the cash
6 balance plan.

7 "Consumer Price Index-U" means the Consumer Price Index
8 published by the Bureau of Labor Statistics of the United
9 States Department of Labor that measures the average change in
10 prices of goods and services purchased by all urban consumers,
11 United States city average, all items, 1982-84 = 100.

12 "Salary" means "earnings" as defined in Article 15, without
13 regard to the limitation in subsection (b-5) of Section 1-160.

14 "Legacy Tier II participant" means a person who was subject
15 to Section 1-160 with respect to service under Article 15 of
16 this Code and who irrevocably elects to participate in the cash
17 balance plan created under this Section. That election must be
18 made in writing, in the manner provided by the applicable
19 retirement system.

20 "New cash balance plan participant" means a person who, on
21 or after July 1, 2013, first begins to participate in the
22 retirement system established under Article 15 of this Code.

23 (c) Cash Balance Account. A notional cash balance account
24 shall be established by the applicable retirement system for
25 each participant in the cash balance plan. The account is
26 notional and does not contain any actual money segregated from

1 the commingled assets of the retirement system. The cash
2 balance in the account is to be used in calculating benefits as
3 provided in this Section, but is not to be used in the
4 calculation of any refund, transfer, or other benefit under the
5 applicable Article of this Code.

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

11 Whenever necessary for the prompt calculation or
12 administration, or when the System lacks information necessary
13 to the calculation or administration otherwise required of or
14 for a benefit under this Section, the applicable retirement
15 system may estimate an amount to be credited to or debited from
16 a participant's cash balance account and then adjust the amount
17 so credited or debited when more accurate information becomes
18 available.

19 The applicable retirement system shall give to each
20 participant in the cash balance plan who has not yet retired
21 annual notice of (1) the balance in the participant's cash
22 balance account and (2) an estimate of the retirement annuity
23 that will be payable to the participant if he or she retires at
24 age 59 1/2.

25 (c-5) Initial Account Balance for Legacy Tier II
26 Participants. The applicable retirement system shall establish

1 an initial account balance for each legacy Tier II participant
2 when he or she begins participation in the cash balance plan.
3 The initial account balance shall be an amount equal to the
4 employee contribution refund that the participant would be
5 eligible to receive under the applicable Article of this Code
6 if the participant terminated employment on that date and
7 elected a refund of contributions, as prescribed by the board
8 of the applicable retirement system.

9 (d) Employee Contributions. New cash balance plan
10 participants and legacy Tier II participants shall make
11 employee contributions to the applicable retirement system at
12 the rates required under the applicable Article of this Code.
13 The amount of each contribution shall be credited to the
14 participant's cash balance account upon receipt and after the
15 retirement system's reconciliation of the contribution.

16 (e) Notional Employer Contributions. Upon receipt of each
17 employee contribution under subsection (d), an amount
18 representing the employer contribution shall be credited to the
19 participant's cash balance account. For a participant in the
20 cash balance plan under Article 15, the notional employer
21 contribution shall be 4.4% of salary.

22 The notional employer contribution to be credited to the
23 participant's account is not the same as the actual employer
24 contributions required under subsection (p) and the provisions
25 of the applicable Article of this Code.

26 (e-1) Optional Employer Contributions. Employers may make

1 optional additional contributions to the applicable retirement
2 system on behalf of their employees who are participants in the
3 cash balance plan in accordance with procedures prescribed by
4 the retirement system, to the extent permitted by federal law
5 and the rules prescribed by the retirement system. The optional
6 additional contributions under this subsection are actual
7 monetary contributions to the retirement system, and the amount
8 of each optional additional contribution shall be credited to
9 the participant's cash balance account upon receipt and after
10 the retirement system's reconciliation of the contribution.

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

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

1 If both the retirement system's actual rate of investment
2 earnings for the previous fiscal year and the actual rate of
3 investment earnings for the five-year period ending at the end
4 of the previous fiscal year are at least the assumed treasury
5 rate, then the percentage shall be:

6 (i) the assumed treasury rate, plus

7 (ii) two-thirds of the amount of the actual rate of
8 investment earnings for the previous fiscal year that
9 exceeds the assumed treasury rate.

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

12 For the purposes of this subsection only, "previous fiscal
13 year" means fiscal year ending one year before the interest
14 rate is calculated.

15 For the purposes of this subsection only, "assumed treasury
16 rate" means the average annual yield of the 30-year U.S.
17 Treasury Bond over the previous fiscal year, but not less than
18 4%.

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

24 (f-10) Distribution upon Termination of Employment. Upon
25 termination of active employment with at least 5 years of
26 service credit under the applicable retirement system and prior

1 to making application for an annuity under this Section, a
2 participant in the cash balance plan may make an irrevocable
3 election to distribute an amount not to exceed 40% of the
4 balance in the participant's account in the form of a direct
5 rollover to another qualified plan, to the extent allowed by
6 federal law. If the participant makes such an election, then
7 the amount distributed shall be debited from the participant's
8 cash balance account. A participant in the cash balance plan
9 shall be allowed only one distribution under this subsection.
10 The remaining balance in the participant's account shall be
11 used for the determination of other benefits provided under
12 this Section.

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

1 The participant's credits in the applicable retirement
2 system shall be terminated upon payment of a refund under this
3 subsection.

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

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

1 zero.

2 The annuity payment shall begin on the date specified by
3 the participant submitting a written application, which date
4 shall not be prior to termination of employment or more than
5 one year before the application is received by the board;
6 however, if the participant is not an employee of an employer
7 participating in this System or in a participating system as
8 defined in Article 20 of this Code on April 1 of the calendar
9 year next following the calendar year in which the participant
10 attains age 70 1/2, the annuity payment period shall begin on
11 that date regardless of whether an application has been filed.

12 The participant may elect, under the participant's written
13 application for retirement, to receive a reduced annuity
14 payable for his or her life and to have a lifetime survivor's
15 annuity in a monthly amount equal to 50%, 75%, or 100% of that
16 reduced monthly amount, to be paid after the participant's
17 death to his or her eligible survivor. Eligibility for a
18 survivor's annuity shall be determined under the applicable
19 Article of this Code.

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

26 (h) Annual Increase in Retirement Annuity. The retirement

1 annuity shall be subject to an automatic annual increase in an
2 amount equal to 3% of the originally granted annuity on each
3 January 1 occurring on or after the first anniversary of the
4 annuity start date.

5 (i) Disability Benefits. The disability benefits provided
6 under the applicable retirement system apply to new cash
7 balance plan participants and legacy Tier II participants in
8 the cash balance plan, subject to and in accordance with the
9 eligibility and other provisions of the applicable Article.

10 Retirement due to disability under Section 15-153.2 shall
11 be deemed a disability benefit for the purposes of this Section
12 and shall apply to new cash balance plan participants and
13 legacy Tier II participants.

14 The board of the retirement system shall designate
15 annually, as a percentage of salary, an amount representing the
16 anticipated average cost of providing disability benefits for
17 new cash balance plan participants and legacy Tier II
18 participants. The amount so designated shall not exceed 1% of
19 the cash balance plan participant's salary and shall be
20 deducted annually from the account of each new cash balance
21 plan participant and each legacy Tier II participant.

22 (j) Return to Service. Upon a return to service under the
23 same retirement system after beginning to receive a retirement
24 annuity under the cash balance plan, the retirement annuity
25 shall be suspended and active participation in the cash balance
26 plan shall resume. Upon termination of the employment, the

1 retirement annuity shall resume in an amount to be recalculated
2 in accordance with subsection (g), taking into effect the
3 changes in the cash balance account. If a retired annuitant
4 returns to service, his or her notional cash balance account
5 shall be decreased by each payment of retirement annuity prior
6 to the return to service.

7 (k) Survivor's Annuity - Death before Retirement. In the
8 case of the death of a new cash balance plan participant or
9 legacy Tier II participant who had less than 5 years of service
10 under the applicable Article and had not begun receiving a
11 retirement annuity, the eligible survivor shall be entitled
12 only to a refund of employee contributions under subsection
13 (f-15).

14 In the case of the death of a new cash balance plan
15 participant or legacy Tier II participant who had at least 5
16 years of service under the applicable Article and had not begun
17 receiving a retirement annuity, the eligible survivor shall be
18 entitled to receive a survivor's annuity beginning at age 59
19 1/2 upon written application. The survivor's annuity shall be
20 calculated in the same manner as a retirement annuity under
21 subsection (g). At any time before receiving a survivor's
22 annuity, the eligible survivor may claim a distribution under
23 subsection (f-10) or a refund under subsection (f-15). The
24 deceased participant's account shall continue to receive
25 interest credit until the eligible survivor begins to receive a
26 survivor's annuity or receives a refund of employee

1 contributions under subsection (f-15).

2 Eligibility for a survivor's annuity shall be determined
3 under the applicable Article of this Code. A child's or
4 parent's annuity for an otherwise eligible child or dependent
5 parent shall be in the same amount, if any, prescribed under
6 the applicable Article.

7 (l) Annual Increase in Survivor's Annuity. A survivor's
8 annuity granted under subsection (q) or (k) shall be subject to
9 an automatic annual increase in an amount equal to 3% of the
10 originally granted annuity on each January 1 occurring on or
11 after the first anniversary of the annuity start date.

12 (m) Applicability of Provisions. The following provisions,
13 if and as they exist in this Code, do not apply to participants
14 in the cash balance plan with respect to participation in the
15 cash balance plan, except as they are specifically provided for
16 in this Section:

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

19 (2) provisions limiting a retirement annuity to a
20 specified percentage of salary;

21 (3) provisions authorizing a minimum retirement or
22 survivor's annuity or a supplemental annuity;

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

26 (5) provisions authorizing a reversionary annuity

1 (other than a survivor's annuity under subsection (g));

2 (6) provisions authorizing a refund of employee
3 contributions upon termination of service (except as
4 provided in this Section) or any lump-sum payout in lieu of
5 a retirement or survivor's annuity (other than the
6 distribution under subsection (f-10) or the refund under
7 subsection (f-15) of this Section;

8 (7) provisions authorizing optional service credits or
9 the payment of optional additional contributions (other
10 than the optional employer contributions specifically
11 authorized in subsection (e-1)); or

12 (8) a level income option.

13 The Retirement Systems Reciprocal Act applies to
14 participants in the cash balance plan who qualify under Article
15 20 of this Code, but it does not affect the calculation of
16 benefits payable under this Section.

17 The other provisions of this Code continue to apply to
18 participants in the cash balance plan, to the extent that they
19 do not conflict with this Section. In the case of a conflict
20 between the provisions of this Section and any other provision
21 of this Code, the provisions of this Section control.

22 (n) Rules. The Board of Trustees of the applicable
23 retirement system may adopt rules and procedures for the
24 implementation of this Section, including but not limited to
25 determinations of how to integrate the administration of this
26 Section with the requirements of the applicable Article and any

1 other applicable provisions of this Code.

2 (o) Public Pension Division. The Public Pension Division of
3 the Department of Insurance shall determine in October of each
4 year the annual unadjusted percentage increase (but not less
5 than zero) in the Consumer Price Index-U for the 12 months
6 ending with the preceding September. The Division shall certify
7 its determination to the Board of Trustees of the State
8 Universities Retirement System by November 1 of each year.

9 (p) Actual Employer Contributions. Payment of employer
10 contributions with respect to participants in the cash balance
11 plan shall be the responsibility of the actual employer. These
12 contributions shall be determined under and paid in accordance
13 with the provisions of Sections 15-155. Optional employer
14 contributions may be paid by employers in any amount, but must
15 be paid in the manner specified by the applicable retirement
16 system.

17 (q) Prospective Modification. The provisions set forth in
18 this Section are subject to prospective changes made by law
19 provided that any such changes shall not apply to any benefits
20 accrued under this Section prior to the effective date of any
21 amendatory Act of the General Assembly.

22 (r) An employee who participates in the cash balance plan
23 under this Section may elect to participate in the optional
24 cash balance plan under Section 1-162.

25 (s) Qualified Plan Status. No provision of this Section
26 shall be interpreted in a way that would cause the applicable

1 retirement system to cease to be a qualified plan under section
2 461 (a) of the Internal Revenue Code of 1986.

3 (40 ILCS 5/1-162 new)

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

5 (a) Participation and Applicability. Beginning on July 1,
6 2013, the following persons may elect to participate in the
7 optional cash balance plan created under this Section:

8 (1) any person who participates in the cash balance
9 plan established under Section 1-161; and

10 (2) any Tier I employee who has made the election under
11 paragraph (1) of subsection (a) or (a-5) of Section
12 15-134.6.

13 This Section does not, however, apply to any person with
14 respect to service for which the person participates in the
15 self-managed plan established under Section 15-158.2 in lieu of
16 the retirement benefits otherwise provided by the State
17 Universities Retirement System.

18 The Board of Trustees of the applicable retirement system
19 shall promulgate rules to create an annual election wherein a
20 person eligible to participate in the optional cash balance
21 plan may elect to participate, and an active employee who is a
22 participant in the plan may elect to cease active
23 participation. The election to cease active participation
24 shall not disqualify the employee from eligibility to receive
25 an interest credit under subsection (f), a distribution upon

1 termination under subsection (f-10), a refund under subsection
2 (f-15), a retirement annuity under subsection (f-15), a
3 retirement annuity under subsection (g), or a survivor annuity
4 under subsection (k), or from eligibility to resume active
5 participation in the optional cash balance plan in a subsequent
6 year.

7 (b) Title. The package of benefits provided under this
8 Section may be referred to as the "optional cash balance plan".
9 Persons subject to the provisions of this Section may be
10 referred to as "participants in the optional cash balance
11 plan".

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

13 "Account" means the notional cash balance account
14 established under this Section for a participant in the
15 optional cash balance plan.

16 "Consumer Price Index-U" means the Consumer Price Index
17 published by the Bureau of Labor Statistics of the United
18 States Department of Labor that measures the average change in
19 prices of goods and services purchased by all urban consumers,
20 United States city average, all items, 1982-84 = 100.

21 "Salary" means "earnings" as defined in Article 15, without
22 regard to the limitation in subsection (b-5) of Section 1-160.

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

25 (c) Cash Balance Account. A notional cash balance account
26 shall be established by the applicable retirement system for

1 each participant in the optional cash balance plan. The account
2 is notional and does not contain any actual money segregated
3 from the commingled assets of the retirement system. The cash
4 balance in the account is to be used in calculating benefits as
5 provided in this Section, but is not to be used in the
6 calculation of any refund, transfer, or other benefit under the
7 applicable Article of this Code.

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

13 Whenever necessary for the prompt calculation or
14 administration, or when the System lacks information necessary
15 to the calculation or administration otherwise required of or
16 for a benefit under this Section, the applicable retirement
17 system may estimate an amount to be credited to or debited from
18 a participant's cash balance account and then adjust the amount
19 so credited or debited when more accurate information becomes
20 available.

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

1 (d) Employee Contributions. In addition to the other
2 contributions required under the applicable Article, each
3 participant shall make contributions to the applicable
4 retirement system at the rate of 2% of each payment of salary.
5 The amount of each contribution shall be credited to the
6 participant's cash balance account upon receipt and after the
7 retirement system's reconciliation of the contribution.

8 (e) Optional Employer Contributions. Employers may make
9 optional additional contributions to the applicable retirement
10 system on behalf of their employees who are participants in the
11 optional cash balance plan in accordance with procedures
12 prescribed by the retirement system, to the extent permitted by
13 federal law and the rules prescribed by the retirement system.
14 The optional additional contributions under this subsection
15 are actual monetary contributions to the retirement system, and
16 the amount of each optional additional contribution shall be
17 credited to the participant's cash balance account upon receipt
18 and after the retirement system's reconciliation of the
19 contribution.

20 (f) Interest Credit. An amount representing earnings on
21 investments shall be determined by the retirement system in
22 accordance with this Section and credited to the participant's
23 cash balance account for each fiscal year in which there is a
24 positive balance in that account; except that no additional
25 interest credit shall be credited while an annuity based on the
26 account is being paid. The interest credit amount shall be a

1 percentage of the average quarterly balance in the cash balance
2 account during that fiscal year, and shall be calculated on
3 June 30.

4 The percentage shall be the assumed treasury rate for the
5 previous fiscal year, unless neither the retirement system's
6 actual rate of investment earnings for the previous fiscal year
7 nor the retirement system's actual rate of investment earnings
8 for the five-year period ending at the end of the previous
9 fiscal year is less than the assumed treasury rate.

10 If both the retirement system's actual rate of investment
11 earnings for the previous fiscal year and the actual rate of
12 investment earnings for the five-year period ending at the end
13 of the previous fiscal year are at least the assumed treasury
14 rate, then the percentage shall be:

15 (i) the assumed treasury rate, plus

16 (ii) two-thirds of the amount of the actual rate of
17 investment earnings for the previous fiscal year that
18 exceeds the assumed treasury rate.

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

21 For the purposes of this subsection only, "previous fiscal
22 year" means fiscal year ending one year before the interest
23 rate is calculated.

24 For the purposes of this subsection only, "assumed treasury
25 rate" means the average annual yield of the 30-year U.S.
26 Treasury Bond over the previous fiscal year, but not less than

1 4%.

2 When a person applies for a benefit under this Section, the
3 retirement system shall apply an interest credit based on a
4 proration of an estimate of what the interest credit will be
5 for the relevant year. When the retirement system certifies the
6 credit on June 30, it shall adjust the benefit accordingly.

7 (f-10) Distribution upon Termination of Employment. Upon
8 termination of active employment with at least 5 years of
9 service credit under the applicable retirement system and prior
10 to making application for an annuity under this Section, a
11 participant in the optional cash balance plan may make an
12 irrevocable election to distribute an amount not to exceed 40%
13 of the balance in the participant's account in the form of a
14 direct rollover to another qualified plan, to the extent
15 allowed by federal law. If the participant makes such an
16 election, then the amount distributed shall be debited from the
17 participant's cash balance account. A participant in the
18 optional cash balance plan shall be allowed only one
19 distribution under this subsection. The remaining balance in
20 the participant's account shall be used for the determination
21 of other benefits provided under this Section.

22 (f-15) Refund. In lieu of receiving a distribution under
23 subsection (f-10), at any time after terminating active
24 employment under the applicable retirement system, but before
25 receiving a retirement annuity under this Section, a
26 participant in the optional cash balance plan may elect to

1 receive a refund under this subsection. The refund shall
2 consist of an amount equal to the amount of all employee
3 contributions credited to the participant's account, but shall
4 not include any interest credit or employer contributions. If
5 the participant so requests, the refund may be paid in the form
6 of a direct rollover to another qualified plan, to the extent
7 allowed by federal law and in accordance with the rules of the
8 applicable retirement system. Upon payment of the refund, the
9 participant's notional cash balance account shall be closed.

10 (g) Retirement Annuity. A participant in the optional cash
11 balance plan may begin collecting a retirement annuity at age
12 59 1/2, but no earlier than the date of termination of active
13 employment under the applicable retirement system.

14 The amount of the retirement annuity shall be calculated by
15 the retirement system, based on the balance in the cash balance
16 account, the assumption of future investment returns as
17 specified in this subsection, the participant's election to
18 have a lifetime survivor's annuity as specified in this
19 subsection, the annual increase in retirement annuity as
20 specified in subsection (h), the annual increase in survivor's
21 annuity as specified in subsection (l), and any actuarial
22 assumptions and tables adopted by the board of the retirement
23 system for this purpose. The calculation shall determine the
24 amount of retirement annuity, on an actuarially equivalent
25 basis, that shall be designed to result in the balance in the
26 participant's account arriving at zero on the date when the

1 last payment of the retirement annuity (or survivor's annuity,
2 if the participant elects to provide for a survivor's annuity
3 pursuant to this subsection) is anticipated to be paid under
4 the relevant actuarial assumptions. A retirement annuity or a
5 survivor's annuity provided under this Section shall be a life
6 annuity and shall not expire if the account balance equals
7 zero.

8 The annuity payment shall begin on the date specified by
9 the participant submitting a written application, which date
10 shall not be prior to termination of employment or more than
11 one year before the application is received by the board;
12 however, if the participant is not an employee of an employer
13 participating in this System or in a participating system as
14 defined in Article 20 of this Code on April 1 of the calendar
15 year next following the calendar year in which the participant
16 attains age 70 1/2, the annuity payment period shall begin on
17 that date regardless of whether an application has been filed.

18 The participant may elect, under the participant's written
19 application for retirement, to receive a reduced annuity
20 payable for his or her life and to have a lifetime survivor's
21 annuity in a monthly amount equal to 50%, 75%, or 100% of that
22 reduced monthly amount, to be paid after the participant's
23 death to his or her eligible survivor. Eligibility for a
24 survivor's annuity shall be determined under the applicable
25 Article of this Code.

26 For the purpose of calculating retirement annuities,

1 future investment returns shall be assumed to be a percentage
2 equal to the average yield of the 30-year U.S. Treasury Bond
3 over the 5 fiscal years prior to the calculation of the initial
4 retirement annuity, plus 250 basis points; but not less than 4%
5 nor more than 8%.

6 (h) Annual Increase in Retirement Annuity. The retirement
7 annuity shall be subject to an automatic annual increase in an
8 amount equal to 3% of the originally granted annuity on each
9 January 1 occurring on or after the first anniversary of the
10 annuity start date.

11 (i) Disability Benefits. There are no disability benefits
12 provided under the optional cash balance plan, and no amounts
13 for disability shall be deducted from the account of a
14 participant in the optional cash balance plan. The disability
15 benefits provided under the applicable retirement system apply
16 to participants in the optional cash balance plan.

17 (j) Return to Service. Upon a return to service under the
18 same retirement system after beginning to receive a retirement
19 annuity under the optional cash balance plan, the retirement
20 annuity shall be suspended and active participation in the
21 optional cash balance plan shall resume. Upon termination of
22 the employment, the retirement annuity shall resume in an
23 amount to be recalculated in accordance with subsection (g),
24 taking into effect the changes in the cash balance account. If
25 a retired annuitant returns to service, his or her notional
26 cash balance account shall be decreased by each payment of

1 retirement annuity prior to the return to service.

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

8 In the case of a participant in the optional cash balance
9 plan who had at least 5 years of service under the applicable
10 Article and had not begun receiving a retirement annuity, the
11 eligible survivor shall be entitled to receive a survivor's
12 annuity beginning at age 59 1/2 upon written application. The
13 survivor's annuity shall be calculated in the same manner as a
14 retirement annuity under subsection (g). At any time before
15 receiving a survivor's annuity, the eligible survivor may claim
16 a distribution under subsection (f-10) or a refund under
17 subsection (f-15). The deceased participant's account shall
18 continue to receive interest credit until the eligible survivor
19 begins to receive a survivor's annuity or receives a refund of
20 employee contributions under subsection (f-15).

21 Eligibility for a survivor's annuity shall be determined
22 under the applicable Article of this Code. A child's or
23 parent's annuity for an otherwise eligible child or dependent
24 parent shall be in the same amount, if any, prescribed under
25 the applicable Article.

26 (l) Annual Increase in Survivor's Annuity. A survivor's

1 annuity granted under subsection (g) or (k) shall be subject to
2 an automatic annual increase in an amount equal to 3% of the
3 originally granted annuity on each January 1 occurring on or
4 after the first anniversary of the annuity start date.

5 (m) Applicability of Provisions. The following provisions,
6 if and as they exist in this Code, do not apply to participants
7 in the optional cash balance plan with respect to participation
8 in the optional cash balance plan, except as they are
9 specifically provided for in this Section:

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

12 (2) provisions limiting a retirement annuity to a
13 specified percentage of salary;

14 (3) provisions authorizing a minimum retirement or
15 survivor's annuity or a supplemental annuity;

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

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

21 (6) provisions authorizing a refund of employee
22 contributions upon termination of service (other than upon
23 the death of the participant without an eligible survivor)
24 or any lump-sum payout in lieu of a retirement or
25 survivor's annuity (other than the distribution under
26 subsection (f-10) or the refund under subsection (f-15) of

1 this Section;

2 (7) provisions authorizing optional service credits or
3 the payment of optional additional contributions (other
4 than the optional employer contributions specifically
5 authorized in this Section); or

6 (8) a level income option.

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

11 The other provisions of this Code continue to apply to
12 participants in the optional cash balance plan, to the extent
13 that they do not conflict with this Section. In the case of a
14 conflict between the provisions of this Section and any other
15 provision of this Code, the provisions of this Section control.

16 (n) Rules. The Board of Trustees of the applicable
17 retirement system may adopt rules and procedures for the
18 implementation of this Section, including but not limited to
19 determinations of how to integrate the administration of this
20 Section with the requirements of the applicable Article and any
21 other applicable provisions of this Code.

22 (o) Public Pension Division. The Public Pension Division of
23 the Department of Insurance shall determine in October of each
24 year the annual unadjusted percentage increase (but not less
25 than zero) in the Consumer Price Index-U for the 12 months
26 ending with the preceding September. The Division shall certify

1 its determination to the Board of Trustees of the State
2 Universities Retirement System by November 1 of each year.

3 (p) Actual Employer Contributions. Payment of employer
4 contributions with respect to participants in the optional cash
5 balance plan shall be the responsibility of the actual
6 employer. These contributions shall be determined under and
7 paid in accordance with the provisions of Sections 15-155.
8 Optional additional contributions by employers may be paid in
9 any amount, but must be paid in the manner specified by the
10 applicable retirement system.

11 (q) Prospective Modification. The provisions set forth in
12 this Section are subject to prospective changes made by law
13 provided that any such changes shall not apply to any benefits
14 accrued under this Section prior to the effective date of any
15 amendatory Act of the General Assembly.

16 (s) Qualified Plan Status. No provision of this Section
17 shall be interpreted in a way that would cause the applicable
18 retirement system to cease to be a qualified plan under section
19 461 (a) of the Internal Revenue Code of 1986.

20 (40 ILCS 5/2-105.1 new)

21 Sec. 2-105.1. Tier I employee. "Tier I employee": A
22 participant who first became a participant before January 1,
23 2011.

24 (40 ILCS 5/2-105.2 new)

1 Sec. 2-105.2. Tier I retiree. "Tier I retiree" means a
2 former Tier I employee who is receiving a retirement annuity.

3 (40 ILCS 5/2-107.9 new)

4 Sec. 2-107.9. Future increase in income. "Future increase
5 in income": Any increase in income in any form offered for
6 service as a member under this Article after June 30, 2013 that
7 would qualify as "salary", as defined under Section 2-108, but
8 for the fact that the increase in income was offered to the
9 member on the condition that it not qualify as salary and was
10 accepted by the member subject to that condition.

11 (40 ILCS 5/2-108) (from Ch. 108 1/2, par. 2-108)

12 Sec. 2-108. Salary. "Salary": (1) For members of the
13 General Assembly, the total compensation paid to the member by
14 the State for one year of service, including the additional
15 amounts, if any, paid to the member as an officer pursuant to
16 Section 1 of "An Act in relation to the compensation and
17 emoluments of the members of the General Assembly", approved
18 December 6, 1907, as now or hereafter amended.

19 (2) For the State executive officers specified in Section
20 2-105, the total compensation paid to the member for one year
21 of service.

22 (3) For members of the System who are participants under
23 Section 2-117.1, or who are serving as Clerk or Assistant Clerk
24 of the House of Representatives or Secretary or Assistant

1 Secretary of the Senate, the total compensation paid to the
2 member for one year of service, but not to exceed the salary of
3 the highest salaried officer of the General Assembly.

4 However, in the event that federal law results in any
5 participant receiving imputed income based on the value of
6 group term life insurance provided by the State, such imputed
7 income shall not be included in salary for the purposes of this
8 Article.

9 Notwithstanding any other provision of this Section,
10 "salary" does not include any future increase in income that is
11 offered for service as a member under this Article pursuant to
12 the requirements of subsection (c) of Section 2-110.3 and
13 accepted by a Tier I employee, or a Tier I retiree returning to
14 active service, who has made an election under paragraph (2) of
15 subsection (a) or (a-5) of Section 2-110.3.

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

17 (40 ILCS 5/2-110.3 new)

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

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

22 (1) to agree to the following:

23 (i) to have the amount of the automatic annual
24 increases in his or her retirement annuity that are
25 otherwise provided for in this Article calculated,

1 instead, as provided in subsection (a-1) of Section
2 2-119.1; and

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

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

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

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

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

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

26 If a Tier I employee fails for any reason to make a

1 required election under this subsection within the time
2 specified, then the employee shall be deemed to have made the
3 election under paragraph (2) of this subsection.

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

6 (1) to agree to the following:

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

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

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

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

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

26 (ii) a person who made the election under subsection

1 (a) as a Tier I employee remains bound by that election and
2 shall not make a later election under this subsection
3 (a-5).

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

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

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

22 As adequate and legal consideration provided under this
23 amendatory Act of the 97th General Assembly for making the
24 election under paragraph (1) of subsection (a-5) of this
25 Section, any future increases in income offered for service as
26 a member under this Article to a Tier I retiree who returns to

1 active service after having made the election under paragraph
2 (1) of subsection (a-5) of this Section shall be offered
3 expressly and irrevocably as constituting salary under Section
4 2-108.

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

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

26 (d) The System shall make a good faith effort to contact

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

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

26 The System shall inform Tier I employees and Tier I

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

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

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

1 this subsection.

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

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

9 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)
10 Sec. 2-119.1. Automatic increase in retirement annuity.

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

25 (a-1) Notwithstanding any other provision of this Article,

1 for a Tier I employee or Tier I retiree who made the election
2 under paragraph (1) of subsection (a) or (a-5) of Section
3 2-110.3, the amount of each automatic annual increase in
4 retirement annuity occurring on or after the effective date of
5 that election shall be 3% or one-half of the annual unadjusted
6 percentage increase, if any, in the Consumer Price Index-U for
7 the 12 months ending with the preceding September, whichever is
8 less, of the originally granted retirement annuity. For the
9 purposes of this Section, "Consumer Price Index-U" means the
10 index published by the Bureau of Labor Statistics of the United
11 States Department of Labor that measures the average change in
12 prices of goods and services purchased by all urban consumers,
13 United States city average, all items, 1982-84 = 100.

14 (a-2) For a Tier I employee or Tier I retiree who made the
15 election under paragraph (1) of subsection (a) or (a-5) of
16 Section 2-110.3, the monthly retirement annuity shall first be
17 subject to annual increases on the January 1 occurring on or
18 next after the attainment of age 67 or the January 1 occurring
19 on or next after the fifth anniversary of the annuity start
20 date, whichever occurs earlier. If on the effective date of the
21 election under paragraph (1) of subsection (a-5) of Section
22 2-110.3 a Tier I retiree has already received an annual
23 increase under this Section but does not yet meet the new
24 eligibility requirements of this subsection, the annual
25 increases already received shall continue in force, but no
26 additional annual increase shall be granted until the Tier I

1 retiree meets the new eligibility requirements.

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

16 This subsection (b) does not apply to any person who first
17 becomes a member of the System after August 8, 2003 (the
18 effective date of Public Act 93-494) or (ii) has made the
19 election under paragraph (1) of subsection (a) or (a-5) of
20 Section 2-110.3; except that if on the effective date of the
21 election under paragraph (1) of subsection (a-5) of Section
22 2-110.3 a Tier I retiree has already received a retirement
23 annuity based on any annual increases under this subsection,
24 those annual increases under this subsection shall continue in
25 force ~~this amendatory Act of the 93rd General Assembly.~~

26 (b-5) Notwithstanding any other provision of this Article,

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

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

21 (d) A participant who terminated service prior to July 1,
22 1967, with at least 14 years of service is entitled to an
23 increase in retirement annuity beginning January, 1976, and to
24 additional increases in January of each year thereafter.

25 The initial increase shall be 1 1/2% of the originally
26 granted retirement annuity multiplied by the number of full

1 years that the annuitant was in receipt of such annuity prior
2 to January 1, 1972, plus 2% of the originally granted
3 retirement annuity for each year after that date. The
4 subsequent annual increases shall be at the rate of 2% of the
5 originally granted retirement annuity for each year through
6 1979 and at the rate of 3% for 1980 and thereafter.

7 (e) Beginning January 1, 1990, all automatic annual
8 increases payable under this Section shall be calculated as a
9 percentage of the total annuity payable at the time of the
10 increase, including previous increases granted under this
11 Article.

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

13 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

14 Sec. 2-124. Contributions by State.

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

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

1 subsection (c).

2 (c) Except as otherwise provided in this Section, for ~~For~~
3 State fiscal years 2012 through 2045, the minimum contribution
4 to the System to be made by the State for each fiscal year
5 shall be an amount determined by the System to be sufficient to
6 bring the total assets of the System up to 90% of the total
7 actuarial liabilities of the System by the end of State fiscal
8 year 2045. In making these determinations, the required State
9 contribution shall be calculated each year as a level
10 percentage of payroll over the years remaining to and including
11 fiscal year 2045 and shall be determined under the projected
12 unit credit actuarial cost method.

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

18 Notwithstanding any other provision of this Article, the
19 total required State contribution for State fiscal year 2006 is
20 \$4,157,000.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2007 is
23 \$5,220,300.

24 For each of State fiscal years 2008 through 2009, the State
25 contribution to the System, as a percentage of the applicable
26 employee payroll, shall be increased in equal annual increments

1 from the required State contribution for State fiscal year
2 2007, so that by State fiscal year 2011, the State is
3 contributing at the rate otherwise required under this Section.

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

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

25 Except as otherwise provided in this Section, beginning
26 ~~Beginning~~ in State fiscal year 2046, the minimum State

1 contribution for each fiscal year shall be the amount needed to
2 maintain the total assets of the System at 90% of the total
3 actuarial liabilities of the System.

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

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

1 7.2, as determined and certified by the Comptroller, that is
2 the same as the System's portion of the total moneys
3 distributed under subsection (d) of Section 7.2 of the General
4 Obligation Bond Act. In determining this maximum for State
5 fiscal years 2008 through 2010, however, the amount referred to
6 in item (i) shall be increased, as a percentage of the
7 applicable employee payroll, in equal increments calculated
8 from the sum of the required State contribution for State
9 fiscal year 2007 plus the applicable portion of the State's
10 total debt service payments for fiscal year 2007 on the bonds
11 issued in fiscal year 2003 for the purposes of Section 7.2 of
12 the General Obligation Bond Act, so that, by State fiscal year
13 2011, the State is contributing at the rate otherwise required
14 under this Section.

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

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

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

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

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

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

22 As of June 30, 2008, the actuarial value of the System's
23 assets shall be equal to the market value of the assets as of
24 that date. In determining the actuarial value of the System's
25 assets for fiscal years after June 30, 2008, any actuarial
26 gains or losses from investment return incurred in a fiscal

1 year shall be recognized in equal annual amounts over the
2 5-year period following that fiscal year.

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

7 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;
8 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.
9 3-18-11; revised 4-6-11.)

10 (40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

11 Sec. 2-134. To certify required State contributions and
12 submit vouchers.

13 (a) The Board shall certify to the Governor on or before
14 December 15 of each year until December 15, 2011 the amount of
15 the required State contribution to the System for the next
16 fiscal year and shall specifically identify the System's
17 projected State normal cost for that fiscal year. The
18 certification shall include a copy of the actuarial
19 recommendations upon which it is based and shall specifically
20 identify the System's projected State normal cost for that
21 fiscal year.

22 On or before November 1 of each year, beginning November 1,
23 2012, the Board shall submit to the State Actuary, the
24 Governor, and the General Assembly a proposed certification of
25 the amount of the required State contribution to the System for

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

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

23 On or before July 1, 2005, the Board shall recalculate and
24 recertify to the Governor the amount of the required State
25 contribution to the System for State fiscal year 2006, taking
26 into account the changes in required State contributions made

1 by this amendatory Act of the 94th General Assembly.

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

8 (b) Beginning in State fiscal year 1996, on or as soon as
9 possible after the 15th day of each month the Board shall
10 submit vouchers for payment of State contributions to the
11 System, in a total monthly amount of one-twelfth of the
12 required annual State contribution certified under subsection
13 (a). From the effective date of this amendatory Act of the 93rd
14 General Assembly through June 30, 2004, the Board shall not
15 submit vouchers for the remainder of fiscal year 2004 in excess
16 of the fiscal year 2004 certified contribution amount
17 determined under this Section after taking into consideration
18 the transfer to the System under subsection (d) of Section
19 6z-61 of the State Finance Act. These vouchers shall be paid by
20 the State Comptroller and Treasurer by warrants drawn on the
21 funds appropriated to the System for that fiscal year. If in
22 any month the amount remaining unexpended from all other
23 appropriations to the System for the applicable fiscal year
24 (including the appropriations to the System under Section 8.12
25 of the State Finance Act and Section 1 of the State Pension
26 Funds Continuing Appropriation Act) is less than the amount

1 lawfully vouchered under this Section, the difference shall be
2 paid from the General Revenue Fund under the continuing
3 appropriation authority provided in Section 1.1 of the State
4 Pension Funds Continuing Appropriation Act.

5 (c) The full amount of any annual appropriation for the
6 System for State fiscal year 1995 shall be transferred and made
7 available to the System at the beginning of that fiscal year at
8 the request of the Board. Any excess funds remaining at the end
9 of any fiscal year from appropriations shall be retained by the
10 System as a general reserve to meet the System's accrued
11 liabilities.

12 (Source: P.A. 95-331, eff. 8-21-07; 96-1497, eff. 1-14-11;
13 96-1511, eff. 1-27-11.)

14 (40 ILCS 5/7-109) (from Ch. 108 1/2, par. 7-109)

15 Sec. 7-109. Employee.

16 (1) "Employee" means any person who:

17 (a) 1. Receives earnings as payment for the performance
18 of personal services or official duties out of the
19 general fund of a municipality, or out of any special
20 fund or funds controlled by a municipality, or by an
21 instrumentality thereof, or a participating
22 instrumentality, including, in counties, the fees or
23 earnings of any county fee office; and

24 2. Under the usual common law rules applicable in
25 determining the employer-employee relationship, has

1 the status of an employee with a municipality, or any
2 instrumentality thereof, or a participating
3 instrumentality, including aldermen, county
4 supervisors and other persons (excepting those
5 employed as independent contractors) who are paid
6 compensation, fees, allowances or other emolument for
7 official duties, and, in counties, the several county
8 fee offices.

9 (b) Serves as a township treasurer appointed under the
10 School Code, as heretofore or hereafter amended, and who
11 receives for such services regular compensation as
12 distinguished from per diem compensation, and any regular
13 employee in the office of any township treasurer whether or
14 not his earnings are paid from the income of the permanent
15 township fund or from funds subject to distribution to the
16 several school districts and parts of school districts as
17 provided in the School Code, or from both such sources; or
18 is the chief executive officer, chief educational officer,
19 chief fiscal officer, or other employee of a Financial
20 Oversight Panel established pursuant to Article 1H of the
21 School Code, other than a superintendent or certified
22 school business official, except that such person shall not
23 be treated as an employee under this Section if that person
24 has negotiated with the Financial Oversight Panel, in
25 conjunction with the school district, a contractual
26 agreement for exclusion from this Section.

1 (c) Holds an elective office in a municipality,
2 instrumentality thereof or participating instrumentality.

3 (2) "Employee" does not include persons who:

4 (a) Are eligible for inclusion under any of the
5 following laws:

6 1. "An Act in relation to an Illinois State
7 Teachers' Pension and Retirement Fund", approved May
8 27, 1915, as amended;

9 2. Articles 15 and 16 of this Code.

10 However, such persons shall be included as employees to
11 the extent of earnings that are not eligible for inclusion
12 under the foregoing laws for services not of an
13 instructional nature of any kind.

14 However, any member of the armed forces who is employed
15 as a teacher of subjects in the Reserve Officers Training
16 Corps of any school and who is not certified under the law
17 governing the certification of teachers shall be included
18 as an employee.

19 (b) Are designated by the governing body of a
20 municipality in which a pension fund is required by law to
21 be established for policemen or firemen, respectively, as
22 performing police or fire protection duties, except that
23 when such persons are the heads of the police or fire
24 department and are not eligible to be included within any
25 such pension fund, they shall be included within this
26 Article; provided, that such persons shall not be excluded

1 to the extent of concurrent service and earnings not
2 designated as being for police or fire protection duties.
3 However, (i) any head of a police department who was a
4 participant under this Article immediately before October
5 1, 1977 and did not elect, under Section 3-109 of this Act,
6 to participate in a police pension fund shall be an
7 "employee", and (ii) any chief of police who elects to
8 participate in this Fund under Section 3-109.1 of this
9 Code, regardless of whether such person continues to be
10 employed as chief of police or is employed in some other
11 rank or capacity within the police department, shall be an
12 employee under this Article for so long as such person is
13 employed to perform police duties by a participating
14 municipality and has not lawfully rescinded that election.

15 (c) After August 26, 2011 (the effective date of Public
16 Act 97-609) ~~this amendatory Act of the 97th General~~
17 ~~Assembly~~, are contributors to or eligible to contribute to
18 a Taft-Hartley pension plan established on or before June
19 1, 2011 and are employees of a theatre, arena, or
20 convention center that is located in a municipality located
21 in a county with a population greater than 5,000,000, and
22 to which the participating municipality is required to
23 contribute as the person's employer based on earnings from
24 the municipality. Nothing in this paragraph shall affect
25 service credit or creditable service for any period of
26 service prior to August 26, 2011 ~~the effective date of this~~

1 ~~amendatory Act of the 97th General Assembly,~~ and this
2 paragraph shall not apply to individuals who are
3 participating in the Fund prior to August 26, 2011 ~~the~~
4 ~~effective date of this amendatory Act of the 97th General~~
5 ~~Assembly.~~

6 (d) Become an employee of any of the following
7 participating instrumentalities on or after the effective
8 date of this amendatory Act of the 97th General Assembly:
9 the Illinois Municipal League; the Illinois Association of
10 Park Districts; the Illinois Supervisors, County
11 Commissioners and Superintendents of Highways Association;
12 the Township School District Trustees; the United Counties
13 Council; or the Will County Governmental League.

14 (3) All persons, including, without limitation, public
15 defenders and probation officers, who receive earnings from
16 general or special funds of a county for performance of
17 personal services or official duties within the territorial
18 limits of the county, are employees of the county (unless
19 excluded by subsection (2) of this Section) notwithstanding
20 that they may be appointed by and are subject to the direction
21 of a person or persons other than a county board or a county
22 officer. It is hereby established that an employer-employee
23 relationship under the usual common law rules exists between
24 such employees and the county paying their salaries by reason
25 of the fact that the county boards fix their rates of
26 compensation, appropriate funds for payment of their earnings

1 and otherwise exercise control over them. This finding and this
2 amendatory Act shall apply to all such employees from the date
3 of appointment whether such date is prior to or after the
4 effective date of this amendatory Act and is intended to
5 clarify existing law pertaining to their status as
6 participating employees in the Fund.

7 (Source: P.A. 97-429, eff. 8-16-11; 97-609, eff. 8-26-11;
8 revised 9-28-11.)

9 (40 ILCS 5/14-106) (from Ch. 108 1/2, par. 14-106)

10 Sec. 14-106. Membership service credit.

11 (a) After January 1, 1944, all service of a member since he
12 last became a member with respect to which contributions are
13 made shall count as membership service; provided, that for
14 service on and after July 1, 1950, 12 months of service shall
15 constitute a year of membership service, the completion of 15
16 days or more of service during any month shall constitute 1
17 month of membership service, 8 to 15 days shall constitute 1/2
18 month of membership service and less than 8 days shall
19 constitute 1/4 month of membership service. The payroll record
20 of each department shall constitute conclusive evidence of the
21 record of service rendered by a member.

22 (b) For a member who is employed and paid on an
23 academic-year basis rather than on a 12-month annual basis,
24 employment for a full academic year shall constitute a full
25 year of membership service, except that the member shall not

1 receive more than one year of membership service credit (plus
2 any additional service credit granted for unused sick leave)
3 for service during any 12-month period. This subsection (b)
4 applies to all such service for which the member has not begun
5 to receive a retirement annuity before January 1, 2001.

6 (c) A member who first participated in this System before
7 the effective date of this amendatory Act of the 97th General
8 Assembly shall be entitled to additional service credit, under
9 rules prescribed by the Board, for accumulated unused sick
10 leave credited to his account in the last Department on the
11 date of withdrawal from service or for any period for which he
12 would have been eligible to receive benefits under a sick pay
13 plan authorized by law, if he had suffered a sickness or
14 accident on the date of withdrawal from service. It shall be
15 the responsibility of the last Department to certify to the
16 Board the length of time salary or benefits would have been
17 paid to the member based upon the accumulated unused sick leave
18 or the applicable sick pay plan if he had become entitled
19 thereto because of sickness on the date that his status as an
20 employee terminated. This period of service credit granted
21 under this paragraph shall not be considered in determining the
22 date the retirement annuity is to begin, or final average
23 compensation.

24 Service credit is not available for unused sick leave
25 accumulated by a person who first participates in this System
26 on or after the effective date of this amendatory Act of the

1 97th General Assembly.

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

3 (40 ILCS 5/14-135.08) (from Ch. 108 1/2, par. 14-135.08)

4 Sec. 14-135.08. To certify required State contributions.

5 (a) To certify to the Governor and to each department, on
6 or before November 15 of each year until November 15, 2011, the
7 required rate for State contributions to the System for the
8 next State fiscal year, as determined under subsection (b) of
9 Section 14-131. The certification to the Governor under this
10 subsection (a) shall include a copy of the actuarial
11 recommendations upon which the rate is based and shall
12 specifically identify the System's projected State normal cost
13 for that fiscal year.

14 (a-5) On or before November 1 of each year, beginning
15 November 1, 2012, the Board shall submit to the State Actuary,
16 the Governor, and the General Assembly a proposed certification
17 of the amount of the required State contribution to the System
18 for the next fiscal year, along with all of the actuarial
19 assumptions, calculations, and data upon which that proposed
20 certification is based. On or before January 1 of each year
21 beginning January 1, 2013, the State Actuary shall issue a
22 preliminary report concerning the proposed certification and
23 identifying, if necessary, recommended changes in actuarial
24 assumptions that the Board must consider before finalizing its
25 certification of the required State contributions. On or before

1 January 15, 2013 and each January 15 thereafter, the Board
2 shall certify to the Governor and the General Assembly the
3 amount of the required State contribution for the next fiscal
4 year. The Board's certification must note any deviations from
5 the State Actuary's recommended changes, the reason or reasons
6 for not following the State Actuary's recommended changes, and
7 the fiscal impact of not following the State Actuary's
8 recommended changes on the required State contribution.

9 (b) The certifications under subsections (a) and (a-5)
10 ~~certification~~ shall include an additional amount necessary to
11 pay all principal of and interest on those general obligation
12 bonds due the next fiscal year authorized by Section 7.2(a) of
13 the General Obligation Bond Act and issued to provide the
14 proceeds deposited by the State with the System in July 2003,
15 representing deposits other than amounts reserved under
16 Section 7.2(c) of the General Obligation Bond Act. For State
17 fiscal year 2005, the Board shall make a supplemental
18 certification of the additional amount necessary to pay all
19 principal of and interest on those general obligation bonds due
20 in State fiscal years 2004 and 2005 authorized by Section
21 7.2(a) of the General Obligation Bond Act and issued to provide
22 the proceeds deposited by the State with the System in July
23 2003, representing deposits other than amounts reserved under
24 Section 7.2(c) of the General Obligation Bond Act, as soon as
25 practical after the effective date of this amendatory Act of
26 the 93rd General Assembly.

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

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

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

21 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11.)

22 (40 ILCS 5/15-107) (from Ch. 108 1/2, par. 15-107)

23 Sec. 15-107. Employee.

24 (a) "Employee" means any member of the educational,
25 administrative, secretarial, clerical, mechanical, labor or

1 other staff of an employer whose employment is permanent and
2 continuous or who is employed in a position in which services
3 are expected to be rendered on a continuous basis for at least
4 4 months or one academic term, whichever is less, who (A)
5 receives payment for personal services on a warrant issued
6 pursuant to a payroll voucher certified by an employer and
7 drawn by the State Comptroller upon the State Treasurer or by
8 an employer upon trust, federal or other funds, or (B) is on a
9 leave of absence without pay. Employment which is irregular,
10 intermittent or temporary shall not be considered continuous
11 for purposes of this paragraph.

12 However, a person is not an "employee" if he or she:

13 (1) is a student enrolled in and regularly attending
14 classes in a college or university which is an employer,
15 and is employed on a temporary basis at less than full
16 time;

17 (2) is currently receiving a retirement annuity or a
18 disability retirement annuity under Section 15-153.2 from
19 this System;

20 (3) is on a military leave of absence;

21 (4) is eligible to participate in the Federal Civil
22 Service Retirement System and is currently making
23 contributions to that system based upon earnings paid by an
24 employer;

25 (5) is on leave of absence without pay for more than 60
26 days immediately following termination of disability

1 benefits under this Article;

2 (6) is hired after June 30, 1979 as a public service
3 employment program participant under the Federal
4 Comprehensive Employment and Training Act and receives
5 earnings in whole or in part from funds provided under that
6 Act; or

7 (7) is employed on or after July 1, 1991 to perform
8 services that are excluded by subdivision (a)(7)(f) or
9 (a)(19) of Section 210 of the federal Social Security Act
10 from the definition of employment given in that Section (42
11 U.S.C. 410).

12 (b) Any employer may, by filing a written notice with the
13 board, exclude from the definition of "employee" all persons
14 employed pursuant to a federally funded contract entered into
15 after July 1, 1982 with a federal military department in a
16 program providing training in military courses to federal
17 military personnel on a military site owned by the United
18 States Government, if this exclusion is not prohibited by the
19 federally funded contract or federal laws or rules governing
20 the administration of the contract.

21 (c) Any person appointed by the Governor under the Civil
22 Administrative Code of the State is an employee, if he or she
23 is a participant in this system on the effective date of the
24 appointment.

25 (d) A participant on lay-off status under civil service
26 rules is considered an employee for not more than 120 days from

1 the date of the lay-off.

2 (e) A participant is considered an employee during (1) the
3 first 60 days of disability leave, (2) the period, not to
4 exceed one year, in which his or her eligibility for disability
5 benefits is being considered by the board or reviewed by the
6 courts, and (3) the period he or she receives disability
7 benefits under the provisions of Section 15-152, workers'
8 compensation or occupational disease benefits, or disability
9 income under an insurance contract financed wholly or partially
10 by the employer.

11 (f) Absences without pay, other than formal leaves of
12 absence, of less than 30 calendar days, are not considered as
13 an interruption of a person's status as an employee. If such
14 absences during any period of 12 months exceed 30 work days,
15 the employee status of the person is considered as interrupted
16 as of the 31st work day.

17 (g) A staff member whose employment contract requires
18 services during an academic term is to be considered an
19 employee during the summer and other vacation periods, unless
20 he or she declines an employment contract for the succeeding
21 academic term or his or her employment status is otherwise
22 terminated, and he or she receives no earnings during these
23 periods.

24 (h) An individual who was a participating employee employed
25 in the fire department of the University of Illinois's
26 Champaign-Urbana campus immediately prior to the elimination

1 of that fire department and who immediately after the
2 elimination of that fire department became employed by the fire
3 department of the City of Urbana or the City of Champaign shall
4 continue to be considered as an employee for purposes of this
5 Article for so long as the individual remains employed as a
6 firefighter by the City of Urbana or the City of Champaign. The
7 individual shall cease to be considered an employee under this
8 subsection (h) upon the first termination of the individual's
9 employment as a firefighter by the City of Urbana or the City
10 of Champaign.

11 (i) An individual who is employed on a full-time basis as
12 an officer or employee of a statewide teacher organization that
13 serves System participants or an officer of a national teacher
14 organization that serves System participants may participate
15 in the System and shall be deemed an employee, provided that
16 (1) the individual has previously earned creditable service
17 under this Article, (2) the individual files with the System an
18 irrevocable election to become a participant before the
19 effective date of this amendatory Act of the 97th General
20 Assembly, (3) the individual does not receive credit for that
21 employment under any other Article of this Code, and (4) the
22 individual first became a full-time employee of the teacher
23 organization and becomes a participant before the effective
24 date of this amendatory Act of the 97th General Assembly. An
25 employee under this subsection (i) is responsible for paying to
26 the System both (A) employee contributions based on the actual

1 compensation received for service with the teacher
2 organization and (B) employer contributions equal to the normal
3 costs (as defined in Section 15-155) resulting from that
4 service; all or any part of these contributions may be paid on
5 the employee's behalf or picked up for tax purposes (if
6 authorized under federal law) by the teacher organization.

7 A person who is an employee as defined in this subsection
8 (i) may establish service credit for similar employment prior
9 to becoming an employee under this subsection by paying to the
10 System for that employment the contributions specified in this
11 subsection, plus interest at the effective rate from the date
12 of service to the date of payment. However, credit shall not be
13 granted under this subsection for any such prior employment for
14 which the applicant received credit under any other provision
15 of this Code, or during which the applicant was on a leave of
16 absence under Section 15-113.2.

17 (j) A person employed by the State Board of Higher
18 Education in a position with the Illinois Century Network as of
19 June 30, 2004 shall be considered to be an employee for so long
20 as he or she remains continuously employed after that date by
21 the Department of Central Management Services in a position
22 with the Illinois Century Network, the Bureau of Communication
23 and Computer Services, or, if applicable, any successor bureau
24 and meets the requirements of subsection (a).

25 (k) In the case of doubt as to whether any person is an
26 employee within the meaning of this Section, the decision of

1 the Board shall be final.

2 (Source: P.A. 97-651, eff. 1-5-12.)

3 (40 ILCS 5/15-107.1 new)

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

11 (40 ILCS 5/15-107.2 new)

12 Sec. 15-107.2. Tier I retiree. "Tier I retiree": A former
13 Tier I employee who is receiving a retirement annuity.

14 A person does not become a Tier I retiree by virtue of
15 receiving a reversionary, survivors, beneficiary, or
16 disability annuity.

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

18 Sec. 15-111. Earnings. "Earnings": An amount paid for
19 personal services equal to the sum of the basic compensation
20 plus extra compensation for summer teaching, overtime or other
21 extra service. For periods for which an employee receives
22 service credit under subsection (c) of Section 15-113.1 or
23 Section 15-113.2, earnings are equal to the basic compensation

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

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

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

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

1 Notwithstanding any other provision of this Section,
2 "earnings" does not include any future increase in income
3 offered by an employer under this Article pursuant to the
4 requirements of subsection (c) of Section 15-134.6 that is
5 accepted by a Tier I employee, or a Tier I retiree returning to
6 active service, who has made an election under paragraph (2) of
7 subsection (a) or (a-5) of Section 15-134.6.

8 (Source: P.A. 91-887, eff. 7-6-00.)

9 (40 ILCS 5/15-111.1 new)

10 Sec. 15-111.1. Future increase in income. "Future increase
11 in income": Any increase in income in any form offered by an
12 employer to an employee under this Article after June 30, 2013
13 that would qualify as "earnings", as defined under Section
14 15-111, but for the fact that the employer offered the increase
15 in income to the employee on the condition that it not qualify
16 as earnings and the employee accepted the increase in income
17 subject to that condition. The term "future increase in income"
18 does not include an increase in income in any form that is paid
19 to a Tier I employee under an employment contract or collective
20 bargaining agreement that is in effect on the effective date of
21 this Section but does include an increase in income in any form
22 pursuant to an extension, amendment, or renewal of any such
23 employment contract or collective bargaining agreement on or
24 after the effective date of this amendatory Act of the 97th
25 General Assembly.

1 (40 ILCS 5/15-113.2) (from Ch. 108 1/2, par. 15-113.2)

2 Sec. 15-113.2. Service for leaves of absence. "Service for
3 leaves of absence" includes those periods of leaves of absence
4 at less than 50% pay, except military leave and periods of
5 disability leave in excess of 60 days, for which the employee
6 pays the contributions required under Section 15-157 in
7 accordance with rules prescribed by the board based upon the
8 employee's basic compensation on the date the leave begins, or
9 in the case of leave for service with a teacher organization,
10 based upon the actual compensation received by the employee for
11 such service after January 26, 1988, if the employee so elects
12 within 30 days of that date or the date the leave for service
13 with a teacher organization begins, whichever is later;
14 provided that the employee (1) returns to employment covered by
15 this system at the expiration of the leave, or within 30 days
16 after the termination of a disability which occurs during the
17 leave and continues this employment at a percentage of time
18 equal to or greater than the percentage of time immediately
19 preceding the leave of absence for at least 8 consecutive
20 months or a period equal to the period of the leave, whichever
21 is less, or (2) is precluded from meeting the foregoing
22 conditions because of disability or death. If service credit is
23 denied because the employee fails to meet these conditions, the
24 contributions covering the leave of absence shall be refunded
25 without interest. The return to employment condition does not

1 apply if the leave of absence is for service with a teacher
2 organization.

3 Service credit provided under this Section shall not exceed
4 3 years in any period of 10 years, unless the employee is on
5 special leave granted by the employer for service with a
6 teacher organization. Commencing with the fourth year in any
7 period of 10 years, a participant on such special leave is also
8 required to pay employer contributions equal to the normal cost
9 as defined in Section 15-155, based upon the employee's basic
10 compensation on the date the leave begins, or based upon the
11 actual compensation received by the employee for service with a
12 teacher organization if the employee has so elected.

13 Notwithstanding any other provision of this Article, a
14 participant shall not be eligible to make contributions or
15 receive service credit for a leave of absence for service with
16 a teacher organization if that leave of absence for service
17 with a teacher organization begins on or after the effective
18 date of this amendatory Act of the 97th General Assembly.

19 (Source: P.A. 90-65, eff. 7-7-97; 90-511, eff. 8-22-97.)

20 (40 ILCS 5/15-113.6) (from Ch. 108 1/2, par. 15-113.6)

21 Sec. 15-113.6. Service for employment in public schools.
22 "Service for employment in public schools": Includes those
23 periods not exceeding the lesser of 10 years or 2/3 of the
24 service granted under other Sections of this Article dealing
25 with service credit, during which a person who entered the

1 system after September 1, 1974 was employed full time by a
2 public common school, public college and public university, or
3 by an agency or instrumentality of any of the foregoing, of any
4 state, territory, dependency or possession of the United States
5 of America, including the Philippine Islands, or a school
6 operated by or under the auspices of any agency or department
7 of any other state, if the person (1) cannot qualify for a
8 retirement pension or other benefit based upon employer
9 contributions from another retirement system, exclusive of
10 federal social security, based in whole or in part upon this
11 employment, and (2) pays the lesser of (A) an amount equal to
12 8% of his or her annual basic compensation on the date of
13 becoming a participating employee subsequent to this service
14 multiplied by the number of years of such service, together
15 with compound interest from the date participation begins to
16 the date payment is received by the board at the rate of 6% per
17 annum through August 31, 1982, and at the effective rates after
18 that date, and (B) 50% of the actuarial value of the increase
19 in the retirement annuity provided by this service, and (3)
20 contributes for at least 5 years subsequent to this employment
21 to one or more of the following systems: the State Universities
22 Retirement System, the Teachers' Retirement System of the State
23 of Illinois, and the Public School Teachers' Pension and
24 Retirement Fund of Chicago.

25 The service granted under this Section shall not be
26 considered in determining whether the person has the minimum

1 ~~number~~ of ~~8 years of service required to qualify for a~~
2 ~~retirement annuity at age 55 or the 5 years of service required~~
3 to qualify for a retirement annuity ~~at age 62~~, as provided in
4 Section 15-135, or the 10 years required by subsection (c) of
5 Section 1-160 for a person subject to that Section ~~who first~~
6 ~~becomes a participant on or after January 1, 2011~~. The maximum
7 allowable service of 10 years for this governmental employment
8 shall be reduced by the service credit which is validated under
9 paragraph (2) of subsection (b) of Section 16-127 and paragraph
10 1 of Section 17-133.

11 (Source: P.A. 95-83, eff. 8-13-07; 96-1490, eff. 1-1-11.)

12 (40 ILCS 5/15-134.5)

13 Sec. 15-134.5. Retirement program elections.

14 (a) All participating employees are participants under the
15 traditional benefit package prior to January 1, 1998.

16 Effective as of the date that an employer elects, as
17 described in Section 15-158.2, to offer to its employees the
18 portable benefit package and the self-managed plan as
19 alternatives to the traditional benefit package but not later
20 than the effective date of this amendatory Act of the 97th
21 General Assembly, each of that employer's eligible employees
22 (as defined in subsection (b)) shall be given the choice to
23 elect which retirement program he or she wishes to participate
24 in with respect to all periods of covered employment occurring
25 on and after the effective date of the employee's election. The

1 retirement program election made by an eligible employee must
2 be made in writing, in the manner prescribed by the System, and
3 within the time period described in subsection (d) or (d-1).

4 The employee election authorized by this Section is a
5 one-time, irrevocable election. If an employee terminates
6 employment after making the election provided under this
7 subsection (a), then upon his or her subsequent re-employment
8 with an employer the original election shall automatically
9 apply to him or her, provided that the employer is then a
10 participating employer as described in Section 15-158.2.

11 An eligible employee who fails to make this election shall,
12 by default, participate in the traditional benefit package.

13 (b) "Eligible employee" means an employee (as defined in
14 Section 15-107) who is either a currently eligible employee or
15 a newly eligible employee. For purposes of this Section, a
16 "currently eligible employee" is an employee who is employed by
17 an employer on the effective date on which the employer offers
18 to its employees the portable benefit package and the
19 self-managed plan as alternatives to the traditional benefit
20 package but not on or after the effective date of this
21 amendatory Act of the 97th General Assembly. A "newly eligible
22 employee" is an employee who first becomes employed by an
23 employer after the effective date on which the employer offers
24 its employees the portable benefit package and the self-managed
25 plan as alternatives to the traditional benefit package but not
26 on or after the effective date of this amendatory Act of the

1 97th General Assembly. A newly eligible employee participates
2 in the traditional benefit package until he or she makes an
3 election to participate in the portable benefit package or the
4 self-managed plan. If an employee does not elect to participate
5 in the portable benefit package or the self-managed plan, he or
6 she shall continue to participate in the traditional benefit
7 package by default.

8 (c) An eligible employee who at the time he or she is first
9 eligible to make the election described in subsection (a) does
10 not have sufficient age and service to qualify for a retirement
11 annuity under Section 15-135 may elect to participate in the
12 traditional benefit package, the portable benefit package, or
13 the self-managed plan. An eligible employee who has sufficient
14 age and service to qualify for a retirement annuity under
15 Section 15-135 at the time he or she is first eligible to make
16 the election described in subsection (a) may elect to
17 participate in the traditional benefit package or the portable
18 benefit package, but may not elect to participate in the
19 self-managed plan.

20 (d) A currently eligible employee must make this election
21 within one year after the effective date of the employer's
22 adoption of the self-managed plan.

23 A newly eligible employee must make this election within 6
24 months after the date on which the System receives the report
25 of status certification from the employer. If an employee
26 elects to participate in the self-managed plan, no employer

1 contributions shall be remitted to the self-managed plan when
2 the employee's account balance transfer is made. Employer
3 contributions to the self-managed plan shall commence as of the
4 first pay period that begins after the System receives the
5 employee's election.

6 (d-1) A newly eligible employee who, prior to the effective
7 date of this amendatory Act of the 91st General Assembly, fails
8 to make the election within the period provided under
9 subsection (d) and participates by default in the traditional
10 benefit package may make a late election to participate in the
11 portable benefit package or the self-managed plan instead of
12 the traditional benefit package at any time within 6 months
13 after the effective date of this amendatory Act of the 91st
14 General Assembly.

15 (e) If a currently eligible employee elects the portable
16 benefit package, that election shall not become effective until
17 the one-year anniversary of the date on which the election is
18 filed with the System, provided the employee remains
19 continuously employed by the employer throughout the one-year
20 waiting period, and any benefits payable to or on account of
21 the employee before such one-year waiting period has ended
22 shall not be determined under the provisions applicable to the
23 portable benefit package but shall instead be determined in
24 accordance with the traditional benefit package. If a currently
25 eligible employee who has elected the portable benefit package
26 terminates employment covered by the System before the one-year

1 waiting period has ended, then no benefits shall be determined
2 under the portable benefit package provisions while he or she
3 is inactive in the System and upon re-employment with an
4 employer covered by the System he or she shall begin a new
5 one-year waiting period before the provisions of the portable
6 benefit package become effective.

7 (f) An eligible employee shall be provided with written
8 information prepared or prescribed by the System which
9 describes the employee's retirement program choices. The
10 eligible employee shall be offered an opportunity to receive
11 counseling from the System prior to making his or her election.
12 This counseling may consist of videotaped materials, group
13 presentations, individual consultation with an employee or
14 authorized representative of the System in person or by
15 telephone or other electronic means, or any combination of
16 these methods.

17 (Source: P.A. 90-766, eff. 8-14-98; 91-887, eff. 7-6-00.)

18 (40 ILCS 5/15-134.6 new)

19 Sec. 15-134.6. Election by Tier I employees and Tier I
20 retirees.

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

23 (1) to agree to the following:

24 (i) to have the amount of the automatic annual
25 increases in his or her retirement annuity that are

1 otherwise provided for in this Article calculated,
2 instead, as provided in subsection (d-1) of Section
3 15-136; and

4 (ii) to have his or her eligibility for automatic
5 annual increases in retirement annuity postponed as
6 provided in subsection (d-2) of Section 15-136; or
7 (2) to not agree to items (i) and (ii) as set forth in
8 paragraph (1) of this subsection.

9 The election required under this subsection (a) shall be
10 made by each Tier I employee no earlier than January 1, 2013
11 and no later than May 31, 2013, except that:

12 (i) a person who becomes a Tier I employee under this
13 Article after January 1, 2013 must make the election under
14 this subsection (a) within 60 days after becoming a Tier I
15 employee;

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

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

25 If a Tier I employee fails for any reason to make a
26 required election under this subsection within the time

1 specified, then the employee shall be deemed to have made the
2 election under paragraph (2) of this subsection.

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

5 (1) to agree to the following:

6 (i) to have the amount of the automatic annual
7 increases in his or her retirement annuity that are
8 otherwise provided for in this Article calculated,
9 instead, as provided in subsection (d-1) of Section
10 15-136; and

11 (ii) to have his or her eligibility for automatic
12 annual increases in retirement annuity postponed as
13 provided in subsection (d-2) of Section 15-136; or

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

16 The election required under this subsection (a-5) shall be
17 made by each Tier I retiree no earlier than January 1, 2013 and
18 no later than May 31, 2013, except that:

19 (i) a person who becomes a Tier I retiree under this
20 Article on or after January 1, 2013 must make the election
21 under this subsection (a-5) within 60 days after becoming a
22 Tier I retiree; and

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

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

5 (a-10) All elections under subsection (a) or (a-5) that are
6 made or deemed to be made before June 1, 2013 shall take effect
7 on July 1, 2013. Elections that are made or deemed to be made
8 on or after June 1, 2013 shall take effect on the first day of
9 the month following the month in which the election is made or
10 deemed to be made.

11 (b) As adequate and legal consideration provided under this
12 amendatory Act of the 97th General Assembly for making the
13 election under paragraph (1) of subsection (a) of this Section,
14 any future increases in income offered by an employer under
15 this Article to a Tier I employee who has made the election
16 under paragraph (1) of subsection (a) of this Section shall be
17 offered expressly and irrevocably as constituting earnings
18 under Section 15-111. In addition, a Tier I employee who has
19 made the election under paragraph (1) of subsection (a) of this
20 Section shall receive the right to also participate in the
21 optional cash balance plan established under Section 1-162.

22 As adequate and legal consideration provided under this
23 amendatory Act of the 97th General Assembly for making the
24 election under paragraph (1) of subsection (a-5) of this
25 Section, any future increases in income offered by an employer
26 under this Article to a Tier I retiree who returns to active

1 service after having made the election under paragraph (1) of
2 subsection (a-5) of this Section shall be offered expressly and
3 irrevocably as constituting earnings under Section 15-111. In
4 addition, a Tier I retiree who returns to active service and
5 has made the election under paragraph (1) of subsection (a) of
6 this Section shall receive the right to also participate in the
7 optional cash balance plan established under Section 1-162.

8 (c) A Tier I employee who makes the election under
9 paragraph (2) of subsection (a) of this Section shall not be
10 subject to items (i) and (ii) set forth in paragraph (1) of
11 subsection (a) of this Section. However, any future increases
12 in income offered by an employer under this Article to a Tier I
13 employee who has made the election under paragraph (2) of
14 subsection (a) of this Section shall be offered expressly and
15 irrevocably as not constituting earnings under Section 15-111,
16 and the employee may not accept any future increase in income
17 that is offered in violation of this requirement. In addition,
18 a Tier I employee who has made the election under paragraph (2)
19 of subsection (a) of this Section shall not receive the right
20 to participate in the optional cash balance plan established
21 under Section 1-162.

22 A Tier I retiree who makes the election under paragraph (2)
23 of subsection (a-5) of this Section shall not be subject to
24 items (i) and (ii) set forth in paragraph (1) of subsection
25 (a-5) of this Section. However, any future increases in income
26 offered by an employer under this Article to a Tier I retiree

1 who returns to active service and has made the election under
2 paragraph (2) of subsection (a-5) of this Section shall be
3 offered expressly and irrevocably as not constituting earnings
4 under Section 15-111, and the employee may not accept any
5 future increase in income that is offered in violation of this
6 requirement. In addition, a Tier I retiree who returns to
7 active service and has made the election under paragraph (2) of
8 subsection (a) of this Section shall not receive the right to
9 participate in the optional cash balance plan established under
10 Section 1-162.

11 (d) The System shall make a good faith effort to contact
12 each Tier I employee and Tier I retiree subject to this
13 Section. The System shall mail information describing the
14 required election to each Tier I employee and Tier I retiree by
15 United States Postal Service mail to his or her last known
16 address on file with the System. If the Tier I employee or Tier
17 I retiree is not responsive to other means of contact, it is
18 sufficient for the System to publish the details of any
19 required elections on its website or to publish those details
20 in a regularly published newsletter or other existing public
21 forum.

22 Tier I employees and Tier I retirees who are subject to
23 this Section shall be provided with an election packet
24 containing information regarding their options, as well as the
25 forms necessary to make the required election. Upon request,
26 the System shall offer Tier I employees and Tier I retirees an

1 opportunity to receive information from the System before
2 making the required election. The information may consist of
3 video materials, group presentations, individual consultation
4 with a member or authorized representative of the System in
5 person or by telephone or other electronic means, or any
6 combination of those methods. The System shall not provide
7 advice or counseling with respect to which election a Tier I
8 employee or Tier I retiree should make or specific to the legal
9 or tax circumstances of or consequences to the Tier I employee
10 or Tier I retiree.

11 The System shall inform Tier I employees and Tier I
12 retirees in the election packet required under this subsection
13 that the Tier I employee or Tier I retiree may also wish to
14 obtain information and counsel relating to the election
15 required under this Section from any other available source,
16 including but not limited to labor organizations and private
17 counsel.

18 In no event shall the System, its staff, or the Board be
19 held liable for any information given to a member, beneficiary,
20 or annuitant regarding the elections under this Section. The
21 System shall coordinate with the Illinois Department of Central
22 Management Services and each other retirement system
23 administering an election in accordance with this amendatory
24 Act of the 97th General Assembly to provide information
25 concerning the impact of the election set forth in this
26 Section.

1 (e) Notwithstanding any other provision of law, an employer
2 under this Article is required to offer any future increases in
3 income expressly and irrevocably as not constituting
4 "earnings" under Section 15-111 to any Tier I employee, or Tier
5 I retiree returning to active service, who has made an election
6 under paragraph (2) or subsection (a) or (a-5) of this Section.
7 A Tier I employee, or Tier I retiree returning to active
8 service, who has made an election under paragraph (2) of
9 subsection (a) or (a-5) of this Section shall not accept any
10 future increase in income that is offered by an employer under
11 this Article in violation of the requirement set forth in this
12 subsection.

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

16 (g) An employee who has made the election under paragraph
17 (1) of subsection (a) or (a-5) of this Section may elect to
18 participate in the optional cash balance plan under Section
19 1-162.

20 The election to participate in the optional cash balance
21 plan shall be made in writing, in the manner provided by the
22 applicable retirement system.

23 (h) Qualified Plan Status. No provision of this Section
24 shall be interpreted in a way that would cause the System to
25 cease to be a qualified plan under Section 461(a) of the
26 Internal Revenue Code of 1986.

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

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

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

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

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

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

1 (ii) an annuity from employer contributions of an
2 amount equal to that which can be provided on an
3 actuarially equivalent basis from the accumulated normal
4 contributions made by the participant under Section
5 15-113.6 and Section 15-113.7 plus 1.4 times all other
6 accumulated normal contributions made by the participant;
7 and

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

11 With respect to a police officer or firefighter who retires
12 on or after August 14, 1998, the accumulated normal
13 contributions taken into account under clauses (i) and (ii) of
14 this Rule 2 shall include the additional normal contributions
15 made by the police officer or firefighter under Section
16 15-157(a).

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

25 This amendatory Act of the 91st General Assembly is a
26 clarification of existing law and applies to every participant

1 and annuitant without regard to whether status as an employee
2 terminates before the effective date of this amendatory Act.

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

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

23 Rule 4: A participant who is at least age 50 and has 25 or
24 more years of service as a police officer or firefighter, and a
25 participant who is age 55 or over and has at least 20 but less
26 than 25 years of service as a police officer or firefighter,

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

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

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

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

23 Rule 5: The retirement annuity of a participant who elected
24 early retirement under the provisions of Section 15-136.2 and
25 who, on or before February 16, 1995, brought administrative
26 proceedings pursuant to the administrative rules adopted by the

1 System to challenge the calculation of his or her retirement
2 annuity shall be the sum of the following, determined from
3 amounts credited to the participant in accordance with the
4 actuarial tables and the prescribed rate of interest in effect
5 at the time the retirement annuity begins:

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

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

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

23 In no event shall a retirement annuity under this Rule 5 be
24 lower than the amount obtained by adding (1) the monthly amount
25 obtained by dividing the combined employee and employer
26 contributions made under Section 15-136.2 by the System's

1 annuity factor for the age of the participant at the beginning
2 of the annuity payment period and (2) the amount equal to the
3 participant's annuity if calculated under Rule 1, reduced under
4 Section 15-136(b) as if no contributions had been made under
5 Section 15-136.2.

6 With respect to a participant who is qualified for a
7 retirement annuity under this Rule 5 whose retirement annuity
8 began before the effective date of this amendatory Act of the
9 91st General Assembly, and for whom an employee contribution
10 was made under Section 15-136.2, the System shall recalculate
11 the retirement annuity under this Rule 5 and shall pay any
12 additional amounts due in the manner provided in Section
13 15-186.1 for benefits mistakenly set too low.

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

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

1 plaintiff in that case. The changes made by Section 25 of this
2 amendatory Act of the 91st General Assembly are a legislative
3 implementation of the decision of the Appellate Court for the
4 Fourth District in *Mattis v. State Universities Retirement*
5 *System et al.* with respect to that plaintiff.

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

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

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

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

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

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

8 (d) Subject to the provisions of subsections (d-1) and
9 (d-2), an ~~An~~ annuitant whose status as an employee terminates
10 after August 14, 1969 shall receive automatic increases in his
11 or her retirement annuity as follows:

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

26 The annuitant shall receive an increase in his or her

1 monthly retirement annuity on each January 1 thereafter during
2 the annuitant's life of 3% of the monthly annuity provided
3 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in
4 this Section. The change made under this subsection by P.A.
5 81-970 is effective January 1, 1980 and applies to each
6 annuitant whose status as an employee terminates before or
7 after that date.

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

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

16 (d-1) Notwithstanding any other provision of this Article,
17 for a Tier I employee or Tier I retiree who made the election
18 under paragraph (1) of either subsection (a) or (a-5) of
19 Section 15-134.6, the amount of each automatic annual increase
20 in retirement annuity occurring on or after the effective date
21 of that election shall be 3% or one-half of the annual
22 unadjusted percentage increase, if any, in the Consumer Price
23 Index-U for the 12 months ending with the preceding September,
24 whichever is less, of the originally granted retirement
25 annuity. For the purposes of this Section, "Consumer Price
26 Index-U" means the index published by the Bureau of Labor

1 Statistics of the United States Department of Labor that
2 measures the average change in prices of goods and services
3 purchased by all urban consumers, United States city average,
4 all items, 1982-84 = 100.

5 (d-2) Notwithstanding any other provision of this Article,
6 for a Tier I employee or Tier I retiree who made the election
7 under paragraph (1) of subsection (a) or (a-5) of Section
8 15-134.6, the monthly retirement annuity shall first be subject
9 to annual increases on the January 1 occurring on or next after
10 the attainment of age 67 or the January 1 occurring on or next
11 after the fifth anniversary of the annuity start date,
12 whichever occurs earlier. If on the effective date of the
13 election under paragraph (1) of subsection (a-5) of Section
14 15-134.6 a Tier I retiree has already received an annual
15 increase under this Section but does not yet meet the new
16 eligibility requirements of this subsection, the annual
17 increases already received shall continue in force, but no
18 additional annual increase shall be granted until the Tier I
19 retiree meets the new eligibility requirements.

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

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

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

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

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

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

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

20 (Source: P.A. 93-347, eff. 7-24-03; 94-4, eff. 6-1-05.)

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

22 Sec. 15-155. State and employer ~~Employer~~ contributions.

23 (a) Except as otherwise provided in this Section, the ~~The~~
24 State of Illinois shall make contributions by appropriations of
25 amounts which, together with contributions paid by employers,

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

6 Beginning with State fiscal year 2014, the employers under
7 this Article shall be responsible for paying the normal costs
8 of the System plus the amounts required to amortize any total
9 cost of the benefits of the System arising on or after July 1,
10 2013.

11 Beginning with State fiscal year 2014, the State's required
12 contributions to the System shall be limited to the amounts
13 required to amortize the total cost of the benefits of the
14 System arising before July 1, 2013, plus any employer
15 contributions required from the State as the actual employer of
16 participants under this Article.

17 The Board shall determine the amount of State and employer
18 contributions required for each fiscal year on the basis of the
19 actuarial tables and other assumptions adopted by the Board and
20 the recommendations of the actuary, using the formulas provided
21 in this Section ~~formula in subsection (a-1).~~

22 (a-1) For State fiscal years 2012 and 2013 ~~through 2045,~~
23 the minimum contribution to the System to be made by the State
24 for each fiscal year shall be an amount determined by the
25 System to be sufficient to bring the total assets of the System
26 up to 90% of the total actuarial liabilities of the System by

1 the end of State fiscal year 2045. In making these
2 determinations, the required State contribution shall be
3 calculated each year as a level percentage of payroll over the
4 years remaining to and including fiscal year 2045 and shall be
5 determined under the projected unit credit actuarial cost
6 method.

7 Except as provided in subsection (a-3), for State fiscal
8 years 2014 through 2045 or until the State has amortized 100%
9 of the total cost of benefits accrued by July 1, 2013,
10 whichever is earlier, in addition to any employer contributions
11 required from the State as an employer, the minimum
12 contribution to the System to be made by the State for each
13 fiscal year shall be an amount determined by the Board to be
14 sufficient to amortize, by the end of State fiscal year 2045,
15 the total cost of the benefits of the System arising before
16 July 1, 2013. In making these determinations, the required
17 State contribution shall be calculated each year as a level
18 percentage of payroll over the years remaining to and including
19 fiscal year 2043 and shall be determined under the projected
20 unit credit actuarial cost method.

21 Except as provided in subsection (a-3), beginning in State
22 fiscal year 2046 or on the date that the State has amortized
23 100% of the total cost of benefits accrued by July 1, 2013,
24 whichever is earlier, the State has no further obligation to
25 make contributions to the System under this subsection (a-1).

26 For State fiscal years 1996 through 2005, the State

1 contribution to the System, as a percentage of the applicable
2 employee payroll, shall be increased in equal annual increments
3 so that by State fiscal year 2011, the State is contributing at
4 the rate required under this Section.

5 Notwithstanding any other provision of this Article, the
6 total required State contribution for State fiscal year 2006 is
7 \$166,641,900.

8 Notwithstanding any other provision of this Article, the
9 total required State contribution for State fiscal year 2007 is
10 \$252,064,100.

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

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

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

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

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

1 System under Section 25 of the Budget Stabilization Act.

2 Notwithstanding any other provision of this Section, the
3 required State contribution for State fiscal year 2005 and for
4 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,
5 as calculated under this Section and certified under Section
6 15-165, shall not exceed an amount equal to (i) the amount of
7 the required State contribution that would have been calculated
8 under this Section for that fiscal year if the System had not
9 received any payments under subsection (d) of Section 7.2 of
10 the General Obligation Bond Act, minus (ii) the portion of the
11 State's total debt service payments for that fiscal year on the
12 bonds issued in fiscal year 2003 for the purposes of that
13 Section 7.2, as determined and certified by the Comptroller,
14 that is the same as the System's portion of the total moneys
15 distributed under subsection (d) of Section 7.2 of the General
16 Obligation Bond Act. In determining this maximum for State
17 fiscal years 2008 through 2010, however, the amount referred to
18 in item (i) shall be increased, as a percentage of the
19 applicable employee payroll, in equal increments calculated
20 from the sum of the required State contribution for State
21 fiscal year 2007 plus the applicable portion of the State's
22 total debt service payments for fiscal year 2007 on the bonds
23 issued in fiscal year 2003 for the purposes of Section 7.2 of
24 the General Obligation Bond Act, so that, by State fiscal year
25 2011, the State is contributing at the rate otherwise required
26 under this Section.

1 (a-3) If at least 50% of Tier I employees making an
2 election under Section 15-134.6 before June 1, 2013 choose the
3 option under paragraph (1) of subsection (a) of that Section,
4 then beginning in State fiscal year 2014, instead of the
5 contributions specified in subsection (a-1) of this Section,
6 the State contributions specified in subsection (a-5) of this
7 Section shall be paid.

8 In making its initial certification of the annual required
9 contribution by the State for State fiscal year 2014, the Board
10 shall assume that the new funding formula provided in
11 subsection (a-5) of this Section applies. If fewer than 50% of
12 Tier I employees making an election under Section 15-134.6
13 before June 1, 2013 choose the option under paragraph (1) of
14 subsection (a) of that Section, then:

15 (1) instead of the contributions specified in
16 subsection (a-5) of this Section, the State contributions
17 specified in subsection (a-1) shall continue to be paid;
18 and

19 (2) as soon as possible after June 1, 2013, the Board
20 shall recertify the annual required contribution by the
21 State for State fiscal year 2014.

22 (a-5) For State fiscal years 2014 through 2043 or until the
23 State has amortized 100% of the total cost of benefits accrued
24 by July 1, 2013, whichever is earlier, in addition to any
25 employer contributions required from the State as an employer,
26 the minimum contribution to the System to be made by the State

1 for each fiscal year shall be an amount determined by the Board
2 to be sufficient to amortize, by the end of State fiscal year
3 2043, the total cost of the benefits of the System arising
4 before July 1, 2013. In making these determinations, the
5 required State contribution shall be calculated each year as a
6 level percentage of payroll over the years remaining to and
7 including fiscal year 2043 and shall be determined under the
8 projected unit credit actuarial cost method.

9 Beginning in State fiscal year 2044 or on the date that the
10 State has amortized 100% of the total cost of benefits accrued
11 by July 1, 2013, whichever is earlier, the State has no further
12 obligation to make contributions to the System under this
13 subsection (a-5).

14 (a-10) Subject to the limitations provided in subsection
15 (a-15), beginning with State fiscal year 2014, the minimum
16 required contribution of employers under this Article shall be
17 determined as a percentage of projected payroll, and shall be
18 sufficient to produce an annual amount equal to:

19 (i) the employer's normal cost for that fiscal year for
20 employees who first became participating employees before
21 July 1, 2013; plus

22 (ii) the employer's normal cost for that fiscal year
23 for employees who first become participating employees on
24 or after July 1, 2013; plus

25 (iii) the amount required for that fiscal year to
26 amortize any unfunded actuarial accrued liability arising

1 on or after July 1, 2013 as a level percentage of payroll
2 over a 30-year rolling amortization period.

3 Any contributions required from an employer under
4 subsection (g) of this Section are in addition to the
5 contributions required under this subsection (a-10).

6 (a-15) For State fiscal year 2014, the required
7 contribution of employers under item (i) of subsection (a-10)
8 shall be reduced to an amount equal to 1% of payroll.

9 For each fiscal year thereafter, until the Board determines
10 and certifies to the Governor that employers are contributing
11 under item (i) of subsection (a-10) the full amount actually
12 specified by item (i) of subsection (a-10), the required
13 contribution of employers under item (i) of subsection (a-10)
14 shall be the percentage of payroll required under this
15 subsection from the previous fiscal year increased by 1% of
16 payroll for each of State fiscal years 2015 through 2019, and
17 increased by 0.5% of payroll for each State fiscal year after
18 2019.

19 Contributions required of employers under items (ii) and
20 (iii) of subsection (a-10), under subsection (g), and under any
21 other applicable provision of this Section are in addition to
22 contributions required under item (i) of subsection (a-10).

23 (a-20) Beginning in State fiscal year 2015 and continuing
24 until the Board determines and certifies to the Governor that
25 employers are contributing under item (i) of subsection (a-10)
26 the full amount actually specified by item (i) of subsection

1 (a-10), the State shall make an additional contribution to the
2 System for each fiscal year, equal to the difference between
3 (1) the total contribution calculated under item (i) of
4 subsection (a-10) for all employers for that fiscal year, and
5 (2) the amount of such total contribution as reduced under
6 subsection (a-15).

7 The State contribution under this subsection (a-20) is in
8 addition to the State contributions required under subsection
9 (a-1) or (a-5) and any contributions required to be paid by the
10 State as an employer under subsections (a-10) and (g) of this
11 Section.

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

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

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

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

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

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

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

16 (g) The employer contributions under this subsection (g)
17 are no longer required after June 30, 2013.

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

1 portion of the increase in earnings that is in excess of 6%.
2 This present value shall be computed by the System on the basis
3 of the actuarial assumptions and tables used in the most recent
4 actuarial valuation of the System that is available at the time
5 of the computation. The System may require the employer to
6 provide any pertinent information or documentation.

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

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

1 actuarially assumed rate of return on investment compounded
2 annually from the 91st day after receipt of the bill. Payments
3 must be concluded within 3 years after the employer's receipt
4 of the bill.

5 (h) This subsection (h) applies only to payments made or
6 salary increases given on or after June 1, 2005 but before July
7 1, 2011. The changes made by Public Act 94-1057 shall not
8 require the System to refund any payments received before July
9 31, 2006 (the effective date of Public Act 94-1057).

10 When assessing payment for any amount due under subsection
11 (g), the System shall exclude earnings increases paid to
12 participants under contracts or collective bargaining
13 agreements entered into, amended, or renewed before June 1,
14 2005.

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

19 When assessing payment for any amount due under subsection
20 (g), the System shall exclude earnings increases resulting from
21 overload work, including a contract for summer teaching, or
22 overtime when the employer has certified to the System, and the
23 System has approved the certification, that: (i) in the case of
24 overloads (A) the overload work is for the sole purpose of
25 academic instruction in excess of the standard number of
26 instruction hours for a full-time employee occurring during the

1 academic year that the overload is paid and (B) the earnings
2 increases are equal to or less than the rate of pay for
3 academic instruction computed using the participant's current
4 salary rate and work schedule; and (ii) in the case of
5 overtime, the overtime was necessary for the educational
6 mission.

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

21 (i) When assessing payment for any amount due under
22 subsection (g), the System shall exclude any salary increase
23 described in subsection (h) of this Section given on or after
24 July 1, 2011 but before July 1, 2014 under a contract or
25 collective bargaining agreement entered into, amended, or
26 renewed on or after June 1, 2005 but before July 1, 2011.

1 Notwithstanding any other provision of this Section, any
2 payments made or salary increases given after June 30, 2014
3 shall be used in assessing payment for any amount due under
4 subsection (g) of this Section.

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

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

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

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

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

20 (k) The Illinois Community College Board shall adopt rules
21 for recommending lists of promotional positions submitted to
22 the Board by community colleges and for reviewing the
23 promotional lists on an annual basis. When recommending
24 promotional lists, the Board shall consider the similarity of
25 the positions submitted to those positions recognized for State
26 universities by the State Universities Civil Service System.

1 The Illinois Community College Board shall file a copy of its
2 findings with the System. The System shall consider the
3 findings of the Illinois Community College Board when making
4 determinations under this Section. The System shall not exclude
5 any earnings increases resulting from a promotion when the
6 promotion was not submitted by a community college. Nothing in
7 this subsection (k) shall require any community college to
8 submit any information to the Community College Board.

9 (l) For purposes of determining the required State
10 contribution to the System, the value of the System's assets
11 shall be equal to the actuarial value of the System's assets,
12 which shall be calculated as follows:

13 As of June 30, 2008, the actuarial value of the System's
14 assets shall be equal to the market value of the assets as of
15 that date. In determining the actuarial value of the System's
16 assets for fiscal years after June 30, 2008, any actuarial
17 gains or losses from investment return incurred in a fiscal
18 year shall be recognized in equal annual amounts over the
19 5-year period following that fiscal year.

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

24 (n) If the System submits a voucher for monthly
25 contributions from the State as required by this Section and
26 the State fails to pay within 90 days of receipt of such a

1 voucher, the Board shall submit a written request to the
2 Comptroller seeking payment. A copy of the request shall be
3 filed with the Secretary of State, and the Secretary of State
4 shall provide copies to the Governor and General Assembly. No
5 earlier than the 16th day after filing a request with the
6 Secretary of State, the Board shall have the right to commence
7 a mandamus action in the Supreme Court of Illinois to compel
8 the Comptroller to satisfy the voucher by making payment from
9 the General Revenue Fund. This Section constitutes an express
10 waiver of the State's sovereign immunity solely to the extent
11 it permits the Board to commence a mandamus action in the
12 Illinois Supreme Court to compel the Comptroller to pay a
13 voucher for monthly contributions from the State as required in
14 this Section.

15 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
16 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
17 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

18 (40 ILCS 5/15-155.1 new)

19 Sec. 15-155.1. Actions to enforce payment by employers.

20 (a) If any employer fails to transmit to the System
21 contributions required of it under this Article or
22 contributions collected by it from its participating employees
23 for the purposes of this Article for more than 90 days after
24 the payment of such contributions is due, then the System,
25 after giving notice to that employer, may certify to the State

1 Comptroller the amounts of the delinquent payments, and the
2 Comptroller shall deduct the amounts so certified or any part
3 thereof from any payments or grants of State funds to the
4 employer and shall pay the amounts so deducted to the System.
5 If State funds from which such deductions may be made are not
6 available, the System may proceed against the employer to
7 recover the amounts of the delinquent payments in the
8 appropriate circuit court.

9 (b) If any employer fails to transmit to the System
10 contributions required of it under this Article or
11 contributions collected by it from its participating employees
12 for the purposes of this Article for more than 90 days after
13 the payment of the contributions is due, the System, after
14 giving notice to the employer, may certify the amounts of the
15 delinquent payments to the county treasurer of any county in
16 which the employer is located, who shall deduct the amounts so
17 certified or any part thereof from the amounts collected from
18 any tax levied by the employer and shall pay the amount so
19 deducted to the System.

20 (c) If reports furnished to the System by the employer
21 involved are inadequate for the computation of the amounts of
22 any payments, the System may provide for such audit of the
23 records of the employer as may be required to establish the
24 amounts of the delinquent payments. The employer shall make its
25 records available to the System for the purpose of the audit.
26 The cost of the audit shall be added to the amount of the

1 payments and shall be recovered by the System from the employer
2 at the same time and in the same manner as the payments are
3 recovered.

4 (40 ILCS 5/15-155.2 new)

5 Sec. 15-155.2. Individual employer accounts.

6 (a) The System shall create and maintain individual
7 accounts for each employer for the purposes of determining
8 employer contributions under subsection (a-10) of Section
9 15-155. Each employer's account shall be notionally credited
10 with the employer's liabilities accruing after July 1, 2013 and
11 assets attributable to the employer's account that include (i)
12 employer contributions made pursuant to subsection (a-10) of
13 Section 15-155, (ii) other employer contributions from trust,
14 federal, and other funds, (iii) employee contributions made
15 after July 1, 2013, and (iv) income from investments. The
16 System may deduct reasonable administrative expenses from each
17 employer's account.

18 (b) In determining contributions required under subsection
19 (a-10) of Section 15-155, the System shall determine (i) a
20 blended rate of total normal cost that is applicable to
21 contributions made by the University of Illinois, Southern
22 Illinois University, Chicago State University, Eastern
23 Illinois University, Governors State University, Illinois
24 State University, Northeastern Illinois University, Northern
25 Illinois University, and Western Illinois University, (ii) a

1 blended rate of total normal cost that is applicable to
2 contributions made by each community college board, and (iii) a
3 rate equal to the total normal cost of the System that is
4 applicable to employers other than those listed under item (i)
5 or (ii).

6 (c) An employer may make written application with the Board
7 to have a separate rate of total normal cost determined for the
8 employer. Upon receiving the written application from an
9 employer, the Board may determine a total rate of normal cost
10 for the employer. The employer shall be responsible for any
11 cost incurred in making the determination of total normal cost.

12 The Board may establish rules for the administration of
13 this Section that include but are not limited to the date by
14 which an application must be submitted and the fiscal year in
15 which the determination will be used to determine the
16 employer's contribution required under subsection (a-10) of
17 Section 15-155.

18 (d) An employer whose determination of total normal cost
19 under subsection (c) is used to determine its contributions
20 required under subsection (a-10) of Section 15-155 may not be
21 included in the determination of a rate of total normal cost
22 under subsection (c) of this Section.

23 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

24 Sec. 15-157. Employee Contributions.

25 (a) Each participating employee shall make contributions

1 towards the retirement benefits payable under the retirement
2 program applicable to the employee from each payment of
3 earnings applicable to employment under this system on and
4 after the date of becoming a participant as follows: Prior to
5 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
6 to August 31, 1955, 5%; from September 1, 1955 to August 31,
7 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
8 are to be considered as normal contributions for purposes of
9 this Article.

10 Each participant who is a police officer or firefighter
11 shall make normal contributions of 8% of each payment of
12 earnings applicable to employment as a police officer or
13 firefighter under this system on or after September 1, 1981,
14 unless he or she files with the board within 60 days after the
15 effective date of this amendatory Act of 1991 or 60 days after
16 the board receives notice that he or she is employed as a
17 police officer or firefighter, whichever is later, a written
18 notice waiving the retirement formula provided by Rule 4 of
19 Section 15-136. This waiver shall be irrevocable. If a
20 participant had met the conditions set forth in Section
21 15-132.1 prior to the effective date of this amendatory Act of
22 1991 but failed to make the additional normal contributions
23 required by this paragraph, he or she may elect to pay the
24 additional contributions plus compound interest at the
25 effective rate. If such payment is received by the board, the
26 service shall be considered as police officer service in

1 calculating the retirement annuity under Rule 4 of Section
2 15-136. While performing service described in clause (i) or
3 (ii) of Rule 4 of Section 15-136, a participating employee
4 shall be deemed to be employed as a firefighter for the purpose
5 of determining the rate of employee contributions under this
6 Section.

7 (a-1) Notwithstanding any other provision of this Section,
8 an employee who participates in the cash balance plan under
9 Section 1-161 shall pay to the System for the purpose of
10 participating in the cash balance plan 8% of each payment of
11 earnings while he or she is a participant in the cash balance
12 plan. Each participant who is a police officer or firefighter
13 who participates in the cash balance plan under Section 1-161
14 shall pay to the System for the purpose of participating in the
15 cash balance plan 9.5% of each payment of earnings while he or
16 she is participant in the cash balance plan. Employee
17 contributions required under subsections (a), (b), and (c) of
18 this Section shall not apply to an employee who participates in
19 the cash balance plan under Section 1-161.

20 (a-2) In addition to the contributions required under
21 either subsections (a), (b), and (c) or subsection (a-1), an
22 employee who elects to participate in the optional cash balance
23 plan under Section 1-162 shall pay to the System for the
24 purpose of participating in the optional cash balance plan a
25 contribution of 2% of each payment of earnings received while
26 he or she is a participant in the optional cash balance plan.

1 These contributions shall not be used for the purpose of
2 determining any benefit under this Article except as provided
3 in the optional cash balance plan.

4 (b) Starting September 1, 1969, each participating
5 employee shall make additional contributions of 1/2 of 1% of
6 earnings to finance a portion of the cost of the annual
7 increases in retirement annuity provided under Section 15-136,
8 except that with respect to participants in the self-managed
9 plan this additional contribution shall be used to finance the
10 benefits obtained under that retirement program.

11 (c) In addition to the amounts described in subsections (a)
12 and (b) of this Section, each participating employee shall make
13 contributions of 1% of earnings applicable under this system on
14 and after August 1, 1959. The contributions made under this
15 subsection (c) shall be considered as survivor's insurance
16 contributions for purposes of this Article if the employee is
17 covered under the traditional benefit package, and such
18 contributions shall be considered as additional contributions
19 for purposes of this Article if the employee is participating
20 in the self-managed plan or has elected to participate in the
21 portable benefit package and has completed the applicable
22 one-year waiting period. Contributions in excess of \$80 during
23 any fiscal year beginning before August 31, 1969 and in excess
24 of \$120 during any fiscal year thereafter until September 1,
25 1971 shall be considered as additional contributions for
26 purposes of this Article.

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

6 (e) That fraction of a participant's total accumulated
7 normal contributions, the numerator of which is equal to the
8 number of years of service in excess of that which is required
9 to qualify for the maximum retirement annuity, and the
10 denominator of which is equal to the total service of the
11 participant, shall be considered as accumulated additional
12 contributions. The determination of the applicable maximum
13 annuity and the adjustment in contributions required by this
14 provision shall be made as of the date of the participant's
15 retirement.

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

22 (g) A participating employee may make contributions for the
23 purchase of service credit under this Article.

24 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
25 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
26 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

1 (40 ILCS 5/15-158.2)

2 Sec. 15-158.2. Self-managed plan.

3 (a) Purpose. The General Assembly finds that it is
4 important for colleges and universities to be able to attract
5 and retain the most qualified employees and that in order to
6 attract and retain these employees, colleges and universities
7 should have the flexibility to provide a defined contribution
8 plan as an alternative for eligible employees who elect not to
9 participate in a defined benefit retirement program provided
10 under this Article. Accordingly, the State Universities
11 Retirement System is hereby authorized to establish and
12 administer a self-managed plan, which shall offer
13 participating employees who became participating employees
14 before the effective date of this amendatory Act of the 97th
15 General Assembly the opportunity to accumulate assets for
16 retirement through a combination of employee and employer
17 contributions that may be invested in mutual funds, collective
18 investment funds, or other investment products and used to
19 purchase annuity contracts, either fixed or variable or a
20 combination thereof. The plan must be qualified under the
21 Internal Revenue Code of 1986.

22 (b) Adoption by employers. Each employer subject to this
23 Article may elect to adopt the self-managed plan established
24 under this Section until the effective date of this amendatory
25 Act of the 97th General Assembly; this election is irrevocable.

1 An employer's election to adopt the self-managed plan makes
2 available to the eligible employees of that employer the
3 elections described in Section 15-134.5.

4 The State Universities Retirement System shall be the plan
5 sponsor for the self-managed plan and shall prepare a plan
6 document and prescribe such rules and procedures as are
7 considered necessary or desirable for the administration of the
8 self-managed plan. Consistent with its fiduciary duty to the
9 participants and beneficiaries of the self-managed plan, the
10 Board of Trustees of the System may delegate aspects of plan
11 administration as it sees fit to companies authorized to do
12 business in this State, to the employers, or to a combination
13 of both.

14 (c) Selection of service providers and funding vehicles.
15 The System, in consultation with the employers, shall solicit
16 proposals to provide administrative services and funding
17 vehicles for the self-managed plan from insurance and annuity
18 companies and mutual fund companies, banks, trust companies, or
19 other financial institutions authorized to do business in this
20 State. In reviewing the proposals received and approving and
21 contracting with no fewer than 2 and no more than 7 companies,
22 the Board of Trustees of the System shall consider, among other
23 things, the following criteria:

24 (1) the nature and extent of the benefits that would be
25 provided to the participants;

26 (2) the reasonableness of the benefits in relation to

1 the premium charged;

2 (3) the suitability of the benefits to the needs and
3 interests of the participating employees and the employer;

4 (4) the ability of the company to provide benefits
5 under the contract and the financial stability of the
6 company; and

7 (5) the efficacy of the contract in the recruitment and
8 retention of employees.

9 The System, in consultation with the employers, shall
10 periodically review each approved company. A company may
11 continue to provide administrative services and funding
12 vehicles for the self-managed plan only so long as it continues
13 to be an approved company under contract with the Board.

14 (d) Employee Direction. Employees who are participating in
15 the program must be allowed to direct the transfer of their
16 account balances among the various investment options offered,
17 subject to applicable contractual provisions. The participant
18 shall not be deemed a fiduciary by reason of providing such
19 investment direction. A person who is a fiduciary shall not be
20 liable for any loss resulting from such investment direction
21 and shall not be deemed to have breached any fiduciary duty by
22 acting in accordance with that direction. Neither the System
23 nor the employer guarantees any of the investments in the
24 employee's account balances.

25 (e) Participation. An employee eligible to participate in
26 the self-managed plan must make a written election in

1 accordance with the provisions of Section 15-134.5 and the
2 procedures established by the System. Participation in the
3 self-managed plan by an electing employee shall begin on the
4 first day of the first pay period following the later of the
5 date the employee's election is filed with the System or the
6 effective date as of which the employee's employer begins to
7 offer participation in the self-managed plan. Employers may not
8 make the self-managed plan available earlier than January 1,
9 1998. An employee's participation in any other retirement
10 program administered by the System under this Article shall
11 terminate on the date that participation in the self-managed
12 plan begins.

13 An employee who has elected to participate in the
14 self-managed plan under this Section must continue
15 participation while employed in an eligible position, and may
16 not participate in any other retirement program administered by
17 the System under this Article while employed by that employer
18 or any other employer that has adopted the self-managed plan,
19 unless the self-managed plan is terminated in accordance with
20 subsection (i).

21 Participation in the self-managed plan under this Section
22 shall constitute membership in the State Universities
23 Retirement System.

24 A participant under this Section shall be entitled to the
25 benefits of Article 20 of this Code.

26 (f) Establishment of Initial Account Balance. If at the

1 time an employee elects to participate in the self-managed plan
2 he or she has rights and credits in the System due to previous
3 participation in the traditional benefit package, the System
4 shall establish for the employee an opening account balance in
5 the self-managed plan, equal to the amount of contribution
6 refund that the employee would be eligible to receive under
7 Section 15-154 if the employee terminated employment on that
8 date and elected a refund of contributions, except that this
9 hypothetical refund shall include interest at the effective
10 rate for the respective years. The System shall transfer assets
11 from the defined benefit retirement program to the self-managed
12 plan, as a tax free transfer in accordance with Internal
13 Revenue Service guidelines, for purposes of funding the
14 employee's opening account balance.

15 (g) No Duplication of Service Credit. Notwithstanding any
16 other provision of this Article, an employee may not purchase
17 or receive service or service credit applicable to any other
18 retirement program administered by the System under this
19 Article for any period during which the employee was a
20 participant in the self-managed plan established under this
21 Section.

22 (h) Contributions. The self-managed plan shall be funded by
23 contributions from employees participating in the self-managed
24 plan and employer contributions as provided in this Section.

25 The contribution rate for employees participating in the
26 self-managed plan under this Section shall be equal to the

1 employee contribution rate for other participants in the
2 System, as provided in Section 15-157. This required
3 contribution shall be made as an "employer pick-up" under
4 Section 414(h) of the Internal Revenue Code of 1986 or any
5 successor Section thereof. Any employee participating in the
6 System's traditional benefit package prior to his or her
7 election to participate in the self-managed plan shall continue
8 to have the employer pick up the contributions required under
9 Section 15-157. However, the amounts picked up after the
10 election of the self-managed plan shall be remitted to and
11 treated as assets of the self-managed plan. In no event shall
12 an employee have an option of receiving these amounts in cash.
13 Employees may make additional contributions to the
14 self-managed plan in accordance with procedures prescribed by
15 the System, to the extent permitted under rules prescribed by
16 the System.

17 The program shall provide for employer contributions to be
18 credited to each self-managed plan participant at a rate of
19 7.6% of the participating employee's salary, less the amount
20 used by the System to provide disability benefits for the
21 employee. The amounts so credited shall be paid into the
22 participant's self-managed plan accounts in a manner to be
23 prescribed by the System.

24 An amount of employer contribution, not exceeding 1% of the
25 participating employee's salary, shall be used for the purpose
26 of providing the disability benefits of the System to the

1 employee. Prior to the beginning of each plan year under the
2 self-managed plan, the Board of Trustees shall determine, as a
3 percentage of salary, the amount of employer contributions to
4 be allocated during that plan year for providing disability
5 benefits for employees in the self-managed plan.

6 The State of Illinois shall make contributions by
7 appropriations to the System of the employer contributions
8 required for employees who participate in the self-managed plan
9 under this Section. The amount required shall be certified by
10 the Board of Trustees of the System and paid by the State in
11 accordance with Section 15-165. The System shall not be
12 obligated to remit the required employer contributions to any
13 of the insurance and annuity companies, mutual fund companies,
14 banks, trust companies, financial institutions, or other
15 sponsors of any of the funding vehicles offered under the
16 self-managed plan until it has received the required employer
17 contributions from the State. In the event of a deficiency in
18 the amount of State contributions, the System shall implement
19 those procedures described in subsection (c) of Section 15-165
20 to obtain the required funding from the General Revenue Fund.

21 (i) Termination. The self-managed plan authorized under
22 this Section may be terminated by the System, subject to the
23 terms of any relevant contracts, and the System shall have no
24 obligation to reestablish the self-managed plan under this
25 Section. This Section does not create a right to continued
26 participation in any self-managed plan set up by the System

1 under this Section. If the self-managed plan is terminated, the
2 participants shall have the right to participate in one of the
3 other retirement programs offered by the System and receive
4 service credit in such other retirement program for any years
5 of employment following the termination.

6 (j) Vesting; Withdrawal; Return to Service. A participant
7 in the self-managed plan becomes vested in the employer
8 contributions credited to his or her accounts in the
9 self-managed plan on the earliest to occur of the following:

10 (1) completion of 5 years of service with an employer described
11 in Section 15-106; (2) the death of the participating employee
12 while employed by an employer described in Section 15-106, if
13 the participant has completed at least 1 1/2 years of service;
14 or (3) the participant's election to retire and apply the
15 reciprocal provisions of Article 20 of this Code.

16 A participant in the self-managed plan who receives a
17 distribution of his or her vested amounts from the self-managed
18 plan while not yet eligible for retirement under this Article
19 (and Article 20, if applicable) shall forfeit all service
20 credit and accrued rights in the System; if subsequently
21 re-employed, the participant shall be considered a new
22 employee. If a former participant again becomes a participating
23 employee (or becomes employed by a participating system under
24 Article 20 of this Code) and continues as such for at least 2
25 years, all such rights, service credits, and previous status as
26 a participant shall be restored upon repayment of the amount of

1 the distribution, without interest.

2 (k) Benefit amounts. If an employee who is vested in
3 employer contributions terminates employment, the employee
4 shall be entitled to a benefit which is based on the account
5 values attributable to both employer and employee
6 contributions and any investment return thereon.

7 If an employee who is not vested in employer contributions
8 terminates employment, the employee shall be entitled to a
9 benefit based solely on the account values attributable to the
10 employee's contributions and any investment return thereon,
11 and the employer contributions and any investment return
12 thereon shall be forfeited. Any employer contributions which
13 are forfeited shall be held in escrow by the company investing
14 those contributions and shall be used as directed by the System
15 for future allocations of employer contributions or for the
16 restoration of amounts previously forfeited by former
17 participants who again become participating employees.

18 (Source: P.A. 93-347, eff. 7-24-03.)

19 (40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

20 Sec. 15-159. Board created.

21 (a) A board of trustees constituted as provided in this
22 Section shall administer this System. The board shall be known
23 as the Board of Trustees of the State Universities Retirement
24 System.

25 (b) Until July 1, 1995, the Board of Trustees shall be

1 constituted as follows:

2 Two trustees shall be members of the Board of Trustees of
3 the University of Illinois, one shall be a member of the Board
4 of Trustees of Southern Illinois University, one shall be a
5 member of the Board of Trustees of Chicago State University,
6 one shall be a member of the Board of Trustees of Eastern
7 Illinois University, one shall be a member of the Board of
8 Trustees of Governors State University, one shall be a member
9 of the Board of Trustees of Illinois State University, one
10 shall be a member of the Board of Trustees of Northeastern
11 Illinois University, one shall be a member of the Board of
12 Trustees of Northern Illinois University, one shall be a member
13 of the Board of Trustees of Western Illinois University, and
14 one shall be a member of the Illinois Community College Board,
15 selected in each case by their respective boards, and 2 shall
16 be participants of the system appointed by the Governor for a 6
17 year term with the first appointment made pursuant to this
18 amendatory Act of 1984 to be effective September 1, 1985, and
19 one shall be a participant appointed by the Illinois Community
20 College Board for a 6 year term, and one shall be a participant
21 appointed by the Board of Trustees of the University of
22 Illinois for a 6 year term, and one shall be a participant or
23 annuitant of the system who is a senior citizen age 60 or older
24 appointed by the Governor for a 6 year term with the first
25 appointment to be effective September 1, 1985.

26 The terms of all trustees holding office under this

1 subsection (b) on June 30, 1995 shall terminate at the end of
2 that day and the Board shall thereafter be constituted as
3 provided in subsection (c).

4 (c) Beginning July 1, 1995, the Board of Trustees shall be
5 constituted as follows:

6 The Board shall consist of 9 trustees appointed by the
7 Governor. Two of the trustees, designated at the time of
8 appointment, shall be participants of the System. Two of the
9 trustees, designated at the time of appointment, shall be
10 annuitants of the System who are receiving retirement annuities
11 under this Article. The 5 remaining trustees may, but need not,
12 be participants or annuitants of the System.

13 The term of office of trustees appointed under this
14 subsection (c) shall be 6 years, beginning on July 1. However,
15 of the initial trustees appointed under this subsection (c), 3
16 shall be appointed for terms of 2 years, 3 shall be appointed
17 for terms of 4 years, and 3 shall be appointed for terms of 6
18 years, to be designated by the Governor at the time of
19 appointment.

20 The terms of all trustees holding office under this
21 subsection (c) on the effective date of this amendatory Act of
22 the 96th General Assembly shall terminate on that effective
23 date. The Governor shall make nominations for appointment under
24 this Section within 60 days after the effective date of this
25 amendatory Act of the 96th General Assembly. A trustee sitting
26 on the board on the effective date of this amendatory Act of

1 the 96th General Assembly may not hold over in office for more
2 than 90 days after the effective date of this amendatory Act of
3 the 96th General Assembly. Nothing in this Section shall
4 prevent the Governor from making a temporary appointment or
5 nominating a trustee holding office on the day before the
6 effective date of this amendatory Act of the 96th General
7 Assembly.

8 (d) Beginning on the 90th day after the effective date of
9 this amendatory Act of the 96th General Assembly, the Board of
10 Trustees shall be constituted as follows:

11 (1) The Chairperson of the Board of Higher Education,
12 who shall act as chairperson of this Board.

13 (2) Two ~~Four~~ trustees appointed by the Governor with
14 the advice and consent of the Senate who may not be members
15 of the system or hold an elective State office and who
16 shall serve for a term of 6 years, except that the terms of
17 the initial appointees under this subsection (d) shall be
18 as follows: 1 ~~2~~ for a term of 3 years and 1 ~~2~~ for a term of
19 6 years.

20 (3) Four active participants of the system to be
21 elected from the contributing membership of the system by
22 the contributing members, no more than 2 of which may be
23 from any of the University of Illinois campuses, who shall
24 serve for a term of 6 years, except that the terms of the
25 initial electees shall be as follows: 2 for a term of 3
26 years and 2 for a term of 6 years.

1 (4) Two annuitants of the system who have been
2 annuitants for at least one full year, to be elected from
3 and by the annuitants of the system, no more than one of
4 which may be from any of the University of Illinois
5 campuses, who shall serve for a term of 6 years, except
6 that the terms of the initial electees shall be as follows:
7 one for a term of 3 years and one for a term of 6 years.

8 (5) One trustee to be elected by the trustees of the
9 boards of trustees of community colleges in the State.

10 (6) One trustee who serves as a trustee on the board of
11 trustees of a public institution of higher education, as
12 defined in Section 1 of the Board of Higher Education Act,
13 to be elected by the trustees of public institutions of
14 higher education.

15 The 2 positions created by this amendatory Act of the 97th
16 General Assembly shall be filled as soon as practicable by
17 appointment of the Board, and the persons so appointed shall
18 serve until such time as the System can conduct elections to
19 fill those positions.

20 For the purposes of this Section, the Governor may make a
21 nomination and the Senate may confirm the nominee in advance of
22 the commencement of the nominee's term of office.

23 (e) The 6 elected trustees shall be elected within 90 days
24 after the effective date of this amendatory Act of the 96th
25 General Assembly for a term beginning on the 90th day after the
26 effective date of this amendatory Act. Trustees shall be

1 elected thereafter as terms expire for a 6-year term beginning
2 July 15 next following their election, and such election shall
3 be held on May 1, or on May 2 when May 1 falls on a Sunday. The
4 board may establish rules for the election of trustees to
5 implement the provisions of this amendatory Act of the 96th
6 General Assembly and for future elections. Candidates for the
7 participating trustee shall be nominated by petitions in
8 writing, signed by not less than 400 participants with their
9 addresses shown opposite their names. Candidates for the
10 annuitant trustee shall be nominated by petitions in writing,
11 signed by not less than 100 annuitants with their addresses
12 shown opposite their names. If there is more than one qualified
13 nominee for each elected trustee, then the board shall conduct
14 a secret ballot election by mail for that trustee, in
15 accordance with rules as established by the board. If there is
16 only one qualified person nominated by petition for each
17 elected trustee, then the election as required by this Section
18 shall not be conducted for that trustee and the board shall
19 declare such nominee duly elected. A vacancy occurring in the
20 elective membership of the board shall be filled for the
21 unexpired term by the elected trustees serving on the board for
22 the remainder of the term.

23 (f) A vacancy on the board of trustees caused by
24 resignation, death, expiration of term of office, or other
25 reason shall be filled by a qualified person appointed by the
26 Governor for the remainder of the unexpired term.

1 (g) Trustees (other than the trustees incumbent on June 30,
2 1995 or as provided in subsection (c) of this Section) shall
3 continue in office until their respective successors are
4 appointed and have qualified, except that a trustee appointed
5 to one of the participant positions shall be disqualified
6 immediately upon the termination of his or her status as a
7 participant and a trustee appointed to one of the annuitant
8 positions shall be disqualified immediately upon the
9 termination of his or her status as an annuitant receiving a
10 retirement annuity.

11 (h) Each trustee must take an oath of office before a
12 notary public of this State and shall qualify as a trustee upon
13 the presentation to the board of a certified copy of the oath.
14 The oath must state that the person will diligently and
15 honestly administer the affairs of the retirement system, and
16 will not knowingly violate or wilfully permit to be violated
17 any provisions of this Article.

18 Each trustee shall serve without compensation but shall be
19 reimbursed for expenses necessarily incurred in attending
20 board meetings and carrying out his or her duties as a trustee
21 or officer of the system.

22 (i) This amendatory Act of 1995 is intended to supersede
23 the changes made to this Section by Public Act 89-4.

24 (Source: P.A. 96-6, eff. 4-3-09; 96-1000, eff. 7-2-10.)

1 Sec. 15-163. To consider applications and authorize
2 payments.

3 To consider and pass on all certifications of employment
4 and applications for annuities and benefits; to authorize the
5 granting of annuities and benefits; and to limit or suspend any
6 payment or payments, all in accordance with this Article.

7 (Source: Laws 1963, p. 161.)

8 (40 ILCS 5/15-198)

9 Sec. 15-198. Application and expiration of new benefit
10 increases.

11 (a) As used in this Section, "new benefit increase" means
12 an increase in the amount of any benefit provided under this
13 Article, or an expansion of the conditions of eligibility for
14 any benefit under this Article or Article 1, that results from
15 an amendment to this Code that takes effect after the effective
16 date of this amendatory Act of the 94th General Assembly. "New
17 benefit increase", however, does not include any benefit
18 increase resulting from the changes made to this Article or
19 Article 1 by this amendatory Act of the 97th General Assembly.

20 (b) Notwithstanding any other provision of this Code or any
21 subsequent amendment to this Code, every new benefit increase
22 is subject to this Section and shall be deemed to be granted
23 only in conformance with and contingent upon compliance with
24 the provisions of this Section.

25 (c) The Public Act enacting a new benefit increase must

1 identify and provide for payment to the System of additional
2 funding at least sufficient to fund the resulting annual
3 increase in cost to the System as it accrues.

4 Every new benefit increase is contingent upon the General
5 Assembly providing the additional funding required under this
6 subsection. The Commission on Government Forecasting and
7 Accountability shall analyze whether adequate additional
8 funding has been provided for the new benefit increase and
9 shall report its analysis to the Public Pension Division of the
10 Department of Financial and Professional Regulation. A new
11 benefit increase created by a Public Act that does not include
12 the additional funding required under this subsection is null
13 and void. If the Public Pension Division determines that the
14 additional funding provided for a new benefit increase under
15 this subsection is or has become inadequate, it may so certify
16 to the Governor and the State Comptroller and, in the absence
17 of corrective action by the General Assembly, the new benefit
18 increase shall expire at the end of the fiscal year in which
19 the certification is made.

20 (d) Every new benefit increase shall expire 5 years after
21 its effective date or on such earlier date as may be specified
22 in the language enacting the new benefit increase or provided
23 under subsection (c). This does not prevent the General
24 Assembly from extending or re-creating a new benefit increase
25 by law.

26 (e) Except as otherwise provided in the language creating

1 the new benefit increase, a new benefit increase that expires
2 under this Section continues to apply to persons who applied
3 and qualified for the affected benefit while the new benefit
4 increase was in effect and to the affected beneficiaries and
5 alternate payees of such persons, but does not apply to any
6 other person, including without limitation a person who
7 continues in service after the expiration date and did not
8 apply and qualify for the affected benefit while the new
9 benefit increase was in effect.

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

11 (40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

12 Sec. 16-106. Teacher. "Teacher": The following
13 individuals, provided that, for employment prior to July 1,
14 1990, they are employed on a full-time basis, or if not
15 full-time, on a permanent and continuous basis in a position in
16 which services are expected to be rendered for at least one
17 school term:

18 (1) Any educational, administrative, professional or
19 other staff employed in the public common schools included
20 within this system in a position requiring certification
21 under the law governing the certification of teachers;

22 (2) Any educational, administrative, professional or
23 other staff employed in any facility of the Department of
24 Children and Family Services or the Department of Human
25 Services, in a position requiring certification under the

1 law governing the certification of teachers, and any person
2 who (i) works in such a position for the Department of
3 Corrections, (ii) was a member of this System on May 31,
4 1987, and (iii) did not elect to become a member of the
5 State Employees' Retirement System pursuant to Section
6 14-108.2 of this Code; except that "teacher" does not
7 include any person who (A) becomes a security employee of
8 the Department of Human Services, as defined in Section
9 14-110, after June 28, 2001 (the effective date of Public
10 Act 92-14), or (B) becomes a member of the State Employees'
11 Retirement System pursuant to Section 14-108.2c of this
12 Code;

13 (3) Any regional superintendent of schools, assistant
14 regional superintendent of schools, State Superintendent
15 of Education; any person employed by the State Board of
16 Education as an executive; any executive of the boards
17 engaged in the service of public common school education in
18 school districts covered under this system of which the
19 State Superintendent of Education is an ex-officio member;

20 (4) Any employee of a school board association
21 operating in compliance with Article 23 of the School Code
22 who is certificated under the law governing the
23 certification of teachers, provided that he or she becomes
24 such an employee before the effective date of this
25 amendatory Act of the 97th General Assembly;

26 (5) Any person employed by the retirement system who:

1 (i) was an employee of and a participant in the
2 system on August 17, 2001 (the effective date of Public
3 Act 92-416), or

4 (ii) becomes an employee of the system on or after
5 August 17, 2001;

6 (6) Any educational, administrative, professional or
7 other staff employed by and under the supervision and
8 control of a regional superintendent of schools, provided
9 such employment position requires the person to be
10 certificated under the law governing the certification of
11 teachers and is in an educational program serving 2 or more
12 districts in accordance with a joint agreement authorized
13 by the School Code or by federal legislation;

14 (7) Any educational, administrative, professional or
15 other staff employed in an educational program serving 2 or
16 more school districts in accordance with a joint agreement
17 authorized by the School Code or by federal legislation and
18 in a position requiring certification under the laws
19 governing the certification of teachers;

20 (8) Any officer or employee of a statewide teacher
21 organization or officer of a national teacher organization
22 who is certified under the law governing certification of
23 teachers, provided: (i) the individual had previously
24 established creditable service under this Article, (ii)
25 the individual files with the system an irrevocable
26 election to become a member before the effective date of

1 this amendatory Act of the 97th General Assembly, (iii) the
2 individual does not receive credit for such service under
3 any other Article of this Code, and (iv) the individual
4 first became an officer or employee of the teacher
5 organization and becomes a member before the effective date
6 of this amendatory Act of the 97th General Assembly;

7 (9) Any educational, administrative, professional, or
8 other staff employed in a charter school operating in
9 compliance with the Charter Schools Law who is certificated
10 under the law governing the certification of teachers.

11 (10) Any person employed, on the effective date of this
12 amendatory Act of the 94th General Assembly, by the
13 Macon-Piatt Regional Office of Education in a
14 birth-through-age-three pilot program receiving funds
15 under Section 2-389 of the School Code who is required by
16 the Macon-Piatt Regional Office of Education to hold a
17 teaching certificate, provided that the Macon-Piatt
18 Regional Office of Education makes an election, within 6
19 months after the effective date of this amendatory Act of
20 the 94th General Assembly, to have the person participate
21 in the system. Any service established prior to the
22 effective date of this amendatory Act of the 94th General
23 Assembly for service as an employee of the Macon-Piatt
24 Regional Office of Education in a birth-through-age-three
25 pilot program receiving funds under Section 2-389 of the
26 School Code shall be considered service as a teacher if

1 employee and employer contributions have been received by
2 the system and the system has not refunded those
3 contributions.

4 An annuitant receiving a retirement annuity under this
5 Article or under Article 17 of this Code who is employed by a
6 board of education or other employer as permitted under Section
7 16-118 or 16-150.1 is not a "teacher" for purposes of this
8 Article. A person who has received a single-sum retirement
9 benefit under Section 16-136.4 of this Article is not a
10 "teacher" for purposes of this Article.

11 (Source: P.A. 97-651, eff. 1-5-12.)

12 (40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

13 Sec. 16-127. Computation of creditable service.

14 (a) Each member shall receive regular credit for all
15 service as a teacher from the date membership begins, for which
16 satisfactory evidence is supplied and all contributions have
17 been paid.

18 (b) The following periods of service shall earn optional
19 credit and each member shall receive credit for all such
20 service for which satisfactory evidence is supplied and all
21 contributions have been paid as of the date specified:

22 (1) Prior service as a teacher.

23 (2) Service in a capacity essentially similar or
24 equivalent to that of a teacher, in the public common
25 schools in school districts in this State not included

1 within the provisions of this System, or of any other
2 State, territory, dependency or possession of the United
3 States, or in schools operated by or under the auspices of
4 the United States, or under the auspices of any agency or
5 department of any other State, and service during any
6 period of professional speech correction or special
7 education experience for a public agency within this State
8 or any other State, territory, dependency or possession of
9 the United States, and service prior to February 1, 1951 as
10 a recreation worker for the Illinois Department of Public
11 Safety, for a period not exceeding the lesser of 2/5 of the
12 total creditable service of the member or 10 years. The
13 maximum service of 10 years which is allowable under this
14 paragraph shall be reduced by the service credit which is
15 validated by other retirement systems under paragraph (i)
16 of Section 15-113 and paragraph 1 of Section 17-133. Credit
17 granted under this paragraph may not be used in
18 determination of a retirement annuity or disability
19 benefits unless the member has at least 5 years of
20 creditable service earned subsequent to this employment
21 with one or more of the following systems: Teachers'
22 Retirement System of the State of Illinois, State
23 Universities Retirement System, and the Public School
24 Teachers' Pension and Retirement Fund of Chicago. Whenever
25 such service credit exceeds the maximum allowed for all
26 purposes of this Article, the first service rendered in

1 point of time shall be considered. The changes to this
2 subdivision (b) (2) made by Public Act 86-272 shall apply
3 not only to persons who on or after its effective date
4 (August 23, 1989) are in service as a teacher under the
5 System, but also to persons whose status as such a teacher
6 terminated prior to such effective date, whether or not
7 such person is an annuitant on that date.

8 (3) Any periods immediately following teaching
9 service, under this System or under Article 17, (or
10 immediately following service prior to February 1, 1951 as
11 a recreation worker for the Illinois Department of Public
12 Safety) spent in active service with the military forces of
13 the United States; periods spent in educational programs
14 that prepare for return to teaching sponsored by the
15 federal government following such active military service;
16 if a teacher returns to teaching service within one
17 calendar year after discharge or after the completion of
18 the educational program, a further period, not exceeding
19 one calendar year, between time spent in military service
20 or in such educational programs and the return to
21 employment as a teacher under this System; and a period of
22 up to 2 years of active military service not immediately
23 following employment as a teacher.

24 The changes to this Section and Section 16-128 relating
25 to military service made by P.A. 87-794 shall apply not
26 only to persons who on or after its effective date are in

1 service as a teacher under the System, but also to persons
2 whose status as a teacher terminated prior to that date,
3 whether or not the person is an annuitant on that date. In
4 the case of an annuitant who applies for credit allowable
5 under this Section for a period of military service that
6 did not immediately follow employment, and who has made the
7 required contributions for such credit, the annuity shall
8 be recalculated to include the additional service credit,
9 with the increase taking effect on the date the System
10 received written notification of the annuitant's intent to
11 purchase the credit, if payment of all the required
12 contributions is made within 60 days of such notice, or
13 else on the first annuity payment date following the date
14 of payment of the required contributions. In calculating
15 the automatic annual increase for an annuity that has been
16 recalculated under this Section, the increase attributable
17 to the additional service allowable under P.A. 87-794 shall
18 be included in the calculation of automatic annual
19 increases accruing after the effective date of the
20 recalculation.

21 Credit for military service shall be determined as
22 follows: if entry occurs during the months of July, August,
23 or September and the member was a teacher at the end of the
24 immediately preceding school term, credit shall be granted
25 from July 1 of the year in which he or she entered service;
26 if entry occurs during the school term and the teacher was

1 in teaching service at the beginning of the school term,
2 credit shall be granted from July 1 of such year. In all
3 other cases where credit for military service is allowed,
4 credit shall be granted from the date of entry into the
5 service.

6 The total period of military service for which credit
7 is granted shall not exceed 5 years for any member unless
8 the service: (A) is validated before July 1, 1964, and (B)
9 does not extend beyond July 1, 1963. Credit for military
10 service shall be granted under this Section only if not
11 more than 5 years of the military service for which credit
12 is granted under this Section is used by the member to
13 qualify for a military retirement allotment from any branch
14 of the armed forces of the United States. The changes to
15 this subdivision (b) (3) made by Public Act 86-272 shall
16 apply not only to persons who on or after its effective
17 date (August 23, 1989) are in service as a teacher under
18 the System, but also to persons whose status as such a
19 teacher terminated prior to such effective date, whether or
20 not such person is an annuitant on that date.

21 (4) Any periods served as a member of the General
22 Assembly.

23 (5) (i) Any periods for which a teacher, as defined in
24 Section 16-106, is granted a leave of absence, provided he
25 or she returns to teaching service creditable under this
26 System or the State Universities Retirement System

1 following the leave; (ii) periods during which a teacher is
2 involuntarily laid off from teaching, provided he or she
3 returns to teaching following the lay-off; (iii) periods
4 prior to July 1, 1983 during which a teacher ceased covered
5 employment due to pregnancy, provided that the teacher
6 returned to teaching service creditable under this System
7 or the State Universities Retirement System following the
8 pregnancy and submits evidence satisfactory to the Board
9 documenting that the employment ceased due to pregnancy;
10 and (iv) periods prior to July 1, 1983 during which a
11 teacher ceased covered employment for the purpose of
12 adopting an infant under 3 years of age or caring for a
13 newly adopted infant under 3 years of age, provided that
14 the teacher returned to teaching service creditable under
15 this System or the State Universities Retirement System
16 following the adoption and submits evidence satisfactory
17 to the Board documenting that the employment ceased for the
18 purpose of adopting an infant under 3 years of age or
19 caring for a newly adopted infant under 3 years of age.
20 However, total credit under this paragraph (5) may not
21 exceed 3 years.

22 Any qualified member or annuitant may apply for credit
23 under item (iii) or (iv) of this paragraph (5) without
24 regard to whether service was terminated before the
25 effective date of this amendatory Act of 1997. In the case
26 of an annuitant who establishes credit under item (iii) or

1 (iv), the annuity shall be recalculated to include the
2 additional service credit. The increase in annuity shall
3 take effect on the date the System receives written
4 notification of the annuitant's intent to purchase the
5 credit, if the required evidence is submitted and the
6 required contribution paid within 60 days of that
7 notification, otherwise on the first annuity payment date
8 following the System's receipt of the required evidence and
9 contribution. The increase in an annuity recalculated
10 under this provision shall be included in the calculation
11 of automatic annual increases in the annuity accruing after
12 the effective date of the recalculation.

13 Optional credit may be purchased under this subsection
14 (b) (5) for periods during which a teacher has been granted
15 a leave of absence pursuant to Section 24-13 of the School
16 Code. A teacher whose service under this Article terminated
17 prior to the effective date of P.A. 86-1488 shall be
18 eligible to purchase such optional credit. If a teacher who
19 purchases this optional credit is already receiving a
20 retirement annuity under this Article, the annuity shall be
21 recalculated as if the annuitant had applied for the leave
22 of absence credit at the time of retirement. The difference
23 between the entitled annuity and the actual annuity shall
24 be credited to the purchase of the optional credit. The
25 remainder of the purchase cost of the optional credit shall
26 be paid on or before April 1, 1992.

1 The change in this paragraph made by Public Act 86-273
2 shall be applicable to teachers who retire after June 1,
3 1989, as well as to teachers who are in service on that
4 date.

5 (6) Any days of unused and uncompensated accumulated
6 sick leave earned by a teacher who first became a
7 participant in the System before the effective date of this
8 amendatory Act of the 97th General Assembly. The service
9 credit granted under this paragraph shall be the ratio of
10 the number of unused and uncompensated accumulated sick
11 leave days to 170 days, subject to a maximum of 2 years of
12 service credit. Prior to the member's retirement, each
13 former employer shall certify to the System the number of
14 unused and uncompensated accumulated sick leave days
15 credited to the member at the time of termination of
16 service. The period of unused sick leave shall not be
17 considered in determining the effective date of
18 retirement. A member is not required to make contributions
19 in order to obtain service credit for unused sick leave.

20 Credit for sick leave shall, at retirement, be granted
21 by the System for any retiring regional or assistant
22 regional superintendent of schools who first became a
23 participant in this System before the effective date of
24 this amendatory Act of the 97th General Assembly at the
25 rate of 6 days per year of creditable service or portion
26 thereof established while serving as such superintendent

1 or assistant superintendent.

2 Service credit is not available for unused sick leave
3 accumulated by a teacher who first becomes a participant in
4 this System on or after the effective date of this amendatory
5 Act of the 97th General Assembly.

6 (7) Periods prior to February 1, 1987 served as an
7 employee of the Illinois Mathematics and Science Academy
8 for which credit has not been terminated under Section
9 15-113.9 of this Code.

10 (8) Service as a substitute teacher for work performed
11 prior to July 1, 1990.

12 (9) Service as a part-time teacher for work performed
13 prior to July 1, 1990.

14 (10) Up to 2 years of employment with Southern Illinois
15 University - Carbondale from September 1, 1959 to August
16 31, 1961, or with Governors State University from September
17 1, 1972 to August 31, 1974, for which the teacher has no
18 credit under Article 15. To receive credit under this item
19 (10), a teacher must apply in writing to the Board and pay
20 the required contributions before May 1, 1993 and have at
21 least 12 years of service credit under this Article.

22 (b-1) A member may establish optional credit for up to 2
23 years of service as a teacher or administrator employed by a
24 private school recognized by the Illinois State Board of
25 Education, provided that the teacher (i) was certified under
26 the law governing the certification of teachers at the time the

1 service was rendered, (ii) applies in writing on or after
2 August 1, 2009 and on or before August 1, 2012, (iii) supplies
3 satisfactory evidence of the employment, (iv) completes at
4 least 10 years of contributing service as a teacher as defined
5 in Section 16-106, and (v) pays the contribution required in
6 subsection (d-5) of Section 16-128. The member may apply for
7 credit under this subsection and pay the required contribution
8 before completing the 10 years of contributing service required
9 under item (iv), but the credit may not be used until the item
10 (iv) contributing service requirement has been met.

11 (c) The service credits specified in this Section shall be
12 granted only if: (1) such service credits are not used for
13 credit in any other statutory tax-supported public employee
14 retirement system other than the federal Social Security
15 program; and (2) the member makes the required contributions as
16 specified in Section 16-128. Except as provided in subsection
17 (b-1) of this Section, the service credit shall be effective as
18 of the date the required contributions are completed.

19 Any service credits granted under this Section shall
20 terminate upon cessation of membership for any cause.

21 Credit may not be granted under this Section covering any
22 period for which an age retirement or disability retirement
23 allowance has been paid.

24 (Source: P.A. 96-546, eff. 8-17-09.)

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

3 (a) Except as otherwise provided in this Section, the ~~The~~
4 State shall make contributions to the System by means of
5 appropriations from the Common School Fund and other State
6 funds of amounts which, together with other employer
7 contributions, employee contributions, investment income, and
8 other income, will be sufficient to meet the cost of
9 maintaining and administering the System on a 90% funded basis
10 in accordance with actuarial recommendations.

11 Beginning with State fiscal year 2014, the employers under
12 this Article shall be responsible for paying the normal costs
13 of the System plus the amounts required to amortize any total
14 cost of the benefits of the System arising on or after July 1,
15 2013.

16 Beginning with State fiscal year 2014, the State's required
17 contributions to the System shall be limited to the amounts
18 required to amortize the total cost of the benefits of the
19 System arising before July 1, 2013, plus any employer
20 contributions required from the State as the actual employer of
21 participants under this Article.

22 The Board shall determine the amount of State and employer
23 contributions required for each fiscal year on the basis of the
24 actuarial tables and other assumptions adopted by the Board and
25 the recommendations of the actuary, using the formulas provided
26 in this Section ~~formula in subsection (b-3).~~

1 (a-1) Annually, on or before November 15 until November 15,
2 2011, the Board shall certify to the Governor the amount of the
3 required State contribution for the coming fiscal year. The
4 certification under this subsection (a-1) shall include a copy
5 of the actuarial recommendations upon which it is based and
6 shall specifically identify the System's projected State
7 normal cost for that fiscal year.

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

14 On or before July 1, 2005 ~~April 1, 2011~~, the Board shall
15 recalculate and recertify to the Governor the amount of the
16 required State contribution to the System for State fiscal year
17 2006, taking into account the changes in required State
18 contributions made by this amendatory Act of the 94th General
19 Assembly.

20 On or before April 1, 2011 ~~June 15, 2010~~, the Board shall
21 recalculate and recertify to the Governor the amount of the
22 required State contribution to the System for State fiscal year
23 2011, applying the changes made by Public Act 96-889 to the
24 System's assets and liabilities as of June 30, 2009 as though
25 Public Act 96-889 was approved on that date.

26 (a-5) On or before November 1 of each year, beginning

1 November 1, 2012, the Board shall submit to the State Actuary,
2 the Governor, and the General Assembly a proposed certification
3 of the amount of the required State contribution to the System
4 for the next fiscal year, along with all of the actuarial
5 assumptions, calculations, and data upon which that proposed
6 certification is based. On or before January 1 of each year,
7 beginning January 1, 2013, the State Actuary shall issue a
8 preliminary report concerning the proposed certification and
9 identifying, if necessary, recommended changes in actuarial
10 assumptions that the Board must consider before finalizing its
11 certification of the required State contributions. On or before
12 January 15, 2013 and each January 15 thereafter, the Board
13 shall certify to the Governor and the General Assembly the
14 amount of the required State contribution for the next fiscal
15 year. The Board's certification must note any deviations from
16 the State Actuary's recommended changes, the reason or reasons
17 for not following the State Actuary's recommended changes, and
18 the fiscal impact of not following the State Actuary's
19 recommended changes on the required State contribution.

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

23 (b-1) Beginning in State fiscal year 1996, on the 15th day
24 of each month, or as soon thereafter as may be practicable, the
25 Board shall submit vouchers for payment of State contributions
26 to the System, in a total monthly amount of one-twelfth of the

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

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

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

23 (b-3) For State fiscal years 2012 and 2013 ~~through 2015~~,
24 the minimum contribution to the System to be made by the State
25 for each fiscal year shall be an amount determined by the
26 System to be sufficient to bring the total assets of the System

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

8 Except as provided in subsection (b-5), for State fiscal
9 years 2014 through 2045 or until the State has amortized 100%
10 of the total cost of benefits accrued by July 1, 2013,
11 whichever is earlier, in addition to any employer contributions
12 required from the State as an employer, the minimum
13 contribution to the System to be made by the State for each
14 fiscal year shall be an amount determined by the Board to be
15 sufficient to amortize, by the end of State fiscal year 2045,
16 the total cost of the benefits of the System arising before
17 July 1, 2013. In making these determinations, the required
18 State contribution shall be calculated each year as a level
19 percentage of payroll over the years remaining to and including
20 fiscal year 2043 and shall be determined under the projected
21 unit credit actuarial cost method.

22 Except as provided in subsection (b-5), beginning in State
23 fiscal year 2046 or on the date that the State has amortized
24 100% of the total cost of benefits accrued by July 1, 2013,
25 whichever is earlier, the State has no further obligation to
26 make contributions to the System under this subsection (b-3).

1 For State fiscal years 1996 through 2005, the State
2 contribution to the System, as a percentage of the applicable
3 employee payroll, shall be increased in equal annual increments
4 so that by State fiscal year 2011, the State is contributing at
5 the rate required under this Section; except that in the
6 following specified State fiscal years, the State contribution
7 to the System shall not be less than the following indicated
8 percentages of the applicable employee payroll, even if the
9 indicated percentage will produce a State contribution in
10 excess of the amount otherwise required under this subsection
11 and subsection (a), and notwithstanding any contrary
12 certification made under subsection (a-1) before the effective
13 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
14 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
15 2003; and 13.56% in FY 2004.

16 Notwithstanding any other provision of this Article, the
17 total required State contribution for State fiscal year 2006 is
18 \$534,627,700.

19 Notwithstanding any other provision of this Article, the
20 total required State contribution for State fiscal year 2007 is
21 \$738,014,500.

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

1 contributing at the rate otherwise required under this Section.

2 Notwithstanding any other provision of this Article, the
3 total required State contribution for State fiscal year 2010 is
4 \$2,089,268,000 and shall be made from the proceeds of bonds
5 sold in fiscal year 2010 pursuant to Section 7.2 of the General
6 Obligation Bond Act, less (i) the pro rata share of bond sale
7 expenses determined by the System's share of total bond
8 proceeds, (ii) any amounts received from the Common School Fund
9 in fiscal year 2010, and (iii) any reduction in bond proceeds
10 due to the issuance of discounted bonds, if applicable.

11 Notwithstanding any other provision of this Article, the
12 total required State contribution for State fiscal year 2011 is
13 the amount recertified by the System on or before April 1, 2011
14 pursuant to subsection (a-1) of this Section and shall be made
15 from the proceeds of bonds sold in fiscal year 2011 pursuant to
16 Section 7.2 of the General Obligation Bond Act, less (i) the
17 pro rata share of bond sale expenses determined by the System's
18 share of total bond proceeds, (ii) any amounts received from
19 the Common School Fund in fiscal year 2011, and (iii) any
20 reduction in bond proceeds due to the issuance of discounted
21 bonds, if applicable. This amount shall include, in addition to
22 the amount certified by the System, an amount necessary to meet
23 employer contributions required by the State as an employer
24 under paragraph (e) of this Section, which may also be used by
25 the System for contributions required by paragraph (a) of
26 Section 16-127.

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

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

17 Notwithstanding any other provision of this Section, the
18 required State contribution for State fiscal year 2005 and for
19 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,
20 as calculated under this Section and certified under subsection
21 (a-1), shall not exceed an amount equal to (i) the amount of
22 the required State contribution that would have been calculated
23 under this Section for that fiscal year if the System had not
24 received any payments under subsection (d) of Section 7.2 of
25 the General Obligation Bond Act, minus (ii) the portion of the
26 State's total debt service payments for that fiscal year on the

1 bonds issued in fiscal year 2003 for the purposes of that
2 Section 7.2, as determined and certified by the Comptroller,
3 that is the same as the System's portion of the total moneys
4 distributed under subsection (d) of Section 7.2 of the General
5 Obligation Bond Act. In determining this maximum for State
6 fiscal years 2008 through 2010, however, the amount referred to
7 in item (i) shall be increased, as a percentage of the
8 applicable employee payroll, in equal increments calculated
9 from the sum of the required State contribution for State
10 fiscal year 2007 plus the applicable portion of the State's
11 total debt service payments for fiscal year 2007 on the bonds
12 issued in fiscal year 2003 for the purposes of Section 7.2 of
13 the General Obligation Bond Act, so that, by State fiscal year
14 2011, the State is contributing at the rate otherwise required
15 under this Section.

16 (b-5) If at least 50% of Tier I employees making an
17 election under Section 16-131.7 before June 1, 2013 choose the
18 option under paragraph (1) of subsection (a) of that Section,
19 then beginning in State fiscal year 2014, instead of the
20 contributions specified in subsection (b-3) of this Section,
21 the State contributions specified in subsection (b-7) of this
22 Section shall be paid.

23 In making its initial certification of the annual required
24 contribution by the State for State fiscal year 2014, the Board
25 shall assume that the new funding formula provided in
26 subsection (b-7) of this Section applies. If fewer than 50% of

1 Tier I employees making an election under Section 16-131.7
2 before June 1, 2013 choose the option under paragraph (1) of
3 subsection (a) of that Section, then:

4 (1) instead of the contributions specified in
5 subsection (b-7) of this Section, the State contributions
6 specified in subsection (b-3) shall continue to be paid;
7 and

8 (2) as soon as possible after June 1, 2013, the Board
9 shall recertify the annual required contribution by the
10 State for State fiscal year 2014.

11 (b-7) For State fiscal years 2014 through 2043 or until the
12 State has amortized 100% of the total cost of benefits accrued
13 by July 1, 2013, whichever is earlier, in addition to any
14 employer contributions required from the State as an employer,
15 the minimum contribution to the System to be made by the State
16 for each fiscal year shall be an amount determined by the Board
17 to be sufficient to amortize, by the end of State fiscal year
18 2043, the total cost of the benefits of the System arising
19 before July 1, 2013. In making these determinations, the
20 required State contribution shall be calculated each year as a
21 level percentage of payroll over the years remaining to and
22 including fiscal year 2043 and shall be determined under the
23 projected unit credit actuarial cost method.

24 Beginning in State fiscal year 2044 or on the date that the
25 State has amortized 100% of the total cost of benefits accrued
26 by July 1, 2013, whichever is earlier, the State has no further

1 obligation to make contributions to the System under this
2 subsection (a-5).

3 (b-10) Subject to the limitations provided in subsection
4 (b-15), beginning with State fiscal year 2014, the minimum
5 required contribution of employers under this Article shall be
6 determined as a percentage of projected payroll, and shall be
7 sufficient to produce an annual amount equal to:

8 (i) the employer's normal cost for that fiscal year for
9 employees who first became participating employees before
10 July 1, 2013; plus

11 (ii) the employer's normal cost for that fiscal year
12 for employees who first become participating employees on
13 or after July 1, 2013; plus

14 (iii) the amount required for that fiscal year to
15 amortize any unfunded actuarial accrued liability arising
16 on or after July 1, 2013 as a level percentage of payroll
17 over a 30-year rolling amortization period.

18 Any contributions required from an employer under
19 subsection (f) of this Section are in addition to the
20 contributions required under this subsection (b-10).

21 (b-15) For State fiscal year 2014, the required
22 contribution of employers under item (i) of subsection (b-10)
23 shall be reduced to an amount equal to 1% of payroll.

24 For each fiscal year thereafter, until the Board determines
25 and certifies to the Governor that employers are contributing
26 under item (i) of subsection (b-10) the full amount actually

1 specified by item (i) of subsection (b-10), the required
2 contribution of employers under item (i) of subsection (b-10)
3 shall be the percentage of payroll required under this
4 subsection from the previous fiscal year increased by 1% of
5 payroll for each of State fiscal years 2015 through 2019, and
6 increased by 0.5% of payroll for each State fiscal year after
7 2019.

8 Contributions required of employers under items (ii) and
9 (iii) of subsection (b-10), under subsection (f), and under any
10 other applicable provision of this Section are in addition to
11 contributions required under item (i) of subsection (b-10).

12 (b-20) Beginning in State fiscal year 2015 and continuing
13 until the Board determines and certifies to the Governor that
14 employers are contributing under item (i) of subsection (b-10)
15 the full amount actually specified by item (i) of subsection
16 (b-10), the State shall make an additional contribution to the
17 System for each fiscal year, equal to the difference between
18 (1) the total contribution calculated under item (i) of
19 subsection (b-10) for all employers for that fiscal year, and
20 (2) the amount of such total contribution as reduced under
21 subsection (b-15).

22 The State contribution under this subsection (b-20) is in
23 addition to the State contributions required under subsection
24 (b-3) or (b-7) and any contributions required to be paid by the
25 State as an employer under subsections (b-10) and (f) of this
26 Section.

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

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

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

23 However, with respect to benefits granted under Section
24 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
25 of Section 16-106, the employer's contribution shall be 12%
26 (rather than 20%) of the member's highest annual salary rate

1 for each year of creditable service granted, and the employer
2 shall also pay the required employee contribution on behalf of
3 the teacher. For the purposes of Sections 16-133.4 and
4 16-133.5, a teacher as defined in paragraph (8) of Section
5 16-106 who is serving in that capacity while on leave of
6 absence from another employer under this Article shall not be
7 considered an employee of the employer from which the teacher
8 is on leave.

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

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

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

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

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

26 Each employer of teachers is entitled to a credit against

1 the contributions required under this subsection (e) with
2 respect to salaries paid to teachers for the period January 1,
3 2002 through June 30, 2003, equal to the amount paid by that
4 employer under subsection (a-5) of Section 6.6 of the State
5 Employees Group Insurance Act of 1971 with respect to salaries
6 paid to teachers for that period.

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

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

24 (f) The employer contributions under this subsection (f)
25 are no longer required after June 30, 2013.

26 If the amount of a teacher's salary for any school year

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

24 Whenever it determines that a payment is or may be required
25 under this subsection, the System shall calculate the amount of
26 the payment and bill the employer for that amount. The bill

1 shall specify the calculations used to determine the amount
2 due. If the employer disputes the amount of the bill, it may,
3 within 30 days after receipt of the bill, apply to the System
4 in writing for a recalculation. The application must specify in
5 detail the grounds of the dispute and, if the employer asserts
6 that the calculation is subject to subsection (g) or (h) of
7 this Section, must include an affidavit setting forth and
8 attesting to all facts within the employer's knowledge that are
9 pertinent to the applicability of that subsection. Upon
10 receiving a timely application for recalculation, the System
11 shall review the application and, if appropriate, recalculate
12 the amount due.

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

22 (g) This subsection (g) applies only to payments made or
23 salary increases given on or after June 1, 2005 but before July
24 1, 2011. The changes made by Public Act 94-1057 shall not
25 require the System to refund any payments received before July
26 31, 2006 (the effective date of Public Act 94-1057).

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

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

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

19 When assessing payment for any amount due under subsection
20 (f), the System shall exclude a salary increase resulting from
21 a promotion (i) for which the employee is required to hold a
22 certificate or supervisory endorsement issued by the State
23 Teacher Certification Board that is a different certification
24 or supervisory endorsement than is required for the teacher's
25 previous position and (ii) to a position that has existed and
26 been filled by a member for no less than one complete academic

1 year and the salary increase from the promotion is an increase
2 that results in an amount no greater than the lesser of the
3 average salary paid for other similar positions in the district
4 requiring the same certification or the amount stipulated in
5 the collective bargaining agreement for a similar position
6 requiring the same certification.

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

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

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

26 (1) The number of recalculations required by the

1 changes made to this Section by Public Act 94-1057 for each
2 employer.

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

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

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

12 (j) For purposes of determining the required State
13 contribution to the System, the value of the System's assets
14 shall be equal to the actuarial value of the System's assets,
15 which shall be calculated as follows:

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

23 (k) For purposes of determining the required State
24 contribution to the system for a particular year, the actuarial
25 value of assets shall be assumed to earn a rate of return equal
26 to the system's actuarially assumed rate of return.

1 (1) If the System submits a voucher for monthly
2 contributions from the State as required by this Section and
3 the State fails to pay within 90 days of receipt of such a
4 voucher, the Board shall submit a written request to the
5 Comptroller seeking payment. A copy of the request shall be
6 filed with the Secretary of State, and the Secretary of State
7 shall provide copies to the Governor and General Assembly. No
8 earlier than the 16th day after filing a request with the
9 Secretary of State, the Board shall have the right to commence
10 a mandamus action in the Supreme Court of Illinois to compel
11 the Comptroller to satisfy the voucher by making payment from
12 the General Revenue Fund. This Section constitutes an express
13 waiver of the State's sovereign immunity solely to the extent
14 it permits the Board to commence a mandamus action in the
15 Illinois Supreme Court to compel the Comptroller to pay a
16 voucher for monthly contributions from the State as required in
17 this Section.

18 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
19 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
20 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

21 (40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

22 Sec. 18-140. To certify required State contributions and
23 submit vouchers.

24 (a) The Board shall certify to the Governor, on or before
25 November 15 of each year until November 15, 2011, the amount of

1 the required State contribution to the System for the following
2 fiscal year and shall specifically identify the System's
3 projected State normal cost for that fiscal year. The
4 certification shall include a copy of the actuarial
5 recommendations upon which it is based and shall specifically
6 identify the System's projected State normal cost for that
7 fiscal year.

8 On or before November 1 of each year, beginning November 1,
9 2012, the Board shall submit to the State Actuary, the
10 Governor, and the General Assembly a proposed certification of
11 the amount of the required State contribution to the System for
12 the next fiscal year, along with all of the actuarial
13 assumptions, calculations, and data upon which that proposed
14 certification is based. On or before January 1 of each year
15 beginning January 1, 2013, the State Actuary shall issue a
16 preliminary report concerning the proposed certification and
17 identifying, if necessary, recommended changes in actuarial
18 assumptions that the Board must consider before finalizing its
19 certification of the required State contributions. On or before
20 January 15, 2013 and every January 15 thereafter, the Board
21 shall certify to the Governor and the General Assembly the
22 amount of the required State contribution for the next fiscal
23 year. The Board's certification must note any deviations from
24 the State Actuary's recommended changes, the reason or reasons
25 for not following the State Actuary's recommended changes, and
26 the fiscal impact of not following the State Actuary's

1 recommended changes on the required State contribution.

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

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

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

19 (b) Beginning in State fiscal year 1996, on or as soon as
20 possible after the 15th day of each month the Board shall
21 submit vouchers for payment of State contributions to the
22 System, in a total monthly amount of one-twelfth of the
23 required annual State contribution certified under subsection
24 (a). From the effective date of this amendatory Act of the 93rd
25 General Assembly through June 30, 2004, the Board shall not
26 submit vouchers for the remainder of fiscal year 2004 in excess

1 of the fiscal year 2004 certified contribution amount
2 determined under this Section after taking into consideration
3 the transfer to the System under subsection (c) of Section
4 6z-61 of the State Finance Act. These vouchers shall be paid by
5 the State Comptroller and Treasurer by warrants drawn on the
6 funds appropriated to the System for that fiscal year.

7 If in any month the amount remaining unexpended from all
8 other appropriations to the System for the applicable fiscal
9 year (including the appropriations to the System under Section
10 8.12 of the State Finance Act and Section 1 of the State
11 Pension Funds Continuing Appropriation Act) is less than the
12 amount lawfully vouchered under this Section, the difference
13 shall be paid from the General Revenue Fund under the
14 continuing appropriation authority provided in Section 1.1 of
15 the State Pension Funds Continuing Appropriation Act.

16 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11.)

17 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

18 Sec. 20-121. Calculation of proportional retirement
19 annuities. Upon retirement of the employee, a proportional
20 retirement annuity shall be computed by each participating
21 system in which pension credit has been established on the
22 basis of pension credits under each system. The computation
23 shall be in accordance with the formula or method prescribed by
24 each participating system which is in effect at the date of the
25 employee's latest withdrawal from service covered by any of the

1 systems in which he has pension credits which he elects to have
2 considered under this Article. However, (1) the amount of any
3 retirement annuity payable under the self-managed plan
4 established under Section 15-158.2 of this Code depends solely
5 on the value of the participant's vested account balances and
6 is not subject to any proportional adjustment under this
7 Section, and (2) the amount of any retirement annuity payable
8 under the cash balance plan established under Section 1-161 of
9 this Code shall be calculated solely in accordance with that
10 Section and is not subject to any proportional adjustment under
11 this Section.

12 Combined pension credit under all retirement systems
13 subject to this Article shall be considered in determining
14 whether the minimum qualification has been met and the formula
15 or method of computation which shall be applied. If a system
16 has a step-rate formula for calculation of the retirement
17 annuity, pension credits covering previous service which have
18 been established under another system shall be considered in
19 determining which range or ranges of the step-rate formula are
20 to be applicable to the employee.

21 Interest on pension credit shall continue to accumulate in
22 accordance with the provisions of the law governing the
23 retirement system in which the same has been established during
24 the time an employee is in the service of another employer, on
25 the assumption such employee, for interest purposes for pension
26 credit, is continuing in the service covered by such retirement

1 system.

2 (Source: P.A. 91-887, eff. 7-6-00.)

3 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

4 Sec. 20-123. Survivor's annuity. The provisions governing
5 a retirement annuity shall be applicable to a survivor's
6 annuity. Appropriate credits shall be established for
7 survivor's annuity purposes in those participating systems
8 which provide survivor's annuities, according to the same
9 conditions and subject to the same limitations and restrictions
10 herein prescribed for a retirement annuity. If a participating
11 system has no survivor's annuity benefit, or if the survivor's
12 annuity benefit under that system is waived, pension credit
13 established in that system shall not be considered in
14 determining eligibility for or the amount of the survivor's
15 annuity which may be payable by any other participating system.

16 For persons who participate in the self-managed plan
17 established under Section 15-158.2 or the portable benefit
18 package established under Section 15-136.4, pension credit
19 established under Article 15 may be considered in determining
20 eligibility for or the amount of the survivor's annuity that is
21 payable by any other participating system, but pension credit
22 established in any other system shall not result in any right
23 to a survivor's annuity under the Article 15 system.

24 For persons who participate in the cash balance plan
25 established under Section 1-161, pension credit established

1 under the participating system with respect to which the person
2 participates in the cash balance plan may be considered in
3 determining eligibility for or the amount of the survivor's
4 annuity that is payable by any other participating system with
5 respect to which the person does not participate in the cash
6 balance plan, but the amount of any survivor's annuity payable
7 under the cash balance plan established under Section 1-161
8 shall be calculated solely in accordance with that Section.

9 (Source: P.A. 91-887, eff. 7-6-00.)

10 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

11 Sec. 20-124. Maximum benefits.

12 (a) In no event shall the combined retirement or survivors
13 annuities exceed the highest annuity which would have been
14 payable by any participating system in which the employee has
15 pension credits, if all of his pension credits had been
16 validated in that system.

17 If the combined annuities should exceed the highest maximum
18 as determined in accordance with this Section, the respective
19 annuities shall be reduced proportionately according to the
20 ratio which the amount of each proportional annuity bears to
21 the aggregate of all such annuities; except that benefits
22 payable under the cash balance plan established under Section
23 1-161 are not subject to proportionate reduction under this
24 Section.

25 (b) In the case of a participant in the self-managed plan

1 established under Section 15-158.2 of this Code to whom the
2 provisions of this Article apply:

3 (i) For purposes of calculating the combined
4 retirement annuity and the proportionate reduction, if
5 any, in a retirement annuity other than one payable under
6 the self-managed plan, the amount of the Article 15
7 retirement annuity shall be deemed to be the highest
8 annuity to which the annuitant would have been entitled if
9 he or she had participated in the traditional benefit
10 package as defined in Section 15-103.1 rather than the
11 self-managed plan.

12 (ii) For purposes of calculating the combined
13 survivor's annuity and the proportionate reduction, if
14 any, in a survivor's annuity other than one payable under
15 the self-managed plan, the amount of the Article 15
16 survivor's annuity shall be deemed to be the highest
17 survivor's annuity to which the survivor would have been
18 entitled if the deceased employee had participated in the
19 traditional benefit package as defined in Section 15-103.1
20 rather than the self-managed plan.

21 (iii) Benefits payable under the self-managed plan are
22 not subject to proportionate reduction under this Section.

23 (Source: P.A. 91-887, eff. 7-6-00.)

24 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

25 Sec. 20-125. Return to employment - suspension of benefits.

1 If a retired employee returns to employment which is covered by
2 a system from which he is receiving a proportional annuity
3 under this Article, his proportional annuity from all
4 participating systems shall be suspended during the period of
5 re-employment, except that this suspension does not apply to
6 any distributions payable under the self-managed plan
7 established under Section 15-158.2 of this Code.

8 The provisions of the Article under which such employment
9 would be covered (including Section 1-161 in the case of a
10 participant in the cash balance plan) shall govern the
11 determination of whether the employee has returned to
12 employment, and if applicable the exemption of temporary
13 employment or employment not exceeding a specified duration or
14 frequency, for all participating systems from which the retired
15 employee is receiving a proportional annuity under this
16 Article, notwithstanding any contrary provisions in the other
17 Articles governing such systems.

18 (Source: P.A. 91-887, eff. 7-6-00.)

19 Section 35. The School Code is amended by changing Sections
20 24-1 and 24-8 as follows:

21 (105 ILCS 5/24-1) (from Ch. 122, par. 24-1)

22 Sec. 24-1. Appointment - Salaries - Payment - School month
23 - School term.→ School boards shall appoint all teachers,
24 determine qualifications of employment and fix the amount of

1 their salaries subject to any limitation set forth in this Act
2 and subject to any applicable restrictions in Section 15-134.6
3 of the Illinois Pension Code. They shall pay the wages of
4 teachers monthly, subject, however, to the provisions of
5 Section 24-21. The school month shall be the same as the
6 calendar month but by resolution the school board may adopt for
7 its use a month of 20 days, including holidays. The school term
8 shall consist of at least the minimum number of pupil
9 attendance days required by Section 10-19, any additional legal
10 school holidays, days of teachers' institutes, or equivalent
11 professional educational experiences, and one or two days at
12 the beginning of the school term when used as a teachers'
13 workshop.

14 (Source: P.A. 80-249.)

15 (105 ILCS 5/24-8) (from Ch. 122, par. 24-8)

16 Sec. 24-8. Minimum salary. In fixing the salaries of
17 teachers, school boards shall pay those who serve on a
18 full-time basis not less than a rate for the school year that
19 is based upon training completed in a recognized institution of
20 higher learning, as follows: for the school year beginning July
21 1, 1980 and thereafter, less than a bachelor's degree, \$9,000;
22 120 semester hours or more and a bachelor's degree, \$10,000;
23 150 semester hours or more and a master's degree, \$11,000.

24 Based upon previous public school experience in this State
25 or any other State, territory, dependency or possession of the

1 United States, or in schools operated by or under the auspices
2 of the United States, teachers who serve on a full-time basis
3 shall have their salaries increased to at least the following
4 amounts above the starting salary for a teacher in such
5 district in the same classification: with less than a
6 bachelor's degree, \$750 after 5 years; with 120 semester hours
7 or more and a bachelor's degree, \$1,000 after 5 years and
8 \$1,600 after 8 years; with 150 semester hours or more and a
9 master's degree, \$1,250 after 5 years, \$2,000 after 8 years and
10 \$2,750 after 13 years. However, any salary increase is subject
11 to any applicable restrictions in Section 15-134.6 of the
12 Illinois Pension Code.

13 For the purpose of this Section a teacher's salary shall
14 include any amount paid by the school district on behalf of the
15 teacher, as teacher contributions, to the Teachers' Retirement
16 System of the State of Illinois.

17 If a school board establishes a schedule for teachers'
18 salaries based on education and experience, not inconsistent
19 with this Section, all certificated nurses employed by that
20 board shall be paid in accordance with the provisions of such
21 schedule (subject to any applicable restrictions in Section
22 15-134.6 of the Illinois Pension Code).

23 For purposes of this Section, a teacher who submits a
24 certificate of completion to the school office prior to the
25 first day of the school term shall be considered to have the
26 degree stated in such certificate.

1 (Source: P.A. 83-913.)

2 Section 40. The State Universities Civil Service Act is
3 amended by changing Section 36d as follows:

4 (110 ILCS 70/36d) (from Ch. 24 1/2, par. 38b3)

5 Sec. 36d. Powers and duties of the Merit Board.

6 The Merit Board shall have the power and duty-

7 (1) To approve a classification plan prepared under its
8 direction, assigning to each class positions of substantially
9 similar duties. The Merit Board shall have power to delegate to
10 its Director the duty of assigning each position in the
11 classified service to the appropriate class in the
12 classification plan approved by the Merit Board.

13 (2) To prescribe the duties of each class of positions and
14 the qualifications required by employment in that class.

15 (3) To prescribe the range of compensation for each class
16 or to fix a single rate of compensation for employees in a
17 particular class; and to establish other conditions of
18 employment which an employer and employee representatives have
19 agreed upon as fair and equitable. The Merit Board shall direct
20 the payment of the "prevailing rate of wages" in those
21 classifications in which, on January 1, 1952, any employer is
22 paying such prevailing rate and in such other classes as the
23 Merit Board may thereafter determine. "Prevailing rate of
24 wages" as used herein shall be the wages paid generally in the

1 locality in which the work is being performed to employees
2 engaged in work of a similar character. Subject to any
3 applicable restrictions in Section 15-134.6 of the Illinois
4 Pension Code, each ~~Each~~ employer covered by the University
5 System shall be authorized to negotiate with representatives of
6 employees to determine appropriate ranges or rates of
7 compensation or other conditions of employment and may
8 recommend to the Merit Board for establishment the rates or
9 ranges or other conditions of employment which the employer and
10 employee representatives have agreed upon as fair and
11 equitable. Any rates or ranges established prior to January 1,
12 1952, and hereafter, shall not be changed except in accordance
13 with the procedures herein provided.

14 (4) To recommend to the institutions and agencies specified
15 in Section 36e standards for hours of work, holidays, sick
16 leave, overtime compensation and vacation for the purpose of
17 improving conditions of employment covered therein and for the
18 purpose of insuring conformity with the prevailing rate
19 principal.

20 (5) To prescribe standards of examination for each class,
21 the examinations to be related to the duties of such class. The
22 Merit Board shall have power to delegate to the Director and
23 his staff the preparation, conduct and grading of examinations.
24 Examinations may be written, oral, by statement of training and
25 experience, in the form of tests of knowledge, skill, capacity,
26 intellect, aptitude; or, by any other method, which in the

1 judgment of the Merit Board is reasonable and practical for any
2 particular classification. Different examining procedures may
3 be determined for the examinations in different
4 classifications but all examinations in the same
5 classification shall be uniform.

6 (6) To authorize the continuous recruitment of personnel
7 and to that end, to delegate to the Director and his staff the
8 power and the duty to conduct open and continuous competitive
9 examinations for all classifications of employment.

10 (7) To cause to be established from the results of
11 examinations registers for each class of positions in the
12 classified service of the State Universities Civil Service
13 System, of the persons who shall attain the minimum mark fixed
14 by the Merit Board for the examination; and such persons shall
15 take rank upon the registers as candidates in the order of
16 their relative excellence as determined by examination,
17 without reference to priority of time of examination.

18 (8) To provide by its rules for promotions in the
19 classified service. Vacancies shall be filled by promotion
20 whenever practicable. For the purpose of this paragraph, an
21 advancement in class shall constitute a promotion.

22 (9) To set a probationary period of employment of no less
23 than 6 months and no longer than 12 months for each class of
24 positions in the classification plan, the length of the
25 probationary period for each class to be determined by the
26 Director.

1 (10) To provide by its rules for employment at regular
2 rates of compensation of physically handicapped persons in
3 positions in which the handicap does not prevent the individual
4 from furnishing satisfactory service.

5 (11) To make and publish rules, to carry out the purpose of
6 the State Universities Civil Service System and for
7 examination, appointments, transfers and removals and for
8 maintaining and keeping records of the efficiency of officers
9 and employees and groups of officers and employees in
10 accordance with the provisions of Sections 36b to 36q,
11 inclusive, and said Merit Board may from time to time make
12 changes in such rules.

13 (12) To appoint a Director and such assistants and other
14 clerical and technical help as may be necessary efficiently to
15 administer Sections 36b to 36q, inclusive. To authorize the
16 Director to appoint an assistant resident at the place of
17 employment of each employer specified in Section 36e and this
18 assistant may be authorized to give examinations and to certify
19 names from the regional registers provided in Section 36k.

20 (13) To submit to the Governor of this state on or before
21 November 1 of each year prior to the regular session of the
22 General Assembly a report of the University System's business
23 and an estimate of the amount of appropriation from state funds
24 required for the purpose of administering the University
25 System.

26 (Source: P.A. 82-524.)

1 Section 45. The University of Illinois Act is amended by
2 adding Section 80 as follows:

3 (110 ILCS 305/80 new)

4 Sec. 80. Future increases in income. The University of
5 Illinois must not pay, offer, or agree to pay any future
6 increase in income, as that term is defined in Section 15-134.6
7 of the Illinois Pension Code, to any person in a manner that
8 violates any of those Sections.

9 Section 50. The Southern Illinois University Management
10 Act is amended by adding Section 65 as follows:

11 (110 ILCS 520/65 new)

12 Sec. 65. Future increases in income. Southern Illinois
13 University must not pay, offer, or agree to pay any future
14 increase in income, as that term is defined in Section 15-134.6
15 of the Illinois Pension Code, to any person in a manner that
16 violates any of those Sections.

17 Section 55. The Chicago State University Law is amended by
18 adding Section 5-175 as follows:

19 (110 ILCS 660/5-175 new)

20 Sec. 5-175. Future increases in income. Chicago State

1 University must not pay, offer, or agree to pay any future
2 increase in income, as that term is defined in Section 15-134.6
3 of the Illinois Pension Code, to any person in a manner that
4 violates any of those Sections.

5 Section 60. The Eastern Illinois University Law is amended
6 by adding Section 10-175 as follows:

7 (110 ILCS 665/10-175 new)

8 Sec. 10-175. Future increases in income. Eastern Illinois
9 University must not pay, offer, or agree to pay any future
10 increase in income, as that term is defined in Section 15-134.6
11 of the Illinois Pension Code, to any person in a manner that
12 violates any of those Sections.

13 Section 65. The Governors State University Law is amended
14 by adding Section 15-175 as follows:

15 (110 ILCS 670/15-175 new)

16 Sec. 15-175. Future increases in income. Governors State
17 University must not pay, offer, or agree to pay any future
18 increase in income, as that term is defined in Section 15-134.6
19 of the Illinois Pension Code, to any person in a manner that
20 violates any of those Sections.

21 Section 70. The Illinois State University Law is amended by

1 adding Section 20-180 as follows:

2 (110 ILCS 675/20-180 new)

3 Sec. 20-180. Future increases in income. Illinois State
4 University must not pay, offer, or agree to pay any future
5 increase in income, as that term is defined in Section 15-134.6
6 of the Illinois Pension Code, to any person in a manner that
7 violates any of those Sections.

8 Section 75. The Northeastern Illinois University Law is
9 amended by adding Section 25-175 as follows:

10 (110 ILCS 680/25-175 new)

11 Sec. 25-175. Future increases in income. Northeastern
12 Illinois University must not pay, offer, or agree to pay any
13 future increase in income, as that term is defined in Section
14 15-134.6 of the Illinois Pension Code, to any person in a
15 manner that violates any of those Sections.

16 Section 80. The Northern Illinois University Law is amended
17 by adding Section 30-185 as follows:

18 (110 ILCS 685/30-185 new)

19 Sec. 30-185. Future increases in income. Northern Illinois
20 University must not pay, offer, or agree to pay any future
21 increase in income, as that term is defined in Section 15-134.6

1 of the Illinois Pension Code, to any person in a manner that
2 violates any of those Sections.

3 Section 85. The Western Illinois University Law is amended
4 by adding Section 35-180 as follows:

5 (110 ILCS 690/35-180 new)

6 Sec. 35-180. Future increases in income. Western Illinois
7 University must not pay, offer, or agree to pay any future
8 increase in income, as that term is defined in Section 15-134.6
9 of the Illinois Pension Code, to any person in a manner that
10 violates any of those Sections.

11 Section 90. The Public Community College Act is amended by
12 changing Sections 3-26 and 3-42 as follows:

13 (110 ILCS 805/3-26) (from Ch. 122, par. 103-26)

14 Sec. 3-26. (a) To make appointments and fix the salaries of
15 a chief administrative officer, who shall be the executive
16 officer of the board, other administrative personnel, and all
17 teachers, but subject to any applicable restrictions in Section
18 15-134.6 of the Illinois Pension Code. In making these
19 appointments and fixing the salaries, the board may make no
20 discrimination on account of sex, race, creed, color or
21 national origin.

22 (b) Upon the written request of an employee, to withhold

1 from the compensation of that employee the membership dues of
2 such employee payable to any specified labor organization as
3 defined in the Illinois Educational Labor Relations Act. Under
4 such arrangement, an amount shall be withheld for each regular
5 payroll period which is equal to the prorata share of the
6 annual membership dues plus any payments or contributions and
7 the board shall pay such withholding to the specified labor
8 organization within 10 working days from the time of the
9 withholding.

10 (Source: P.A. 83-1014.)

11 (110 ILCS 805/3-42) (from Ch. 122, par. 103-42)

12 Sec. 3-42. To employ such personnel as may be needed, to
13 establish policies governing their employment and dismissal,
14 and to fix the amount of their compensation, subject to any
15 applicable restrictions in Section 15-134.6 of the Illinois
16 Pension Code. In the employment, establishment of policies and
17 fixing of compensation the board may make no discrimination on
18 account of sex, race, creed, color or national origin.

19 Residence within any community college district or outside
20 any community college district shall not be considered:

21 (a) in determining whether to retain or not retain any
22 employee of a community college employed prior to July 1,
23 1977 or prior to the adoption by the community college
24 board of a resolution making residency within the community
25 college district of some or all employees a condition of

1 employment, whichever is later;

2 (b) in assigning, promoting or transferring any
3 employee of a community college to an office or position
4 employed prior to July 1, 1977 or prior to the adoption by
5 the community college board of a resolution making
6 residency within the community college district of some or
7 all employees a condition of employment, whichever is
8 later; or

9 (c) in determining the salary or other compensation of
10 any employee of a community college.

11 (Source: P.A. 80-248.)

12 Section 95. The Illinois Educational Labor Relations Act is
13 amended by changing Sections 4 and 17 as follows:

14 (115 ILCS 5/4) (from Ch. 48, par. 1704)

15 Sec. 4. Employer rights. Employers shall not be required to
16 bargain over matters of inherent managerial policy, which shall
17 include such areas of discretion or policy as the functions of
18 the employer, standards of services, its overall budget, the
19 organizational structure and selection of new employees and
20 direction of employees. Employers, however, shall be required
21 to bargain collectively with regard to policy matters directly
22 affecting wages (but subject to any applicable restrictions in
23 Section 15-134.6 of the Illinois Pension Code), hours and terms
24 and conditions of employment as well as the impact thereon upon

1 request by employee representatives, but excluding the
2 changes, the impact of changes, and the implementation of the
3 changes set forth in this amendatory Act of the 97th General
4 Assembly. To preserve the rights of employers and exclusive
5 representatives which have established collective bargaining
6 relationships or negotiated collective bargaining agreements
7 prior to the effective date of this Act, employers shall be
8 required to bargain collectively with regard to any matter
9 concerning wages (but subject to subject to any applicable
10 restrictions in Section 15-134.6 of the Illinois Pension Code),
11 hours or conditions of employment about which they have
12 bargained for and agreed to in a collective bargaining
13 agreement prior to the effective date of this Act, but
14 excluding the changes, the impact of changes, and the
15 implementation of the changes set forth in this amendatory Act
16 of the 97th General Assembly.

17 (Source: P.A. 83-1014.)

18 (115 ILCS 5/17) (from Ch. 48, par. 1717)

19 Sec. 17. Effect on other laws. In case of any conflict
20 between the provisions of this Act and any other law (other
21 than Section 15-134.6 of the Illinois Pension Code), executive
22 order or administrative regulation, the provisions of this Act
23 shall prevail and control. The provisions of this Act are
24 subject to any applicable restrictions in Section 15-134.6 of
25 the Illinois Pension Code, as well as the changes, impact of

1 changes, and implementation of changes set forth in this
2 amendatory Act of the 97th General Assembly. Nothing in this
3 Act shall be construed to replace or diminish the rights of
4 employees established by Section 36d of "An Act to create the
5 State Universities Civil Service System", approved May 11,
6 1905, as amended or modified.

7 (Source: P.A. 83-1014.)

8 Section 100. The State Mandates Act is amended by adding
9 Section 8.36 as follows:

10 (30 ILCS 805/8.36 new)

11 Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8
12 of this Act, no reimbursement by the State is required for the
13 implementation of any mandate created by this amendatory Act of
14 the 97th General Assembly.

15 Section 105. Severability and inseverability. The
16 provisions set forth in Sections 5, 15, 20, 25, 35 through 100,
17 and 999 of this Act, as well as Sections 2-134, 7-109,
18 14-135.08, 15-106, 15-107, 15-113.2, 15-113.6, 15-163, 15-165,
19 and 16-106, subsection (a-5) of Section 16-158, and Section
20 18-140 of the Illinois Pension Code, as set forth in Section 30
21 of this Act, are severable pursuant to Section 1.31 of the
22 Statute on Statutes, and are not mutually dependent upon the
23 provisions set forth in any other Section of this Act.

1 Section 10 of this Act and the other provisions of Section 30
2 of this Act are mutually dependent and inseverable. If any of
3 those provision is held invalid other than as applied to a
4 particular person or circumstance, then all of those provisions
5 are invalid.

6 Section 999. Effective date. This Act takes effect upon
7 becoming law.".