



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB6204

by Rep. Mike Fortner

SYNOPSIS AS INTRODUCED:

See Index

Amends the Budget Stabilization Act. Makes changes concerning transfers from the General Revenue Fund to the Pension Stabilization Fund. Amends the General Assembly, State Employees, State Universities, Downstate Teachers, and Judges Articles of the Illinois Pension Code. Requires each State-funded retirement system that does not already have a self-managed plan to establish and maintain one. Authorizes participants to irrevocably elect to participate in such a plan. Provides that, for the purpose of calculating traditional benefit package benefits and contributions, the annual salary of a participant may not, except under certain circumstances, exceed certain limits. Requires participation in the self-managed plan to the extent that a participant's salary exceeds the salary cap. Revises the schedule of contributions for participants. Shifts a portion of the employer contributions for downstate teachers and university employees from the State to the actual employer. Authorizes the boards of trustees of each of these retirement systems to triennially recalculate the normal cost of benefit plans that they offer. Defines "traditional benefit package" and "self-managed plan". Changes the formula for calculating the minimum required State contribution to these systems. Provides that the State is contractually obligated to pay the annual required State contribution to these retirement systems. Contains provisions requiring these retirement systems to bring a mandamus action to compel payment of the required State contribution. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB097 22146 JDS 70877 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

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

4 Section 3. The Budget Stabilization Act is amended by
5 changing Sections 20 and 25 as follows:

6 (30 ILCS 122/20)

7 Sec. 20. Pension Stabilization Fund.

8 (a) The Pension Stabilization Fund is hereby created as a
9 special fund in the State treasury. Moneys in the fund shall be
10 used for the sole purpose of making payments to the designated
11 retirement systems as provided in Section 25.

12 (b) For each fiscal year when the General Assembly's
13 appropriations and transfers or diversions as required by law
14 from general funds do not exceed 99% of the estimated general
15 funds revenues pursuant to subsection (a) of Section 10, the
16 Comptroller shall transfer from the General Revenue Fund as
17 provided by this Section a total amount equal to 0.5% of the
18 estimated general funds revenues to the Pension Stabilization
19 Fund.

20 (c) For each fiscal year through Fiscal Year 2013, when the
21 General Assembly's appropriations and transfers or diversions
22 as required by law from general funds do not exceed 98% of the
23 estimated general funds revenues pursuant to subsection (b) of

1 Section 10, the Comptroller shall transfer from the General
2 Revenue Fund as provided by this Section a total amount equal
3 to 1.0% of the estimated general funds revenues to the Pension
4 Stabilization Fund.

5 (c-5) In Fiscal Year 2014, the State Comptroller shall
6 order transferred and the State Treasurer shall transfer
7 \$4,000,000,000 from the General Revenue Fund to the Pension
8 Stabilization Fund. In each fiscal year thereafter, the State
9 Comptroller shall order transferred and the State Treasurer
10 shall transfer from the General Revenue Fund to the Pension
11 Stabilization Fund the amount transferred under this
12 subsection (c-5) in the previous fiscal year increased by 1.5%.

13 (c-10) In addition, in Fiscal Year 2016 and each fiscal
14 year thereafter, the State Comptroller shall order transferred
15 and the State Treasurer shall transfer \$693,500,000 from the
16 General Revenue Fund to the Pension Stabilization Fund.

17 (c-15) In addition, in Fiscal Year 2020 and each fiscal
18 year thereafter, the State Comptroller shall order transferred
19 and the State Treasurer shall transfer \$900,000,000 from the
20 General Revenue Fund to the Pension Stabilization Fund.

21 (c-20) In addition, in Fiscal Year 2034 and each fiscal
22 year thereafter, the State Comptroller shall order transferred
23 and the State Treasurer shall transfer \$1,100,000,000 from the
24 General Revenue Fund to the Pension Stabilization Fund.

25 (c-25) The transfers made pursuant to subsections (c-5)
26 through (c-20) of this Section shall continue until Fiscal Year

1 2045 or until each of the designated retirement systems, as
2 defined in Section 25, has achieved a funding ratio of at least
3 100%, whichever occurs first.

4 (d) The Comptroller shall transfer 1/12 of the total amount
5 to be transferred each fiscal year under this Section into the
6 Pension Stabilization Fund on the first day of each month of
7 that fiscal year or as soon thereafter as possible; except that
8 the final transfer of the fiscal year shall be made as soon as
9 practical after the August 31 following the end of the fiscal
10 year.

11 Until Fiscal Year 2014, before ~~Before~~ the final transfer
12 for a fiscal year is made, the Comptroller shall reconcile the
13 estimated general funds revenues used in calculating the other
14 transfers under this Section for that fiscal year with the
15 actual general funds revenues for that fiscal year. The final
16 transfer for the fiscal year shall be adjusted so that the
17 total amount transferred under this Section for that fiscal
18 year is equal to the percentage specified in subsection (b) or
19 (c) of this Section, whichever is applicable, of the actual
20 general funds revenues for that fiscal year. The actual general
21 funds revenues for the fiscal year shall be calculated in a
22 manner consistent with subsection (c) of Section 10 of this
23 Act.

24 (Source: P.A. 94-839, eff. 6-6-06.)

1 Sec. 25. Transfers from the Pension Stabilization Fund.

2 (a) As used in this Section, "designated retirement
3 systems" means:

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

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

8 (3) the State Universities Retirement System;

9 (4) the Judges Retirement System of Illinois; and

10 (5) the General Assembly Retirement System.

11 (b) As soon as may be practical after any money is
12 deposited into the Pension Stabilization Fund, the State
13 Comptroller shall apportion the deposited amount among the
14 designated retirement systems and the State Comptroller and
15 State Treasurer shall pay the apportioned amounts to the
16 designated retirement systems. The amount deposited shall be
17 apportioned among the designated retirement systems in
18 proportion to their respective certified State contributions
19 for the State fiscal year in which the payment is made to those
20 systems ~~in the same proportion as their respective portions of~~
21 ~~the total actuarial reserve deficiency of the designated~~
22 ~~retirement systems, as most recently determined by the~~
23 ~~Governor's Office of Management and Budget.~~ Amounts received by
24 a designated retirement system under this Section shall be used
25 for funding the unfunded liabilities of the retirement system.
26 Payments under this Section are authorized by the continuing

1 appropriation under Section 1.7 of the State Pension Funds
2 Continuing Appropriation Act. The total amount transferred to
3 the designated retirement systems in Fiscal Year 2014 shall not
4 be less than \$4,000,000,000. In each Fiscal Year thereafter,
5 the total amount transferred to the designated retirement
6 systems shall not be less than the total amount transferred in
7 the previous fiscal year.

8 (c) At the request of the State Comptroller, the Governor's
9 Office of Management and Budget shall determine the individual
10 and total actuarial reserve deficiencies of the designated
11 retirement systems. For this purpose, the Governor's Office of
12 Management and Budget shall consider the latest available audit
13 and actuarial reports of each of the retirement systems and the
14 relevant reports and statistics of the Public Pension Division
15 of the Department of Financial and Professional Regulation.

16 (d) Payments to the designated retirement systems under
17 this Section shall be in addition to, and not in lieu of, any
18 State contributions required under Section 2-124, 14-131,
19 15-155, 16-158, or 18-131 of the Illinois Pension Code.

20 (Source: P.A. 94-839, eff. 6-6-06.)

21 Section 5. The Illinois Pension Code is amended by adding
22 Sections 2-103.1, 2-103.2, 2-108.2, 2-126.2, 2-134.1,
23 14-103.12a, 14-103.40, 14-103.41, 14-133.2, 14-135.08a,
24 15-112.1, 15-165.1, 16-121.1, 16-122.2, 16-122.3, 16-158.2,
25 16-181.4, 18-111.1, 18-118.1, 18-118.2, 18-133.2, and 18-140.1

1 and by changing Sections 2-124, 2-126, 14-103.10, 14-131,
2 14-133, 15-111, 15-155, 15-157, 15-158.2, 16-121, 16-152,
3 16-158, 18-131, and 18-133 as follows:

4 (40 ILCS 5/2-103.1 new)

5 Sec. 2-103.1. Traditional benefit package. "Traditional
6 benefit package" means the defined benefit retirement program
7 maintained by the System, which includes retirement annuities
8 payable directly from the System, as provided in Sections
9 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
10 payable directly from the System, as provided in Sections
11 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
12 refunds, as provided in Section 2-123.

13 (40 ILCS 5/2-103.2 new)

14 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
15 the defined contribution retirement program maintained by the
16 System, as described in Section 2-126.2. The self-managed plan
17 does not include retirement annuities or survivor's benefits
18 payable directly from the System, as provided in Sections
19 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
20 2-121.3 or refunds determined under Section 2-123.

21 (40 ILCS 5/2-108.2 new)

22 Sec. 2-108.2. Limitation on salary. For the purpose of
23 calculating traditional benefit package benefits and

1 contributions, the annual earnings, salary, or wages of a
2 participant shall not exceed the greater of (i) the amount
3 specified under subsection (b-5) of Section 1-160 or (ii) the
4 annual salary of the participant during the 365 days
5 immediately before the effective date of this Section.

6 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

7 Sec. 2-124. Contributions by State.

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

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

19 (c) For State fiscal years 2012 through 2045, the minimum
20 contribution to the System to be made by the State for each
21 fiscal year shall be an amount determined by the System to be
22 sufficient to bring the total assets of the System up to 100%
23 ~~90%~~ of the total actuarial liabilities of the System by the end
24 of State fiscal year 2045.

25 Pursuant to Article XIII of the 1970 Constitution of the

1 State of Illinois, beginning on July 1, 2013, the State shall,
2 as a retirement benefit to each participant and annuitant of
3 the System be contractually obligated to the System (as a
4 fiduciary and trustee of the participants and annuitants) to
5 pay the Annual Required State Contribution, as determined by
6 the Board of the System using generally accepted actuarial
7 principles, as is necessary to bring the total assets of the
8 System up to 100% of the total actuarial liabilities of the
9 System by fiscal year 2045. As a further retirement benefit and
10 contractual obligation, each fiscal year, the State shall pay
11 to each designated retirement system the Annual Required State
12 Contribution certified by the Board for that fiscal year.
13 Payments of the Annual Required State Contribution for each
14 fiscal year shall be made in equal monthly installments. This
15 Section, and the security it provides to participants and
16 annuitants is intended to be, and is, a contractual right that
17 is part of the pension benefits provided to the participants
18 and annuitants. Notwithstanding anything to the contrary in the
19 Court of Claims Act or any other law, a designated retirement
20 system has the exclusive right to and shall bring a Mandamus
21 action in the Circuit Court of Champaign County against the
22 State to compel the State to make any installment of the Annual
23 Required State Contribution required by this Section,
24 irrespective of other remedies that may be available to the
25 System. Each member or annuitant of the System has the right to
26 bring a Mandamus action against the System in the Circuit Court

1 in any judicial district in which the System maintains an
2 office if the System fails to bring an action specified in this
3 Section, irrespective of other remedies that may be available
4 to the member or annuitant. In making these determinations, the
5 ~~required State contribution shall be calculated each year as a~~
6 ~~level percentage of payroll over the years remaining to and~~
7 ~~including fiscal year 2045 and shall be determined under the~~
8 ~~projected unit credit actuarial cost method.~~

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

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

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

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

26 Notwithstanding any other provision of this Article, the

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

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

21 Beginning in State fiscal year 2046, the minimum State
22 contribution for each fiscal year shall be the amount needed to
23 maintain the total assets of the System at 100% ~~90%~~ of the
24 total actuarial liabilities of the System.

25 Amounts received by the System pursuant to Section 25 of
26 the Budget Stabilization Act or Section 8.12 of the State

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

11 Notwithstanding any other provision of this Section, the
12 required State contribution for State fiscal year 2005 and for
13 fiscal year 2008 and each fiscal year thereafter, as calculated
14 under this Section and certified under Section 2-134, shall not
15 exceed an amount equal to (i) the amount of the required State
16 contribution that would have been calculated under this Section
17 for that fiscal year if the System had not received any
18 payments under subsection (d) of Section 7.2 of the General
19 Obligation Bond Act, minus (ii) the portion of the State's
20 total debt service payments for that fiscal year on the bonds
21 issued in fiscal year 2003 for the purposes of that Section
22 7.2, as determined and certified by the Comptroller, that is
23 the same as the System's portion of the total moneys
24 distributed under subsection (d) of Section 7.2 of the General
25 Obligation Bond Act. In determining this maximum for State
26 fiscal years 2008 through 2010, however, the amount referred to

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

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

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

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

25 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;
26 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.

1 3-18-11; revised 4-6-11.)

2 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

3 Sec. 2-126. Contributions by participants.

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

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

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

25 (c) Beginning July 1, 1967, each participant shall

1 contribute 1% of salary towards the cost of automatic increase
2 in annuity provided in Section 2-119.1. These contributions
3 shall be made concurrently with contributions for retirement
4 annuity purposes.

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

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

1 \$106,800, plus any increases in that amount under Section
2 2-108.1.

3 (e-1) Notwithstanding any provision of this Code to the
4 contrary, (i) for a participant who does not file an election
5 under subsection (a-5) of Section 2-126.2, any contributions on
6 amounts of salary in excess of the amount specified under
7 Section 2-108.2 for that year shall instead be used to finance
8 self-managed plan benefits and (ii) for a participant who files
9 an election under subsection (a-5) of Section 2-126.2, any
10 contributions made after the date of the election, including
11 the contributions for a survivor's annuity, shall be used to
12 finance the benefits under Section 2-126.2. Notwithstanding
13 any provision of this Code to the contrary, a participant who
14 does not file an election under subsection (a-5) of Section
15 2-126.2 shall contribute toward the traditional benefit
16 package a percentage of salary equal to the greater of (i)
17 one-half of the normal cost of the traditional benefit package
18 or (ii) 6% of salary.

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

20 (40 ILCS 5/2-126.2 new)

21 Sec. 2-126.2. Self-managed plan.

22 (a) The General Assembly Retirement System must establish
23 and administer a self-managed plan that shall offer
24 participants the opportunity to accumulate assets for
25 retirement through a combination of participant and State

1 contributions that may be invested in mutual funds, collective
2 investment funds, or other investment products and used to
3 purchase annuity contracts, that are fixed, variable, or a
4 combination of fixed and variable. The plan must be qualified
5 under the Internal Revenue Code of 1986.

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

15 (a-5) A participant may file an irrevocable election to
16 transfer to the self-managed plan an amount equal to the
17 participant's total contributions under the traditional
18 benefit package, with interest. By filing the election, a
19 participant forfeits all accrued rights and benefits under the
20 traditional benefit package.

21 (b) Notwithstanding any other provision of this Code, (i)
22 for a participant who does not file an election under
23 subsection (a-5) of this Section, any portion of his or her
24 salary that exceeds the amount specified in Section 2-108.2 for
25 that year shall be subject to the self-managed plan and (ii)
26 for a participant who files an election under subsection (a-5)

1 of this Section, the entirety of the participant's salary
2 shall, after the date of the election, be subject to the
3 self-managed plan created under this Section.

4 (c) The System shall solicit proposals to provide
5 administrative services and funding vehicles for the
6 self-managed plan from insurance and annuity companies and
7 mutual fund companies, banks, trust companies, or other
8 financial institutions authorized to do business in this State.
9 In reviewing the proposals received and approving and
10 contracting with no fewer than 2 and no more than 7 companies,
11 the Board of Trustees of the System shall consider, among other
12 things, the following criteria:

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

15 (2) the reasonableness of the benefits in relation to
16 the premium charged;

17 (3) the suitability of the benefits to the needs and
18 interests of the participants and the State; and

19 (4) the ability of the company to provide benefits
20 under the contract and the financial stability of the
21 company.

22 The System shall periodically review each approved
23 company. A company may continue to provide administrative
24 services and funding vehicles for the self-managed plan only so
25 long as it continues to be an approved company under contract
26 with the Board.

1 In addition to the companies approved by the System under
2 this subsection (c), the System may offer its participants an
3 investment fund managed by the Illinois State Board of
4 Investment.

5 (d) Participants in the program must be allowed to direct
6 the transfer of their account balances among the various
7 investment options offered, subject to applicable contractual
8 provisions. The participant shall not be deemed a fiduciary by
9 reason of providing such investment direction. A person who is
10 a fiduciary shall not be liable for any loss resulting from
11 that investment direction and shall not be deemed to have
12 breached any fiduciary duty by acting in accordance with that
13 direction. Neither the System nor the State shall guarantee any
14 of the investments in the participant's account balances.

15 (e) Participation in the self-managed plan under this
16 Section shall constitute participation in the General Assembly
17 Retirement System.

18 (f) The self-managed plan shall be funded by contributions
19 from participants in the self-managed plan and State
20 contributions as provided in this Section.

21 The contribution rate for participants in the self-managed
22 plan shall be, (i) for a participant who does not file an
23 election under subsection (a-5) of this Section, 6% of the
24 amount of salary in excess of the limit specified in Section
25 2-108.2 in that year, in addition to the amount specified under
26 subsection (e-1) of Section 2-126 for that year and (ii) for a

1 participant who files an election under subsection (a-5) of
2 Section 2-126.2, 8% of any amount of salary up to and including
3 the limit specified in Section 2-108.2 for that year and 6% of
4 any amount of salary in excess of that limit for that year.
5 This required contribution shall be made as an employer pick-up
6 under Section 414(h) of the Internal Revenue Code of 1986 or
7 any successor Section thereof. Any participant in the System's
8 traditional benefit package prior to his or her election to
9 participate in the self-managed plan shall continue to have the
10 employer pick up the contributions required under Section
11 2-126. However, the amounts picked up after the election of the
12 self-managed plan shall be remitted to and treated as assets of
13 the self-managed plan. In no event shall a participant have the
14 option of receiving these amounts in cash. Participants may
15 make additional contributions to the self-managed plan in
16 accordance with procedures prescribed by the System, to the
17 extent permitted under rules adopted by the System.

18 The program shall provide for State contributions to the
19 self-managed plan in the following amounts: (i) for a
20 participant who does not file an election under subsection
21 (a-5) of this Section, 3% of the amount of salary in excess of
22 the limit specified in Section 2-108.2 for that year and (ii)
23 for a participant who does not file an election under
24 subsection (a-5) of this Section, 7.1% of any amount of salary
25 up to and including the limit specified in Section 2-108.2 for
26 that year and 3% of any amount of salary in excess of that

1 limit for that year.

2 The State of Illinois shall make contributions by
3 appropriations to the System for participants in the
4 self-managed plan under this Section. The amount required shall
5 be certified by the Board of Trustees of the System and paid by
6 the State in accordance with Section 2-134. The System shall
7 not be obligated to remit the required State contributions to
8 any of the insurance and annuity companies, mutual fund
9 companies, banks, trust companies, financial institutions, or
10 other sponsors of any of the funding vehicles offered under the
11 self-managed plan until it has received the required State
12 contributions from the State.

13 (g) If a participant in the self-managed plan who is
14 otherwise vested under this Article terminates employment, the
15 participant shall be entitled to a benefit that is based on the
16 account values attributable to both State and member
17 contributions and any investment return thereon.

18 If a participant in the self-managed plan who is not
19 otherwise vested under this Article terminates employment, the
20 participant shall be entitled to a benefit based solely on the
21 account values attributable to the participant's contributions
22 and any investment return thereon, and the State contributions
23 and any investment return thereon shall be forfeited. Any State
24 contributions that are forfeited shall be held in escrow by the
25 company investing those contributions and shall be used, as
26 directed by the System, for future allocations of State

1 contributions.

2 (40 ILCS 5/2-134.1 new)

3 Sec. 2-134.1. To calculate the normal cost of benefits. To
4 calculate the normal cost of each plan offered by the system as
5 a percentage of salary and to update those amounts at least
6 every 3 years.

7 (40 ILCS 5/14-103.10) (from Ch. 108 1/2, par. 14-103.10)

8 Sec. 14-103.10. Compensation.

9 (a) For periods of service prior to January 1, 1978, the
10 full rate of salary or wages payable to an employee for
11 personal services performed if he worked the full normal
12 working period for his position, subject to the following
13 maximum amounts: (1) prior to July 1, 1951, \$400 per month or
14 \$4,800 per year; (2) between July 1, 1951 and June 30, 1957
15 inclusive, \$625 per month or \$7,500 per year; (3) beginning
16 July 1, 1957, no limitation.

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

20 (b) For periods of service on and after January 1, 1978,
21 all remuneration for personal services performed defined as
22 "wages" under the Social Security Enabling Act, including that
23 part of such remuneration which is in excess of any maximum
24 limitation provided in such Act, and including any benefits

1 received by an employee under a sick pay plan in effect before
2 January 1, 1981, but excluding lump sum salary payments:

- 3 (1) for vacation,
- 4 (2) for accumulated unused sick leave,
- 5 (3) upon discharge or dismissal,
- 6 (4) for approved holidays.

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

12 (d) For periods of service after September 30, 1985,
13 compensation also includes any remuneration for personal
14 services not included as "wages" under the Social Security
15 Enabling Act, which is deducted for purposes of participation
16 in a program established pursuant to Section 125 of the
17 Internal Revenue Code or its successor laws.

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

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

5 (f) Notwithstanding any other provision of this Section,
6 "compensation", except as used in Section 14-133.2, does not
7 include any future increase in income due to a provision in a
8 collectively bargained contract that grants an increase in
9 salary based on an employee's expected date of retirement. The
10 changes made to this Section by this amendatory Act of the 97th
11 General Assembly do not apply to an employee who is covered by
12 a collective bargaining agreement or employment contract that
13 is in effect on the effective date of this amendatory Act of
14 the 97th General Assembly and that provides for such increases,
15 until that agreement or contract expires or is amended or
16 renewed.

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

18 (40 ILCS 5/14-103.12a new)

19 Sec. 14-103.12a. Limitation on compensation. For the
20 purpose of calculating traditional benefit package benefits
21 and contributions, the annual earnings, salary, or wages of a
22 participant shall not exceed the greater of (i) the amount
23 specified under subsection (b-5) of Section 1-160 or (ii) the
24 annual salary of the participant during the 365 days
25 immediately before the effective date of this Section. If,

1 however, an employment contract that is in place on or before
2 the effective date of this Section authorizes an increase in
3 earnings, salary, or wages on or after the effective date of
4 this Section, then the annual earnings, salary, or wages of the
5 participant during the 365 days that immediately precede the
6 date that the contract expires may be used in lieu of the
7 amount specified in item (ii) of this Section.

8 (40 ILCS 5/14-103.40 new)

9 Sec. 14-103.40. Traditional benefit package. "Traditional
10 benefit package" means the defined benefit retirement program
11 maintained by the System, which includes retirement annuities
12 payable directly from the System, as provided in Sections
13 14-107, 14-108, 14-113, and 14-114; survivor's annuities
14 payable directly from the System, as provided in Sections
15 14-120, 14-121, and 14-121.1; and contribution refunds, as
16 provided in Section 14-130.

17 (40 ILCS 5/14-103.41 new)

18 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
19 means the defined contribution retirement program maintained
20 by the System, as described in Section 14-133.2. The
21 self-managed plan does not include retirement annuities or
22 survivor's benefits payable directly from the System, as
23 provided in Sections 14-107, 14-108, 14-113, 14-114, 14-120,
24 14-121, and 14-121.1 or refunds determined under Section

1 14-130.

2 (40 ILCS 5/14-131)

3 Sec. 14-131. Contributions by State.

4 (a) The State shall make contributions to the System by
5 appropriations of amounts which, together with other employer
6 contributions from trust, federal, and other funds, employee
7 contributions, investment income, and other income, will be
8 sufficient to meet the cost of maintaining and administering
9 the System on a 100% ~~90%~~ funded basis in accordance with
10 actuarial recommendations.

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

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

20 The Board shall also determine a State contribution rate
21 for each fiscal year, expressed as a percentage of payroll,
22 based on the total required State contribution for that fiscal
23 year (less the amount received by the System from
24 appropriations under Section 8.12 of the State Finance Act and
25 Section 1 of the State Pension Funds Continuing Appropriation

1 Act, if any, for the fiscal year ending on the June 30
2 immediately preceding the applicable November 15 certification
3 deadline), the estimated payroll (including all forms of
4 compensation) for personal services rendered by eligible
5 employees, and the recommendations of the actuary.

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

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

1 (c-1) Notwithstanding subsection (c) of this Section, for
2 fiscal years 2010, 2012, and 2013 only, contributions by the
3 several departments are not required to be made for General
4 Revenue Funds payrolls processed by the Comptroller. Payrolls
5 paid by the several departments from all other State funds must
6 continue to be processed pursuant to subsection (c) of this
7 Section.

8 (c-2) For State fiscal years 2010, 2012, and 2013 only, on
9 or as soon as possible after the 15th day of each month, the
10 Board shall submit vouchers for payment of State contributions
11 to the System, in a total monthly amount of one-twelfth of the
12 fiscal year General Revenue Fund contribution as certified by
13 the System pursuant to Section 14-135.08 of the Illinois
14 Pension Code.

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

1 Act. The department or other employer shall resume payment of
2 contributions at the commencement of fiscal year 2005.

3 (e) For State fiscal years 2012 through 2045, the minimum
4 contribution to the System to be made by the State for each
5 fiscal year shall be an amount determined by the System to be
6 sufficient to bring the total assets of the System up to 100%
7 ~~90%~~ of the total actuarial liabilities of the System by the end
8 of State fiscal year 2045. In making these determinations, the
9 required State contribution shall be calculated each year as a
10 level percentage of payroll over the years remaining to and
11 including fiscal year 2045 and shall be determined under the
12 projected unit credit actuarial cost method.

13 Pursuant to Article XIII of the 1970 Constitution of the
14 State of Illinois, beginning on July 1, 2013, the State shall,
15 as a retirement benefit to each participant and annuitant of
16 the System be contractually obligated to the System (as a
17 fiduciary and trustee of the participants and annuitants) to
18 pay the Annual Required State Contribution, as determined by
19 the Board of the System using generally accepted actuarial
20 principles, as is necessary to bring the total assets of the
21 System up to 100% of the total actuarial liabilities of the
22 System by the end of State fiscal year 2045. As a further
23 retirement benefit and contractual obligation, each fiscal
24 year, the State shall pay to each designated retirement system
25 the Annual Required State Contribution certified by the Board
26 for that fiscal year. Payments of the Annual Required State

1 Contribution for each fiscal year shall be made in equal
2 monthly installments. This Section, and the security it
3 provides to participants and annuitants is intended to be, and
4 is, a contractual right that is part of the pension benefits
5 provided to the participants and annuitants. Notwithstanding
6 anything to the contrary in the Court of Claims Act or any
7 other law, a designated retirement system has the exclusive
8 right to and shall bring a Mandamus action in the Circuit Court
9 of Champaign County against the State to compel the State to
10 make any installment of the Annual Required State Contribution
11 required by this Section, irrespective of other remedies that
12 may be available to the System. Each member or annuitant of the
13 System has the right to bring a Mandamus action against the
14 System in the Circuit Court in any judicial district in which
15 the System maintains an office if the System fails to bring an
16 action specified in this Section, irrespective of other
17 remedies that may be available to the member or annuitant.

18 For State fiscal years 1996 through 2005, the State
19 contribution to the System, as a percentage of the applicable
20 employee payroll, shall be increased in equal annual increments
21 so that by State fiscal year 2011, the State is contributing at
22 the rate required under this Section; except that (i) for State
23 fiscal year 1998, for all purposes of this Code and any other
24 law of this State, the certified percentage of the applicable
25 employee payroll shall be 5.052% for employees earning eligible
26 creditable service under Section 14-110 and 6.500% for all

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

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

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

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

23 Notwithstanding any other provision of this Article, the
24 total required State General Revenue Fund contribution for
25 State fiscal year 2010 is \$723,703,100 and shall be made from
26 the proceeds of bonds sold in fiscal year 2010 pursuant to

1 Section 7.2 of the General Obligation Bond Act, less (i) the
2 pro rata share of bond sale expenses determined by the System's
3 share of total bond proceeds, (ii) any amounts received from
4 the General Revenue Fund in fiscal year 2010, and (iii) any
5 reduction in bond proceeds due to the issuance of discounted
6 bonds, if applicable.

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

18 Beginning in State fiscal year 2046, the minimum State
19 contribution for each fiscal year shall be the amount needed to
20 maintain the total assets of the System at 100% ~~90%~~ of the
21 total actuarial liabilities of the System.

22 Amounts received by the System pursuant to Section 25 of
23 the Budget Stabilization Act or Section 8.12 of the State
24 Finance Act in any fiscal year do not reduce and do not
25 constitute payment of any portion of the minimum State
26 contribution required under this Article in that fiscal year.

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

8 Notwithstanding any other provision of this Section, the
9 required State contribution for State fiscal year 2005 and for
10 fiscal year 2008 and each fiscal year thereafter, as calculated
11 under this Section and certified under Section 14-135.08, shall
12 not exceed an amount equal to (i) the amount of the required
13 State contribution that would have been calculated under this
14 Section for that fiscal year if the System had not received any
15 payments under subsection (d) of Section 7.2 of the General
16 Obligation Bond Act, minus (ii) the portion of the State's
17 total debt service payments for that fiscal year on the bonds
18 issued in fiscal year 2003 for the purposes of that Section
19 7.2, as determined and certified by the Comptroller, that is
20 the same as the System's portion of the total moneys
21 distributed under subsection (d) of Section 7.2 of the General
22 Obligation Bond Act. In determining this maximum for State
23 fiscal years 2008 through 2010, however, the amount referred to
24 in item (i) shall be increased, as a percentage of the
25 applicable employee payroll, in equal increments calculated
26 from the sum of the required State contribution for State

1 fiscal year 2007 plus the applicable portion of the State's
2 total debt service payments for fiscal year 2007 on the bonds
3 issued in fiscal year 2003 for the purposes of Section 7.2 of
4 the General Obligation Bond Act, so that, by State fiscal year
5 2011, the State is contributing at the rate otherwise required
6 under this Section.

7 (f) After the submission of all payments for eligible
8 employees from personal services line items in fiscal year 2004
9 have been made, the Comptroller shall provide to the System a
10 certification of the sum of all fiscal year 2004 expenditures
11 for personal services that would have been covered by payments
12 to the System under this Section if the provisions of this
13 amendatory Act of the 93rd General Assembly had not been
14 enacted. Upon receipt of the certification, the System shall
15 determine the amount due to the System based on the full rate
16 certified by the Board under Section 14-135.08 for fiscal year
17 2004 in order to meet the State's obligation under this
18 Section. The System shall compare this amount due to the amount
19 received by the System in fiscal year 2004 through payments
20 under this Section and under Section 6z-61 of the State Finance
21 Act. If the amount due is more than the amount received, the
22 difference shall be termed the "Fiscal Year 2004 Shortfall" for
23 purposes of this Section, and the Fiscal Year 2004 Shortfall
24 shall be satisfied under Section 1.2 of the State Pension Funds
25 Continuing Appropriation Act. If the amount due is less than
26 the amount received, the difference shall be termed the "Fiscal

1 Year 2004 Overpayment" for purposes of this Section, and the
2 Fiscal Year 2004 Overpayment shall be repaid by the System to
3 the Pension Contribution Fund as soon as practicable after the
4 certification.

5 (g) For purposes of determining the required State
6 contribution to the System, the value of the System's assets
7 shall be equal to the actuarial value of the System's assets,
8 which shall be calculated as follows:

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

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

20 (i) After the submission of all payments for eligible
21 employees from personal services line items paid from the
22 General Revenue Fund in fiscal year 2010 have been made, the
23 Comptroller shall provide to the System a certification of the
24 sum of all fiscal year 2010 expenditures for personal services
25 that would have been covered by payments to the System under
26 this Section if the provisions of this amendatory Act of the

1 96th General Assembly had not been enacted. Upon receipt of the
2 certification, the System shall determine the amount due to the
3 System based on the full rate certified by the Board under
4 Section 14-135.08 for fiscal year 2010 in order to meet the
5 State's obligation under this Section. The System shall compare
6 this amount due to the amount received by the System in fiscal
7 year 2010 through payments under this Section. If the amount
8 due is more than the amount received, the difference shall be
9 termed the "Fiscal Year 2010 Shortfall" for purposes of this
10 Section, and the Fiscal Year 2010 Shortfall shall be satisfied
11 under Section 1.2 of the State Pension Funds Continuing
12 Appropriation Act. If the amount due is less than the amount
13 received, the difference shall be termed the "Fiscal Year 2010
14 Overpayment" for purposes of this Section, and the Fiscal Year
15 2010 Overpayment shall be repaid by the System to the General
16 Revenue Fund as soon as practicable after the certification.

17 (j) After the submission of all payments for eligible
18 employees from personal services line items paid from the
19 General Revenue Fund in fiscal year 2011 have been made, the
20 Comptroller shall provide to the System a certification of the
21 sum of all fiscal year 2011 expenditures for personal services
22 that would have been covered by payments to the System under
23 this Section if the provisions of this amendatory Act of the
24 96th General Assembly had not been enacted. Upon receipt of the
25 certification, the System shall determine the amount due to the
26 System based on the full rate certified by the Board under

1 Section 14-135.08 for fiscal year 2011 in order to meet the
2 State's obligation under this Section. The System shall compare
3 this amount due to the amount received by the System in fiscal
4 year 2011 through payments under this Section. If the amount
5 due is more than the amount received, the difference shall be
6 termed the "Fiscal Year 2011 Shortfall" for purposes of this
7 Section, and the Fiscal Year 2011 Shortfall shall be satisfied
8 under Section 1.2 of the State Pension Funds Continuing
9 Appropriation Act. If the amount due is less than the amount
10 received, the difference shall be termed the "Fiscal Year 2011
11 Overpayment" for purposes of this Section, and the Fiscal Year
12 2011 Overpayment shall be repaid by the System to the General
13 Revenue Fund as soon as practicable after the certification.

14 (k) For fiscal years 2012 and 2013 only, after the
15 submission of all payments for eligible employees from personal
16 services line items paid from the General Revenue Fund in the
17 fiscal year have been made, the Comptroller shall provide to
18 the System a certification of the sum of all expenditures in
19 the fiscal year for personal services. Upon receipt of the
20 certification, the System shall determine the amount due to the
21 System based on the full rate certified by the Board under
22 Section 14-135.08 for the fiscal year in order to meet the
23 State's obligation under this Section. The System shall compare
24 this amount due to the amount received by the System for the
25 fiscal year. If the amount due is more than the amount
26 received, the difference shall be termed the "Prior Fiscal Year

1 Shortfall" for purposes of this Section, and the Prior Fiscal
2 Year Shortfall shall be satisfied under Section 1.2 of the
3 State Pension Funds Continuing Appropriation Act. If the amount
4 due is less than the amount received, the difference shall be
5 termed the "Prior Fiscal Year Overpayment" for purposes of this
6 Section, and the Prior Fiscal Year Overpayment shall be repaid
7 by the System to the General Revenue Fund as soon as
8 practicable after the certification.

9 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;
10 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.
11 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11; 97-732,
12 eff. 6-30-12.)

13 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

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

15 (a) Each participating employee shall make contributions
16 to the System, based on the employee's compensation, as
17 follows:

18 (1) Covered employees, except as indicated below, 3.5%
19 for retirement annuity, and 0.5% for a widow or survivors
20 annuity;

21 (2) Noncovered employees, except as indicated below,
22 7% for retirement annuity and 1% for a widow or survivors
23 annuity;

24 (3) Noncovered employees serving in a position in which
25 "eligible creditable service" as defined in Section 14-110

1 may be earned, 1% for a widow or survivors annuity plus the
2 following amount for retirement annuity: 8.5% through
3 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
4 in 2004 and thereafter;

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

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

17 (6) Each security employee of the Department of
18 Corrections or of the Department of Human Services who is
19 not a covered employee, 1% for a widow or survivors annuity
20 plus the following amount for retirement annuity: 8.5%
21 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
22 11.5% in 2004 and thereafter.

23 (b) Contributions shall be in the form of a deduction from
24 compensation and shall be made notwithstanding that the
25 compensation paid in cash to the employee shall be reduced
26 thereby below the minimum prescribed by law or regulation. Each

1 member is deemed to consent and agree to the deductions from
2 compensation provided for in this Article, and shall receipt in
3 full for salary or compensation.

4 (c) Notwithstanding any provision of this Code to the
5 contrary, (i) for a participant who does not file an election
6 under subsection (a-5) of Section 14-133.2, any contributions
7 on amounts of salary in excess of the limit specified in
8 Section 14-103.12a for that year shall instead be used to
9 finance self-managed plan benefits and (ii) for a participant
10 who files an election under subsection (a-5) of Section
11 14-133.2, any contributions made after the date of the
12 election, including contributions for a survivor's annuity,
13 shall instead be used to finance the benefits under Section
14 14-133.2. Notwithstanding any provision of this Code to the
15 contrary, a participant who does not file an election under
16 subsection (a-5) of Section 14-133.2 shall contribute towards
17 the traditional benefit package a percentage of salary equal to
18 the greater of (i) one-half of the normal cost of the
19 traditional benefit package or (ii) 6% of salary.

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

21 (40 ILCS 5/14-133.2 new)

22 Sec. 14-133.2. Self-managed plan.

23 (a) The State Employees' Retirement System of Illinois must
24 establish and administer a self-managed plan that shall offer
25 participants the opportunity to accumulate assets for

1 retirement through a combination of participant and State
2 contributions that may be invested in mutual funds, collective
3 investment funds, or other investment products and used to
4 purchase annuity contracts, that are fixed, variable, or a
5 combination of fixed and variable. The plan must be qualified
6 under the Internal Revenue Code of 1986.

7 The State Employees' Retirement System of Illinois shall be
8 the plan sponsor for the self-managed plan and shall prepare a
9 plan document and adopt any rules and procedures that are
10 considered necessary or desirable for the administration of the
11 self-managed plan. Consistent with its fiduciary duty to the
12 participants and beneficiaries of the self-managed plan, the
13 Board of Trustees of the System may delegate aspects of plan
14 administration as it sees fit to companies authorized to do
15 business in this State.

16 (a-5) A participant may file an irrevocable election to
17 transfer amounts equal to the participant's total
18 contributions under the traditional benefit package, with
19 interest, to the self-managed plan under this Section. By
20 filing the election, a participant forfeits all accrued rights
21 and benefits under the traditional benefit package.

22 (b) Notwithstanding any other provision of this Code, (i)
23 for a participant who does not file an election under
24 subsection (a-5) of this Section, any portion of his or her
25 compensation that exceeds the limit specified in Section
26 14-103.12a for that year shall be subject to the self-managed

1 plan and (ii) for a participant who files an election under
2 subsection (a-5) of this Section, the entirety of the
3 participant's compensation shall, after the date of the
4 election, be subject to the self-managed plan created under
5 this Section.

6 (c) The System shall solicit proposals to provide
7 administrative services and funding vehicles for the
8 self-managed plan from insurance and annuity companies and
9 mutual fund companies, banks, trust companies, or other
10 financial institutions authorized to do business in this State.
11 In reviewing the proposals received and approving and
12 contracting with no fewer than 2 and no more than 7 companies,
13 the Board of Trustees of the System shall consider, among other
14 things, the following criteria:

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

17 (2) the reasonableness of the benefits in relation to
18 the premium charged;

19 (3) the suitability of the benefits to the needs and
20 interests of the participants and the State; and

21 (4) the ability of the company to provide benefits
22 under the contract and the financial stability of the
23 company.

24 The System shall periodically review each approved
25 company. A company may continue to provide administrative
26 services and funding vehicles for the self-managed plan only so

1 long as it continues to be an approved company under contract
2 with the Board.

3 In addition to the companies approved by the System under
4 this subsection (c), the System may offer its participants an
5 investment fund managed by the Illinois State Board of
6 Investment.

7 (d) Participants in the program must be allowed to direct
8 the transfer of their account balances among the various
9 investment options offered, subject to applicable contractual
10 provisions. The participant shall not be deemed a fiduciary by
11 reason of providing such investment direction. A person who is
12 a fiduciary shall not be liable for any loss resulting from
13 that investment direction and shall not be deemed to have
14 breached any fiduciary duty by acting in accordance with that
15 direction. Neither the System nor the State shall guarantee any
16 of the investments in the participant's account balances.

17 (e) Participation in the self-managed plan under this
18 Section shall constitute participation in the State Employees'
19 Retirement System of Illinois.

20 (f) The self-managed plan shall be funded by contributions
21 from participants in the self-managed plan and State
22 contributions as provided in this Section.

23 The contribution rate for participants in the self-managed
24 plan shall be, (i) for a participant who does not file an
25 election under subsection (a-5) of this Section, 6% of the
26 amount of compensation in excess of the limit specified in

1 14-103.12a for that year, in addition to the amount specified
2 under subsection (c) of Section 14-133 for that year and (ii)
3 for a participant who files an election under subsection (a-5)
4 of Section 14-133.2, 8% of any amount of compensation up to and
5 including the limit specified in Section 14-103.12a for that
6 year and 6% of any amount of compensation in excess of that
7 limit for that year. This required contribution shall be made
8 as an employer pick-up under Section 414(h) of the Internal
9 Revenue Code of 1986 or any successor Section thereof. Any
10 participant in the System's traditional benefit package prior
11 to his or her election to participate in the self-managed plan
12 shall continue to have the employer pick up the contributions
13 required under Section 14-133. However, the amounts picked up
14 after the election of the self-managed plan shall be remitted
15 to and treated as assets of the self-managed plan. In no event
16 shall a participant have the option of receiving these amounts
17 in cash. Participants may make additional contributions to the
18 self-managed plan in accordance with procedures prescribed by
19 the System, to the extent permitted under rules adopted by the
20 System.

21 The program shall provide for State contributions to the
22 self-managed plan in the following amounts: (i) for a
23 participant who does not file an election under subsection
24 (a-5) of this Section, 3% of the amount of compensation in
25 excess of the limit specified in 14-103.12a for that year and
26 (ii) for a participant who does not file an election under

1 subsection (a-5) of this Section, 7.1% of any amount of
2 compensation up to and including the limit specified in Section
3 14-103.12a for that year and 3% of any amount of compensation
4 in excess of that limit for that year.

5 The State of Illinois shall make contributions by
6 appropriations to the System for participants in the
7 self-managed plan under this Section. The amount required shall
8 be certified by the Board of Trustees of the System and paid by
9 the State in accordance with Sections 14-132 and 14-135.08. The
10 System shall not be obligated to remit the required State
11 contributions to any of the insurance and annuity companies,
12 mutual fund companies, banks, trust companies, financial
13 institutions, or other sponsors of any of the funding vehicles
14 offered under the self-managed plan until it has received the
15 required State contributions from the State.

16 (g) If a participant in the self-managed plan who is
17 otherwise vested under this Article terminates employment, the
18 participant shall be entitled to a benefit that is based on the
19 account values attributable to both State and member
20 contributions and any investment return thereon.

21 If a participant in the self-managed plan who is not
22 otherwise vested under this Article terminates employment, the
23 participant shall be entitled to a benefit based solely on the
24 account values attributable to the participant's contributions
25 and any investment return thereon, and the State contributions
26 and any investment return thereon shall be forfeited. Any State

1 contributions that are forfeited shall be held in escrow by the
2 company investing those contributions and shall be used, as
3 directed by the System, for future allocations of State
4 contributions.

5 (40 ILCS 5/14-135.08a new)

6 Sec. 14-135.08a. To calculate the normal cost of benefits.
7 To calculate the normal cost of each plan offered by the system
8 as a percentage of compensation and to update those amounts at
9 least every 3 years.

10 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

11 Sec. 15-111. Earnings. "Earnings": An amount paid for
12 personal services equal to the sum of the basic compensation
13 plus extra compensation for summer teaching, overtime or other
14 extra service. For periods for which an employee receives
15 service credit under subsection (c) of Section 15-113.1 or
16 Section 15-113.2, earnings are equal to the basic compensation
17 on which contributions are paid by the employee during such
18 periods. Compensation for employment which is irregular,
19 intermittent and temporary shall not be considered earnings,
20 unless the participant is also receiving earnings from the
21 employer as an employee under Section 15-107.

22 With respect to transition pay paid by the University of
23 Illinois to a person who was a participating employee employed
24 in the fire department of the University of Illinois's

1 Champaign-Urbana campus immediately prior to the elimination
2 of that fire department:

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

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

19 Notwithstanding any other provision of this Section,
20 "earnings", except as used in Section 15-158.2, does not
21 include any future increase in income due to a provision in a
22 collectively bargained contract that grants an increase in
23 earnings based on an employee's expected date of retirement.
24 The changes made to this Section by this amendatory Act of the
25 97th General Assembly do not apply to an employee who is
26 covered by a collective bargaining agreement or employment

1 contract that is in effect on the effective date of this
2 amendatory Act of the 97th General Assembly and that provides
3 for such increases, until that agreement or contract expires or
4 is amended or renewed.

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

6 (40 ILCS 5/15-112.1 new)

7 Sec. 15-112.1. Limitation on earnings and required
8 participation in the self-managed plan.

9 (a) For the purpose of calculating traditional benefit
10 package benefits and contributions, the annual earnings,
11 salary, or wages of a participant shall not exceed the greater
12 of (i) the amount specified under subsection (b-5) of Section
13 1-160 or (ii) the annual earnings of the participant during the
14 365 days immediately before the effective date of this Section.
15 If, however, an employment contract that is in place on or
16 before the effective date of this Section authorizes an
17 increase in earnings, salary, or wages on or after the
18 effective date of this Section, then the annual earnings,
19 salary, or wages of the participant during the 365 days that
20 immediately precede the date that the contract expires may be
21 used in lieu of the amount specified in item (ii) of this
22 Section.

23 (b) Notwithstanding any other provision of this Code, (i)
24 for a participant who does not make an election under Section
25 15-134.5, any portion of his or her earnings that exceeds the

1 limit specified in subsection (a) of this Section for that year
2 shall be subject to the self-managed plan and (ii) for a
3 participant who makes an election under Section 15-134.5, the
4 entirety of the participant's earnings shall, after the date of
5 the election, be subject to the self-managed plan created under
6 this Section, as is provided in Section 15-158.2.

7 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

8 Sec. 15-155. Employer contributions.

9 (a) The State of Illinois shall make contributions by
10 appropriations of amounts which, together with the other
11 employer contributions from trust, federal, and other funds,
12 employee contributions, income from investments, and other
13 income of this System, will be sufficient to meet the cost of
14 maintaining and administering the System on a 100% ~~90%~~ funded
15 basis in accordance with actuarial recommendations.

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

21 (a-1) For State fiscal years 2012 through 2045, the minimum
22 contribution to the System to be made by the State for each
23 fiscal year shall be an amount determined by the System to be
24 sufficient to bring the total assets of the System up to 100%
25 ~~90%~~ of the total actuarial liabilities of the System by the end

1 of State fiscal year 2045.

2 Pursuant to Article XIII of the 1970 Constitution of the
3 State of Illinois, beginning on July 1, 2013, the State shall,
4 as a retirement benefit to each participant and annuitant of
5 the System be contractually obligated to the System (as a
6 fiduciary and trustee of the participants and annuitants) to
7 pay the Annual Required State Contribution, as determined by
8 the Board of the System using generally accepted actuarial
9 principles, as is necessary to bring the total assets of the
10 System up to 100% of the total actuarial liabilities of the
11 System by the end of State fiscal year 2045. As a further
12 retirement benefit and contractual obligation, each fiscal
13 year, the State shall pay to each designated retirement system
14 the Annual Required State Contribution certified by the Board
15 for that fiscal year. Payments of the Annual Required State
16 Contribution for each fiscal year shall be made in equal
17 monthly installments. This Section, and the security it
18 provides to participants and annuitants is intended to be, and
19 is, a contractual right that is part of the pension benefits
20 provided to the participants and annuitants. Notwithstanding
21 anything to the contrary in the Court of Claims Act or any
22 other law, a designated retirement system has the exclusive
23 right to and shall bring a Mandamus action in the Circuit Court
24 of Champaign County against the State to compel the State to
25 make any installment of the Annual Required State Contribution
26 required by this Section, irrespective of other remedies that

1 may be available to the System. Each member or annuitant of the
2 System has the right to bring a Mandamus action against the
3 System in the Circuit Court in any judicial district in which
4 the System maintains an office if the System fails to bring an
5 action specified in this Section, irrespective of other
6 remedies that may be available to the member or annuitant. ~~In~~
7 ~~making these determinations, the required State contribution~~
8 ~~shall be calculated each year as a level percentage of payroll~~
9 ~~over the years remaining to and including fiscal year 2045 and~~
10 ~~shall be determined under the projected unit credit actuarial~~
11 ~~cost method.~~

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

17 Notwithstanding any other provision of this Article, the
18 total required State contribution for State fiscal year 2006 is
19 \$166,641,900.

20 Notwithstanding any other provision of this Article, the
21 total required State contribution for State fiscal year 2007 is
22 \$252,064,100.

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

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

3 Notwithstanding any other provision of this Article, the
4 total required State contribution for State fiscal year 2010 is
5 \$702,514,000 and shall be made from the State Pensions Fund and
6 proceeds of bonds sold in fiscal year 2010 pursuant to Section
7 7.2 of the General Obligation Bond Act, less (i) the pro rata
8 share of bond sale expenses determined by the System's share of
9 total bond proceeds, (ii) any amounts received from the General
10 Revenue Fund in fiscal year 2010, (iii) any reduction in bond
11 proceeds due to the issuance of discounted bonds, if
12 applicable.

13 Notwithstanding any other provision of this Article, the
14 total required State contribution for State fiscal year 2011 is
15 the amount recertified by the System on or before April 1, 2011
16 pursuant to Section 15-165 and shall be made from the State
17 Pensions Fund and proceeds of bonds sold in fiscal year 2011
18 pursuant to Section 7.2 of the General Obligation Bond Act,
19 less (i) the pro rata share of bond sale expenses determined by
20 the System's share of total bond proceeds, (ii) any amounts
21 received from the General Revenue Fund in fiscal year 2011, and
22 (iii) any reduction in bond proceeds due to the issuance of
23 discounted bonds, if applicable.

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

1 actuarial liabilities of the System.

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

14 Notwithstanding any other provision of this Section, the
15 required State contribution for State fiscal year 2005 and for
16 fiscal year 2008 and each fiscal year thereafter, as calculated
17 under this Section and certified under Section 15-165, shall
18 not exceed an amount equal to (i) the amount of the required
19 State contribution that would have been calculated under this
20 Section for that fiscal year if the System had not received any
21 payments under subsection (d) of Section 7.2 of the General
22 Obligation Bond Act, minus (ii) the portion of the State's
23 total debt service payments for that fiscal year on the bonds
24 issued in fiscal year 2003 for the purposes of that Section
25 7.2, as determined and certified by the Comptroller, that is
26 the same as the System's portion of the total moneys

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

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

1 Article.

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

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

26 (d) Beginning in State fiscal year 1996, the required State

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

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

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

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

1 of 6%. This present value shall be computed by the System on
2 the basis of the actuarial assumptions and tables used in the
3 most recent actuarial valuation of the System that is available
4 at the time of the computation. The System may require the
5 employer to provide any pertinent information or
6 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 (f) may be paid in the form of a lump sum within 90 days after
24 receipt of the bill. If the employer contributions are not paid
25 within 90 days after receipt of the bill, then interest will be
26 charged at a rate equal to the System's annual actuarially

1 assumed rate of return on investment compounded annually from
2 the 91st day after receipt of the bill. Payments must be
3 concluded within 3 years after the employer's receipt of the
4 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 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
25 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
26 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

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

2 Sec. 15-157. Employee Contributions.

3 (a) Each participating employee shall make contributions
4 towards the retirement benefits payable under the retirement
5 program applicable to the employee from each payment of
6 earnings applicable to employment under this system on and
7 after the date of becoming a participant as follows: Prior to
8 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
9 to August 31, 1955, 5%; from September 1, 1955 to August 31,
10 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
11 are to be considered as normal contributions for purposes of
12 this Article.

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

1 required by this paragraph, he or she may elect to pay the
2 additional contributions plus compound interest at the
3 effective rate. If such payment is received by the board, the
4 service shall be considered as police officer service in
5 calculating the retirement annuity under Rule 4 of Section
6 15-136. While performing service described in clause (i) or
7 (ii) of Rule 4 of Section 15-136, a participating employee
8 shall be deemed to be employed as a firefighter for the purpose
9 of determining the rate of employee contributions under this
10 Section.

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

18 (c) In addition to the amounts described in subsections (a)
19 and (b) of this Section, each participating employee shall make
20 contributions of 1% of earnings applicable under this system on
21 and after August 1, 1959. The contributions made under this
22 subsection (c) shall be considered as survivor's insurance
23 contributions for purposes of this Article if the employee is
24 covered under the traditional benefit package, and such
25 contributions shall be considered as additional contributions
26 for purposes of this Article if the employee is participating

1 in the self-managed plan or has elected to participate in the
2 portable benefit package and has completed the applicable
3 one-year waiting period. Contributions in excess of \$80 during
4 any fiscal year beginning before August 31, 1969 and in excess
5 of \$120 during any fiscal year thereafter until September 1,
6 1971 shall be considered as additional contributions for
7 purposes of this Article.

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

13 (e) That fraction of a participant's total accumulated
14 normal contributions, the numerator of which is equal to the
15 number of years of service in excess of that which is required
16 to qualify for the maximum retirement annuity, and the
17 denominator of which is equal to the total service of the
18 participant, shall be considered as accumulated additional
19 contributions. The determination of the applicable maximum
20 annuity and the adjustment in contributions required by this
21 provision shall be made as of the date of the participant's
22 retirement.

23 (f) Notwithstanding the foregoing, a participating
24 employee shall not be required to make contributions under this
25 Section after the date upon which continuance of such
26 contributions would otherwise cause his or her retirement

1 annuity to exceed the maximum retirement annuity as specified
2 in clause (1) of subsection (c) of Section 15-136.

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

5 (h) Notwithstanding any provision of this Code to the
6 contrary, (i) for a member who does not file an election under
7 subsection (e) of Section 15-158.2, any contributions on
8 amounts of earnings in excess of the limit specified in Section
9 15-112.1 for that year shall instead be used to finance
10 self-managed plan benefits and (ii) for a member who files an
11 election under subsection (e) of Section 15-158.2, any
12 contributions made after the date of the election, including
13 the contributions for a survivor's annuity, shall be used to
14 finance the benefits under Section 15-158.2. Notwithstanding
15 any provision of this Code to the contrary, a member who does
16 not file an election under subsection (a-5) of Section 15-158.2
17 shall contribute towards the traditional benefit package a
18 percentage of earnings equal to the greater of (i) one-half of
19 the normal cost of the traditional benefit package or (ii) 6%
20 of earnings.

21 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
22 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
23 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

24 (40 ILCS 5/15-158.2)

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

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

18 (b) Adoption by employers. Each employer subject to this
19 Article may elect to adopt the self-managed plan established
20 under this Section; this election is irrevocable. An employer's
21 election to adopt the self-managed plan makes available to the
22 eligible employees of that employer the elections described in
23 Section 15-134.5.

24 The State Universities Retirement System shall be the plan
25 sponsor for the self-managed plan and shall prepare a plan
26 document and prescribe such rules and procedures as are

1 considered necessary or desirable for the administration of the
2 self-managed plan. Consistent with its fiduciary duty to the
3 participants and beneficiaries of the self-managed plan, the
4 Board of Trustees of the System may delegate aspects of plan
5 administration as it sees fit to companies authorized to do
6 business in this State, to the employers, or to a combination
7 of both.

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

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

20 (2) the reasonableness of the benefits in relation to
21 the premium charged;

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

24 (4) the ability of the company to provide benefits
25 under the contract and the financial stability of the
26 company; and

1 (5) the efficacy of the contract in the recruitment and
2 retention of employees.

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

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

19 (e) Participation. An employee eligible to participate in
20 the self-managed plan must make a written election in
21 accordance with the provisions of Section 15-134.5 and the
22 procedures established by the System or become subject to the
23 limitation specified in Section 15-112.1. Participation in the
24 self-managed plan by an ~~electing~~ employee shall begin on the
25 first day of the first pay period following the later of the
26 date the employee's election is filed with the System, ~~or~~ the

1 effective date as of which the employee's employer begins to
2 offer participation in the self-managed plan, or the date the
3 participant's annual earnings exceeds the limitation specified
4 in Section 15-112.1. Employers may not make the self-managed
5 plan available earlier than January 1, 1998. An employee's
6 participation in any other retirement program administered by
7 the System under this Article shall terminate on the date that
8 participation in the self-managed plan begins.

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

17 Participation in the self-managed plan under this Section
18 shall constitute membership in the State Universities
19 Retirement System.

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

22 (f) Establishment of Initial Account Balance. If at the
23 time an employee elects to participate in the self-managed plan
24 he or she has rights and credits in the System due to previous
25 participation in the traditional benefit package, the System
26 shall establish for the employee an opening account balance in

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

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

18 (h) Contributions.

19 (1) The self-managed plan shall be funded by
20 contributions from employees participating in the
21 self-managed plan and employer contributions as provided
22 in this Section.

23 (A) Before the effective date of this amendatory
24 Act of the 97th General Assembly, the ~~The~~ contribution
25 rate for employees participating in the self-managed
26 plan under this Section shall be equal to the employee

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

18 (B) On and after the effective date of this
19 amendatory Act of the 97th General Assembly, the
20 contribution rate for participants in the self-managed
21 plan shall be, (i) for a participant who does not file
22 an election under subsection (e) of this Section, 6% of
23 the amount of earnings in excess of the limit specified
24 in 15-112.1 for that year, in addition to the amount
25 specified under subsection (h) of Section 15-157 for
26 that year and (ii) for a participant who files an

1 election under subsection (e) of this Section, 8% of
2 any amount of earnings up to and including the limit
3 specified in Section 15-112.1 for that year and 6% of
4 any amount of earnings in excess of that limit for that
5 year. This required contribution shall be made as an
6 employer pick-up under Section 414(h) of the Internal
7 Revenue Code of 1986 or any successor Section thereof.
8 Any participant in the System's traditional benefit
9 package prior to his or her election to participate in
10 the self-managed plan shall continue to have the
11 employer pick up the contributions required under
12 Section 15-157. However, the amounts picked up after
13 the election of the self-managed plan shall be remitted
14 to and treated as assets of the self-managed plan. In
15 no event shall a participant have the option of
16 receiving these amounts in cash. Participants may make
17 additional contributions to the self-managed plan in
18 accordance with procedures prescribed by the System,
19 to the extent permitted under rules adopted by the
20 System.

21 (2) The program shall provide for employer and State
22 contributions to the self-managed plan in the following
23 amounts: (i) for a member who does not file an election
24 under subsection (e) of this Section, 3% of the amount of
25 earnings in excess of the limit specified in Section
26 15-112.1 for that year, to be paid by the actual employer,

1 and (ii) for a member who files an election under
2 subsection (e) of this Section, 7.1% of any amount of
3 earnings up to and including the limit specified in Section
4 15-112.1 for that year, to be paid by the State, and 3% of
5 any amount of earnings in excess of that limit for that
6 year, to be paid by the actual employer.

7 The program shall provide for these employer and State
8 contributions to be credited to each self-managed plan
9 participant ~~at a rate of 7.6% of the participating~~
10 ~~employee's salary~~, less the amount used by the System to
11 provide disability benefits for the employee. The amounts
12 so credited shall be paid into the participant's
13 self-managed plan accounts in a manner to be prescribed by
14 the System.

15 (3) An amount of employer contribution, not exceeding
16 1% of the participating employee's salary, shall be used
17 for the purpose of providing the disability benefits of the
18 System to the employee. Prior to the beginning of each plan
19 year under the self-managed plan, the Board of Trustees
20 shall determine, as a percentage of salary, the amount of
21 employer contributions to be allocated during that plan
22 year for providing disability benefits for employees in the
23 self-managed plan.

24 (4) The State of Illinois shall make contributions by
25 appropriations to the System of the employer contributions
26 required for employees who participate in the self-managed

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

14 (i) Termination. The self-managed plan authorized under
15 this Section may be terminated by the System, subject to the
16 terms of any relevant contracts, and the System shall have no
17 obligation to reestablish the self-managed plan under this
18 Section. This Section does not create a right to continued
19 participation in any self-managed plan set up by the System
20 under this Section. If the self-managed plan is terminated, the
21 participants shall have the right to participate in one of the
22 other retirement programs offered by the System and receive
23 service credit in such other retirement program for any years
24 of employment following the termination.

25 (j) Vesting; Withdrawal; Return to Service. A participant
26 in the self-managed plan becomes vested in the employer

1 contributions credited to his or her accounts in the
2 self-managed plan on the earliest to occur of the following:
3 (1) completion of 5 years of service with an employer described
4 in Section 15-106; (2) the death of the participating employee
5 while employed by an employer described in Section 15-106, if
6 the participant has completed at least 1 1/2 years of service;
7 or (3) the participant's election to retire and apply the
8 reciprocal provisions of Article 20 of this Code.

9 A participant in the self-managed plan who receives a
10 distribution of his or her vested amounts from the self-managed
11 plan while not yet eligible for retirement under this Article
12 (and Article 20, if applicable) shall forfeit all service
13 credit and accrued rights in the System; if subsequently
14 re-employed, the participant shall be considered a new
15 employee. If a former participant again becomes a participating
16 employee (or becomes employed by a participating system under
17 Article 20 of this Code) and continues as such for at least 2
18 years, all such rights, service credits, and previous status as
19 a participant shall be restored upon repayment of the amount of
20 the distribution, without interest.

21 (k) Benefit amounts. If an employee who is vested in
22 employer contributions terminates employment, the employee
23 shall be entitled to a benefit which is based on the account
24 values attributable to both employer and employee
25 contributions and any investment return thereon.

26 If an employee who is not vested in employer contributions

1 terminates employment, the employee shall be entitled to a
2 benefit based solely on the account values attributable to the
3 employee's contributions and any investment return thereon,
4 and the employer contributions and any investment return
5 thereon shall be forfeited. Any employer contributions which
6 are forfeited shall be held in escrow by the company investing
7 those contributions and shall be used as directed by the System
8 for future allocations of employer contributions or for the
9 restoration of amounts previously forfeited by former
10 participants who again become participating employees.

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

12 (40 ILCS 5/15-165.1 new)

13 Sec. 15-165.1. To calculate the normal cost of benefits. To
14 calculate the normal cost of each plan offered by the system as
15 a percentage of earnings and to update those amounts at least
16 every 3 years.

17 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

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

1 except as used in Section 16-158.2, does not include any future
2 increase in income due to a provision in a collectively
3 bargained contract that grants an increase in salary based on a
4 teacher's expected date of retirement. The changes made to this
5 Section by this amendatory Act of the 97th General Assembly do
6 not apply to a teacher who is covered by a collective
7 bargaining agreement or employment contract that is in effect
8 on the effective date of this amendatory Act of the 97th
9 General Assembly and that provides for such increases, until
10 that agreement or contract expires or is amended or renewed.

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

12 (40 ILCS 5/16-121.1 new)

13 Sec. 16-121.1. Limitation on salary. For the purpose of
14 calculating traditional benefit package benefits and
15 contributions, the annual earnings, salary, or wages of a
16 member shall not exceed the greater of (i) the amount specified
17 under subsection (b-5) of Section 1-160 or (ii) the annual
18 salary of the member during the 365 days immediately before the
19 effective date of this Section. If, however, an employment
20 contract that is in place on or before the effective date of
21 this Section authorizes an increase in earnings, salary, or
22 wages on or after the effective date of this Section, then the
23 annual earnings, salary, or wages of the member during the 365
24 days that immediately precede the date that the contract
25 expires may be used in lieu of the amount specified in item

1 (ii) of this Section.

2 (40 ILCS 5/16-122.2 new)

3 Sec. 16-122.2. Traditional benefit package. "Traditional
4 benefit package" means the defined benefit retirement program
5 maintained by the System, which includes retirement annuities
6 payable directly from the System, as provided in Sections
7 16-132, 16-133, 16-133.1, and 16-136; survivor's annuities
8 payable directly from the System, as provided in Sections
9 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,
10 and 16-143.1; and contribution refunds, as provided in Section
11 16-151.

12 (40 ILCS 5/16-122.3 new)

13 Sec. 16-122.3. Self-managed plan. "Self-managed plan"
14 means the defined contribution retirement program maintained
15 by the System, as described in Section 16-158.2. The
16 self-managed plan does not include retirement annuities or
17 survivor's benefits payable directly from the System, as
18 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,
19 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and
20 16-143.1 or refunds determined under Section 16-151.

21 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

22 Sec. 16-152. Contributions by members.

23 (a) Each member shall make contributions for membership

1 service to this System as follows:

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

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

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

13 (4) Effective July 1, 2005, contributions of 0.40% of
14 salary toward the cost of the early retirement without
15 discount option provided under Section 16-133.2. This
16 contribution shall cease upon termination of the early
17 retirement without discount option as provided in Section
18 16-176.

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

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

24 (d) A person who (i) was a member before July 1, 1998, (ii)
25 retires with more than 34 years of creditable service, and
26 (iii) does not elect to qualify for the augmented rate under

1 Section 16-129.1 shall be entitled, at the time of retirement,
2 to receive a partial refund of contributions made under this
3 Section for service occurring after the later of June 30, 1998
4 or attainment of 34 years of creditable service, in an amount
5 equal to 1.00% of the salary upon which those contributions
6 were based.

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

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

21 (2) The contributions shall be included, without
22 interest, in any refund claimed by the member under Section
23 16-151.

24 (3) The contributions shall be refunded to the member's
25 designated beneficiary (or if there is no beneficiary, to
26 the member's estate), without interest, if the member dies

1 without having begun to receive a retirement annuity under
2 this Article.

3 (4) The contributions shall be refunded to the member,
4 without interest, within 120 days after the early
5 retirement without discount option provided under Section
6 16-133.2 is terminated under Section 16-176.

7 (f) Notwithstanding any provision of this Code to the
8 contrary, (i) for a member who does not file an election under
9 subsection (a-5) of Section 16-158.2, any contributions on
10 amounts of salary in excess of the limit specified in Section
11 16-121.1 for that year shall instead be used to finance
12 self-managed plan benefits and (ii) for a member who files an
13 election under subsection (a-5) of Section 16-158.2, any
14 contributions made after the date of the election, including
15 the contributions for a survivor's annuity, shall be used to
16 finance the benefits under Section 16-158.2. Notwithstanding
17 any provision of this Code to the contrary, a member who does
18 not file an election under subsection (a-5) of Section 16-158.2
19 shall contribute towards the traditional benefit package a
20 percentage of salary equal to the greater of (i) one-half of
21 the normal cost of the traditional benefit package or (ii) 6%
22 of salary.

23 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

24 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)
25 Sec. 16-158. Contributions by State and other employing

1 units.

2 (a) The State shall make contributions to the System by
3 means of appropriations from the Common School Fund and other
4 State funds of amounts which, together with other employer
5 contributions, employee contributions, investment income, and
6 other income, will be sufficient to meet the cost of
7 maintaining and administering the System on a 100% ~~90%~~ funded
8 basis in accordance with actuarial recommendations.

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

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

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

25 On or before July 1, 2005 ~~April 1, 2011~~, the Board shall
26 recalculate and recertify to the Governor the amount of the

1 required State contribution to the System for State fiscal year
2 2006, taking into account the changes in required State
3 contributions made by this amendatory Act of the 94th General
4 Assembly.

5 On or before April 1, 2011 ~~June 15, 2010~~, the Board shall
6 recalculate and recertify to the Governor the amount of the
7 required State contribution to the System for State fiscal year
8 2011, applying the changes made by Public Act 96-889 to the
9 System's assets and liabilities as of June 30, 2009 as though
10 Public Act 96-889 was approved on that date.

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

14 (b-1) Beginning in State fiscal year 1996, on the 15th day
15 of each month, or as soon thereafter as may be practicable, the
16 Board shall submit vouchers for payment of State contributions
17 to the System, in a total monthly amount of one-twelfth of the
18 required annual State contribution certified under subsection
19 (a-1). From the effective date of this amendatory Act of the
20 93rd General Assembly through June 30, 2004, the Board shall
21 not submit vouchers for the remainder of fiscal year 2004 in
22 excess of the fiscal year 2004 certified contribution amount
23 determined under this Section after taking into consideration
24 the transfer to the System under subsection (a) of Section
25 6z-61 of the State Finance Act. These vouchers shall be paid by
26 the State Comptroller and Treasurer by warrants drawn on the

1 funds appropriated to the System for that fiscal year.

2 If in any month the amount remaining unexpended from all
3 other appropriations to the System for the applicable fiscal
4 year (including the appropriations to the System under Section
5 8.12 of the State Finance Act and Section 1 of the State
6 Pension Funds Continuing Appropriation Act) is less than the
7 amount lawfully vouchered under this subsection, the
8 difference shall be paid from the Common School Fund under the
9 continuing appropriation authority provided in Section 1.1 of
10 the State Pension Funds Continuing Appropriation Act.

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

14 (b-3) For State fiscal years 2012 through 2045, the minimum
15 contribution to the System to be made by the State for each
16 fiscal year shall be an amount determined by the System to be
17 sufficient to bring the total assets of the System up to 100%
18 ~~90%~~ of the total actuarial liabilities of the System by the end
19 of State fiscal year 2045.

20 Pursuant to Article XIII of the 1970 Constitution of the
21 State of Illinois, beginning on July 1, 2013, the State shall,
22 as a retirement benefit to each participant and annuitant of
23 the System be contractually obligated to the System (as a
24 fiduciary and trustee of the participants and annuitants) to
25 pay the Annual Required State Contribution, as determined by
26 the Board of the System using generally accepted actuarial

1 principles, as is necessary to bring the total assets of the
2 System up to 100% of the total actuarial liabilities of the
3 System by the end of State fiscal year 2045. As a further
4 retirement benefit and contractual obligation, each fiscal
5 year, the State shall pay to each designated retirement system
6 the Annual Required State Contribution certified by the Board
7 for that fiscal year. Payments of the Annual Required State
8 Contribution for each fiscal year shall be made in equal
9 monthly installments. This Section, and the security it
10 provides to participants and annuitants is intended to be, and
11 is, a contractual right that is part of the pension benefits
12 provided to the participants and annuitants. Notwithstanding
13 anything to the contrary in the Court of Claims Act or any
14 other law, a designated retirement system has the exclusive
15 right to and shall bring a Mandamus action in the Circuit Court
16 of Champaign County against the State to compel the State to
17 make any installment of the Annual Required State Contribution
18 required by this Section, irrespective of other remedies that
19 may be available to the System. Each member or annuitant of the
20 System has the right to bring a Mandamus action against the
21 System in the Circuit Court in any judicial district in which
22 the System maintains an office if the System fails to bring an
23 action specified in this Section, irrespective of other
24 remedies that may be available to the member or annuitant. ~~In~~
25 making these determinations, the required State contribution
26 shall be calculated each year as a level percentage of payroll

1 ~~over the years remaining to and including fiscal year 2045 and~~
2 ~~shall be determined under the projected unit credit actuarial~~
3 ~~cost method.~~

4 For State fiscal years 1996 through 2005, the State
5 contribution to the System, as a percentage of the applicable
6 employee payroll, shall be increased in equal annual increments
7 so that by State fiscal year 2011, the State is contributing at
8 the rate required under this Section; except that in the
9 following specified State fiscal years, the State contribution
10 to the System shall not be less than the following indicated
11 percentages of the applicable employee payroll, even if the
12 indicated percentage will produce a State contribution in
13 excess of the amount otherwise required under this subsection
14 and subsection (a), and notwithstanding any contrary
15 certification made under subsection (a-1) before the effective
16 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
17 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
18 2003; and 13.56% in FY 2004.

19 Notwithstanding any other provision of this Article, the
20 total required State contribution for State fiscal year 2006 is
21 \$534,627,700.

22 Notwithstanding any other provision of this Article, the
23 total required State contribution for State fiscal year 2007 is
24 \$738,014,500.

25 For each of State fiscal years 2008 through 2009, the State
26 contribution to the System, as a percentage of the applicable

1 employee payroll, shall be increased in equal annual increments
2 from the required State contribution for State fiscal year
3 2007, so that by State fiscal year 2011, the State is
4 contributing at the rate otherwise required under this Section.

5 Notwithstanding any other provision of this Article, the
6 total required State contribution for State fiscal year 2010 is
7 \$2,089,268,000 and shall be made from the proceeds of bonds
8 sold in fiscal year 2010 pursuant to Section 7.2 of the General
9 Obligation Bond Act, less (i) the pro rata share of bond sale
10 expenses determined by the System's share of total bond
11 proceeds, (ii) any amounts received from the Common School Fund
12 in fiscal year 2010, and (iii) any reduction in bond proceeds
13 due to the issuance of discounted bonds, if 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 subsection (a-1) of this Section and shall be made
18 from the proceeds of bonds sold in fiscal year 2011 pursuant to
19 Section 7.2 of the General Obligation Bond Act, less (i) the
20 pro rata share of bond sale expenses determined by the System's
21 share of total bond proceeds, (ii) any amounts received from
22 the Common School Fund in fiscal year 2011, and (iii) any
23 reduction in bond proceeds due to the issuance of discounted
24 bonds, if applicable. This amount shall include, in addition to
25 the amount certified by the System, an amount necessary to meet
26 employer contributions required by the State as an employer

1 under paragraph (e) of this Section, which may also be used by
2 the System for contributions required by paragraph (a) of
3 Section 16-127.

4 Beginning in State fiscal year 2046, the minimum State
5 contribution for each fiscal year shall be the amount needed to
6 maintain the total assets of the System at 100% ~~90%~~ of the
7 total actuarial liabilities of the System.

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

20 Notwithstanding any other provision of this Section, the
21 required State contribution for State fiscal year 2005 and for
22 fiscal year 2008 and each fiscal year thereafter, as calculated
23 under this Section and certified under subsection (a-1), shall
24 not exceed an amount equal to (i) the amount of the required
25 State contribution that would have been calculated under this
26 Section for that fiscal year if the System had not received any

1 payments under subsection (d) of Section 7.2 of the General
2 Obligation Bond Act, minus (ii) the portion of the State's
3 total debt service payments for that fiscal year on the bonds
4 issued in fiscal year 2003 for the purposes of that Section
5 7.2, as determined and certified by the Comptroller, that is
6 the same as the System's portion of the total moneys
7 distributed under subsection (d) of Section 7.2 of the General
8 Obligation Bond Act. In determining this maximum for State
9 fiscal years 2008 through 2010, however, the amount referred to
10 in item (i) shall be increased, as a percentage of the
11 applicable employee payroll, in equal increments calculated
12 from the sum of the required State contribution for State
13 fiscal year 2007 plus the applicable portion of the State's
14 total debt service payments for fiscal year 2007 on the bonds
15 issued in fiscal year 2003 for the purposes of Section 7.2 of
16 the General Obligation Bond Act, so that, by State fiscal year
17 2011, the State is contributing at the rate otherwise required
18 under this Section.

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

24 If members are paid from special trust or federal funds
25 which are administered by the employing unit, whether school
26 district or other unit, the employing unit shall pay to the

1 System from such funds the full accruing retirement costs based
2 upon that service, as determined by the System. Employer
3 contributions, based on salary paid to members from federal
4 funds, may be forwarded by the distributing agency of the State
5 of Illinois to the System prior to allocation, in an amount
6 determined in accordance with guidelines established by such
7 agency and the System.

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

15 However, with respect to benefits granted under Section
16 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
17 of Section 16-106, the employer's contribution shall be 12%
18 (rather than 20%) of the member's highest annual salary rate
19 for each year of creditable service granted, and the employer
20 shall also pay the required employee contribution on behalf of
21 the teacher. For the purposes of Sections 16-133.4 and
22 16-133.5, a teacher as defined in paragraph (8) of Section
23 16-106 who is serving in that capacity while on leave of
24 absence from another employer under this Article shall not be
25 considered an employee of the employer from which the teacher
26 is on leave.

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

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

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

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

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

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

25 The additional 1% employee contribution required under
26 Section 16-152 by this amendatory Act of 1998 is the

1 responsibility of the teacher and not the teacher's employer,
2 unless the employer agrees, through collective bargaining or
3 otherwise, to make the contribution on behalf of the teacher.

4 If an employer is required by a contract in effect on May
5 1, 1998 between the employer and an employee organization to
6 pay, on behalf of all its full-time employees covered by this
7 Article, all mandatory employee contributions required under
8 this Article, then the employer shall be excused from paying
9 the employer contribution required under this subsection (e)
10 for the balance of the term of that contract. The employer and
11 the employee organization shall jointly certify to the System
12 the existence of the contractual requirement, in such form as
13 the System may prescribe. This exclusion shall cease upon the
14 termination, extension, or renewal of the contract at any time
15 after May 1, 1998.

16 (f) If the amount of a teacher's salary for any school year
17 used to determine final average salary exceeds the member's
18 annual full-time salary rate with the same employer for the
19 previous school year by more than 6%, the teacher's employer
20 shall pay to the System, in addition to all other payments
21 required under this Section and in accordance with guidelines
22 established by the System, the present value of the increase in
23 benefits resulting from the portion of the increase in salary
24 that is in excess of 6%. This present value shall be computed
25 by the System on the basis of the actuarial assumptions and
26 tables used in the most recent actuarial valuation of the

1 System that is available at the time of the computation. If a
2 teacher's salary for the 2005-2006 school year is used to
3 determine final average salary under this subsection (f), then
4 the changes made to this subsection (f) by Public Act 94-1057
5 shall apply in calculating whether the increase in his or her
6 salary is in excess of 6%. For the purposes of this Section,
7 change in employment under Section 10-21.12 of the School Code
8 on or after June 1, 2005 shall constitute a change in employer.
9 The System may require the employer to provide any pertinent
10 information or documentation. The changes made to this
11 subsection (f) by this amendatory Act of the 94th General
12 Assembly apply without regard to whether the teacher was in
13 service on or after its effective date.

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

1 shall review the application and, if appropriate, recalculate
2 the amount due.

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

12 (g) This subsection (g) applies only to payments made or
13 salary increases given on or after June 1, 2005 but before July
14 1, 2011. The changes made by Public Act 94-1057 shall not
15 require the System to refund any payments received before July
16 31, 2006 (the effective date of Public Act 94-1057).

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

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

25 When assessing payment for any amount due under subsection
26 (f), the System shall exclude salary increases resulting from

1 overload work, including summer school, when the school
2 district has certified to the System, and the System has
3 approved the certification, that (i) the overload work is for
4 the sole purpose of classroom instruction in excess of the
5 standard number of classes for a full-time teacher in a school
6 district during a school year and (ii) the salary increases are
7 equal to or less than the rate of pay for classroom instruction
8 computed on the teacher's current salary and work schedule.

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

23 When assessing payment for any amount due under subsection
24 (f), the System shall exclude any payment to the teacher from
25 the State of Illinois or the State Board of Education over
26 which the employer does not have discretion, notwithstanding

1 that the payment is included in the computation of final
2 average salary.

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

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

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

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

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

25 (4) The increase in the required State contribution
26 resulting from the changes made to this Section by Public

1 Act 94-1057.

2 (j) For purposes of determining the required State
3 contribution to the System, the value of the System's assets
4 shall be equal to the actuarial value of the System's assets,
5 which shall be calculated as follows:

6 As of June 30, 2008, the actuarial value of the System's
7 assets shall be equal to the market value of the assets as of
8 that date. In determining the actuarial value of the System's
9 assets for fiscal years after June 30, 2008, any actuarial
10 gains or losses from investment return incurred in a fiscal
11 year shall be recognized in equal annual amounts over the
12 5-year period following that fiscal year.

13 (k) For purposes of determining the required State
14 contribution to the system for a particular year, the actuarial
15 value of assets shall be assumed to earn a rate of return equal
16 to the system's actuarially assumed rate of return.

17 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
18 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
19 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

20 (40 ILCS 5/16-158.2 new)

21 Sec. 16-158.2. Self-managed plan.

22 (a) The Teachers' Retirement System of the State of
23 Illinois must establish and administer a self-managed plan that
24 shall offer member the opportunity to accumulate assets for
25 retirement through a combination of member and State

1 contributions that may be invested in mutual funds, collective
2 investment funds, or other investment products and used to
3 purchase annuity contracts, that are fixed, variable, or a
4 combination of fixed and variable. The plan must be qualified
5 under the Internal Revenue Code of 1986.

6 The Teachers' Retirement System of the State of Illinois
7 shall be the plan sponsor for the self-managed plan and shall
8 prepare a plan document and adopt any rules and procedures that
9 are considered necessary or desirable for the administration of
10 the self-managed plan. Consistent with its fiduciary duty to
11 the members and beneficiaries of the self-managed plan, the
12 Board of Trustees of the System may delegate aspects of plan
13 administration as it sees fit to companies authorized to do
14 business in this State.

15 (a-5) A member may file an irrevocable election to transfer
16 amounts equal to the member's total contributions under the
17 traditional benefit package, with interest, to the
18 self-managed plan under this Section. By filing the election, a
19 member forfeits all accrued rights and benefits under the
20 traditional benefit package.

21 (b) Notwithstanding any other provision of this Code, (i)
22 for a member who does not file an election under subsection
23 (a-5) of this Section, any portion of his or her salary that
24 exceeds the limit specified in Section 16-121.1 for that year
25 shall be subject to the self-managed plan and (ii) for a member
26 who files an election under subsection (a-5) of this Section,

1 the entirety of the member's salary shall, after the date of
2 the election, be subject to the self-managed plan created under
3 this Section.

4 (c) The System shall solicit proposals to provide
5 administrative services and funding vehicles for the
6 self-managed plan from insurance and annuity companies and
7 mutual fund companies, banks, trust companies, or other
8 financial institutions authorized to do business in this State.
9 In reviewing the proposals received and approving and
10 contracting with no fewer than 2 and no more than 7 companies,
11 the Board of Trustees of the System shall consider, among other
12 things, the following criteria:

13 (1) the nature and extent of the benefits that would be
14 provided to the members;

15 (2) the reasonableness of the benefits in relation to
16 the premium charged;

17 (3) the suitability of the benefits to the needs and
18 interests of the members and the State; and

19 (4) the ability of the company to provide benefits
20 under the contract and the financial stability of the
21 company.

22 The System shall periodically review each approved
23 company. A company may continue to provide administrative
24 services and funding vehicles for the self-managed plan only so
25 long as it continues to be an approved company under contract
26 with the Board.

1 In addition to the companies approved by the System under
2 this subsection (c), the System may offer its members an
3 investment fund managed by the Illinois State Board of
4 Investment.

5 (d) Members in the program must be allowed to direct the
6 transfer of their account balances among the various investment
7 options offered, subject to applicable contractual provisions.
8 The member shall not be deemed a fiduciary by reason of
9 providing such investment direction. A person who is a
10 fiduciary shall not be liable for any loss resulting from that
11 investment direction and shall not be deemed to have breached
12 any fiduciary duty by acting in accordance with that direction.
13 Neither the System nor the State shall guarantee any of the
14 investments in the member's account balances.

15 (e) Participation in the self-managed plan under this
16 Section shall constitute participation in the Teachers'
17 Retirement System of the State of Illinois.

18 (f) The self-managed plan shall be funded by contributions
19 from members in the self-managed plan and State contributions
20 as provided in this Section.

21 The contribution rate for members in the self-managed plan
22 shall be, (i) for a member who does not file an election under
23 subsection (a-5) of this Section, 6% of the amount of salary in
24 excess of the limit specified in Section 16-121.1 for that
25 year, in addition to the amount specified under subsection (f)
26 of Section 16-152 for that year and (ii) for a member who files

1 an election under subsection (a-5) of this Section, 8% of any
2 amount of salary up to and including the limit specified in
3 Section 16-121.1 for that year and 6% of any amount of salary
4 in excess of that limit for that year. This required
5 contribution shall be made as an employer pick-up under Section
6 414(h) of the Internal Revenue Code of 1986 or any successor
7 Section thereof. Any member in the System's traditional benefit
8 package prior to his or her election to participate in the
9 self-managed plan shall continue to have the employer pick up
10 the contributions required under Section 16-152. However, the
11 amounts picked up after the election of the self-managed plan
12 shall be remitted to and treated as assets of the self-managed
13 plan. In no event shall a member have the option of receiving
14 these amounts in cash. Members may make additional
15 contributions to the self-managed plan in accordance with
16 procedures prescribed by the System, to the extent permitted
17 under rules adopted by the System.

18 The program shall provide for employer and State
19 contributions to the self-managed plan in the following
20 amounts: (i) for a member who does not file an election under
21 subsection (a-5) of this Section, 3% of the amount of salary in
22 excess of the limit specified in Section 16-121.1 for that
23 year, to be paid by the actual employer, and (ii) for a member
24 who files an election under subsection (a-5) of this Section,
25 7.1% of any amount of salary up to and including the limit
26 specified in Section 16-121.1 for that year, to be paid by the

1 State, and 3% of any amount of salary in excess of that limit
2 for that year, to be paid by the actual employer.

3 The State of Illinois shall make contributions by
4 appropriations to the System for members in the self-managed
5 plan under this Section. The amount required shall be certified
6 by the Board of Trustees of the System and paid by the State in
7 accordance with Section 16-158. The System shall not be
8 obligated to remit the required State contributions to any of
9 the insurance and annuity companies, mutual fund companies,
10 banks, trust companies, financial institutions, or other
11 sponsors of any of the funding vehicles offered under the
12 self-managed plan until it has received the required State
13 contributions from the State.

14 (g) If a member in the self-managed plan who is otherwise
15 vested under this Article terminates employment, the member
16 shall be entitled to a benefit that is based on the account
17 values attributable to both State and member contributions and
18 any investment return thereon.

19 If a member in the self-managed plan who is not otherwise
20 vested under this Article terminates employment, the member
21 shall be entitled to a benefit based solely on the account
22 values attributable to the member's contributions and any
23 investment return thereon, and the State contributions and any
24 investment return thereon shall be forfeited. Any State
25 contributions that are forfeited shall be held in escrow by the
26 company investing those contributions and shall be used, as

1 directed by the System, for future allocations of State
2 contributions.

3 (40 ILCS 5/16-181.4 new)

4 Sec. 16-181.4. To calculate the normal cost of benefits. To
5 calculate the normal cost of each plan offered by the system as
6 a percentage of salary and to update those amounts at least
7 every 3 years.

8 (40 ILCS 5/18-111.1 new)

9 Sec. 18-111.1. Limitation on salary. For the purpose of
10 calculating traditional benefit package benefits and
11 contributions, the annual earnings, salary, or wages of a
12 participant shall not exceed the greater of (i) the amount
13 specified under subsection (b-5) of Section 1-160 or (ii) the
14 annual salary of the participant during the 365 days
15 immediately before the effective date of this Section.

16 (40 ILCS 5/18-118.1 new)

17 Sec. 18-118.1. Traditional benefit package. "Traditional
18 benefit package" means the defined benefit retirement program
19 maintained by the System, which includes retirement annuities
20 payable directly from the System, as provided in Sections
21 18-124, 18-125, and 18-125.1; survivor's annuities payable
22 directly from the System, as provided in Sections 18-128,
23 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution

1 refunds, as provided in Section 18-129.

2 (40 ILCS 5/18-118.2 new)

3 Sec. 18-118.2. Self-managed plan. "Self-managed plan"
4 means the defined contribution retirement program maintained
5 by the System, as described in Section 18-133.2. The
6 self-managed plan does not include retirement annuities or
7 survivor's benefits payable directly from the System, as
8 provided in Sections 18-124, 18-125, 18-125.1, 18-128,
9 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds
10 determined under Section 18-129.

11 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

12 Sec. 18-131. Financing; employer contributions.

13 (a) The State of Illinois shall make contributions to this
14 System by appropriations of the amounts which, together with
15 the contributions of participants, net earnings on
16 investments, and other income, will meet the costs of
17 maintaining and administering this System on a 100% ~~90%~~ funded
18 basis in accordance with actuarial recommendations.

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

24 (c) For State fiscal years 2012 through 2045, the minimum

1 contribution to the System to be made by the State for each
2 fiscal year shall be an amount determined by the System to be
3 sufficient to bring the total assets of the System up to 100%
4 ~~90%~~ of the total actuarial liabilities of the System by the end
5 of State fiscal year 2045.

6 Pursuant to Article XIII of the 1970 Constitution of the
7 State of Illinois, beginning on July 1, 2013, the State shall,
8 as a retirement benefit to each participant and annuitant of
9 the System be contractually obligated to the System (as a
10 fiduciary and trustee of the participants and annuitants) to
11 pay the Annual Required State Contribution, as determined by
12 the Board of the System using generally accepted actuarial
13 principles, as is necessary to bring the total assets of the
14 System up to 100% of the total actuarial liabilities of the
15 System by the end of State fiscal year 2045. As a further
16 retirement benefit and contractual obligation, each fiscal
17 year, the State shall pay to each designated retirement system
18 the Annual Required State Contribution certified by the Board
19 for that fiscal year. Payments of the Annual Required State
20 Contribution for each fiscal year shall be made in equal
21 monthly installments. This Section, and the security it
22 provides to participants and annuitants is intended to be, and
23 is, a contractual right that is part of the pension benefits
24 provided to the participants and annuitants. Notwithstanding
25 anything to the contrary in the Court of Claims Act or any
26 other law, a designated retirement system has the exclusive

1 right to and shall bring a Mandamus action in the Circuit Court
2 of Champaign County against the State to compel the State to
3 make any installment of the Annual Required State Contribution
4 required by this Section, irrespective of other remedies that
5 may be available to the System. Each member or annuitant of the
6 System has the right to bring a Mandamus action against the
7 System in the Circuit Court in any judicial district in which
8 the System maintains an office if the System fails to bring an
9 action specified in this Section, irrespective of other
10 remedies that may be available to the member or annuitant. ~~In~~
11 making these determinations, the required State contribution
12 shall be calculated each year as a level percentage of payroll
13 over the years remaining to and including fiscal year 2045 and
14 shall be determined under the projected unit credit actuarial
15 cost method.

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

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2006 is
23 \$29,189,400.

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2007 is
26 \$35,236,800.

1 For each of State fiscal years 2008 through 2009, the State
2 contribution to the System, as a percentage of the applicable
3 employee payroll, shall be increased in equal annual increments
4 from the required State contribution for State fiscal year
5 2007, so that by State fiscal year 2011, the State is
6 contributing at the rate otherwise required under this Section.

7 Notwithstanding any other provision of this Article, the
8 total required State contribution for State fiscal year 2010 is
9 \$78,832,000 and shall be made from the proceeds of bonds sold
10 in fiscal year 2010 pursuant to Section 7.2 of the General
11 Obligation Bond Act, less (i) the pro rata share of bond sale
12 expenses determined by the System's share of total bond
13 proceeds, (ii) any amounts received from the General Revenue
14 Fund in fiscal year 2010, and (iii) any reduction in bond
15 proceeds due to the issuance of discounted bonds, if
16 applicable.

17 Notwithstanding any other provision of this Article, the
18 total required State contribution for State fiscal year 2011 is
19 the amount recertified by the System on or before April 1, 2011
20 pursuant to Section 18-140 and shall be made from the proceeds
21 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of
22 the General Obligation Bond Act, less (i) the pro rata share of
23 bond sale expenses determined by the System's share of total
24 bond proceeds, (ii) any amounts received from the General
25 Revenue Fund in fiscal year 2011, and (iii) any reduction in
26 bond proceeds due to the issuance of discounted bonds, if

1 applicable.

2 Beginning in State fiscal year 2046, the minimum State
3 contribution for each fiscal year shall be the amount needed to
4 maintain the total assets of the System at 100% ~~90%~~ of the
5 total actuarial liabilities of the System.

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

18 Notwithstanding any other provision of this Section, the
19 required State contribution for State fiscal year 2005 and for
20 fiscal year 2008 and each fiscal year thereafter, as calculated
21 under this Section and certified under Section 18-140, shall
22 not exceed an amount equal to (i) the amount of the required
23 State contribution that would have been calculated under this
24 Section for that fiscal year if the System had not received any
25 payments under subsection (d) of Section 7.2 of the General
26 Obligation Bond Act, minus (ii) the portion of the State's

1 total debt service payments for that fiscal year on the bonds
2 issued in fiscal year 2003 for the purposes of that Section
3 7.2, as determined and certified by the Comptroller, that is
4 the same as the System's portion of the total moneys
5 distributed under subsection (d) of Section 7.2 of the General
6 Obligation Bond Act. In determining this maximum for State
7 fiscal years 2008 through 2010, however, the amount referred to
8 in item (i) shall be increased, as a percentage of the
9 applicable employee payroll, in equal increments calculated
10 from the sum of the required State contribution for State
11 fiscal year 2007 plus the applicable portion of the State's
12 total debt service payments for fiscal year 2007 on the bonds
13 issued in fiscal year 2003 for the purposes of Section 7.2 of
14 the General Obligation Bond Act, so that, by State fiscal year
15 2011, the State is contributing at the rate otherwise required
16 under this Section.

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

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

1 5-year period following that fiscal year.

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

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

9 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

10 Sec. 18-133. Financing; employee contributions.

11 (a) Effective July 1, 1967, each participant is required to
12 contribute 7 1/2% of each payment of salary toward the
13 retirement annuity. Such contributions shall continue during
14 the entire time the participant is in service, with the
15 following exceptions:

16 (1) Contributions for the retirement annuity are not
17 required on salary received after 18 years of service by
18 persons who were participants before January 2, 1954.

19 (2) A participant who continues to serve as a judge
20 after becoming eligible to receive the maximum rate of
21 annuity may elect, through a written direction filed with
22 the Board, to discontinue contributing to the System. Any
23 such option elected by a judge shall be irrevocable unless
24 prior to January 1, 2000, and while continuing to serve as
25 judge, the judge (A) files with the Board a letter

1 cancelling the direction to discontinue contributing to
2 the System and requesting that such contributing resume,
3 and (B) pays into the System an amount equal to the total
4 of the discontinued contributions plus interest thereon at
5 5% per annum. Service credits earned in any other
6 "participating system" as defined in Article 20 of this
7 Code shall be considered for purposes of determining a
8 judge's eligibility to discontinue contributions under
9 this subdivision (a) (2).

10 (3) A participant who (i) has attained age 60, (ii)
11 continues to serve as a judge after becoming eligible to
12 receive the maximum rate of annuity, and (iii) has not
13 elected to discontinue contributing to the System under
14 subdivision (a) (2) of this Section (or has revoked any such
15 election) may elect, through a written direction filed with
16 the Board, to make contributions to the System based only
17 on the amount of the increases in salary received by the
18 judge on or after the date of the election, rather than the
19 total salary received. If a judge who is making
20 contributions to the System on the effective date of this
21 amendatory Act of the 91st General Assembly makes an
22 election to limit contributions under this subdivision
23 (a) (3) within 90 days after that effective date, the
24 election shall be deemed to become effective on that
25 effective date and the judge shall be entitled to receive a
26 refund of any excess contributions paid to the System

1 during that 90-day period; any other election under this
2 subdivision (a) (3) becomes effective on the first of the
3 month following the date of the election. An election to
4 limit contributions under this subdivision (a) (3) is
5 irrevocable. Service credits earned in any other
6 participating system as defined in Article 20 of this Code
7 shall be considered for purposes of determining a judge's
8 eligibility to make an election under this subdivision
9 (a) (3).

10 (b) Beginning July 1, 1969, each participant is required to
11 contribute 1% of each payment of salary towards the automatic
12 increase in annuity provided in Section 18-125.1. However, such
13 contributions need not be made by any participant who has
14 elected prior to September 15, 1969, not to be subject to the
15 automatic increase in annuity provisions.

16 (c) Effective July 13, 1953, each married participant
17 subject to the survivor's annuity provisions is required to
18 contribute 2 1/2% of each payment of salary, whether or not he
19 or she is required to make any other contributions under this
20 Section. Such contributions shall be made concurrently with the
21 contributions made for annuity purposes.

22 (d) Notwithstanding any other provision of this Article,
23 the required contributions for a participant who first becomes
24 a participant on or after January 1, 2011 shall not exceed the
25 contributions that would be due under this Article if that
26 participant's highest salary for annuity purposes were

1 \$106,800, plus any increase in that amount under Section
2 18-125.

3 (e) Notwithstanding any provision of this Code to the
4 contrary, (i) for a participant who does not file an election
5 under subsection (a-5) of Section 18-133.2, any contributions
6 on amounts of salary in excess of the limit specified in
7 Section 18-118.1 for that year shall instead be used to finance
8 self-managed plan benefits and (ii) for a member who files an
9 election under subsection (a-5) of Section 18-133.2, any
10 contributions made after the date of the election, including
11 the contributions for a survivor's annuity, shall be used to
12 finance the benefits under Section 18-133.2. Notwithstanding
13 any provision of this Code to the contrary, a member who does
14 not file an election under subsection (a-5) of Section 18-133.2
15 shall contribute towards the traditional benefit package a
16 percentage of salary equal to the greater of (i) one-half of
17 the normal cost of the traditional benefit package or (ii) 6%
18 of salary.

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

20 (40 ILCS 5/18-133.2 new)

21 Sec. 18-133.2. Self-managed plan.

22 (a) The Judges Retirement System of Illinois must establish
23 and administer a self-managed plan that shall offer
24 participants the opportunity to accumulate assets for
25 retirement through a combination of participant and State

1 contributions that may be invested in mutual funds, collective
2 investment funds, or other investment products and used to
3 purchase annuity contracts, that are fixed, variable, or a
4 combination of fixed and variable. The plan must be qualified
5 under the Internal Revenue Code of 1986.

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

15 (a-5) A participant may file an irrevocable election to
16 transfer amounts equal to the participant's total
17 contributions under the traditional benefit package, with
18 interest, to the self-managed plan under this Section. By
19 filing the election, a participant forfeits all accrued rights
20 and benefits under the traditional benefit package.

21 (b) Notwithstanding any other provision of this Code, (i)
22 for a participant who does not file an election under
23 subsection (a-5) of this Section, any portion of his or her
24 salary that exceeds the limit specified in Section 18-111.1 for
25 that year shall be subject to the self-managed plan and (ii)
26 for a participant who files an election under subsection (a-5)

1 of this Section, the entirety of the participant's salary
2 shall, after the date of the election, be subject to the
3 self-managed plan created under this Section.

4 (c) The System shall solicit proposals to provide
5 administrative services and funding vehicles for the
6 self-managed plan from insurance and annuity companies and
7 mutual fund companies, banks, trust companies, or other
8 financial institutions authorized to do business in this State.
9 In reviewing the proposals received and approving and
10 contracting with no fewer than 2 and no more than 7 companies,
11 the Board of Trustees of the System shall consider, among other
12 things, the following criteria:

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

15 (2) the reasonableness of the benefits in relation to
16 the premium charged;

17 (3) the suitability of the benefits to the needs and
18 interests of the participants and the State; and

19 (4) the ability of the company to provide benefits
20 under the contract and the financial stability of the
21 company.

22 The System shall periodically review each approved
23 company. A company may continue to provide administrative
24 services and funding vehicles for the self-managed plan only so
25 long as it continues to be an approved company under contract
26 with the Board.

1 In addition to the companies approved by the System under
2 this subsection (c), the System may offer its participants an
3 investment fund managed by the Illinois State Board of
4 Investment.

5 (d) Participants in the program must be allowed to direct
6 the transfer of their account balances among the various
7 investment options offered, subject to applicable contractual
8 provisions. The participant shall not be deemed a fiduciary by
9 reason of providing such investment direction. A person who is
10 a fiduciary shall not be liable for any loss resulting from
11 that investment direction and shall not be deemed to have
12 breached any fiduciary duty by acting in accordance with that
13 direction. Neither the System nor the State shall guarantee any
14 of the investments in the participant's account balances.

15 (e) Participation in the self-managed plan under this
16 Section shall constitute participation in the Judges
17 Retirement System of Illinois.

18 (f) The self-managed plan shall be funded by contributions
19 from participants in the self-managed plan and State
20 contributions as provided in this Section.

21 The contribution rate for participants in the self-managed
22 plan shall be, (i) for a participant who does not file an
23 election under subsection (a-5) of this Section, 6% of the
24 amount of salary in excess of the limit specified in Section
25 18-111.1 for that year, in addition to the amount specified
26 under subsection (e) of Section 18-133 for that year and (ii)

1 for a participant who files an election under subsection (a-5)
2 of this Section, 8% of any amount of salary up to and including
3 the limit specified in Section 18-111.1 for that year and 6% of
4 any amount of salary in excess of that limit for that year.
5 This required contribution shall be made as an employer pick-up
6 under Section 414(h) of the Internal Revenue Code of 1986 or
7 any successor Section thereof. Any participant in the System's
8 traditional benefit package prior to his or her election to
9 participate in the self-managed plan shall continue to have the
10 employer pick up the contributions required under Section
11 18-133. However, the amounts picked up after the election of
12 the self-managed plan shall be remitted to and treated as
13 assets of the self-managed plan. In no event shall a
14 participant have the option of receiving these amounts in cash.
15 participants may make additional contributions to the
16 self-managed plan in accordance with procedures prescribed by
17 the System, to the extent permitted under rules adopted by the
18 System.

19 The program shall provide for State contributions to the
20 self-managed plan in the following amounts: (i) for a
21 participant who does not file an election under subsection
22 (a-5) of this Section, 3% of the amount of salary in excess of
23 the limit specified in Section 18-111.1 for that year and (ii)
24 for a participant who does not file an election under
25 subsection (a-5) of this Section, 7.1% of any amount of salary
26 up to and including the limit specified in Section 18-111.1 for

1 that year and 3% of any amount of salary in excess of that
2 limit for that year.

3 The State of Illinois shall make contributions by
4 appropriations to the System for participants in the
5 self-managed plan under this Section. The amount required shall
6 be certified by the Board of Trustees of the System and paid by
7 the State in accordance with Sections 18-132 and 18-140. The
8 System shall not be obligated to remit the required State
9 contributions to any of the insurance and annuity companies,
10 mutual fund companies, banks, trust companies, financial
11 institutions, or other sponsors of any of the funding vehicles
12 offered under the self-managed plan until it has received the
13 required State contributions from the State.

14 (g) If a participant in the self-managed plan who is
15 otherwise vested under this Article terminates employment, the
16 participant shall be entitled to a benefit that is based on the
17 account values attributable to both State and participant
18 contributions and any investment return thereon.

19 If a participant in the self-managed plan who is not
20 otherwise vested under this Article terminates employment, the
21 participant shall be entitled to a benefit based solely on the
22 account values attributable to the participant's contributions
23 and any investment return thereon, and the State contributions
24 and any investment return thereon shall be forfeited. Any State
25 contributions that are forfeited shall be held in escrow by the
26 company investing those contributions and shall be used, as

1 directed by the System, for future allocations of State
2 contributions.

3 (40 ILCS 5/18-140.1 new)

4 Sec. 18-140.1. To calculate the normal cost of benefits. To
5 calculate the normal cost of each plan offered by the system as
6 a percentage of salary and to update those amounts at least
7 every 3 years.

8 Section 90. 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 99. Effective date. This Act takes effect upon
16 becoming law.

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40 ILCS 5/2-103.2 new

7

40 ILCS 5/2-108.2 new

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40 ILCS 5/2-124

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40 ILCS 5/2-126

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