



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

HB6209

by Rep. Elaine Nekritz

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the General Provision, General Assembly, State Employee, State Universities, and Downstate Teachers Articles of the Illinois Pension Code. Provides that Tier I employees and Tier I retirees must make an irrevocable election either: (1) to accept changes in eligibility for, and the amount of, automatic annual increases in retirement annuity or (2) to avoid those changes. Provides that a person who elects the first choice may have any future increases in income included as compensation and is entitled to certain healthcare benefits. Provides that a person who elects the second choice forgoes those benefits. Prohibits departments from offering to a person who elects the second choice any future increase in income in a form that would constitute compensation. Requires the System to provide information describing the consequences of making the election. Provides that, for an employee who first becomes a participant on or after the effective date of the amendatory Act, "compensation" does not include any payments for travel vouchers that are submitted late. Defines "future increase in income", "Tier I employee", and "Tier I retiree". Amends the State Finance Act. To the list of standardized items of appropriation, adds "State retirement contribution for annual normal cost" and "State retirement contribution for unfunded accrued liability". Defines those terms. Amends the Governor's Office of Management and Budget Act. Adds those terms to a list of classifications to be used in statements and estimates of expenditures submitted to the Office in connection with the preparation of a State budget. Amends the Illinois Public Labor Relations Act and other Acts to make related changes. Makes other changes. Effective immediately.

LRB097 22284 JDS 71036 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

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

6 (5 ILCS 315/4) (from Ch. 48, par. 1604)

7 Sec. 4. Management Rights. Employers shall not be required  
8 to bargain over matters of inherent managerial policy, which  
9 shall include such areas of discretion or policy as the  
10 functions of the employer, standards of services, its overall  
11 budget, the organizational structure and selection of new  
12 employees, examination techniques and direction of employees.  
13 Employers, however, shall be required to bargain collectively  
14 with regard to policy matters directly affecting wages (but  
15 subject to any applicable restrictions in Section 14-106.5,  
16 15-134.6, or 16-131.7 of the Illinois Pension Code), hours and  
17 terms and conditions of employment as well as the impact  
18 thereon upon request by employee representatives, but  
19 excluding the changes, the impact of changes, and the  
20 implementation of the changes set forth in this amendatory Act  
21 of the 97th General Assembly.

22 To preserve the rights of employers and exclusive  
23 representatives which have established collective bargaining

1 relationships or negotiated collective bargaining agreements  
2 prior to the effective date of this Act, employers shall be  
3 required to bargain collectively with regard to any matter  
4 concerning wages (but subject to any applicable restrictions in  
5 Section 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension  
6 Code), hours or conditions of employment about which they have  
7 bargained for and agreed to in a collective bargaining  
8 agreement prior to the effective date of this Act, but  
9 excluding the changes, the impact of changes, and the  
10 implementation of the changes set forth in this amendatory Act  
11 of the 97th General Assembly.

12 The chief judge of the judicial circuit that employs a  
13 public employee who is a court reporter, as defined in the  
14 Court Reporters Act, has the authority to hire, appoint,  
15 promote, evaluate, discipline, and discharge court reporters  
16 within that judicial circuit.

17 Nothing in this amendatory Act of the 94th General Assembly  
18 shall be construed to intrude upon the judicial functions of  
19 any court. This amendatory Act of the 94th General Assembly  
20 applies only to nonjudicial administrative matters relating to  
21 the collective bargaining rights of court reporters.

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

23 (5 ILCS 315/15) (from Ch. 48, par. 1615)

24 Sec. 15. Act Takes Precedence.

25 (a) In case of any conflict between the provisions of this

1 Act and any other law (other than Section 5 of the State  
2 Employees Group Insurance Act of 1971 and other than the  
3 changes made to the Illinois Pension Code by Public Act 96-889  
4 and the changes, impact of changes, and the implementation of  
5 the changes made to the Illinois Pension Code and the State  
6 Employees Group Insurance Act of 1971 by this amendatory Act of  
7 the 97th ~~96th~~ General Assembly), executive order or  
8 administrative regulation relating to wages, hours and  
9 conditions of employment and employment relations, the  
10 provisions of this Act or any collective bargaining agreement  
11 negotiated thereunder shall prevail and control. Nothing in  
12 this Act shall be construed to replace or diminish the rights  
13 of employees established by Sections 28 and 28a of the  
14 Metropolitan Transit Authority Act, Sections 2.15 through 2.19  
15 of the Regional Transportation Authority Act. The provisions of  
16 this Act are subject to the changes made by this amendatory Act  
17 of the 97th General Assembly, including Sections 14-106.5,  
18 15-134.6, and 16-131.7 of the Illinois Pension Code, and  
19 Section 5 of the State Employees Group Insurance Act of 1971.  
20 Nothing in this Act shall be construed to replace the necessity  
21 of complaints against a sworn peace officer, as defined in  
22 Section 2(a) of the Uniform Peace Officer Disciplinary Act,  
23 from having a complaint supported by a sworn affidavit.

24 (b) Except as provided in subsection (a) above, any  
25 collective bargaining contract between a public employer and a  
26 labor organization executed pursuant to this Act shall

1 supersede any contrary statutes, charters, ordinances, rules  
2 or regulations relating to wages, hours and conditions of  
3 employment and employment relations adopted by the public  
4 employer or its agents. Any collective bargaining agreement  
5 entered into prior to the effective date of this Act shall  
6 remain in full force during its duration.

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

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

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

20 (5 ILCS 375/6.9)

21 Sec. 6.9. Health benefits for community college benefit  
22 recipients and community college dependent beneficiaries.

23 (a) Purpose. It is the purpose of this amendatory Act of  
24 1997 to establish a uniform program of health benefits for

1 community college benefit recipients and their dependent  
2 beneficiaries under the administration of the Department of  
3 Central Management Services.

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

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

21 (d) Coverage. The health benefit coverage provided under  
22 this Section shall be a program of health, dental, and vision  
23 benefits.

24 The program of health benefits under this Section may  
25 include any or all of the benefit limitations, including but  
26 not limited to a reduction in benefits based on eligibility for

1 federal medicare benefits, that are provided under subsection  
2 (a) of Section 6 of this Act for other health benefit programs  
3 under this Act.

4 (e) Insurance rates and premiums. The Director shall  
5 determine the insurance rates and premiums for community  
6 college benefit recipients and community college dependent  
7 beneficiaries. Rates and premiums may be based in part on age  
8 and eligibility for federal Medicare coverage. The Director  
9 shall also determine premiums that will allow for the  
10 establishment of an actuarially sound reserve for this program.

11 The cost of health benefits under the program shall be paid  
12 as follows:

13 (1) For a community college benefit recipient, costs  
14 shall be an amount equal to the difference between the  
15 projected costs of health benefits under the program and  
16 projected contributions from community college districts,  
17 active contributors, and other income of the program. Other  
18 income of the program shall exclude contributions made by  
19 the State to retire unpaid claims of the program up to 75%  
20 of the total insurance rate shall be paid from the  
21 Community College Health Insurance Security Fund.

22 (2) The balance of the rate of insurance, including the  
23 entire premium for any coverage for community college  
24 dependent beneficiaries that has been elected, shall be  
25 paid by deductions authorized by the community college  
26 benefit recipient to be withheld from his or her monthly

1 annuity or benefit payment from the State Universities  
2 Retirement System; except that (i) if the balance of the  
3 cost of coverage exceeds the amount of the monthly annuity  
4 or benefit payment, the difference shall be paid directly  
5 to the State Universities Retirement System by the  
6 community college benefit recipient, and (ii) all or part  
7 of the balance of the cost of coverage may, at the option  
8 of the board of trustees of the community college district,  
9 be paid to the State Universities Retirement System by the  
10 board of the community college district from which the  
11 community college benefit recipient retired. The State  
12 Universities Retirement System shall promptly deposit all  
13 moneys withheld by or paid to it under this subdivision  
14 (e) (2) into the Community College Health Insurance  
15 Security Fund. These moneys shall not be considered assets  
16 of the State Universities Retirement System.

17 (f) Financing. All revenues arising from the  
18 administration of the health benefit program established under  
19 this Section shall be deposited into the Community College  
20 Health Insurance Security Fund, which is hereby created as a  
21 nonappropriated trust fund to be held outside the State  
22 Treasury, with the State Treasurer as custodian. Any interest  
23 earned on moneys in the Community College Health Insurance  
24 Security Fund shall be deposited into the Fund.

25 Moneys in the Community College Health Insurance Security  
26 Fund shall be used only to pay the costs of the health benefit



1 program established under this Section, including associated  
2 administrative costs and the establishment of a program  
3 reserve. Beginning January 1, 1999, the Department of Central  
4 Management Services may make expenditures from the Community  
5 College Health Insurance Security Fund for those costs.

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

17 (h) Continuation of program. It is the intention of the  
18 General Assembly that the program of health benefits provided  
19 under this Section be maintained on an ongoing, affordable  
20 basis. The program of health benefits provided under this  
21 Section may be amended by the State and is not intended to be a  
22 pension or retirement benefit subject to protection under  
23 Article XIII, Section 5 of the Illinois Constitution.

24 (i) Other health benefit plans. A health benefit plan  
25 provided by a community college district (other than a  
26 community college district subject to Article VII of the Public

1 Community College Act) under the terms of a collective  
2 bargaining agreement in effect on or prior to the effective  
3 date of this amendatory Act of 1997 shall continue in force  
4 according to the terms of that agreement, unless otherwise  
5 mutually agreed by the parties to that agreement and the  
6 affected retiree. A community college benefit recipient or  
7 community college dependent beneficiary whose coverage under  
8 such a plan expires shall be eligible to begin participating in  
9 the program established under this Section without any  
10 interruption or delay in coverage or limitation as to  
11 pre-existing medical conditions.

12 This Act does not prohibit any community college district  
13 from offering additional health benefits for its retirees or  
14 their dependents or survivors.

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

16 (5 ILCS 375/6.10)

17 Sec. 6.10. Contributions to the Community College Health  
18 Insurance Security Fund.

19 (a) Beginning January 1, 1999, every active contributor of  
20 the State Universities Retirement System (established under  
21 Article 15 of the Illinois Pension Code) who (1) is a full-time  
22 employee of a community college district (other than a  
23 community college district subject to Article VII of the Public  
24 Community College Act) or an association of community college  
25 boards and (2) is not an employee as defined in Section 3 of

1 this Act shall make contributions toward the cost of community  
2 college annuitant and survivor health benefits at the rate of  
3 0.50% of salary. Beginning August 17, 2012 and until July 1,  
4 2013, the contribution rate under this subsection (a) shall be  
5 1.25% of salary. Beginning July 1, 2013, the contribution rate  
6 under this subsection (a) shall be a percentage of salary  
7 determined by the Department of Central Management Services, or  
8 its successor, by rule, which in each fiscal year shall not  
9 exceed 108% of the percentage of salary actually required to be  
10 contributed in the previous fiscal year. However, the required  
11 contribution rate determined by the Department or its successor  
12 under this subsection (a) shall equal the required contribution  
13 rate determined by the Department or its successor under  
14 subsection (b) of this Section.

15 These contributions shall be deducted by the employer and  
16 paid to the State Universities Retirement System as service  
17 agent for the Department of Central Management Services. The  
18 System may use the same processes for collecting the  
19 contributions required by this subsection that it uses to  
20 collect the contributions received from those employees under  
21 Section 15-157 of the Illinois Pension Code. An employer may  
22 agree to pick up or pay the contributions required under this  
23 subsection on behalf of the employee; such contributions shall  
24 be deemed to have been paid by the employee.

25 The State Universities Retirement System shall promptly  
26 deposit all moneys collected under this subsection (a) into the

1 Community College Health Insurance Security Fund created in  
2 Section 6.9 of this Act. The moneys collected under this  
3 Section shall be used only for the purposes authorized in  
4 Section 6.9 of this Act and shall not be considered to be  
5 assets of the State Universities Retirement System.  
6 Contributions made under this Section are not transferable to  
7 other pension funds or retirement systems and are not  
8 refundable upon termination of service.

9 (b) Beginning January 1, 1999, every community college  
10 district (other than a community college district subject to  
11 Article VII of the Public Community College Act) or association  
12 of community college boards that is an employer under the State  
13 Universities Retirement System shall contribute toward the  
14 cost of the community college health benefits provided under  
15 Section 6.9 of this Act an amount equal to 0.50% of the salary  
16 paid to its full-time employees who participate in the State  
17 Universities Retirement System and are not members as defined  
18 in Section 3 of this Act. Beginning August 17, 2012 and until  
19 July 1, 2013, the contribution rate under this subsection (b)  
20 shall be 1.25% of salary. Beginning July 1, 2013, the  
21 contribution rate under this subsection (b) shall be a  
22 percentage of salary determined by the Department of Central  
23 Management Services, or its successor, by rule, which in each  
24 fiscal year shall not exceed 108% of the percentage of salary  
25 actually required to be contributed in the previous fiscal  
26 year. However, the required contribution rate determined by the

1 Department or its successor under this subsection (b) shall  
2 equal the required contribution rate determined by the  
3 Department or its successor under subsection (a) of this  
4 Section.

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

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

22       The Department of Healthcare and Family Services, or any  
23 successor agency designated to procure healthcare contracts  
24 pursuant to this Act, is authorized to establish funds,  
25 separate accounts provided by any bank or banks as defined by  
26 the Illinois Banking Act, or separate accounts provided by any

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

18 (c) On or before November 15 of each year but not after  
19 November 15, 2011, the Board of Trustees of the State  
20 Universities Retirement System shall certify to the Governor,  
21 the Director of Central Management Services, and the State  
22 Comptroller its estimate of the total amount of contributions  
23 to be paid under subsection (a) of this Section for the next  
24 fiscal year. Beginning in fiscal year 2008, the amount  
25 certified shall be decreased or increased each year by the  
26 amount that the actual active employee contributions either

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

15 (d) Beginning in fiscal year 1999, on the first day of each  
16 month, or as soon thereafter as may be practical, the State  
17 Treasurer and the State Comptroller shall transfer from the  
18 General Revenue Fund to the Community College Health Insurance  
19 Security Fund 1/12 of the annual amount appropriated for that  
20 fiscal year to the State Comptroller for deposit into the  
21 Community College Health Insurance Security Fund under Section  
22 1.4 of the State Pension Funds Continuing Appropriation Act.

23 (e) Except where otherwise specified in this Section, the  
24 definitions that apply to Article 15 of the Illinois Pension  
25 Code apply to this Section.

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

1 (5 ILCS 375/6.10A new)

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

12 (5 ILCS 375/6.16 new)

13 Sec. 6.16. Health benefit election for Tier I employees and  
14 Tier I retirees.

15 (a) For purposes of this Section:

16 "Eligible Tier I employee" means an individual who makes or  
17 is deemed to have made an election under paragraph (1) of  
18 subsection (a) of Section 2-110.3, 14-106.5, 15-134.6, or  
19 16-131.7 of the Illinois Pension Code.

20 "Eligible Tier I retiree" means an individual who makes or  
21 is deemed to have made an election under paragraph (1) of  
22 subsection (a-5) of Section 2-110.3, 14-106.5, 15-134.6, or  
23 16-131.7 of the Illinois Pension Code.

24 "Program of health benefits" means (i) a health plan, as



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

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

19 For persons who are eligible to receive benefits under a  
20 health plan made available by a community college district  
21 subject to Article VII of the Public Community College Act and  
22 who do not receive those benefits pursuant to a collective  
23 bargaining agreement, "program of health benefits" also  
24 includes the health plan made available to such persons by the  
25 community college district, except that if those persons  
26 otherwise become eligible to participate in a program of health

1 benefits pursuant to item (i) or (ii), then "program of health  
2 benefits" does not include the health plan made available to  
3 such persons by the community college district.

4 (b) As adequate and legal consideration for making the  
5 election under paragraph (1) of subsection (a) or (a-5) of  
6 Section 2-110.3, 14-106.5, 15-134.6, or 16-131.7 of the  
7 Illinois Pension Code, each eligible Tier I employee and each  
8 eligible Tier I retiree shall receive a vested and enforceable  
9 contractual right to participate in a program of health  
10 benefits while he or she qualifies as an annuitant or retired  
11 employee, or as a TRS benefit recipient or community college  
12 benefit recipient receiving a retirement annuity. That right  
13 also extends to such a person's dependents, survivors, TRS  
14 dependent beneficiaries, and community college dependent  
15 beneficiaries who are eligible under the applicable program of  
16 health benefits, except as qualified under subsection (e).

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

21 (d) The vested and enforceable contractual right to a  
22 program of health benefits is not offered as, and shall not be  
23 considered, a pension benefit under Article XIII, Section 5 of  
24 the Illinois Constitution, the Illinois Pension Code, or any  
25 subsequent or successor enactment providing pension benefits.

26 (e) Notwithstanding any other provision of this Act, a Tier

1 I employee or Tier I retiree who has made an election under  
2 paragraph (2) of subsection (a) or (a-5) of Section 2-110.3,  
3 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code  
4 shall not be entitled to participate in the program of health  
5 benefits as an annuitant, dependent, survivor, or retired  
6 employee, or as a TRS benefit recipient or community college  
7 benefit recipient receiving a retirement annuity, regardless  
8 of any contrary election pursuant to any of those Sections  
9 under any other retirement system.

10 Notwithstanding any other provision of this Act, a Tier I  
11 employee who is not entitled to participate in the program of  
12 health benefits as an annuitant, dependent, survivor, or  
13 retired employee, or as a TRS benefit recipient or community  
14 college benefit recipient receiving a retirement annuity, due  
15 to an election under paragraph (2) of subsection (a) or (a-5)  
16 of Section 2-110.3, 14-106.5, 15-134.6, or 16-131.7 of the  
17 Illinois Pension Code shall not be required to make  
18 contributions toward the program of health benefits while he or  
19 she is an employee or active contributor. However, an active  
20 employee may be required to make contributions toward the  
21 health benefits he or she receives during active employment.

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

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

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

8 (20 ILCS 3005/7) (from Ch. 127, par. 417)

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

- 21 (1) Personal services
- 22 (2) State contribution for employee group insurance
- 23 (3) Contractual services
- 24 (4) Travel

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

17 (Source: P.A. 93-25, eff. 6-20-03.)

18 (20 ILCS 3005/8) (from Ch. 127, par. 418)

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

25 When used in connection with a State budget or expenditure

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

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

6 Section 20. The Pension Impact Note Act is amended by  
7 changing Section 2 as follows:

8 (25 ILCS 55/2) (from Ch. 63, par. 42.42)

9 Sec. 2. Pension impact notes.

10 (a) The Commission on Government Forecasting and  
11 Accountability, hereafter in this Act referred to as the  
12 "Commission", shall prepare a written pension system impact  
13 note in relation to any bill introduced in either house of the  
14 General Assembly which proposes to amend, revise, or add to any  
15 provision of the Illinois Pension Code or the State Pension  
16 Funds Continuing Appropriation Act. Upon the introduction of  
17 any such bill, the Clerk of the House or the Secretary of the  
18 Senate shall forward the bill to the Commission, which shall  
19 prepare such a note within 7 calendar days after receiving the  
20 request. The bill shall be held on second reading until the  
21 note has been received.

22 (b) Beginning on the effective date of this amendatory Act  
23 of the 97th General Assembly, if any bill is introduced in  
24 either house of the General Assembly that amends, revises, or

1 adds any provision to Article 2, 14, 15, 16, or 18 of the  
2 Illinois Pension Code or that amends, revises, or adds any  
3 other provision of that Code that affects a retirement system  
4 created under Article 2, 14, 15, 16, or 18 of the Illinois  
5 Pension Code, then the retirement system established under the  
6 applicable Article shall also prepare a written pension impact  
7 note for that bill. Upon the introduction of any such bill, the  
8 Clerk of the House or the Secretary of the Senate shall forward  
9 the bill to the applicable retirement system, which shall  
10 prepare such a note within 7 calendar days after receiving the  
11 request. The bill shall be held on second reading until the  
12 note has been received.

13 (c) Copies of each pension impact note shall be furnished  
14 ~~by the Commission~~ to the presiding officer of each house, the  
15 minority leader of each house, the Clerk of the House of  
16 Representatives, the Secretary of the Senate, the sponsor of  
17 the bill which is the subject of the note, the member, if any,  
18 who initiated the request for the note, the Chairman of the  
19 House Committee on Personnel and Pensions, and the Chairman of  
20 the Senate Committee on Insurance, Pensions and Licensed  
21 Activities.

22 (Source: P.A. 93-632, eff. 2-1-04; 93-1067, eff. 1-15-05.)

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

1 (30 ILCS 105/13) (from Ch. 127, par. 149)

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

4 (1) Personal services;

5 (2) State contribution for employee group insurance;

6 (3) Contractual services;

7 (4) Travel;

8 (5) Commodities;

9 (6) Equipment;

10 (7) Permanent improvements;

11 (8) Land;

12 (9) Electronic Data Processing;

13 (10) Operation of automotive equipment;

14 (11) Telecommunications services;

15 (12) Contingencies;

16 (13) Reserve;

17 (14) Interest;

18 (15) Awards and Grants;

19 (16) Debt Retirement;

20 (17) Non-Cost Charges;

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

22 (19) State retirement contribution for unfunded accrued  
23 liability;

24 (20) ~~(18)~~ Purchase Contract for Real Estate.

25 When an appropriation is made to an officer, department,  
26 institution, board, commission or other agency, or to a private



1 association or corporation, in one or more of the items above  
2 specified, such appropriation shall be construed in accordance  
3 with the definitions and limitations specified in this Act,  
4 unless the appropriation act otherwise provides.

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

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

10 (30 ILCS 105/24.12 new)

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

20 (30 ILCS 105/24.13 new)

21 Sec. 24.13. "State retirement contribution for unfunded  
22 accrued liability" defined. The term "State retirement  
23 contribution for unfunded accrued liability" means the portion  
24 of the total required State contribution to a retirement system

1 for a fiscal year that is not included in the State retirement  
2 contribution for annual normal cost.

3 Section 30. The Illinois Pension Code is amended by  
4 changing Sections 1-103.3, 1-160, 2-108, 2-119.1, 2-124,  
5 2-134, 7-109, 14-103.10, 14-106, 14-114, 14-131, 14-132,  
6 14-133, 14-135.08, 14-152.1, 15-106, 15-107, 15-111, 15-113.2,  
7 15-134.5, 15-136, 15-155, 15-157, 15-158.2, 15-159, 15-163,  
8 15-165, 15-198, 16-106, 16-121, 16-127, 16-133.1, 16-136.1,  
9 16-152, 16-158, 16-163, 16-165, 16-203, 18-140, 20-121,  
10 20-123, 20-124, and 20-125 and by adding Sections 1-161, 1-162,  
11 2-105.1, 2-105.2, 2-107.9, 2-110.3, 14-103.40, 14-103.41,  
12 14-103.42, 14-106.5, 15-107.1, 15-107.2, 15-111.1, 15-134.6,  
13 15-155.1, 15-155.2, 16-106.4, 16-106.5, 16-106.6, 16-121.1,  
14 16-131.7, 16-133.6, and 16-158.2 as follows:

15 (40 ILCS 5/1-103.3)

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

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

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

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

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

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

19 (40 ILCS 5/1-160)

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

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

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

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

18 A person subject to this Section with respect to service  
19 under the Teachers' Retirement System of the State of Illinois  
20 may irrevocably elect to transfer to the cash balance plan  
21 under Section 1-161 with respect to service under the Teachers'  
22 Retirement System of the State of Illinois by filing with the  
23 Teachers' Retirement System of the State of Illinois in the  
24 manner required by that System, his or her irrevocable written  
25 election to transfer to the cash balance plan. Participation in  
26 the cash balance plan shall begin no earlier than July 1, 2013.

1 (b) "Final average salary" means the average monthly (or  
2 annual) salary obtained by dividing the total salary or  
3 earnings calculated under the Article applicable to the member  
4 or participant during the 96 consecutive months (or 8  
5 consecutive years) of service within the last 120 months (or 10  
6 years) of service in which the total salary or earnings  
7 calculated under the applicable Article was the highest by the  
8 number of months (or years) of service in that period. For the  
9 purposes of a person who first becomes a member or participant  
10 of any retirement system or pension fund to which this Section  
11 applies on or after January 1, 2011, in this Code, "final  
12 average salary" shall be substituted for the following:

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

15 (2) In Articles 8, 9, 10, 11, and 12, "highest average  
16 annual salary for any 4 consecutive years within the last  
17 10 years of service immediately preceding the date of  
18 withdrawal".

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

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

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

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

24 (b-5) Beginning on January 1, 2011, for all purposes under  
25 this Code (including without limitation the calculation of  
26 benefits and employee contributions), the annual earnings,

1 salary, or wages (based on the plan year) of a member or  
2 participant to whom this Section applies shall not exceed  
3 \$106,800; however, that amount shall annually thereafter be  
4 increased by the lesser of (i) 3% of that amount, including all  
5 previous adjustments, or (ii) one-half the annual unadjusted  
6 percentage increase (but not less than zero) in the consumer  
7 price index-u for the 12 months ending with the September  
8 preceding each November 1, including all previous adjustments.

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

18 (c) A member or participant is entitled to a retirement  
19 annuity upon written application if he or she has attained age  
20 67 and has at least 10 years of service credit and is otherwise  
21 eligible under the requirements of the applicable Article.

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

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

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

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

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

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



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

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

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

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

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

18 (j) In the case of a conflict between the provisions of  
19 this Section and any other provision of this Code, the  
20 provisions of this Section shall control.

21 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;  
22 97-609, eff. 1-1-12.)

23 (40 ILCS 5/1-161 new)

24 Sec. 1-161. Cash Balance Plan.

25 (a) Participation and Applicability. This Section applies

1 to all new cash balance plan participants and all legacy Tier  
2 II participants.

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

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

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

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

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

21 "Salary" means "earnings" as defined in Article 15 or  
22 "salary" as defined in Article 16, whichever is applicable,  
23 without regard to the limitation in subsection (b-5) of Section  
24 1-160.

25 "Legacy Tier II participant" means a person who was subject  
26 to Section 1-160 with respect to service under Article 15 or 16

1 of this Code and who irrevocably elects to participate in the  
2 cash balance plan created under this Section. That election  
3 must be made in writing, in the manner provided by the  
4 applicable retirement system.

5 "New cash balance plan participant" means a person who, on  
6 or after July 1, 2013, first begins to participate in the  
7 retirement system established under Article 15 or 16 of this  
8 Code.

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

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

23 Whenever necessary for the prompt calculation or  
24 administration, or when the System lacks information necessary  
25 to the calculation or administration otherwise required of or  
26 for a benefit under this Section, the applicable retirement

1 system may estimate an amount to be credited to or debited from  
2 a participant's cash balance account and then adjust the amount  
3 so credited or debited when more accurate information becomes  
4 available.

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

11 (c-5) Initial Account Balance for Legacy Tier II  
12 Participants. The applicable retirement system shall establish  
13 an initial account balance for each legacy Tier II participant  
14 when he or she begins participation in the cash balance plan.  
15 The initial account balance shall be an amount equal to the  
16 employee contribution refund that the participant would be  
17 eligible to receive under the applicable Article of this Code  
18 if the participant terminated employment on that date and  
19 elected a refund of contributions, as prescribed by the board  
20 of the applicable retirement system.

21 (d) Employee Contributions. New cash balance plan  
22 participants and legacy Tier II participants shall make  
23 employee contributions to the applicable retirement system at  
24 the rates required under the applicable Article of this Code.  
25 The amount of each contribution shall be credited to the  
26 participant's cash balance account upon receipt and after the

1 retirement system's reconciliation of the contribution.

2 (e) Notional Employer Contributions. Upon receipt of each  
3 employee contribution under subsection (d), an amount  
4 representing the employer contribution shall be credited to the  
5 participant's cash balance account. For a participant in the  
6 cash balance plan under Article 15, the notional employer  
7 contribution shall be 4.4% of salary. For a participant in the  
8 cash balance plan under Article 16, the notional employer  
9 contribution shall be 3.4% of salary.

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

14 (e-1) Optional Employer Contributions. Employers may make  
15 optional additional contributions to the applicable retirement  
16 system on behalf of their employees who are participants in the  
17 cash balance plan in accordance with procedures prescribed by  
18 the retirement system, to the extent permitted by federal law  
19 and the rules prescribed by the retirement system. The optional  
20 additional contributions under this subsection are actual  
21 monetary contributions to the retirement system, and the amount  
22 of each optional additional contribution shall be credited to  
23 the participant's cash balance account upon receipt and after  
24 the retirement system's reconciliation of the contribution.

25 (f) Interest Credit. An amount representing earnings on  
26 investments shall be determined by the retirement system in

1 accordance with this Section and credited to the participant's  
2 cash balance account for each fiscal year in which there is a  
3 positive balance in that account; except that no additional  
4 interest credit shall be credited while an annuity based on the  
5 account is being paid. The interest credit amount shall be a  
6 percentage of the average quarterly balance in the cash balance  
7 account during that fiscal year, and shall be calculated on  
8 June 30.

9 The percentage shall be the assumed treasury rate for the  
10 previous fiscal year, unless neither the retirement system's  
11 actual rate of investment earnings for the previous fiscal year  
12 nor the retirement system's actual rate of investment earnings  
13 for the five-year period ending at the end of the previous  
14 fiscal year is less than the assumed treasury rate.

15 If both the retirement system's actual rate of investment  
16 earnings for the previous fiscal year and the actual rate of  
17 investment earnings for the five-year period ending at the end  
18 of the previous fiscal year are at least the assumed treasury  
19 rate, then the percentage shall be:

20 (i) the assumed treasury rate, plus

21 (ii) two-thirds of the amount of the actual rate of  
22 investment earnings for the previous fiscal year that  
23 exceeds the assumed treasury rate.

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

26 For the purposes of this subsection only, "previous fiscal

1 year" means fiscal year ending one year before the interest  
2 rate is calculated.

3 For the purposes of this subsection only, "assumed treasury  
4 rate" means the average annual yield of the 30-year U.S.  
5 Treasury Bond over the previous fiscal year, but not less than  
6 4%.

7 When a person applies for a benefit under this Section, the  
8 retirement system shall apply an interest credit based on a  
9 proration of an estimate of what the interest credit will be  
10 for the relevant year. When the retirement system certifies the  
11 credit on June 30, it shall adjust the benefit accordingly.

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



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

15       The participant's credits in the applicable retirement  
16 system shall be terminated upon payment of a refund under this  
17 subsection.

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

22       The amount of the retirement annuity shall be calculated by  
23 the retirement system, based on the balance in the cash balance  
24 account, the assumption of future investment returns as  
25 specified in this subsection, the participant's election to  
26 have a lifetime survivor's annuity as specified in this

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

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

26 The participant may elect, under the participant's written

1 application for retirement, to receive a reduced annuity  
2 payable for his or her life and to have a lifetime survivor's  
3 annuity in a monthly amount equal to 50%, 75%, or 100% of that  
4 reduced monthly amount, to be paid after the participant's  
5 death to his or her eligible survivor. Eligibility for a  
6 survivor's annuity shall be determined under the applicable  
7 Article of this Code.

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

14 (h) Annual Increase in Retirement Annuity. The retirement  
15 annuity shall be subject to an automatic annual increase in an  
16 amount equal to 3% of the originally granted annuity on each  
17 January 1 occurring on or after the first anniversary of the  
18 annuity start date.

19 (i) Disability Benefits. The disability benefits provided  
20 under the applicable retirement system apply to new cash  
21 balance plan participants and legacy Tier II participants in  
22 the cash balance plan, subject to and in accordance with the  
23 eligibility and other provisions of the applicable Article.

24 Retirement due to disability under Section 15-153.2 or  
25 16-149.2 shall be deemed a disability benefit for the purposes  
26 of this Section and shall apply to new cash balance plan

1 participants and legacy Tier II participants.

2 The board of the retirement system shall designate  
3 annually, as a percentage of salary, an amount representing the  
4 anticipated average cost of providing disability benefits for  
5 new cash balance plan participants and legacy Tier II  
6 participants. The amount so designated shall not exceed 1% of  
7 the cash balance plan participant's salary and shall be  
8 deducted annually from the account of each new cash balance  
9 plan participant and each legacy Tier II participant.

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

21 (k) Survivor's Annuity - Death before Retirement. In the  
22 case of the death of a new cash balance plan participant or  
23 legacy Tier II participant who had less than 5 years of service  
24 under the applicable Article and had not begun receiving a  
25 retirement annuity, the eligible survivor shall be entitled  
26 only to a refund of employee contributions under subsection

1 (f-15).

2 In the case of the death of a new cash balance plan  
3 participant or legacy Tier II participant who had at least 5  
4 years of service under the applicable Article and had not begun  
5 receiving a retirement annuity, the eligible survivor shall be  
6 entitled to receive a survivor's annuity beginning at age 59  
7 1/2 upon written application. The survivor's annuity shall be  
8 calculated in the same manner as a retirement annuity under  
9 subsection (g). At any time before receiving a survivor's  
10 annuity, the eligible survivor may claim a distribution under  
11 subsection (f-10) or a refund under subsection (f-15). The  
12 deceased participant's account shall continue to receive  
13 interest credit until the eligible survivor begins to receive a  
14 survivor's annuity or receives a refund of employee  
15 contributions under subsection (f-15).

16 Eligibility for a survivor's annuity shall be determined  
17 under the applicable Article of this Code. A child's or  
18 parent's annuity for an otherwise eligible child or dependent  
19 parent shall be in the same amount, if any, prescribed under  
20 the applicable Article.

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

26 (m) Applicability of Provisions. The following provisions,

1 if and as they exist in this Code, do not apply to participants  
2 in the cash balance plan with respect to participation in the  
3 cash balance plan, except as they are specifically provided for  
4 in this Section:

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

7 (2) provisions limiting a retirement annuity to a  
8 specified percentage of salary;

9 (3) provisions authorizing a minimum retirement or  
10 survivor's annuity or a supplemental annuity;

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

14 (5) provisions authorizing a reversionary annuity  
15 (other than a survivor's annuity under subsection (g));

16 (6) provisions authorizing a refund of employee  
17 contributions upon termination of service (except as  
18 provided in this Section) or any lump-sum payout in lieu of  
19 a retirement or survivor's annuity (other than the  
20 distribution under subsection (f-10) or the refund under  
21 subsection (f-15) of this Section;

22 (7) provisions authorizing optional service credits or  
23 the payment of optional additional contributions (other  
24 than the optional employer contributions specifically  
25 authorized in subsection (e-1)); or

26 (8) a level income option.

1       The Retirement Systems Reciprocal Act applies to  
2 participants in the cash balance plan who qualify under Article  
3 20 of this Code, but it does not affect the calculation of  
4 benefits payable under this Section.

5       The other provisions of this Code continue to apply to  
6 participants in the cash balance plan, to the extent that they  
7 do not conflict with this Section. In the case of a conflict  
8 between the provisions of this Section and any other provision  
9 of this Code, the provisions of this Section control.

10       (n) Rules. The Board of Trustees of the applicable  
11 retirement system may adopt rules and procedures for the  
12 implementation of this Section, including but not limited to  
13 determinations of how to integrate the administration of this  
14 Section with the requirements of the applicable Article and any  
15 other applicable provisions of this Code.

16       (o) Public Pension Division. The Public Pension Division of  
17 the Department of Insurance shall determine in October of each  
18 year the annual unadjusted percentage increase (but not less  
19 than zero) in the Consumer Price Index-U for the 12 months  
20 ending with the preceding September. The Division shall certify  
21 its determination to the Board of Trustees of the State  
22 Universities Retirement System by November 1 of each year.

23       (p) Actual Employer Contributions. Payment of employer  
24 contributions with respect to participants in the cash balance  
25 plan shall be the responsibility of the actual employer. These  
26 contributions shall be determined under and paid in accordance

1 with the provisions of Sections 15-155. Optional employer  
2 contributions may be paid by employers in any amount, but must  
3 be paid in the manner specified by the applicable retirement  
4 system.

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

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

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

17 (40 ILCS 5/1-162 new)

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

19 (a) Participation and Applicability. Beginning on July 1,  
20 2013, the following persons may elect to participate in the  
21 optional cash balance plan created under this Section:

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

24 (2) any Tier I employee who has made the election under  
25 paragraph (1) of subsection (a) or (a-5) of Section



1       14-106.5 or paragraph (1) of subsection (a) or (a-5) of  
2       Section 15-134.6, or paragraph (1) of subsection (a) or  
3       (a-5) of Section 16-131.7.

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

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

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

1 plan".

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

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

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

11 "Salary" means "compensation" as defined in Article 14,  
12 "earnings" as defined in Article 15, or "salary" as defined in  
13 Article 16, whichever is applicable, without regard to the  
14 limitation in subsection (b-5) of Section 1-160.

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

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

26 The amounts to be credited to the cash balance account

1 shall consist of (i) amounts contributed by or on behalf of the  
2 participant as employee contributions, (ii) notional employer  
3 contributions, and (iii) interest credit that is attributable  
4 to the account, all as provided in this Section.

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

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

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

26 (e) Optional Employer Contributions. Employers may make

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

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

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

1 fiscal year is less than the assumed treasury rate.

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

7 (i) the assumed treasury rate, plus

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

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

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

16 For the purposes of this subsection only, "assumed treasury  
17 rate" means the average annual yield of the 30-year U.S.  
18 Treasury Bond over the previous fiscal year, but not less than  
19 4%.

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

25 (f-10) Distribution upon Termination of Employment. Upon  
26 termination of active employment with at least 5 years of

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

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

1 participant's notional cash balance account shall be closed.

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

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

26 The annuity payment shall begin on the date specified by

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

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

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

24 (h) Annual Increase in Retirement Annuity. The retirement  
25 annuity shall be subject to an automatic annual increase in an  
26 amount equal to 3% of the originally granted annuity on each



1 January 1 occurring on or after the first anniversary of the  
2 annuity start date.

3 (i) Disability Benefits. There are no disability benefits  
4 provided under the optional cash balance plan, and no amounts  
5 for disability shall be deducted from the account of a  
6 participant in the optional cash balance plan. The disability  
7 benefits provided under the applicable retirement system apply  
8 to participants in the optional cash balance plan.

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

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

26 In the case of a participant in the optional cash balance

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

13 Eligibility for a survivor's annuity shall be determined  
14 under the applicable Article of this Code. A child's or  
15 parent's annuity for an otherwise eligible child or dependent  
16 parent shall be in the same amount, if any, prescribed under  
17 the applicable Article.

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

23 (m) Applicability of Provisions. The following provisions,  
24 if and as they exist in this Code, do not apply to participants  
25 in the optional cash balance plan with respect to participation  
26 in the optional cash balance plan, except as they are

1 specifically provided for in this Section:

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

4 (2) provisions limiting a retirement annuity to a  
5 specified percentage of salary;

6 (3) provisions authorizing a minimum retirement or  
7 survivor's annuity or a supplemental annuity;

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

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

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

20 (7) provisions authorizing optional service credits or  
21 the payment of optional additional contributions (other  
22 than the optional employer contributions specifically  
23 authorized in this Section); or

24 (8) a level income option.

25 The Retirement Systems Reciprocal Act (Article 20 of this  
26 Code) does not apply to participation in the optional cash

1 balance plan and does not affect the calculation of benefits  
2 payable under this Section.

3 The other provisions of this Code continue to apply to  
4 participants in the optional cash balance plan, to the extent  
5 that they do not conflict with this Section. In the case of a  
6 conflict between the provisions of this Section and any other  
7 provision of this Code, the provisions of this Section control.

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

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

21 (p) Actual Employer Contributions. Payment of employer  
22 contributions with respect to participants in the optional cash  
23 balance plan shall be the responsibility of the actual  
24 employer. These contributions shall be determined under and  
25 paid in accordance with the provisions of Sections 15-155.  
26 Optional additional contributions by employers may be paid in

1 any amount, but must be paid in the manner specified by the  
2 applicable retirement system.

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

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

12 (40 ILCS 5/2-105.1 new)

13 Sec. 2-105.1. Tier I employee. "Tier I employee": A  
14 participant who first became a participant before January 1,  
15 2011.

16 (40 ILCS 5/2-105.2 new)

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

19 (40 ILCS 5/2-107.9 new)

20 Sec. 2-107.9. Future increase in income. "Future increase  
21 in income": Any increase in income in any form offered for  
22 service as a member under this Article after June 30, 2013 that  
23 would qualify as "salary", as defined under Section 2-108, but

1 for the fact that the increase in income was offered to the  
2 member on the condition that it not qualify as salary and was  
3 accepted by the member subject to that condition.

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

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

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

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

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

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

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

9            (40 ILCS 5/2-110.3 new)

10        Sec. 2-110.3. Election by Tier I employees and Tier I  
11        retirees.

12        (a) Each Tier I employee shall make an irrevocable election  
13        either:

14            (1) to agree to the following:

15            (i) to have the amount of the automatic annual  
16            increases in his or her retirement annuity that are  
17            otherwise provided for in this Article calculated,  
18            instead, as provided in subsection (a-1) of Section  
19            2-119.1; and

20            (ii) to have his or her eligibility for automatic  
21            annual increases in retirement annuity postponed as  
22            provided in subsection (a-2) of Section 2-119.1 and to  
23            relinquish the additional increases provided in  
24            subsection (b) of Section 2-119.1; or

25            (2) to not agree to items (i) and (ii) as set forth in

1 paragraph (1) of this subsection.

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

5 (i) a person who becomes a Tier I employee under this  
6 Article after January 1, 2013 must make the election under  
7 this subsection (a) within 60 days after becoming a Tier I  
8 employee;

9 (ii) a person who returns to active service as a Tier I  
10 employee under this Article after January 1, 2013 and has  
11 not yet made an election under this Section must make the  
12 election under this subsection (a) within 60 days after  
13 returning to active service as a Tier I employee; and

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

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

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

24 (1) to agree to the following:

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



1 otherwise provided for in this Article calculated,  
2 instead, as provided in subsection (a-1) of Section  
3 2-119.1; and

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

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

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

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

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

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

26 (a-10) All elections under subsection (a) or (a-5) that are

1 made or deemed to be made before June 1, 2013 shall take effect  
2 on July 1, 2013. Elections that are made or deemed to be made  
3 on or after June 1, 2013 shall take effect on the first day of  
4 the month following the month in which the election is made or  
5 deemed to be made.

6 (b) As adequate and legal consideration provided under this  
7 amendatory Act of the 97th General Assembly for making the  
8 election under paragraph (1) of subsection (a) of this Section,  
9 any future increases in income offered for service as a member  
10 under this Article to a Tier I employee who has made the  
11 election under paragraph (1) of subsection (a) of this Section  
12 shall be offered expressly and irrevocably as constituting  
13 salary under Section 2-108.

14 As adequate and legal consideration provided under this  
15 amendatory Act of the 97th General Assembly for making the  
16 election under paragraph (1) of subsection (a-5) of this  
17 Section, any future increases in income offered for service as  
18 a member under this Article to a Tier I retiree who returns to  
19 active service after having made the election under paragraph  
20 (1) of subsection (a-5) of this Section shall be offered  
21 expressly and irrevocably as constituting salary under Section  
22 2-108.

23 (c) A Tier I employee who makes the election under  
24 paragraph (2) of subsection (a) of this Section shall not be  
25 subject to items (i) and (ii) set forth in paragraph (1) of  
26 subsection (a) of this Section. However, any future increases

1 in income offered for service as a member under this Article to  
2 a Tier I employee who has made the election under paragraph (2)  
3 of subsection (a) of this Section shall be offered expressly  
4 and irrevocably as not constituting salary under Section 2-108,  
5 and the member may not accept any future increase in income  
6 that is offered in violation of this requirement.

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

18 (d) The System shall make a good faith effort to contact  
19 each Tier I employee and Tier I retiree subject to this  
20 Section. The System shall mail information describing the  
21 required election to each Tier I employee and Tier I retiree by  
22 United States Postal Service mail to his or her last known  
23 address on file with the System. If the Tier I employee or Tier  
24 I retiree is not responsive to other means of contact, it is  
25 sufficient for the System to publish the details of any  
26 required elections on its website or to publish those details

1 in a regularly published newsletter or other existing public  
2 forum.

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

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

25 The System shall coordinate with the Illinois Department of  
26 Central Management Services and each other retirement system

1 administering an election in accordance with this amendatory  
2 Act of the 97th General Assembly to provide information  
3 concerning the impact of the election under this Section.

4 In no event shall the System, its staff, or the Board be  
5 held liable for any information given to a member, beneficiary,  
6 or annuitant regarding the elections under this Section.

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

19 (f) A member's election under this Section is not a  
20 prohibited election under subdivision (j)(1) of Section 1-119  
21 of this Code.

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

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

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

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

17 (a-1) Notwithstanding any other provision of this Article,  
18 for a Tier I employee or Tier I retiree who made the election  
19 under paragraph (1) of subsection (a) or (a-5) of Section  
20 2-110.3, the amount of each automatic annual increase in  
21 retirement annuity occurring on or after the effective date of  
22 that election shall be 3% or one-half of the annual unadjusted  
23 percentage increase, if any, in the Consumer Price Index-U for  
24 the 12 months ending with the preceding September, whichever is  
25 less, of the originally granted retirement annuity. For the  
26 purposes of this Section, "Consumer Price Index-U" means the

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

5 (a-2) For a Tier I employee or Tier I retiree who made the  
6 election under paragraph (1) of subsection (a) or (a-5) of  
7 Section 2-110.3, the monthly retirement annuity shall first be  
8 subject to annual increases on the January 1 occurring on or  
9 next after the attainment of age 67 or the January 1 occurring  
10 on or next after the fifth anniversary of the annuity start  
11 date, whichever occurs earlier. If on the effective date of the  
12 election under paragraph (1) of subsection (a-5) of Section  
13 2-110.3 a Tier I retiree has already received an annual  
14 increase under this Section but does not yet meet the new  
15 eligibility requirements of this subsection, the annual  
16 increases already received shall continue in force, but no  
17 additional annual increase shall be granted until the Tier I  
18 retiree meets the new eligibility requirements.

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

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

7       This subsection (b) does not apply to any person who first  
8       becomes a member of the System after August 8, 2003 (the  
9       effective date of Public Act 93-494) or (ii) has made the  
10      election under paragraph (1) of subsection (a) or (a-5) of  
11      Section 2-110.3; except that if on the effective date of the  
12      election under paragraph (1) of subsection (a-5) of Section  
13      2-110.3 a Tier I retiree has already received a retirement  
14      annuity based on any annual increases under this subsection,  
15      those annual increases under this subsection shall continue in  
16      force ~~this amendatory Act of the 93rd General Assembly.~~

17      (b-5) Notwithstanding any other provision of this Article,  
18      a participant who first becomes a participant on or after  
19      January 1, 2011 (the effective date of Public Act 96-889)  
20      shall, in January or July next following the first anniversary  
21      of retirement, whichever occurs first, and in the same month of  
22      each year thereafter, but in no event prior to age 67, have the  
23      amount of the retirement annuity then being paid increased by  
24      3% or the annual unadjusted percentage increase in the Consumer  
25      Price Index for All Urban Consumers as determined by the Public  
26      Pension Division of the Department of Insurance under



1 subsection (a) of Section 2-108.1, whichever is less.

2 (c) The foregoing provisions relating to automatic  
3 increases are not applicable to a participant who retires  
4 before having made contributions (at the rate prescribed in  
5 Section 2-126) for automatic increases for less than the  
6 equivalent of one full year. However, in order to be eligible  
7 for the automatic increases, such a participant may make  
8 arrangements to pay to the system the amount required to bring  
9 the total contributions for the automatic increase to the  
10 equivalent of one year's contributions based upon his or her  
11 last salary.

12 (d) A participant who terminated service prior to July 1,  
13 1967, with at least 14 years of service is entitled to an  
14 increase in retirement annuity beginning January, 1976, and to  
15 additional increases in January of each year thereafter.

16 The initial increase shall be 1 1/2% of the originally  
17 granted retirement annuity multiplied by the number of full  
18 years that the annuitant was in receipt of such annuity prior  
19 to January 1, 1972, plus 2% of the originally granted  
20 retirement annuity for each year after that date. The  
21 subsequent annual increases shall be at the rate of 2% of the  
22 originally granted retirement annuity for each year through  
23 1979 and at the rate of 3% for 1980 and thereafter.

24 (e) Beginning January 1, 1990, all automatic annual  
25 increases payable under this Section shall be calculated as a  
26 percentage of the total annuity payable at the time of the

1 increase, including previous increases granted under this  
2 Article.

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

4 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

5 Sec. 2-124. Contributions by State.

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

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

18 (c) Except as otherwise provided in this Section, for ~~For~~  
19 State fiscal years 2012 through 2045, the minimum contribution  
20 to the System to be made by the State for each fiscal year  
21 shall be an amount determined by the System to be sufficient to  
22 bring the total assets of the System up to 90% of the total  
23 actuarial liabilities of the System by the end of State fiscal  
24 year 2045. In making these determinations, the required State  
25 contribution shall be calculated each year as a level

1 percentage of payroll over the years remaining to and including  
2 fiscal year 2045 and shall be determined under the projected  
3 unit credit actuarial 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.

9 Notwithstanding any other provision of this Article, the  
10 total required State contribution for State fiscal year 2006 is  
11 \$4,157,000.

12 Notwithstanding any other provision of this Article, the  
13 total required State contribution for State fiscal year 2007 is  
14 \$5,220,300.

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

21 Notwithstanding any other provision of this Article, the  
22 total required State contribution for State fiscal year 2010 is  
23 \$10,454,000 and shall be made from the proceeds of bonds sold  
24 in fiscal year 2010 pursuant to Section 7.2 of the General  
25 Obligation Bond Act, less (i) the pro rata share of bond sale  
26 expenses determined by the System's share of total bond

1 proceeds, (ii) any amounts received from the General Revenue  
2 Fund in fiscal year 2010, and (iii) any reduction in bond  
3 proceeds due to the issuance of discounted bonds, if  
4 applicable.

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

16 Except as otherwise provided in this Section, beginning  
17 ~~Beginning~~ in State fiscal year 2046, the minimum State  
18 contribution for each fiscal year shall be the amount needed to  
19 maintain the total assets of the System at 90% of the total  
20 actuarial liabilities of the System.

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

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

7 Notwithstanding any other provision of this Section, the  
8 required State contribution for State fiscal year 2005 and for  
9 fiscal year 2008 and each fiscal year thereafter, as calculated  
10 under this Section and certified under Section 2-134, shall not  
11 exceed an amount equal to (i) the amount of the required State  
12 contribution that would have been calculated under this Section  
13 for that fiscal year if the System had not received any  
14 payments under subsection (d) of Section 7.2 of the General  
15 Obligation Bond Act, minus (ii) the portion of the State's  
16 total debt service payments for that fiscal year on the bonds  
17 issued in fiscal year 2003 for the purposes of that Section  
18 7.2, as determined and certified by the Comptroller, that is  
19 the same as the System's portion of the total moneys  
20 distributed under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act. In determining this maximum for State  
22 fiscal years 2008 through 2010, however, the amount referred to  
23 in item (i) shall be increased, as a percentage of the  
24 applicable employee payroll, in equal increments calculated  
25 from the sum of the required State contribution for State  
26 fiscal year 2007 plus the applicable portion of the State's

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

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

10 (1) In lieu of the State contributions required under  
11 subsection (c), for State fiscal years 2014 through 2043  
12 the minimum contribution to the System to be made by the  
13 State for each fiscal year shall be an amount determined by  
14 the System to be equal to the sum of (1) the State's  
15 portion of the projected normal cost for that fiscal year,  
16 plus (2) an amount sufficient to bring the total assets of  
17 the System up to 100% of the total actuarial liabilities of  
18 the System by the end of State fiscal year 2043. In making  
19 these determinations, the required State contribution  
20 shall be calculated each year as a level percentage of  
21 payroll over the years remaining to and including fiscal  
22 year 2043 and shall be determined under the projected unit  
23 credit actuarial cost method.

24 (2) Beginning in State fiscal year 2043, the minimum  
25 State contribution for each fiscal year shall be the amount  
26 needed to maintain the total assets of the System at 100%

1 of the total actuarial liabilities of the System.

2 (c-2) If less than 50% of Tier I employees making an  
3 election under Section 2-110.3 before June 1, 2013 choose the  
4 option under paragraph (1) of subsection (a) of that Section,  
5 then the annual required contribution to the System to be made  
6 by the State shall be determined under subsection (c) of this  
7 Section, instead of the annual required contribution otherwise  
8 specified in subsection (c-1) of this Section.

9 (d) 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 (e) 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. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;  
25 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.  
26 3-18-11; revised 4-6-11.)

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

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

4 (a) The Board shall certify to the Governor on or before  
5 December 15 of each year through ~~until~~ December 15, 2011 the  
6 amount of the required State contribution to the System for the  
7 next fiscal year ~~and shall specifically identify the System's~~  
8 ~~projected State normal cost for that fiscal year.~~ The  
9 certification under this subsection (a) shall include a copy of  
10 the actuarial recommendations upon which it is based ~~and shall~~  
11 ~~specifically identify the System's projected State normal cost~~  
12 ~~for that fiscal year.~~

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

25 On or before January 15, 2013 and every January 15



1 thereafter, the Board shall certify to the Governor and the  
2 General Assembly the amount of the required State contribution  
3 for the next fiscal year. The certification shall include a  
4 copy of the actuarial recommendations upon which it is based  
5 and shall specifically identify the System's projected State  
6 normal cost for that fiscal year. The Board's certification  
7 must note any deviations from the State Actuary's recommended  
8 changes, the reason or reasons for not following the State  
9 Actuary's recommended changes, and the fiscal impact of not  
10 following the State Actuary's recommended changes on the  
11 required State contribution.

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

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

23 On or before April 1, 2011, the Board shall recalculate and  
24 recertify to the Governor the amount of the required State  
25 contribution to the System for State fiscal year 2011, applying  
26 the changes made by Public Act 96-889 to the System's assets

1 and liabilities as of June 30, 2009 as though Public Act 96-889  
2 was approved on that date.

3 (b) Beginning in State fiscal year 1996, on or as soon as  
4 possible after the 15th day of each month the Board shall  
5 submit vouchers for payment of State contributions to the  
6 System, in a total monthly amount of one-twelfth of the  
7 required annual State contribution certified under subsection  
8 (a). From the effective date of this amendatory Act of the 93rd  
9 General Assembly through June 30, 2004, the Board shall not  
10 submit vouchers for the remainder of fiscal year 2004 in excess  
11 of the fiscal year 2004 certified contribution amount  
12 determined under this Section after taking into consideration  
13 the transfer to the System under subsection (d) of Section  
14 6z-61 of the State Finance Act. These vouchers shall be paid by  
15 the State Comptroller and Treasurer by warrants drawn on the  
16 funds appropriated to the System for that fiscal year. If in  
17 any month the amount remaining unexpended from all other  
18 appropriations to the System for the applicable fiscal year  
19 (including the appropriations to the System under Section 8.12  
20 of the State Finance Act and Section 1 of the State Pension  
21 Funds Continuing Appropriation Act) is less than the amount  
22 lawfully vouchered under this Section, the difference shall be  
23 paid from the General Revenue Fund under the continuing  
24 appropriation authority provided in Section 1.1 of the State  
25 Pension Funds Continuing Appropriation Act.

26 (c) The full amount of any annual appropriation for the

1 System for State fiscal year 1995 shall be transferred and made  
2 available to the System at the beginning of that fiscal year at  
3 the request of the Board. Any excess funds remaining at the end  
4 of any fiscal year from appropriations shall be retained by the  
5 System as a general reserve to meet the System's accrued  
6 liabilities.

7 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;  
8 97-694, eff. 6-18-12.)

9 (40 ILCS 5/7-109) (from Ch. 108 1/2, par. 7-109)

10 Sec. 7-109. Employee.

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

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

19 2. Under the usual common law rules applicable in  
20 determining the employer-employee relationship, has  
21 the status of an employee with a municipality, or any  
22 instrumentality thereof, or a participating  
23 instrumentality, including aldermen, county  
24 supervisors and other persons (excepting those  
25 employed as independent contractors) who are paid

1 compensation, fees, allowances or other emolument for  
2 official duties, and, in counties, the several county  
3 fee offices.

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

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

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

25 (a) Are eligible for inclusion under any of the  
26 following laws:

1           1. "An Act in relation to an Illinois State  
2 Teachers' Pension and Retirement Fund", approved May  
3 27, 1915, as amended;

4           2. Articles 15 and 16 of this Code.

5           However, such persons shall be included as employees to  
6 the extent of earnings that are not eligible for inclusion  
7 under the foregoing laws for services not of an  
8 instructional nature of any kind.

9           However, any member of the armed forces who is employed  
10 as a teacher of subjects in the Reserve Officers Training  
11 Corps of any school and who is not certified under the law  
12 governing the certification of teachers shall be included  
13 as an employee.

14           (b) Are designated by the governing body of a  
15 municipality in which a pension fund is required by law to  
16 be established for policemen or firemen, respectively, as  
17 performing police or fire protection duties, except that  
18 when such persons are the heads of the police or fire  
19 department and are not eligible to be included within any  
20 such pension fund, they shall be included within this  
21 Article; provided, that such persons shall not be excluded  
22 to the extent of concurrent service and earnings not  
23 designated as being for police or fire protection duties.  
24 However, (i) any head of a police department who was a  
25 participant under this Article immediately before October  
26 1, 1977 and did not elect, under Section 3-109 of this Act,

1 to participate in a police pension fund shall be an  
2 "employee", and (ii) any chief of police who elects to  
3 participate in this Fund under Section 3-109.1 of this  
4 Code, regardless of whether such person continues to be  
5 employed as chief of police or is employed in some other  
6 rank or capacity within the police department, shall be an  
7 employee under this Article for so long as such person is  
8 employed to perform police duties by a participating  
9 municipality and has not lawfully rescinded that election.

10 (c) After August 26, 2011 (the effective date of Public  
11 Act 97-609) ~~this amendatory Act of the 97th General~~  
12 ~~Assembly~~, are contributors to or eligible to contribute to  
13 a Taft-Hartley pension plan established on or before June  
14 1, 2011 and are employees of a theatre, arena, or  
15 convention center that is located in a municipality located  
16 in a county with a population greater than 5,000,000, and  
17 to which the participating municipality is required to  
18 contribute as the person's employer based on earnings from  
19 the municipality. Nothing in this paragraph shall affect  
20 service credit or creditable service for any period of  
21 service prior to August 26, 2011 ~~the effective date of this~~  
22 ~~amendatory Act of the 97th General Assembly~~, and this  
23 paragraph shall not apply to individuals who are  
24 participating in the Fund prior to August 26, 2011 ~~the~~  
25 ~~effective date of this amendatory Act of the 97th General~~  
26 ~~Assembly~~.

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

9           (3) All persons, including, without limitation, public  
10          defenders and probation officers, who receive earnings from  
11          general or special funds of a county for performance of  
12          personal services or official duties within the territorial  
13          limits of the county, are employees of the county (unless  
14          excluded by subsection (2) of this Section) notwithstanding  
15          that they may be appointed by and are subject to the direction  
16          of a person or persons other than a county board or a county  
17          officer. It is hereby established that an employer-employee  
18          relationship under the usual common law rules exists between  
19          such employees and the county paying their salaries by reason  
20          of the fact that the county boards fix their rates of  
21          compensation, appropriate funds for payment of their earnings  
22          and otherwise exercise control over them. This finding and this  
23          amendatory Act shall apply to all such employees from the date  
24          of appointment whether such date is prior to or after the  
25          effective date of this amendatory Act and is intended to  
26          clarify existing law pertaining to their status as

1 participating employees in the Fund.

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

4 (40 ILCS 5/14-103.10) (from Ch. 108 1/2, par. 14-103.10)  
5 Sec. 14-103.10. Compensation.

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

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

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

24 (1) for vacation,

25 (2) for accumulated unused sick leave,



1 (3) upon discharge or dismissal,

2 (4) for approved holidays.

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

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

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

23 (1) for vacation;

24 (2) for accumulated unused sick leave;

25 (3) upon discharge or dismissal; and

26 (4) for approved holidays.

1       (f) Notwithstanding any other provision of this Section,  
2       "compensation" does not include any future increase in income  
3       offered by a department under this Article pursuant to the  
4       requirements of subsection (c) of Section 14-106.5 that is  
5       accepted by a Tier I employee, or a Tier I retiree returning to  
6       active service, who has made an election under paragraph (2) of  
7       subsection (a) or (a-5) of Section 14-106.5.

8       (g) Notwithstanding the other provisions of this Section,  
9       for an employee who first becomes a participant on or after the  
10       effective date of this amendatory Act of the 97th General  
11       Assembly, "compensation" does not include any payments or  
12       reimbursements for travel vouchers.

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

14       (40 ILCS 5/14-103.40 new)

15       Sec. 14-103.40. Tier I employee. "Tier I employee": An  
16       employee under this Article who first became a member or  
17       participant before January 1, 2011 under any reciprocal  
18       retirement system or pension fund established under this Code  
19       other than a retirement system or pension fund established  
20       under Article 2, 3, 4, 5, 6, or 18 of this Code.

21       (40 ILCS 5/14-103.41 new)

22       Sec. 14-103.41. Tier I retiree. "Tier I retiree": A former  
23       Tier I employee who is receiving a retirement annuity.

1 (40 ILCS 5/14-103.42 new)

2 Sec. 14-103.42. Future increase in income. "Future  
3 increase in income": Any increase in income in any form offered  
4 by a department to an employee under this Article after June  
5 30, 2013 that would qualify as "compensation", as defined under  
6 Section 14-103.10, but for the fact that the department offered  
7 the increase in income to the employee on the condition that it  
8 not qualify as compensation and the employee accepted the  
9 increase in income subject to that condition. The term "future  
10 increase in income" does not include an increase in income in  
11 any form that is paid to a Tier I employee under an employment  
12 contract or collective bargaining agreement that is in effect  
13 on the effective date of this Section but does include an  
14 increase in income in any form pursuant to an extension,  
15 amendment, or renewal of any such employment contract or  
16 collective bargaining agreement on or after the effective date  
17 of this amendatory Act of the 97th General Assembly.

18 (40 ILCS 5/14-106) (from Ch. 108 1/2, par. 14-106)

19 Sec. 14-106. Membership service credit.

20 (a) After January 1, 1944, all service of a member since he  
21 last became a member with respect to which contributions are  
22 made shall count as membership service; provided, that for  
23 service on and after July 1, 1950, 12 months of service shall  
24 constitute a year of membership service, the completion of 15  
25 days or more of service during any month shall constitute 1

1 month of membership service, 8 to 15 days shall constitute 1/2  
2 month of membership service and less than 8 days shall  
3 constitute 1/4 month of membership service. The payroll record  
4 of each department shall constitute conclusive evidence of the  
5 record of service rendered by a member.

6 (b) For a member who is employed and paid on an  
7 academic-year basis rather than on a 12-month annual basis,  
8 employment for a full academic year shall constitute a full  
9 year of membership service, except that the member shall not  
10 receive more than one year of membership service credit (plus  
11 any additional service credit granted for unused sick leave)  
12 for service during any 12-month period. This subsection (b)  
13 applies to all such service for which the member has not begun  
14 to receive a retirement annuity before January 1, 2001.

15 (c) A member who first participated in this System before  
16 the effective date of this amendatory Act of the 97th General  
17 Assembly shall be entitled to additional service credit, under  
18 rules prescribed by the Board, for accumulated unused sick  
19 leave credited to his account in the last Department on the  
20 date of withdrawal from service or for any period for which he  
21 would have been eligible to receive benefits under a sick pay  
22 plan authorized by law, if he had suffered a sickness or  
23 accident on the date of withdrawal from service. It shall be  
24 the responsibility of the last Department to certify to the  
25 Board the length of time salary or benefits would have been  
26 paid to the member based upon the accumulated unused sick leave

1 or the applicable sick pay plan if he had become entitled  
2 thereto because of sickness on the date that his status as an  
3 employee terminated. This period of service credit granted  
4 under this paragraph shall not be considered in determining the  
5 date the retirement annuity is to begin, or final average  
6 compensation.

7 Service credit is not available for unused sick leave  
8 accumulated by a person who first participates in this System  
9 on or after the effective date of this amendatory Act of the  
10 97th General Assembly.

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

12 (40 ILCS 5/14-106.5 new)

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

15 (a) Each Tier I employee shall make an irrevocable election  
16 either:

17 (1) to agree to the following:

18 (i) to have the amount of the automatic annual  
19 increases in his or her retirement annuity that are  
20 otherwise provided for in this Article calculated,  
21 instead, as provided in subsection (a-1) of Section  
22 14-114; and

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

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

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

6           (i) a person who becomes a Tier I employee under this  
7           Article after January 1, 2013 must make the election under  
8           this subsection (a) within 60 days after becoming a Tier I  
9           employee;

10          (ii) a person who returns to active service as a Tier I  
11          employee under this Article after January 1, 2013 and has  
12          not yet made an election under this Section must make the  
13          election under this subsection (a) within 60 days after  
14          returning to active service as a Tier I employee; and

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

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

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

25                 (1) to agree to the following:

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

1 increases in his or her retirement annuity that are  
2 otherwise provided for in this Article calculated,  
3 instead, as provided in subsection (a-1) of Section  
4 14-114; and

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

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

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

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

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

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

25 (a-10) All elections under subsection (a) or (a-5) that are  
26 made or deemed to be made before June 1, 2013 shall take effect

1 on July 1, 2013. Elections that are made or deemed to be made  
2 on or after June 1, 2013 shall take effect on the first day of  
3 the month following the month in which the election is made or  
4 deemed to be made.

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

16 As adequate and legal consideration provided under this  
17 amendatory Act of the 97th General Assembly for making the  
18 election under paragraph (1) of subsection (a-5) of this  
19 Section, any future increases in income offered by a department  
20 under this Article to a Tier I retiree who returns to active  
21 service after having made the election under paragraph (1) of  
22 subsection (a-5) of this Section shall be offered expressly and  
23 irrevocably as constituting compensation under Section  
24 14-103.10. In addition, a Tier I retiree who returns to active  
25 service and has made the election under paragraph (1) of  
26 subsection (a) of this Section shall receive the right to also



1 participate in the optional cash balance plan established under  
2 Section 1-162.

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

17 A Tier I retiree who makes the election under paragraph (2)  
18 of subsection (a-5) of this Section shall not be subject to  
19 items (i) and (ii) set forth in paragraph (1) of subsection  
20 (a-5) of this Section. However, any future increases in income  
21 offered by a department under this Article to a Tier I retiree  
22 who returns to active service and has made the election under  
23 paragraph (2) of subsection (a-5) of this Section shall be  
24 offered by the department expressly and irrevocably as not  
25 constituting compensation under Section 14-103.10, and the  
26 employee may not accept any future increase in income that is

1 offered in violation of this requirement. In addition, a Tier I  
2 retiree who returns to active service and has made the election  
3 under paragraph (2) of subsection (a) of this Section shall not  
4 receive the right to participate in the optional cash balance  
5 plan established under Section 1-162.

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

17 Tier I employees and Tier I retirees who are subject to  
18 this Section shall be provided with an election packet  
19 containing information regarding their options, as well as the  
20 forms necessary to make the required election. Upon request,  
21 the System shall offer Tier I employees and Tier I retirees an  
22 opportunity to receive information from the System before  
23 making the required election. The information may consist of  
24 video materials, group presentations, individual consultation  
25 with a member or authorized representative of the System in  
26 person or by telephone or other electronic means, or any

1 combination of those methods. The System shall not provide  
2 advice or counseling with respect to which election a Tier I  
3 employee or Tier I retiree should make or specific to the legal  
4 or tax circumstances of or consequences to the Tier I employee  
5 or Tier I retiree.

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

13 The System shall coordinate with the Illinois Department of  
14 Central Management Services and each other retirement system  
15 administering an election in accordance with this amendatory  
16 Act of the 97th General Assembly to provide information  
17 concerning the impact of the election under this Section.

18 In no event shall the System, its staff, or the Board be  
19 held liable for any information given to a member, beneficiary,  
20 or annuitant regarding the elections under this Section.

21 (e) Notwithstanding any other provision of law, a  
22 department under this Article is required to offer any future  
23 increases in income expressly and irrevocably as not  
24 constituting "compensation" under Section 14-103.10 to any  
25 Tier I employee, or Tier I retiree returning to active service,  
26 who has made an election under paragraph (2) of subsection (a)

1 or (a-5) of Section 14-106.5. A Tier I employee, or Tier I  
2 retiree returning to active service, who has made an election  
3 under paragraph (2) of subsection (a) or (a-5) of Section  
4 14-106.5 shall not accept any future increase in income that is  
5 offered by an employer under this Article in violation of the  
6 requirement set forth in this subsection.

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

10 (g) An employee who has made the election under paragraph  
11 (1) of subsection (a) or (a-5) of this Section may elect to  
12 participate in the optional cash balance plan under Section  
13 1-162.

14 The election to participate in the optional cash balance  
15 plan shall be made in writing, in the manner provided by the  
16 applicable retirement system.

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

21 (40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

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

23 (a) Subject to the provisions of subsections (a-1) and  
24 (a-2), any ~~Any~~ person receiving a retirement annuity under this  
25 Article who retires having attained age 60, or who retires

1 before age 60 having at least 35 years of creditable service,  
2 or who retires on or after January 1, 2001 at an age which,  
3 when added to the number of years of his or her creditable  
4 service, equals at least 85, shall, on January 1 next following  
5 the first full year of retirement, have the amount of the then  
6 fixed and payable monthly retirement annuity increased 3%. Any  
7 person receiving a retirement annuity under this Article who  
8 retires before attainment of age 60 and with less than (i) 35  
9 years of creditable service if retirement is before January 1,  
10 2001, or (ii) the number of years of creditable service which,  
11 when added to the member's age, would equal 85, if retirement  
12 is on or after January 1, 2001, shall have the amount of the  
13 fixed and payable retirement annuity increased by 3% on the  
14 January 1 occurring on or next following (1) attainment of age  
15 60, or (2) the first anniversary of retirement, whichever  
16 occurs later. However, for persons who receive the alternative  
17 retirement annuity under Section 14-110, references in this  
18 subsection (a) to attainment of age 60 shall be deemed to refer  
19 to attainment of age 55. For a person receiving early  
20 retirement incentives under Section 14-108.3 whose retirement  
21 annuity began after January 1, 1992 pursuant to an extension  
22 granted under subsection (e) of that Section, the first  
23 anniversary of retirement shall be deemed to be January 1,  
24 1993. For a person who retires on or after June 28, 2001 and on  
25 or before October 1, 2001, and whose retirement annuity is  
26 calculated, in whole or in part, under Section 14-110 or

1 subsection (g) or (h) of Section 14-108, the first anniversary  
2 of retirement shall be deemed to be January 1, 2002.

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

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

11 (a-1) Notwithstanding any other provision of this Article,  
12 for a Tier I employee or Tier I retiree who made the election  
13 under paragraph (1) of subsection (a) or (a-5) of Section  
14 14-106.5, the amount of each automatic annual increase in  
15 retirement annuity occurring on or after the effective date of  
16 that election shall be 3% or one-half of the annual unadjusted  
17 percentage increase, if any, in the Consumer Price Index-U for  
18 the 12 months ending with the preceding September, whichever is  
19 less, of the originally granted retirement annuity. For the  
20 purposes of this Section, "Consumer Price Index-U" means the  
21 index published by the Bureau of Labor Statistics of the United  
22 States Department of Labor that measures the average change in  
23 prices of goods and services purchased by all urban consumers,  
24 United States city average, all items, 1982-84 = 100.

25 (a-2) Notwithstanding any other provision of this Article,  
26 for a Tier I employee or Tier I retiree who made the election

1 under paragraph (1) of subsection (a) or (a-5) of Section  
2 14-106.5, the monthly retirement annuity shall first be subject  
3 to annual increases on the January 1 occurring on or next after  
4 either the attainment of age 67 or the January 1 occurring on  
5 or next after the fifth anniversary of the annuity start date,  
6 whichever occurs earlier. If on the effective date of the  
7 election under paragraph (1) of subsection (a-5) of Section  
8 14-106.5 a Tier I retiree has already received an annual  
9 increase under this Section but does not yet meet the new  
10 eligibility requirements of this subsection, the annual  
11 increases already received shall continue in force, but no  
12 additional annual increase shall be granted until the Tier I  
13 retiree meets the new eligibility requirements.

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

24 (c) The provisions of subsection (a) of this Section shall  
25 not be applicable to any annuitant who is on retirement on  
26 December 31, 1969, and thereafter returns to State service,

1 unless the member has established at least one year of  
2 additional creditable service following reentry into service.

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

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

17 (e) Every person who receives the alternative retirement  
18 annuity under Section 14-110 and who is eligible to receive the  
19 3% increase under subsection (a) on January 1, 1986, shall also  
20 receive on that date a one-time increase in retirement annuity  
21 equal to the difference between (1) his actual retirement  
22 annuity on that date, including any increases received under  
23 subsection (a), and (2) the amount of retirement annuity he  
24 would have received on that date if the amendments to  
25 subsection (a) made by Public Act 84-162 had been in effect  
26 since the date of his retirement.



1 (Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01;  
2 92-651, eff. 7-11-02.)

3 (40 ILCS 5/14-131)

4 Sec. 14-131. Contributions by State.

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

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

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

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

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

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

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

1 year 2005.

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

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

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

1 under subsection (a-1) of Section 14.1 of the State Finance  
2 Act. The department or other employer shall resume payment of  
3 contributions at the commencement of fiscal year 2005.

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

15 For State fiscal years 1996 through 2005, the State  
16 contribution to the System, as a percentage of the applicable  
17 employee payroll, shall be increased in equal annual increments  
18 so that by State fiscal year 2011, the State is contributing at  
19 the rate required under this Section; except that (i) for State  
20 fiscal year 1998, for all purposes of this Code and any other  
21 law of this State, the certified percentage of the applicable  
22 employee payroll shall be 5.052% for employees earning eligible  
23 creditable service under Section 14-110 and 6.500% for all  
24 other employees, notwithstanding any contrary certification  
25 made under Section 14-135.08 before the effective date of this  
26 amendatory Act of 1997, and (ii) in the following specified

1 State fiscal years, the State contribution to the System shall  
2 not be less than the following indicated percentages of the  
3 applicable employee payroll, even if the indicated percentage  
4 will produce a State contribution in excess of the amount  
5 otherwise required under this subsection and subsection (a):  
6 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY  
7 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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

20 Notwithstanding any other provision of this Article, the  
21 total required State General Revenue Fund contribution for  
22 State fiscal year 2010 is \$723,703,100 and shall be made from  
23 the proceeds of bonds sold in fiscal year 2010 pursuant to  
24 Section 7.2 of the General Obligation Bond Act, less (i) the  
25 pro rata share of bond sale expenses determined by the System's  
26 share of total bond proceeds, (ii) any amounts received from

1 the General Revenue Fund in fiscal year 2010, and (iii) any  
2 reduction in bond proceeds due to the issuance of discounted  
3 bonds, if applicable.

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

15 Except as otherwise provided in this Section, beginning  
16 ~~Beginning~~ in State fiscal year 2046, the minimum State  
17 contribution for each fiscal year shall be the amount needed to  
18 maintain the total assets of the System at 90% of the total  
19 actuarial liabilities of the System.

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

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

6 Notwithstanding any other provision of this Section, the  
7 required State contribution for State fiscal year 2005 and for  
8 fiscal year 2008 and each fiscal year thereafter, as calculated  
9 under this Section and certified under Section 14-135.08, shall  
10 not exceed an amount equal to (i) the amount of the required  
11 State contribution that would have been calculated under this  
12 Section for that fiscal year if the System had not received any  
13 payments under subsection (d) of Section 7.2 of the General  
14 Obligation Bond Act, minus (ii) the portion of the State's  
15 total debt service payments for that fiscal year on the bonds  
16 issued in fiscal year 2003 for the purposes of that Section  
17 7.2, as determined and certified by the Comptroller, that is  
18 the same as the System's portion of the total moneys  
19 distributed under subsection (d) of Section 7.2 of the General  
20 Obligation Bond Act. In determining this maximum for State  
21 fiscal years 2008 through 2010, however, the amount referred to  
22 in item (i) shall be increased, as a percentage of the  
23 applicable employee payroll, in equal increments calculated  
24 from the sum of the required State contribution for State  
25 fiscal year 2007 plus the applicable portion of the State's  
26 total debt service payments for fiscal year 2007 on the bonds

1 issued in fiscal year 2003 for the purposes of Section 7.2 of  
2 the General Obligation Bond Act, so that, by State fiscal year  
3 2011, the State is contributing at the rate otherwise required  
4 under this Section.

5 (e-1) If at least 50% of Tier I employees making an  
6 election under Section 14-106.5 before June 1, 2013 choose the  
7 option under paragraph (1) of subsection (a) of that Section,  
8 then:

9 (1) In lieu of the State contributions required under  
10 subsection (e), for State fiscal years 2014 through 2043  
11 the minimum contribution to the System to be made by the  
12 State for each fiscal year shall be an amount determined by  
13 the System to be equal to the sum of (1) the State's  
14 portion of the projected normal cost for that fiscal year,  
15 plus (2) an amount sufficient to bring the total assets of  
16 the System up to 100% of the total actuarial liabilities of  
17 the System by the end of State fiscal year 2043. In making  
18 these determinations, the required State contribution  
19 shall be calculated each year as a level percentage of  
20 payroll over the years remaining to and including fiscal  
21 year 2043 and shall be determined under the projected unit  
22 credit actuarial cost method.

23 (2) Beginning in State fiscal year 2044, the minimum  
24 State contribution for each fiscal year shall be the amount  
25 needed to maintain the total assets of the System at 100%  
26 of the total actuarial liabilities of the System.



1       (e-2) If less than 50% of Tier I employees making an  
2 election under Section 14-106.5 before June 1, 2013 choose the  
3 option under paragraph (1) of subsection (a) of that Section,  
4 then:

5           (1) Instead of the annual required contribution  
6 otherwise specified in subsection (e-1) of this Section,  
7 the annual required contribution to the System to be made  
8 by the State shall be determined under subsection (e) of  
9 this Section.

10          (2) As soon as possible after June 1, 2014, the Board  
11 shall recertify the annual required contribution by the  
12 State for State fiscal year 2015.

13       (f) After the submission of all payments for eligible  
14 employees from personal services line items in fiscal year 2004  
15 have been made, the Comptroller shall provide to the System a  
16 certification of the sum of all fiscal year 2004 expenditures  
17 for personal services that would have been covered by payments  
18 to the System under this Section if the provisions of this  
19 amendatory Act of the 93rd General Assembly had not been  
20 enacted. Upon receipt of the certification, the System shall  
21 determine the amount due to the System based on the full rate  
22 certified by the Board under Section 14-135.08 for fiscal year  
23 2004 in order to meet the State's obligation under this  
24 Section. The System shall compare this amount due to the amount  
25 received by the System in fiscal year 2004 through payments  
26 under this Section and under Section 6z-61 of the State Finance

1 Act. If the amount due is more than the amount received, the  
2 difference shall be termed the "Fiscal Year 2004 Shortfall" for  
3 purposes of this Section, and the Fiscal Year 2004 Shortfall  
4 shall be satisfied under Section 1.2 of the State Pension Funds  
5 Continuing Appropriation Act. If the amount due is less than  
6 the amount received, the difference shall be termed the "Fiscal  
7 Year 2004 Overpayment" for purposes of this Section, and the  
8 Fiscal Year 2004 Overpayment shall be repaid by the System to  
9 the Pension Contribution Fund as soon as practicable after the  
10 certification.

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

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

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

26 (i) After the submission of all payments for eligible

1 employees from personal services line items paid from the  
2 General Revenue Fund in fiscal year 2010 have been made, the  
3 Comptroller shall provide to the System a certification of the  
4 sum of all fiscal year 2010 expenditures for personal services  
5 that would have been covered by payments to the System under  
6 this Section if the provisions of this amendatory Act of the  
7 96th General Assembly had not been enacted. Upon receipt of the  
8 certification, the System shall determine the amount due to the  
9 System based on the full rate certified by the Board under  
10 Section 14-135.08 for fiscal year 2010 in order to meet the  
11 State's obligation under this Section. The System shall compare  
12 this amount due to the amount received by the System in fiscal  
13 year 2010 through payments under this Section. If the amount  
14 due is more than the amount received, the difference shall be  
15 termed the "Fiscal Year 2010 Shortfall" for purposes of this  
16 Section, and the Fiscal Year 2010 Shortfall shall be satisfied  
17 under Section 1.2 of the State Pension Funds Continuing  
18 Appropriation Act. If the amount due is less than the amount  
19 received, the difference shall be termed the "Fiscal Year 2010  
20 Overpayment" for purposes of this Section, and the Fiscal Year  
21 2010 Overpayment shall be repaid by the System to the General  
22 Revenue Fund as soon as practicable after the certification.

23 (j) After the submission of all payments for eligible  
24 employees from personal services line items paid from the  
25 General Revenue Fund in fiscal year 2011 have been made, the  
26 Comptroller shall provide to the System a certification of the

1 sum of all fiscal year 2011 expenditures for personal services  
2 that would have been covered by payments to the System under  
3 this Section if the provisions of this amendatory Act of the  
4 96th General Assembly had not been enacted. Upon receipt of the  
5 certification, the System shall determine the amount due to the  
6 System based on the full rate certified by the Board under  
7 Section 14-135.08 for fiscal year 2011 in order to meet the  
8 State's obligation under this Section. The System shall compare  
9 this amount due to the amount received by the System in fiscal  
10 year 2011 through payments under this Section. If the amount  
11 due is more than the amount received, the difference shall be  
12 termed the "Fiscal Year 2011 Shortfall" for purposes of this  
13 Section, and the Fiscal Year 2011 Shortfall shall be satisfied  
14 under Section 1.2 of the State Pension Funds Continuing  
15 Appropriation Act. If the amount due is less than the amount  
16 received, the difference shall be termed the "Fiscal Year 2011  
17 Overpayment" for purposes of this Section, and the Fiscal Year  
18 2011 Overpayment shall be repaid by the System to the General  
19 Revenue Fund as soon as practicable after the certification.

20 (k) For fiscal years 2012 and 2013 only, after the  
21 submission of all payments for eligible employees from personal  
22 services line items paid from the General Revenue Fund in the  
23 fiscal year have been made, the Comptroller shall provide to  
24 the System a certification of the sum of all expenditures in  
25 the fiscal year for personal services. Upon receipt of the  
26 certification, the System shall determine the amount due to the

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

15 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;  
16 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.  
17 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11; 97-732,  
18 eff. 6-30-12.)

19 (40 ILCS 5/14-132) (from Ch. 108 1/2, par. 14-132)

20 Sec. 14-132. Obligations of State.

21 (a) The payment of the required department contributions,  
22 all allowances, annuities, benefits granted under this  
23 Article, and all expenses of administration of the system are  
24 obligations of the State of Illinois to the extent specified in  
25 this Article.

1       (b) All income of the system shall be credited to a  
2 separate account for this system in the State treasury and  
3 shall be used to pay allowances, annuities, benefits and  
4 administration expense.

5       (c) If the System submits a voucher for monthly  
6 contributions as required in Section 14-131 and the State fails  
7 to pay within 90 days of receipt of such a voucher, the Board  
8 shall submit a written request to the Comptroller seeking  
9 payment. A copy of the request shall be filed with the  
10 Secretary of State, and the Secretary of State shall provide  
11 copies to the Governor and General Assembly. No earlier than  
12 the 16th day after filing a request with the Secretary of  
13 State, the Board shall have the right to commence a mandamus  
14 action in the Supreme Court of Illinois to compel the  
15 Comptroller to satisfy the voucher by making payment from the  
16 General Revenue Fund. This Section constitutes an express  
17 waiver of the State's sovereign immunity solely to the extent  
18 it permits the Board to commence a mandamus action in the  
19 Illinois Supreme Court to compel the Comptroller to pay a  
20 voucher for monthly contributions as required in Section  
21 14-131.

22       Any payments required to be made by the State pursuant to  
23 an action commenced under this subsection are expressly  
24 subordinated to the payment of the principal, interest, and  
25 premium, if any, on any bonded debt obligation of the State or  
26 any other State-created entity, either currently outstanding

1 or to be issued, for which the source of repayment or security  
2 thereon is derived directly or indirectly from tax revenues  
3 collected by the State or any other State-created entity.  
4 Payments on such bonded obligations include any statutory fund  
5 transfers or other prefunding mechanisms or formulas set forth,  
6 now or hereafter, in State law or bond indentures, into debt  
7 service funds or accounts of the State related to such bonded  
8 obligations, consistent with the payment schedules associated  
9 with such obligations.

10 (Source: P.A. 80-841.)

11 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

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

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

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

19 (2) Noncovered employees, except as indicated below,  
20 7% for retirement annuity and 1% for a widow or survivors  
21 annuity;

22 (3) Noncovered employees serving in a position in which  
23 "eligible creditable service" as defined in Section 14-110  
24 may be earned, 1% for a widow or survivors annuity plus the  
25 following amount for retirement annuity: 8.5% through

1 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%  
2 in 2004 and thereafter;

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

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

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

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



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

4 (b) Contributions shall be in the form of a deduction from  
5 compensation and shall be made notwithstanding that the  
6 compensation paid in cash to the employee shall be reduced  
7 thereby below the minimum prescribed by law or regulation. Each  
8 member is deemed to consent and agree to the deductions from  
9 compensation provided for in this Article, and shall receipt in  
10 full for salary or compensation.

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

12 (40 ILCS 5/14-135.08) (from Ch. 108 1/2, par. 14-135.08)

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

14 (a) To certify to the Governor and to each department, on  
15 or before November 15 of each year through ~~until~~ November 15,  
16 2011, the required rate for State contributions to the System  
17 for the next State fiscal year, as determined under subsection  
18 (b) of Section 14-131. The certification to the Governor under  
19 this subsection (a) shall include a copy of the actuarial  
20 recommendations upon which the rate is based ~~and shall~~  
21 ~~specifically identify the System's projected State normal cost~~  
22 ~~for that fiscal year.~~

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

1 of the amount of the required State contribution to the System  
2 for the next fiscal year, along with all of the actuarial  
3 assumptions, calculations, and data upon which that proposed  
4 certification is based. On or before January 1 of each year,  
5 beginning January 1, 2013, the State Actuary shall issue a  
6 preliminary report concerning the proposed certification and  
7 identifying, if necessary, recommended changes in actuarial  
8 assumptions that the Board must consider before finalizing its  
9 certification of the required State contributions.

10 On or before January 15, 2013 and each January 15  
11 thereafter, the Board shall certify to the Governor and the  
12 General Assembly the amount of the required State contribution  
13 for the next fiscal year. The certification shall include a  
14 copy of the actuarial recommendations upon which it is based  
15 and shall specifically identify the System's projected State  
16 normal cost for that fiscal year. The Board's certification  
17 must note any deviations from the State Actuary's recommended  
18 changes, the reason or reasons for not following the State  
19 Actuary's recommended changes, and the fiscal impact of not  
20 following the State Actuary's recommended changes on the  
21 required State contribution.

22 (b) The certifications under subsections (a) and (a-5)  
23 shall include an additional amount necessary to pay all  
24 principal of and interest on those general obligation bonds due  
25 the next fiscal year authorized by Section 7.2(a) of the  
26 General Obligation Bond Act and issued to provide the proceeds

1 deposited by the State with the System in July 2003,  
2 representing deposits other than amounts reserved under  
3 Section 7.2(c) of the General Obligation Bond Act. For State  
4 fiscal year 2005, the Board shall make a supplemental  
5 certification of the additional amount necessary to pay all  
6 principal of and interest on those general obligation bonds due  
7 in State fiscal years 2004 and 2005 authorized by Section  
8 7.2(a) of the General Obligation Bond Act and issued to provide  
9 the proceeds deposited by the State with the System in July  
10 2003, representing deposits other than amounts reserved under  
11 Section 7.2(c) of the General Obligation Bond Act, as soon as  
12 practical after the effective date of this amendatory Act of  
13 the 93rd General Assembly.

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

21 On or before July 1, 2005, the Board shall recalculate and  
22 recertify to the Governor and to each department the amount of  
23 the required State contribution to the System and the required  
24 rates for State contributions to the System for State fiscal  
25 year 2006, taking into account the changes in required State  
26 contributions made by this amendatory Act of the 94th General

1 Assembly.

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

8 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;  
9 97-694, eff. 6-18-12.)

10 (40 ILCS 5/14-152.1)

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

13 (a) As used in this Section, "new benefit increase" means  
14 an increase in the amount of any benefit provided under this  
15 Article, or an expansion of the conditions of eligibility for  
16 any benefit under this Article, that results from an amendment  
17 to this Code that takes effect after June 1, 2005 (the  
18 effective date of Public Act 94-4). "New benefit increase",  
19 however, does not include any benefit increase resulting from  
20 the changes made to this Article or Article 1 by Public Act  
21 96-37 or this amendatory Act of the 97th ~~96th~~ General Assembly.

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

1 the provisions of this Section.

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

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

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

1 by law.

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

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

13 (40 ILCS 5/15-106) (from Ch. 108 1/2, par. 15-106)

14 Sec. 15-106. Employer. "Employer": The University of  
15 Illinois, Southern Illinois University, Chicago State  
16 University, Eastern Illinois University, Governors State  
17 University, Illinois State University, Northeastern Illinois  
18 University, Northern Illinois University, Western Illinois  
19 University, the State Board of Higher Education, the Illinois  
20 Mathematics and Science Academy, the University Civil Service  
21 Merit Board, the Board of Trustees of the State Universities  
22 Retirement System, the Illinois Community College Board,  
23 community college boards, any association of community college  
24 boards organized under Section 3-55 of the Public Community  
25 College Act, the Board of Examiners established under the

1 Illinois Public Accounting Act, and, only during the period for  
2 which employer contributions required under Section 15-155 are  
3 paid, the following organizations: the alumni associations,  
4 the foundations and the athletic associations which are  
5 affiliated with the universities and colleges included in this  
6 Section as employers. An individual that begins employment  
7 after the effective date of this amendatory Act of the 97th  
8 General Assembly with an entity not defined as an employer in  
9 this Section shall not be deemed an employee for the purposes  
10 of this Article with respect to that employment and shall not  
11 be eligible to participate in the System with respect to that  
12 employment; provided, however, that those individuals who are  
13 both employed and already participants in the System on the  
14 effective date of this amendatory Act of the 97th General  
15 Assembly shall be allowed to continue as participants in the  
16 System for the duration of that employment.

17 Notwithstanding any provision of law to the contrary, an  
18 individual who begins employment with any of the following  
19 employers on or after the effective date of this amendatory Act  
20 of the 97th General Assembly shall not be deemed an employee  
21 and shall not be eligible to participate in the System with  
22 respect to that employment: any association of community  
23 college boards organized under Section 3-55 of the Public  
24 Community College Act, the Association of Illinois  
25 Middle-Grade Schools, the Illinois Association of School  
26 Administrators, the Illinois Association for Supervision and

1 Curriculum Development, the Illinois Principals Association,  
2 the Illinois Association of School Business Officials, or the  
3 Illinois Special Olympics; provided, however, that those  
4 individuals who are both employed and already participants in  
5 the System on the effective date of this amendatory Act of the  
6 97th General Assembly shall be allowed to continue as  
7 participants in the System for the duration of that employment.

8 A department as defined in Section 14-103.04 is an employer  
9 for any person appointed by the Governor under the Civil  
10 Administrative Code of Illinois who is a participating employee  
11 as defined in Section 15-109. The Department of Central  
12 Management Services is an employer with respect to persons  
13 employed by the State Board of Higher Education in positions  
14 with the Illinois Century Network as of June 30, 2004 who  
15 remain continuously employed after that date by the Department  
16 of Central Management Services in positions with the Illinois  
17 Century Network, the Bureau of Communication and Computer  
18 Services, or, if applicable, any successor bureau.

19 The cities of Champaign and Urbana shall be considered  
20 employers, but only during the period for which contributions  
21 are required to be made under subsection (b-1) of Section  
22 15-155 and only with respect to individuals described in  
23 subsection (h) of Section 15-107.

24 (Source: P.A. 95-369, eff. 8-23-07; 95-728, eff. 7-1-08 - See  
25 Sec. 999.)



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

2 Sec. 15-107. Employee.

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

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

17 (1) is a student enrolled in and regularly attending  
18 classes in a college or university which is an employer,  
19 and is employed on a temporary basis at less than full  
20 time;

21 (2) is currently receiving a retirement annuity or a  
22 disability retirement annuity under Section 15-153.2 from  
23 this System;

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

25 (4) is eligible to participate in the Federal Civil  
26 Service Retirement System and is currently making

1 contributions to that system based upon earnings paid by an  
2 employer;

3 (5) is on leave of absence without pay for more than 60  
4 days immediately following termination of disability  
5 benefits under this Article;

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

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

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

25 (c) Any person appointed by the Governor under the Civil  
26 Administrative Code of the State is an employee, if he or she

1 is a participant in this system on the effective date of the  
2 appointment.

3 (d) A participant on lay-off status under civil service  
4 rules is considered an employee for not more than 120 days from  
5 the date of the lay-off.

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

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

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

1 periods.

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

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

1 organization and becomes a participant before the effective  
2 date of this amendatory Act of the 97th General Assembly. An  
3 employee under this subsection (i) is responsible for paying to  
4 the System both (A) employee contributions based on the actual  
5 compensation received for service with the teacher  
6 organization and (B) employer contributions equal to the normal  
7 costs (as defined in Section 15-155) resulting from that  
8 service; all or any part of these contributions may be paid on  
9 the employee's behalf or picked up for tax purposes (if  
10 authorized under federal law) by the teacher organization.

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

21 (j) A person employed by the State Board of Higher  
22 Education in a position with the Illinois Century Network as of  
23 June 30, 2004 shall be considered to be an employee for so long  
24 as he or she remains continuously employed after that date by  
25 the Department of Central Management Services in a position  
26 with the Illinois Century Network, the Bureau of Communication

1 and Computer Services, or, if applicable, any successor bureau  
2 and meets the requirements of subsection (a).

3 (k) In the case of doubt as to whether any person is an  
4 employee within the meaning of this Section, the decision of  
5 the Board shall be final.

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

7 (40 ILCS 5/15-107.1 new)

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

15 (40 ILCS 5/15-107.2 new)

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

18 A person does not become a Tier I retiree by virtue of  
19 receiving a reversionary, survivors, beneficiary, or  
20 disability annuity.

21 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

22 Sec. 15-111. Earnings. "Earnings": An amount paid for  
23 personal services equal to the sum of the basic compensation

1 plus extra compensation for summer teaching, overtime or other  
2 extra service. For periods for which an employee receives  
3 service credit under subsection (c) of Section 15-113.1 or  
4 Section 15-113.2, earnings are equal to the basic compensation  
5 on which contributions are paid by the employee during such  
6 periods. Compensation for employment which is irregular,  
7 intermittent and temporary shall not be considered earnings,  
8 unless the participant is also receiving earnings from the  
9 employer as an employee under Section 15-107.

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

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

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

1 accruing before January 1, 2001, or in any other manner  
2 approved by the System. Upon payment of the employee  
3 contributions on transition pay, the corresponding  
4 employer contributions become an obligation of the State.

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

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

13 (40 ILCS 5/15-111.1 new)

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



1 pursuant to an extension, amendment, or renewal of any such  
2 employment contract or collective bargaining agreement on or  
3 after the effective date of this amendatory Act of the 97th  
4 General Assembly.

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

6 Sec. 15-113.2. Service for leaves of absence. "Service for  
7 leaves of absence" includes those periods of leaves of absence  
8 at less than 50% pay, except military leave and periods of  
9 disability leave in excess of 60 days, for which the employee  
10 pays the contributions required under Section 15-157 in  
11 accordance with rules prescribed by the board based upon the  
12 employee's basic compensation on the date the leave begins, or  
13 in the case of leave for service with a teacher organization,  
14 based upon the actual compensation received by the employee for  
15 such service after January 26, 1988, if the employee so elects  
16 within 30 days of that date or the date the leave for service  
17 with a teacher organization begins, whichever is later;  
18 provided that the employee (1) returns to employment covered by  
19 this system at the expiration of the leave, or within 30 days  
20 after the termination of a disability which occurs during the  
21 leave and continues this employment at a percentage of time  
22 equal to or greater than the percentage of time immediately  
23 preceding the leave of absence for at least 8 consecutive  
24 months or a period equal to the period of the leave, whichever  
25 is less, or (2) is precluded from meeting the foregoing

1 conditions because of disability or death. If service credit is  
2 denied because the employee fails to meet these conditions, the  
3 contributions covering the leave of absence shall be refunded  
4 without interest. The return to employment condition does not  
5 apply if the leave of absence is for service with a teacher  
6 organization.

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

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

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

24 (40 ILCS 5/15-134.5)

25 Sec. 15-134.5. Retirement program elections.

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

3 Effective as of the date that an employer elects, as  
4 described in Section 15-158.2, to offer to its employees the  
5 portable benefit package and the self-managed plan as  
6 alternatives to the traditional benefit package but not later  
7 than the effective date of this amendatory Act of the 97th  
8 General Assembly, each of that employer's eligible employees  
9 (as defined in subsection (b)) shall be given the choice to  
10 elect which retirement program he or she wishes to participate  
11 in with respect to all periods of covered employment occurring  
12 on and after the effective date of the employee's election. The  
13 retirement program election made by an eligible employee must  
14 be made in writing, in the manner prescribed by the System, and  
15 within the time period described in subsection (d) or (d-1).

16 The employee election authorized by this Section is a  
17 one-time, irrevocable election. If an employee terminates  
18 employment after making the election provided under this  
19 subsection (a), then upon his or her subsequent re-employment  
20 with an employer the original election shall automatically  
21 apply to him or her, provided that the employer is then a  
22 participating employer as described in Section 15-158.2.

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

25 (b) "Eligible employee" means an employee (as defined in  
26 Section 15-107) who is either a currently eligible employee or

1 a newly eligible employee. For purposes of this Section, a  
2 "currently eligible employee" is an employee who is employed by  
3 an employer on the effective date on which the employer offers  
4 to its employees the portable benefit package and the  
5 self-managed plan as alternatives to the traditional benefit  
6 package but not on or after the effective date of this  
7 amendatory Act of the 97th General Assembly. A "newly eligible  
8 employee" is an employee who first becomes employed by an  
9 employer after the effective date on which the employer offers  
10 its employees the portable benefit package and the self-managed  
11 plan as alternatives to the traditional benefit package but not  
12 on or after the effective date of this amendatory Act of the  
13 97th General Assembly. A newly eligible employee participates  
14 in the traditional benefit package until he or she makes an  
15 election to participate in the portable benefit package or the  
16 self-managed plan. If an employee does not elect to participate  
17 in the portable benefit package or the self-managed plan, he or  
18 she shall continue to participate in the traditional benefit  
19 package by default.

20 (c) An eligible employee who at the time he or she is first  
21 eligible to make the election described in subsection (a) does  
22 not have sufficient age and service to qualify for a retirement  
23 annuity under Section 15-135 may elect to participate in the  
24 traditional benefit package, the portable benefit package, or  
25 the self-managed plan. An eligible employee who has sufficient  
26 age and service to qualify for a retirement annuity under

1 Section 15-135 at the time he or she is first eligible to make  
2 the election described in subsection (a) may elect to  
3 participate in the traditional benefit package or the portable  
4 benefit package, but may not elect to participate in the  
5 self-managed plan.

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

9 A newly eligible employee must make this election within 6  
10 months after the date on which the System receives the report  
11 of status certification from the employer. If an employee  
12 elects to participate in the self-managed plan, no employer  
13 contributions shall be remitted to the self-managed plan when  
14 the employee's account balance transfer is made. Employer  
15 contributions to the self-managed plan shall commence as of the  
16 first pay period that begins after the System receives the  
17 employee's election.

18 (d-1) A newly eligible employee who, prior to the effective  
19 date of this amendatory Act of the 91st General Assembly, fails  
20 to make the election within the period provided under  
21 subsection (d) and participates by default in the traditional  
22 benefit package may make a late election to participate in the  
23 portable benefit package or the self-managed plan instead of  
24 the traditional benefit package at any time within 6 months  
25 after the effective date of this amendatory Act of the 91st  
26 General Assembly.

1           (e) If a currently eligible employee elects the portable  
2 benefit package, that election shall not become effective until  
3 the one-year anniversary of the date on which the election is  
4 filed with the System, provided the employee remains  
5 continuously employed by the employer throughout the one-year  
6 waiting period, and any benefits payable to or on account of  
7 the employee before such one-year waiting period has ended  
8 shall not be determined under the provisions applicable to the  
9 portable benefit package but shall instead be determined in  
10 accordance with the traditional benefit package. If a currently  
11 eligible employee who has elected the portable benefit package  
12 terminates employment covered by the System before the one-year  
13 waiting period has ended, then no benefits shall be determined  
14 under the portable benefit package provisions while he or she  
15 is inactive in the System and upon re-employment with an  
16 employer covered by the System he or she shall begin a new  
17 one-year waiting period before the provisions of the portable  
18 benefit package become effective.

19           (f) An eligible employee shall be provided with written  
20 information prepared or prescribed by the System which  
21 describes the employee's retirement program choices. The  
22 eligible employee shall be offered an opportunity to receive  
23 counseling from the System prior to making his or her election.  
24 This counseling may consist of videotaped materials, group  
25 presentations, individual consultation with an employee or  
26 authorized representative of the System in person or by

1 telephone or other electronic means, or any combination of  
2 these methods.

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

4 (40 ILCS 5/15-134.6 new)

5 Sec. 15-134.6. Election by Tier I employees and Tier I  
6 retirees.

7 (a) Each Tier I employee shall make an irrevocable election  
8 either:

9 (1) to agree to the following:

10 (i) to have the amount of the automatic annual  
11 increases in his or her retirement annuity that are  
12 otherwise provided for in this Article calculated,  
13 instead, as provided in subsection (d-1) of Section  
14 15-136; and

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

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

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

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

1 employee;

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

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

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

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

17 (1) to agree to the following:

18 (i) to have the amount of the automatic annual  
19 increases in his or her retirement annuity that are  
20 otherwise provided for in this Article calculated,  
21 instead, as provided in subsection (d-1) of Section  
22 15-136; and

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

26 (2) to not agree to items (i) and (ii) as set forth in



1 paragraph (1) of this subsection.

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

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

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

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

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

23 (b) As adequate and legal consideration provided under this  
24 amendatory Act of the 97th General Assembly for making the  
25 election under paragraph (1) of subsection (a) of this Section,  
26 any future increases in income offered by an employer under

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

8 As adequate and legal consideration provided under this  
9 amendatory Act of the 97th General Assembly for making the  
10 election under paragraph (1) of subsection (a-5) of this  
11 Section, any future increases in income offered by an employer  
12 under this Article to a Tier I retiree who returns to active  
13 service after having made the election under paragraph (1) of  
14 subsection (a-5) of this Section shall be offered expressly and  
15 irrevocably as constituting earnings under Section 15-111. In  
16 addition, a Tier I retiree who returns to active service and  
17 has made the election under paragraph (1) of subsection (a) of  
18 this Section shall receive the right to also participate in the  
19 optional cash balance plan established under Section 1-162.

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

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

8 A Tier I retiree who makes the election under paragraph (2)  
9 of subsection (a-5) of this Section shall not be subject to  
10 items (i) and (ii) set forth in paragraph (1) of subsection  
11 (a-5) of this Section. However, any future increases in income  
12 offered by an employer under this Article to a Tier I retiree  
13 who returns to active service and has made the election under  
14 paragraph (2) of subsection (a-5) of this Section shall be  
15 offered expressly and irrevocably as not constituting earnings  
16 under Section 15-111, and the employee may not accept any  
17 future increase in income that is offered in violation of this  
18 requirement. In addition, a Tier I retiree who returns to  
19 active service and has made the election under paragraph (2) of  
20 subsection (a) of this Section shall not receive the right to  
21 participate in the optional cash balance plan established under  
22 Section 1-162.

23 (d) The System shall make a good faith effort to contact  
24 each Tier I employee and Tier I retiree subject to this  
25 Section. The System shall mail information describing the  
26 required election to each Tier I employee and Tier I retiree by

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

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

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

1 required under this Section from any other available source,  
2 including but not limited to labor organizations and private  
3 counsel.

4 The System shall coordinate with the Illinois Department of  
5 Central Management Services and each other retirement system  
6 administering an election in accordance with this amendatory  
7 Act of the 97th General Assembly to provide information  
8 concerning the impact of the election under this Section.

9 In no event shall the System, its staff, or the Board be  
10 held liable for any information given to a member, beneficiary,  
11 or annuitant regarding the elections under this Section.

12 (e) Notwithstanding any other provision of law, an employer  
13 under this Article is required to offer any future increases in  
14 income expressly and irrevocably as not constituting  
15 "earnings" under Section 15-111 to any Tier I employee, or Tier  
16 I retiree returning to active service, who has made an election  
17 under paragraph (2) or subsection (a) or (a-5) of this Section.  
18 A Tier I employee, or Tier I retiree returning to active  
19 service, who has made an election under paragraph (2) of  
20 subsection (a) or (a-5) of this Section shall not accept any  
21 future increase in income that is offered by an employer under  
22 this Article in violation of the requirement set forth in this  
23 subsection.

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

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

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

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

12           (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

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

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

22           Rule 1: The retirement annuity shall be 1.67% of final rate  
23 of earnings for each of the first 10 years of service, 1.90%  
24 for each of the next 10 years of service, 2.10% for each year  
25 of service in excess of 20 but not exceeding 30, and 2.30% for

1 each year in excess of 30; or for persons who retire on or  
2 after January 1, 1998, 2.2% of the final rate of earnings for  
3 each year of service.

4 Rule 2: The retirement annuity shall be the sum of the  
5 following, determined from amounts credited to the participant  
6 in accordance with the actuarial tables and the prescribed rate  
7 of interest in effect at the time the retirement annuity  
8 begins:

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

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

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

22 With respect to a police officer or firefighter who retires  
23 on or after August 14, 1998, the accumulated normal  
24 contributions taken into account under clauses (i) and (ii) of  
25 this Rule 2 shall include the additional normal contributions  
26 made by the police officer or firefighter under Section

1 15-157(a).

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

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

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

16 Rule 3: The retirement annuity of a participant who is  
17 employed at least one-half time during the period on which his  
18 or her final rate of earnings is based, shall be equal to the  
19 participant's years of service not to exceed 30, multiplied by  
20 (1) \$96 if the participant's final rate of earnings is less  
21 than \$3,500, (2) \$108 if the final rate of earnings is at least  
22 \$3,500 but less than \$4,500, (3) \$120 if the final rate of  
23 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if  
24 the final rate of earnings is at least \$5,500 but less than  
25 \$6,500, (5) \$144 if the final rate of earnings is at least  
26 \$6,500 but less than \$7,500, (6) \$156 if the final rate of



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

8 Rule 4: A participant who is at least age 50 and has 25 or  
9 more years of service as a police officer or firefighter, and a  
10 participant who is age 55 or over and has at least 20 but less  
11 than 25 years of service as a police officer or firefighter,  
12 shall be entitled to a retirement annuity of 2 1/4% of the  
13 final rate of earnings for each of the first 10 years of  
14 service as a police officer or firefighter, 2 1/2% for each of  
15 the next 10 years of service as a police officer or  
16 firefighter, and 2 3/4% for each year of service as a police  
17 officer or firefighter in excess of 20. The retirement annuity  
18 for all other service shall be computed under Rule 1.

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

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

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

1 department and who immediately after the elimination of  
2 that fire department transferred to another job with the  
3 University of Illinois, service performed as an employee of  
4 the University of Illinois in a position other than police  
5 officer or firefighter, from the date of that transfer  
6 until the employee's next termination of service with the  
7 University of Illinois.

8 Rule 5: The retirement annuity of a participant who elected  
9 early retirement under the provisions of Section 15-136.2 and  
10 who, on or before February 16, 1995, brought administrative  
11 proceedings pursuant to the administrative rules adopted by the  
12 System to challenge the calculation of his or her retirement  
13 annuity shall be the sum of the following, determined from  
14 amounts credited to the participant in accordance with the  
15 actuarial tables and the prescribed rate of interest in effect  
16 at the time the retirement annuity begins:

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

20 (ii) an annuity from employer contributions of an  
21 amount equal to that which can be provided on an  
22 actuarially equivalent basis from the accumulated normal  
23 contributions made by the participant under Section  
24 15-113.6 and Section 15-113.7 plus 1.4 times all other  
25 accumulated normal contributions made by the participant;  
26 and

1 (iii) an annuity which can be provided on an  
2 actuarially equivalent basis from the employee  
3 contribution for early retirement under Section 15-136.2,  
4 and an annuity from employer contributions of an amount  
5 equal to that which can be provided on an actuarially  
6 equivalent basis from the employee contribution for early  
7 retirement under Section 15-136.2.

8 In no event shall a retirement annuity under this Rule 5 be  
9 lower than the amount obtained by adding (1) the monthly amount  
10 obtained by dividing the combined employee and employer  
11 contributions made under Section 15-136.2 by the System's  
12 annuity factor for the age of the participant at the beginning  
13 of the annuity payment period and (2) the amount equal to the  
14 participant's annuity if calculated under Rule 1, reduced under  
15 Section 15-136(b) as if no contributions had been made under  
16 Section 15-136.2.

17 With respect to a participant who is qualified for a  
18 retirement annuity under this Rule 5 whose retirement annuity  
19 began before the effective date of this amendatory Act of the  
20 91st General Assembly, and for whom an employee contribution  
21 was made under Section 15-136.2, the System shall recalculate  
22 the retirement annuity under this Rule 5 and shall pay any  
23 additional amounts due in the manner provided in Section  
24 15-186.1 for benefits mistakenly set too low.

25 The amount of a retirement annuity calculated under this  
26 Rule 5 shall be computed solely on the basis of those

1 contributions specifically set forth in this Rule 5. Except as  
2 provided in clause (iii) of this Rule 5, neither an employee  
3 nor employer contribution for early retirement under Section  
4 15-136.2, nor any other employer contribution, shall be used in  
5 the calculation of the amount of a retirement annuity under  
6 this Rule 5.

7 The General Assembly has adopted the changes set forth in  
8 Section 25 of this amendatory Act of the 91st General Assembly  
9 in recognition that the decision of the Appellate Court for the  
10 Fourth District in *Mattis v. State Universities Retirement*  
11 *System et al.* might be deemed to give some right to the  
12 plaintiff in that case. The changes made by Section 25 of this  
13 amendatory Act of the 91st General Assembly are a legislative  
14 implementation of the decision of the Appellate Court for the  
15 Fourth District in *Mattis v. State Universities Retirement*  
16 *System et al.* with respect to that plaintiff.

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

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

25 (1) For a disabled participant whose disability  
26 benefits have been discontinued because he or she has

1 exhausted eligibility for disability benefits under clause  
2 (6) of Section 15-152;

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

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

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

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

23 Effective January 1 immediately following the date the  
24 retirement annuity begins, the annuitant shall receive an  
25 increase in his or her monthly retirement annuity of 0.125% of  
26 the monthly retirement annuity provided under Rule 1, Rule 2,

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

11 The annuitant shall receive an increase in his or her  
12 monthly retirement annuity on each January 1 thereafter during  
13 the annuitant's life of 3% of the monthly annuity provided  
14 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in  
15 this Section. The change made under this subsection by P.A.  
16 81-970 is effective January 1, 1980 and applies to each  
17 annuitant whose status as an employee terminates before or  
18 after that date.

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

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

1       (d-1) Notwithstanding any other provision of this Article,  
2       for a Tier I employee or Tier I retiree who made the election  
3       under paragraph (1) of either subsection (a) or (a-5) of  
4       Section 15-134.6, the amount of each automatic annual increase  
5       in retirement annuity occurring on or after the effective date  
6       of that election shall be 3% or one-half of the annual  
7       unadjusted percentage increase, if any, in the Consumer Price  
8       Index-U for the 12 months ending with the preceding September,  
9       whichever is less, of the originally granted retirement  
10       annuity. For the purposes of this Section, "Consumer Price  
11       Index-U" means the index published by the Bureau of Labor  
12       Statistics of the United States Department of Labor that  
13       measures the average change in prices of goods and services  
14       purchased by all urban consumers, United States city average,  
15       all items, 1982-84 = 100.

16       (d-2) Notwithstanding any other provision of this Article,  
17       for a Tier I employee or Tier I retiree who made the election  
18       under paragraph (1) of subsection (a) or (a-5) of Section  
19       15-134.6, the monthly retirement annuity shall first be subject  
20       to annual increases on the January 1 occurring on or next after  
21       the attainment of age 67 or the January 1 occurring on or next  
22       after the fifth anniversary of the annuity start date,  
23       whichever occurs earlier. If on the effective date of the  
24       election under paragraph (1) of subsection (a-5) of Section  
25       15-134.6 a Tier I retiree has already received an annual  
26       increase under this Section but does not yet meet the new

1 eligibility requirements of this subsection, the annual  
2 increases already received shall continue in force, but no  
3 additional annual increase shall be granted until the Tier I  
4 retiree meets the new eligibility requirements.

5 (e) If, on January 1, 1987, or the date the retirement  
6 annuity payment period begins, whichever is later, the sum of  
7 the retirement annuity provided under Rule 1 or Rule 2 of this  
8 Section and the automatic annual increases provided under the  
9 preceding subsection or Section 15-136.1, amounts to less than  
10 the retirement annuity which would be provided by Rule 3, the  
11 retirement annuity shall be increased as of January 1, 1987, or  
12 the date the retirement annuity payment period begins,  
13 whichever is later, to the amount which would be provided by  
14 Rule 3 of this Section. Such increased amount shall be  
15 considered as the retirement annuity in determining benefits  
16 provided under other Sections of this Article. This paragraph  
17 applies without regard to whether status as an employee  
18 terminated before the effective date of this amendatory Act of  
19 1987, provided that the annuitant was employed at least  
20 one-half time during the period on which the final rate of  
21 earnings was based.

22 (f) A participant is entitled to such additional annuity as  
23 may be provided on an actuarially equivalent basis, by any  
24 accumulated additional contributions to his or her credit.  
25 However, the additional contributions made by the participant  
26 toward the automatic increases in annuity provided under this



1 Section shall not be taken into account in determining the  
2 amount of such additional annuity.

3 (g) If, (1) by law, a function of a governmental unit, as  
4 defined by Section 20-107 of this Code, is transferred in whole  
5 or in part to an employer, and (2) a participant transfers  
6 employment from such governmental unit to such employer within  
7 6 months after the transfer of the function, and (3) the sum of  
8 (A) the annuity payable to the participant under Rule 1, 2, or  
9 3 of this Section (B) all proportional annuities payable to the  
10 participant by all other retirement systems covered by Article  
11 20, and (C) the initial primary insurance amount to which the  
12 participant is entitled under the Social Security Act, is less  
13 than the retirement annuity which would have been payable if  
14 all of the participant's pension credits validated under  
15 Section 20-109 had been validated under this system, a  
16 supplemental annuity equal to the difference in such amounts  
17 shall be payable to the participant.

18 (h) On January 1, 1981, an annuitant who was receiving a  
19 retirement annuity on or before January 1, 1971 shall have his  
20 or her retirement annuity then being paid increased \$1 per  
21 month for each year of creditable service. On January 1, 1982,  
22 an annuitant whose retirement annuity began on or before  
23 January 1, 1977, shall have his or her retirement annuity then  
24 being paid increased \$1 per month for each year of creditable  
25 service.

26 (i) On January 1, 1987, any annuitant whose retirement

1 annuity began on or before January 1, 1977, shall have the  
2 monthly retirement annuity increased by an amount equal to 8¢  
3 per year of creditable service times the number of years that  
4 have elapsed since the annuity began.

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

6 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

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

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

16 Beginning with State fiscal year 2014, the employers under  
17 this Article shall be responsible for paying the normal costs  
18 of the System plus the amounts required to amortize any total  
19 cost of the benefits of the System arising on or after July 1,  
20 2013.

21 Beginning with State fiscal year 2014, the State's required  
22 contributions to the System shall be limited to the amounts  
23 required to amortize the total cost of the benefits of the  
24 System arising before July 1, 2013, plus any employer  
25 contributions required from the State as the actual employer of

1 participants under this Article.

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

7 (a-1) For State fiscal years 2012 and 2013 ~~through 2045~~,  
8 the minimum contribution to the System to be made by the State  
9 for each fiscal year shall be an amount determined by the  
10 System to be sufficient to bring the total assets of the System  
11 up to 90% of the total actuarial liabilities of the System by  
12 the end of State fiscal year 2045. In making these  
13 determinations, the required State contribution shall be  
14 calculated each year as a level percentage of payroll over the  
15 years remaining to and including fiscal year 2045 and shall be  
16 determined under the projected unit credit actuarial cost  
17 method.

18 Except as provided in subsection (a-3), for State fiscal  
19 years 2014 through 2045 or until the State has amortized 100%  
20 of the total cost of benefits accrued by July 1, 2013,  
21 whichever is earlier, in addition to any employer contributions  
22 required from the State as an employer, the minimum  
23 contribution to the System to be made by the State for each  
24 fiscal year shall be an amount determined by the Board to be  
25 sufficient to amortize, by the end of State fiscal year 2045,  
26 the total cost of the benefits of the System arising before

1 July 1, 2013. In making these determinations, the required  
2 State contribution shall be calculated each year as a level  
3 percentage of payroll over the years remaining to and including  
4 fiscal year 2043 and shall be determined under the projected  
5 unit credit actuarial cost method.

6 Except as provided in subsection (a-3), beginning in State  
7 fiscal year 2046 or on the date that the State has amortized  
8 100% of the total cost of benefits accrued by July 1, 2013,  
9 whichever is earlier, the State has no further obligation to  
10 make contributions to the System under this subsection (a-1).

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

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

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

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

1 contributing at the rate otherwise required under this Section.

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

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

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

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

13           Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,  
16 as calculated under this Section and certified under Section  
17 15-165, shall not exceed an amount equal to (i) the amount of  
18 the required State contribution that would have been calculated  
19 under this Section for that fiscal year if the System had not  
20 received any payments under subsection (d) of Section 7.2 of  
21 the General Obligation Bond Act, minus (ii) the portion of the  
22 State's total debt service payments for that fiscal year on the  
23 bonds issued in fiscal year 2003 for the purposes of that  
24 Section 7.2, as determined and certified by the Comptroller,  
25 that is the same as the System's portion of the total moneys  
26 distributed under subsection (d) of Section 7.2 of the General

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

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

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

26 (1) instead of the contributions specified in

1 subsection (a-5) of this Section, the State contributions  
2 specified in subsection (a-1) shall continue to be paid;  
3 and

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

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

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

25 (a-10) Subject to the limitations provided in subsection  
26 (a-15), beginning with State fiscal year 2014, the minimum



1 required contribution of employers under this Article shall be  
2 determined as a percentage of projected payroll, and shall be  
3 sufficient to produce an annual amount equal to:

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

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

10 (iii) the amount required for that fiscal year to  
11 amortize any unfunded actuarial accrued liability  
12 associated with the total cost of benefits accrued on or  
13 after July 1, 2013 as a level percentage of payroll over a  
14 30-year rolling amortization period.

15 Any contributions required from an employer under  
16 subsection (g) of this Section are in addition to the  
17 contributions required under this subsection (a-10).

18 (a-15) For State fiscal year 2014, the required  
19 contribution of employers under item (i) of subsection (a-10)  
20 shall be reduced to an amount equal to 0.6% of payroll.

21 For each fiscal year thereafter, until the Board determines  
22 and certifies to the Governor that employers are contributing  
23 under item (i) of subsection (a-10) the full amount actually  
24 specified by item (i) of subsection (a-10), the required  
25 contribution of employers under item (i) of subsection (a-10)  
26 shall be the percentage of payroll required under this

1 subsection from the previous fiscal year increased by 0.6% of  
2 payroll for each of State fiscal years 2015 through 2024, and  
3 increased by 0.5% of payroll for each State fiscal year after  
4 2024.

5 Contributions required of employers under items (ii) and  
6 (iii) of subsection (a-10), under subsection (g), and under any  
7 other applicable provision of this Section are in addition to  
8 contributions required under item (i) of subsection (a-10).

9 (a-20) Beginning in State fiscal year 2015 and continuing  
10 until the Board determines and certifies to the Governor that  
11 employers are contributing under item (i) of subsection (a-10)  
12 the full amount actually specified by item (i) of subsection  
13 (a-10), the State shall make an additional contribution to the  
14 System for each fiscal year, equal to the difference between  
15 (1) the total contribution calculated under item (i) of  
16 subsection (a-10) for all employers for that fiscal year, and  
17 (2) the amount of such total contribution as reduced under  
18 subsection (a-15).

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

24 (b) If an employee is paid from trust or federal funds, the  
25 employer shall pay to the Board contributions from those funds  
26 which are sufficient to cover the accruing normal costs on

1 behalf of the employee. However, universities having employees  
2 who are compensated out of local auxiliary funds, income funds,  
3 or service enterprise funds are not required to pay such  
4 contributions on behalf of those employees. The local auxiliary  
5 funds, income funds, and service enterprise funds of  
6 universities shall not be considered trust funds for the  
7 purpose of this Article, but funds of alumni associations,  
8 foundations, and athletic associations which are affiliated  
9 with the universities included as employers under this Article  
10 and other employers which do not receive State appropriations  
11 are considered to be trust funds for the purpose of this  
12 Article.

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

26 (c) Through State fiscal year 1995: The total employer

1 contribution shall be apportioned among the various funds of  
2 the State and other employers, whether trust, federal, or other  
3 funds, in accordance with actuarial procedures approved by the  
4 Board. State of Illinois contributions for employers receiving  
5 State appropriations for personal services shall be payable  
6 from appropriations made to the employers or to the System. The  
7 contributions for Class I community colleges covering earnings  
8 other than those paid from trust and federal funds, shall be  
9 payable solely from appropriations to the Illinois Community  
10 College Board or the System for employer contributions.

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

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

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

1 therewith.

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

4 If the amount of a participant's earnings for any academic  
5 year used to determine the final rate of earnings, determined  
6 on a full-time equivalent basis, exceeds the amount of his or  
7 her earnings with the same employer for the previous academic  
8 year, determined on a full-time equivalent basis, by more than  
9 6%, the participant's employer shall pay to the System, in  
10 addition to all other payments required under this Section and  
11 in accordance with guidelines established by the System, the  
12 present value of the increase in benefits resulting from the  
13 portion of the increase in earnings that is in excess of 6%.  
14 This present value shall be computed by the System on the basis  
15 of the actuarial assumptions and tables used in the most recent  
16 actuarial valuation of the System that is available at the time  
17 of the computation. The System may require the employer to  
18 provide any pertinent information or documentation.

19 Whenever it determines that a payment is or may be required  
20 under this subsection (g), the System shall calculate the  
21 amount of the payment and bill the employer for that amount.  
22 The bill shall specify the calculations used to determine the  
23 amount due. If the employer disputes the amount of the bill, it  
24 may, within 30 days after receipt of the bill, apply to the  
25 System in writing for a recalculation. The application must  
26 specify in detail the grounds of the dispute and, if the

1 employer asserts that the calculation is subject to subsection  
2 (h) or (i) of this Section, must include an affidavit setting  
3 forth and attesting to all facts within the employer's  
4 knowledge that are pertinent to the applicability of subsection  
5 (h) or (i). Upon receiving a timely application for  
6 recalculation, the System shall review the application and, if  
7 appropriate, recalculate the amount due.

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

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

22 When assessing payment for any amount due under subsection  
23 (g), the System shall exclude earnings increases paid to  
24 participants under contracts or collective bargaining  
25 agreements entered into, amended, or renewed before June 1,  
26 2005.

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

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

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

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

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

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

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

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

26 (3) The total amount the System received from each



1 employer as a result of the changes made to this Section by  
2 Public Act 94-4.

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

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

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

25 As of June 30, 2008, the actuarial value of the System's  
26 assets shall be equal to the market value of the assets as of

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

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

10 (n) If the System submits a voucher for monthly  
11 contributions from the State as required by this Section and  
12 the State fails to pay within 90 days of receipt of such a  
13 voucher, the Board shall submit a written request to the  
14 Comptroller seeking payment. A copy of the request shall be  
15 filed with the Secretary of State, and the Secretary of State  
16 shall provide copies to the Governor and General Assembly. No  
17 earlier than the 16th day after filing a request with the  
18 Secretary of State, the Board shall have the right to commence  
19 a mandamus action in the Supreme Court of Illinois to compel  
20 the Comptroller to satisfy the voucher by making payment from  
21 the General Revenue Fund. This Section constitutes an express  
22 waiver of the State's sovereign immunity solely to the extent  
23 it permits the Board to commence a mandamus action in the  
24 Illinois Supreme Court to compel the Comptroller to pay a  
25 voucher for monthly contributions from the State as required in  
26 this Section.

1       Any payments required to be made by the State pursuant to  
2 an action commenced under this subsection are expressly  
3 subordinated to the payment of the principal, interest, and  
4 premium, if any, on any bonded debt obligation of the State or  
5 any other State-created entity, either currently outstanding  
6 or to be issued, for which the source of repayment or security  
7 thereon is derived directly or indirectly from tax revenues  
8 collected by the State or any other State-created entity.  
9 Payments on such bonded obligations include any statutory fund  
10 transfers or other prefunding mechanisms or formulas set forth,  
11 now or hereafter, in State law or bond indentures, into debt  
12 service funds or accounts of the State related to such bonded  
13 obligations, consistent with the payment schedules associated  
14 with such obligations.

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

18       (40 ILCS 5/15-155.1 new)

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

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

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

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

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

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

4 (40 ILCS 5/15-155.2 new)

5 Sec. 15-155.2. Individual employer accounts.

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

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

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

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

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

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

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

24 Sec. 15-157. Employee Contributions.

25 (a) Each participating employee shall make contributions

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

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

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

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

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



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

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

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

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

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

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

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

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

1 (40 ILCS 5/15-158.2)

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

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

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

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

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

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

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

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

1 the premium charged;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

1 the distribution, without interest.

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

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

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

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

20 Sec. 15-159. Board created.

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

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

1 constituted as follows:

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

26 The terms of all trustees holding office under this

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

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

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

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

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

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

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

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

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

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

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

8           (5) One trustee to be elected by the trustees of the  
9 boards of trustees of community colleges in the State who  
10 is not a participant in the System.

11           (6) One trustee who serves as a trustee on the board of  
12 trustees of a public institution of higher education, as  
13 defined in Section 1 of the Board of Higher Education Act,  
14 to be elected by the trustees of public institutions of  
15 higher education and who is not a participant in the  
16 System.

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

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

25           (e) The 6 elected trustees shall be elected within 90 days  
26 after the effective date of this amendatory Act of the 96th

1 General Assembly for a term beginning on the 90th day after the  
2 effective date of this amendatory Act. Trustees shall be  
3 elected thereafter as terms expire for a 6-year term beginning  
4 July 15 next following their election, and such election shall  
5 be held on May 1, or on May 2 when May 1 falls on a Sunday. The  
6 board may establish rules for the election of trustees to  
7 implement the provisions of this amendatory Act of the 96th  
8 General Assembly and for future elections. Candidates for the  
9 participating trustee shall be nominated by petitions in  
10 writing, signed by not less than 400 participants with their  
11 addresses shown opposite their names. Candidates for the  
12 annuitant trustee shall be nominated by petitions in writing,  
13 signed by not less than 100 annuitants with their addresses  
14 shown opposite their names. If there is more than one qualified  
15 nominee for each elected trustee, then the board shall conduct  
16 a secret ballot election by mail for that trustee, in  
17 accordance with rules as established by the board. If there is  
18 only one qualified person nominated by petition for each  
19 elected trustee, then the election as required by this Section  
20 shall not be conducted for that trustee and the board shall  
21 declare such nominee duly elected. A vacancy occurring in the  
22 elective membership of the board shall be filled for the  
23 unexpired term by the elected trustees serving on the board for  
24 the remainder of the term.

25 (f) A vacancy on the board of trustees caused by  
26 resignation, death, expiration of term of office, or other



1 reason shall be filled by a qualified person appointed by the  
2 Governor for the remainder of the unexpired term.

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

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

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

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

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

1 (40 ILCS 5/15-163) (from Ch. 108 1/2, par. 15-163)  
2 Sec. 15-163. To consider applications and authorize  
3 payments.

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

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

9 (40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)  
10 Sec. 15-165. To certify amounts and submit vouchers.

11 (a) The Board shall certify to the Governor on or before  
12 November 15 of each year through ~~until~~ November 15, 2011 the  
13 appropriation required from State funds for the purposes of  
14 this System for the following fiscal year. The certification  
15 under this subsection (a) shall include a copy of the actuarial  
16 recommendations upon which it is based ~~and shall specifically~~  
17 ~~identify the System's projected State normal cost for that~~  
18 ~~fiscal year and the projected State cost for the self-managed~~  
19 ~~plan for that fiscal year.~~

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

1 Obligation Bond Act.

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

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

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

25 On or before January 15, 2013 and each January 15  
26 thereafter, the Board shall certify to the Governor and the

1 General Assembly the amount of the required State contribution  
2 for the next fiscal year. The certification shall include a  
3 copy of the actuarial recommendations upon which it is based  
4 and shall specifically identify the System's projected State  
5 normal cost for that fiscal year and the projected State cost  
6 for the self-managed plan for that fiscal year. The Board's  
7 certification must note, in a written response to the State  
8 Actuary, any deviations from the State Actuary's recommended  
9 changes, the reason or reasons for not following the State  
10 Actuary's recommended changes, and the fiscal impact of not  
11 following the State Actuary's recommended changes on the  
12 required State contribution.

13 (b) The Board shall certify to the State Comptroller or  
14 employer, as the case may be, from time to time, by its  
15 president and secretary, with its seal attached, the amounts  
16 payable to the System from the various funds.

17 (c) Beginning in State fiscal year 1996, on or as soon as  
18 possible after the 15th day of each month the Board shall  
19 submit vouchers for payment of State contributions to the  
20 System, in a total monthly amount of one-twelfth of the  
21 required annual State contribution certified under subsection  
22 (a). From the effective date of this amendatory Act of the 93rd  
23 General Assembly through June 30, 2004, the Board shall not  
24 submit vouchers for the remainder of fiscal year 2004 in excess  
25 of the fiscal year 2004 certified contribution amount  
26 determined under this Section after taking into consideration

1 the transfer to the System under subsection (b) of Section  
2 6z-61 of the State Finance Act. These vouchers shall be paid by  
3 the State Comptroller and Treasurer by warrants drawn on the  
4 funds appropriated to the System for that fiscal year.

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

14 (d) So long as the payments received are the full amount  
15 lawfully vouchered under this Section, payments received by the  
16 System under this Section shall be applied first toward the  
17 employer contribution to the self-managed plan established  
18 under Section 15-158.2. Payments shall be applied second toward  
19 the employer's portion of the normal costs of the System, as  
20 defined in subsection (f) of Section 15-155. The balance shall  
21 be applied toward the unfunded actuarial liabilities of the  
22 System.

23 (e) In the event that the System does not receive, as a  
24 result of legislative enactment or otherwise, payments  
25 sufficient to fully fund the employer contribution to the  
26 self-managed plan established under Section 15-158.2 and to

1 fully fund that portion of the employer's portion of the normal  
2 costs of the System, as calculated in accordance with Section  
3 15-155(a-1), then any payments received shall be applied  
4 proportionately to the optional retirement program established  
5 under Section 15-158.2 and to the employer's portion of the  
6 normal costs of the System, as calculated in accordance with  
7 Section 15-155(a-1).

8 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;  
9 97-694, eff. 6-18-12.)

10 (40 ILCS 5/15-198)

11 Sec. 15-198. Application and expiration of new benefit  
12 increases.

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

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

1 the provisions of this Section.

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

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

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

1 by law.

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

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

13 (40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

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

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

24 (2) Any educational, administrative, professional or  
25 other staff employed in any facility of the Department of



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

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

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

1 amendatory Act of the 97th General Assembly;

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

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

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

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

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

22 (8) Any officer or employee of a statewide teacher  
23 organization or officer of a national teacher organization  
24 who is certified under the law governing certification of  
25 teachers, provided: (i) the individual had previously  
26 established creditable service under this Article, (ii)

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

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

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

1 pilot program receiving funds under Section 2-389 of the  
2 School Code shall be considered service as a teacher if  
3 employee and employer contributions have been received by  
4 the system and the system has not refunded those  
5 contributions.

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

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

14 (40 ILCS 5/16-106.4 new)

15 Sec. 16-106.4. Tier I employee. "Tier I employee": A  
16 teacher under this Article who first became a member or  
17 participant before January 1, 2011 under any reciprocal  
18 retirement system or pension fund established under this Code  
19 other than a retirement system or pension fund established  
20 under Article 2, 3, 4, 5, 6, or 18 of this Code.

21 (40 ILCS 5/16-106.5 new)

22 Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former  
23 Tier I employee who is receiving a retirement annuity.

1 (40 ILCS 5/16-106.6 new)

2 Sec. 16-106.6. Teacher certification. For purposes of this  
3 Article, a teacher shall be deemed to be certificated if he or  
4 she is required to be licensed by the Illinois State Board of  
5 Education. A person employed as a paraprofessional educator  
6 shall not be deemed to be certificated for the purposes of this  
7 Section.

8 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

9 Sec. 16-121. Salary. "Salary": The actual compensation  
10 received by a teacher during any school year and recognized by  
11 the system in accordance with rules of the board. For purposes  
12 of this Section, "school year" includes the regular school term  
13 plus any additional period for which a teacher is compensated  
14 and such compensation is recognized by the rules of the board.  
15 Notwithstanding any other provision of this Section, "salary"  
16 does not include any future increase in income offered by an  
17 employer under this Article pursuant to the requirements of  
18 subsection (c) of Section 16-131.7 that is accepted by a Tier I  
19 employee, or a Tier I retiree returning to active service, who  
20 has made an election under paragraph (2) of subsection (a) or  
21 (a-5) of Section 16-131.7.

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

23 (40 ILCS 5/16-121.1 new)

24 Sec. 16-121.1. Future increase in income. "Future increase

1 in income": Any increase in income in any form offered by an  
2 employer to a teacher under this Article after June 30, 2013  
3 that would qualify as "salary", as defined under Section  
4 14-103.10, but for the fact that the employer offered the  
5 increase in income to the teacher on the condition that it not  
6 qualify as salary and the teacher accepted the increase in  
7 income subject to that condition. The term "future increase in  
8 income" does not include an increase in income in any form that  
9 is paid to a Tier I employee under an employment contract or  
10 collective bargaining agreement that is in effect on the  
11 effective date of this Section but does include an increase in  
12 income in any form pursuant to an extension, amendment, or  
13 renewal of any such employment contract or collective  
14 bargaining agreement on or after the effective date of this  
15 amendatory Act of the 97th General Assembly.

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

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

18 (a) Each member shall receive regular credit for all  
19 service as a teacher from the date membership begins, for which  
20 satisfactory evidence is supplied and all contributions have  
21 been paid.

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

1 (1) Prior service as a teacher.

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

1 Universities Retirement System, and the Public School  
2 Teachers' Pension and Retirement Fund of Chicago. Whenever  
3 such service credit exceeds the maximum allowed for all  
4 purposes of this Article, the first service rendered in  
5 point of time shall be considered. The changes to this  
6 subdivision (b)(2) made by Public Act 86-272 shall apply  
7 not only to persons who on or after its effective date  
8 (August 23, 1989) are in service as a teacher under the  
9 System, but also to persons whose status as such a teacher  
10 terminated prior to such effective date, whether or not  
11 such person is an annuitant on that date.

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



1 following employment as a teacher.

2 The changes to this Section and Section 16-128 relating  
3 to military service made by P.A. 87-794 shall apply not  
4 only to persons who on or after its effective date are in  
5 service as a teacher under the System, but also to persons  
6 whose status as a teacher terminated prior to that date,  
7 whether or not the person is an annuitant on that date. In  
8 the case of an annuitant who applies for credit allowable  
9 under this Section for a period of military service that  
10 did not immediately follow employment, and who has made the  
11 required contributions for such credit, the annuity shall  
12 be recalculated to include the additional service credit,  
13 with the increase taking effect on the date the System  
14 received written notification of the annuitant's intent to  
15 purchase the credit, if payment of all the required  
16 contributions is made within 60 days of such notice, or  
17 else on the first annuity payment date following the date  
18 of payment of the required contributions. In calculating  
19 the automatic annual increase for an annuity that has been  
20 recalculated under this Section, the increase attributable  
21 to the additional service allowable under P.A. 87-794 shall  
22 be included in the calculation of automatic annual  
23 increases accruing after the effective date of the  
24 recalculation.

25 Credit for military service shall be determined as  
26 follows: if entry occurs during the months of July, August,

1 or September and the member was a teacher at the end of the  
2 immediately preceding school term, credit shall be granted  
3 from July 1 of the year in which he or she entered service;  
4 if entry occurs during the school term and the teacher was  
5 in teaching service at the beginning of the school term,  
6 credit shall be granted from July 1 of such year. In all  
7 other cases where credit for military service is allowed,  
8 credit shall be granted from the date of entry into the  
9 service.

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

25 (4) Any periods served as a member of the General  
26 Assembly.

1           (5) (i) Any periods for which a teacher, as defined in  
2           Section 16-106, is granted a leave of absence, provided he  
3           or she returns to teaching service creditable under this  
4           System or the State Universities Retirement System  
5           following the leave; (ii) periods during which a teacher is  
6           involuntarily laid off from teaching, provided he or she  
7           returns to teaching following the lay-off; (iii) periods  
8           prior to July 1, 1983 during which a teacher ceased covered  
9           employment due to pregnancy, provided that the teacher  
10          returned to teaching service creditable under this System  
11          or the State Universities Retirement System following the  
12          pregnancy and submits evidence satisfactory to the Board  
13          documenting that the employment ceased due to pregnancy;  
14          and (iv) periods prior to July 1, 1983 during which a  
15          teacher ceased covered employment for the purpose of  
16          adopting an infant under 3 years of age or caring for a  
17          newly adopted infant under 3 years of age, provided that  
18          the teacher returned to teaching service creditable under  
19          this System or the State Universities Retirement System  
20          following the adoption and submits evidence satisfactory  
21          to the Board documenting that the employment ceased for the  
22          purpose of adopting an infant under 3 years of age or  
23          caring for a newly adopted infant under 3 years of age.  
24          However, total credit under this paragraph (5) may not  
25          exceed 3 years.

26                 Any qualified member or annuitant may apply for credit

1 under item (iii) or (iv) of this paragraph (5) without  
2 regard to whether service was terminated before the  
3 effective date of this amendatory Act of 1997. In the case  
4 of an annuitant who establishes credit under item (iii) or  
5 (iv), the annuity shall be recalculated to include the  
6 additional service credit. The increase in annuity shall  
7 take effect on the date the System receives written  
8 notification of the annuitant's intent to purchase the  
9 credit, if the required evidence is submitted and the  
10 required contribution paid within 60 days of that  
11 notification, otherwise on the first annuity payment date  
12 following the System's receipt of the required evidence and  
13 contribution. The increase in an annuity recalculated  
14 under this provision shall be included in the calculation  
15 of automatic annual increases in the annuity accruing after  
16 the effective date of the recalculation.

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

1           between the entitled annuity and the actual annuity shall  
2           be credited to the purchase of the optional credit. The  
3           remainder of the purchase cost of the optional credit shall  
4           be paid on or before April 1, 1992.

5           The change in this paragraph made by Public Act 86-273  
6           shall be applicable to teachers who retire after June 1,  
7           1989, as well as to teachers who are in service on that  
8           date.

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

24          Credit for sick leave shall, at retirement, be granted  
25          by the System for any retiring regional or assistant  
26          regional superintendent of schools who first became a

1 participant in this System before the effective date of  
2 this amendatory Act of the 97th General Assembly at the  
3 rate of 6 days per year of creditable service or portion  
4 thereof established while serving as such superintendent  
5 or assistant superintendent.

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

10 (7) Periods prior to February 1, 1987 served as an  
11 employee of the Illinois Mathematics and Science Academy  
12 for which credit has not been terminated under Section  
13 15-113.9 of this Code.

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

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

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

26 (b-1) A member may establish optional credit for up to 2

1 years of service as a teacher or administrator employed by a  
2 private school recognized by the Illinois State Board of  
3 Education, provided that the teacher (i) was certified under  
4 the law governing the certification of teachers at the time the  
5 service was rendered, (ii) applies in writing on or after  
6 August 1, 2009 and on or before August 1, 2012, (iii) supplies  
7 satisfactory evidence of the employment, (iv) completes at  
8 least 10 years of contributing service as a teacher as defined  
9 in Section 16-106, and (v) pays the contribution required in  
10 subsection (d-5) of Section 16-128. The member may apply for  
11 credit under this subsection and pay the required contribution  
12 before completing the 10 years of contributing service required  
13 under item (iv), but the credit may not be used until the item  
14 (iv) contributing service requirement has been met.

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

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

25 Credit may not be granted under this Section covering any  
26 period for which an age retirement or disability retirement

1 allowance has been paid.

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

3 (40 ILCS 5/16-131.7 new)

4 Sec. 16-131.7. Election by Tier I employees and Tier I  
5 retirees.

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

8 (1) to agree to the following:

9 (i) to have the amount of the automatic annual  
10 increases in his or her retirement annuity that are  
11 otherwise provided for in this Article calculated,  
12 instead, as provided in subsection (a-1) of Section  
13 16-133.1 or subsection (b-1) of Section 16-136.1,  
14 whichever is applicable; and

15 (ii) to have his or her eligibility for automatic  
16 annual increases in retirement annuity postponed as  
17 provided in subsection (a-2) of Section 16-133.1 or  
18 subsection (b-2) of Section 16-136.1, whichever is  
19 applicable; or

20 (2) to not agree to items (i) and (ii) as set forth in  
21 paragraph (1) of this subsection and to be subject to  
22 subsection (c) of this Section.

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



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

5           (ii) a person who returns to active service as a Tier I  
6           employee under this Article after January 1, 2013 and has  
7           not yet made an election under this Section must make the  
8           election under this subsection (a) within 60 days after  
9           returning to active service as a Tier I employee; and

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

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

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

20           (1) to agree to the following:

21           (i) to have the amount of the automatic annual  
22           increases in his or her retirement annuity that are  
23           otherwise provided for in this Article calculated,  
24           instead, as provided in subsection (a-1) of Section  
25           16-133.1 or subsection (b-1) of Section 16-136.1,  
26           whichever is applicable; and

1           (ii) to have his or her eligibility for automatic  
2           annual increases in retirement annuity postponed as  
3           provided in subsection (a-2) of Section 16-133.1 or  
4           subsection (b-2) of Section 16-136.1, whichever is  
5           applicable; or

6           (2) to not agree to items (i) and (ii) as set forth in  
7           paragraph (1) of this subsection and to be subject to  
8           subsection (c) of this Section.

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

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

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

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

24           (a-10) All elections under subsection (a) or (a-5) that are  
25           made or deemed to be made before June 1, 2013 shall take effect  
26           on July 1, 2013. Elections that are made or deemed to be made

1 on or after June 1, 2013 shall take effect on the first day of  
2 the month following the month in which the election is made or  
3 deemed to be made.

4 (b) As adequate and legal consideration provided under this  
5 amendatory Act of the 97th General Assembly for making the  
6 election under paragraph (1) of subsection (a) of this Section,  
7 any future increases in income offered by an employer under  
8 this Article to a Tier I employee who has made the election  
9 under paragraph (1) of subsection (a) of this Section shall be  
10 offered expressly and irrevocably as constituting salary under  
11 Section 16-121. In addition, a Tier I employee who has made the  
12 election under paragraph (1) of subsection (a) of this Section  
13 shall receive the right to also participate in the optional  
14 cash balance plan established under Section 1-162.

15 As adequate and legal consideration provided under this  
16 amendatory Act of the 97th General Assembly for making the  
17 election under paragraph (1) of subsection (a-5) of this  
18 Section, any future increases in income offered by an employer  
19 under this Article to a Tier I retiree who returns to active  
20 service after having made the election under paragraph (1) of  
21 subsection (a-5) of this Section shall be offered expressly and  
22 irrevocably as constituting salary under Section 16-121. In  
23 addition, a Tier I retiree who returns to active service and  
24 has made the election under paragraph (1) of subsection (a) of  
25 this Section shall receive the right to also participate in the  
26 optional cash balance plan established under Section 1-162.

1       (c) A Tier I employee who makes the election under  
2 paragraph (2) of subsection (a) of this Section shall not be  
3 subject to items (i) and (ii) set forth in paragraph (1) of  
4 subsection (a) of this Section. However, any future increases  
5 in income offered by an employer under this Article to a Tier I  
6 employee who has made the election under paragraph (2) of  
7 subsection (a) of this Section shall be offered expressly and  
8 irrevocably as not constituting salary under Section 16-121,  
9 and the employee may not accept any future increase in income  
10 that is offered in violation of this requirement. In addition,  
11 a Tier I employee who has made the election under paragraph (2)  
12 of subsection (a) of this Section shall not receive the right  
13 to participate in the optional cash balance plan established  
14 under Section 1-162.

15       A Tier I retiree who makes the election under paragraph (2)  
16 of subsection (a-5) of this Section shall not be subject to  
17 items (i) and (ii) set forth in paragraph (1) of subsection  
18 (a-5) of this Section. However, any future increases in income  
19 offered by an employer under this Article to a Tier I retiree  
20 who returns to active service and has made the election under  
21 paragraph (2) of subsection (a-5) of this Section shall be  
22 offered expressly and irrevocably as not constituting salary  
23 under Section 16-121, and the employee may not accept any  
24 future increase in income that is offered in violation of this  
25 requirement. In addition, a Tier I retiree who returns to  
26 active service and has made the election under paragraph (2) of

1 subsection (a) of this Section shall not receive the right to  
2 participate in the optional cash balance plan established under  
3 Section 1-162.

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

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

1 employee or Tier I retiree should make or specific to the legal  
2 or tax circumstances of or consequences to the Tier I employee  
3 or Tier I retiree.

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

11 The System shall coordinate with the Illinois Department of  
12 Central Management Services and each other retirement system  
13 administering an election in accordance with this amendatory  
14 Act of the 97th General Assembly to provide information  
15 concerning the impact of the election under this Section.

16 In no event shall the System, its staff, or the Board be  
17 held liable for any information given to a member, beneficiary,  
18 or annuitant regarding the elections under this Section.

19 (e) Notwithstanding any other provision of law, an employer  
20 under this Article is required to offer any future increases in  
21 income expressly and irrevocably as not constituting "salary"  
22 under Section 16-121 to any Tier I employee, or Tier I retiree  
23 returning to active service, who has made an election under  
24 paragraph (2) or subsection (a) or (a-5) of Section 16-131.7. A  
25 Tier I employee, or Tier I retiree returning to active service,  
26 who has made an election under paragraph (2) or subsection (a)

1 or (a-5) of Section 16-131.7 shall not accept any future  
2 increase in income that is offered by an employer under this  
3 Article in violation of the requirement set forth in this  
4 subsection.

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

8 (g) An employee who has made the election under paragraph  
9 (1) of subsection (a) or (a-5) of this Section may elect to  
10 participate in the optional cash balance plan under Section  
11 1-162.

12 The election to participate in the optional cash balance  
13 plan shall be made in writing, in the manner provided by the  
14 applicable retirement system.

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

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

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

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

1 An annuitant shall first be entitled to an initial increase  
2 under this Section on the January 1 next following the first  
3 anniversary of retirement, or January 1 of the year next  
4 following attainment of age 61, whichever is later. At such  
5 time, the system shall pay an initial increase determined as  
6 follows or as provided in subsections (a-1) and (a-2):

7 (1) 1.5% of the originally granted retirement annuity  
8 or disability retirement annuity multiplied by the number  
9 of years elapsed, if any, from the date of retirement until  
10 January 1, 1972, plus

11 (2) 2% of the originally granted annuity multiplied by  
12 the number of years elapsed, if any, from the date of  
13 retirement or January 1, 1972, whichever is later, until  
14 January 1, 1978, plus

15 (3) 3% of the originally granted annuity multiplied by  
16 the number of years elapsed from the date of retirement or  
17 January 1, 1978, whichever is later, until the effective  
18 date of the initial increase.

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

25 Following the initial increase, automatic annual increases  
26 in annuity shall be payable on each January 1 thereafter during



1 the lifetime of the annuitant, determined as a percentage of  
2 the originally granted retirement annuity or disability  
3 retirement annuity for increases granted prior to January 1,  
4 1990, and calculated as a percentage of the total amount of  
5 annuity, including previous increases under this Section, for  
6 increases granted on or after January 1, 1990, as follows: 1.5%  
7 for periods prior to January 1, 1972, 2% for periods after  
8 December 31, 1971 and prior to January 1, 1978, and 3% for  
9 periods after December 31, 1977, or as provided in subsections  
10 (a-1) and (a-2).

11 (a-1) Notwithstanding any other provision of this Article,  
12 for a Tier I employee or Tier I retiree who made the election  
13 under paragraph (1) of either subsection (a) or (a-5) of  
14 Section 16-131.7, the amount of each automatic annual increase  
15 in retirement annuity occurring on or after the effective date  
16 of that election shall be 3% or one-half of the annual  
17 unadjusted percentage increase, if any, in the Consumer Price  
18 Index-U for the 12 months ending with the preceding September,  
19 whichever is less, of the originally granted retirement  
20 annuity. For the purposes of this Section, "Consumer Price  
21 Index-U" means the index published by the Bureau of Labor  
22 Statistics of the United States Department of Labor that  
23 measures the average change in prices of goods and services  
24 purchased by all urban consumers, United States city average,  
25 all items, 1982-84 = 100.

26 (a-2) Notwithstanding any other provision of this Article,

1 for a Tier I employee or Tier I retiree who made the election  
2 under paragraph (1) of subsection (a) or (a-5) of Section  
3 16-131.7, the monthly retirement annuity shall first be subject  
4 to annual increases on the January 1 occurring on or next after  
5 the attainment of age 67 or the January 1 occurring on or next  
6 after the fifth anniversary of the annuity start date,  
7 whichever occurs earlier. If on the effective date of the  
8 election under paragraph (1) of subsection (a-5) of Section  
9 16-131.7 a Tier I retiree has already received an annual  
10 increase under this Section but does not yet meet the new  
11 eligibility requirements of this subsection, the annual  
12 increases already received shall continue in force, but no  
13 additional annual increase shall be granted until the Tier I  
14 retiree meets the new eligibility requirements.

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

25 (c) Each member shall make contributions toward the cost of  
26 the automatic annual increases in annuity as provided under

1 Section 16-152.

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

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

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

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

25 (40 ILCS 5/16-133.6 new)

1       Sec. 16-133.6. Optional teacher early retirement without  
2 discount. A Tier I employee or Tier I retiree who makes an  
3 election under paragraph (1) of subsection (a) or (a-5) of  
4 Section 16-131.7, retires on or after July 1, 2013, and applies  
5 for a retirement annuity within 6 months of the last day of  
6 teaching for which retirement contributions were required may  
7 elect, at the time of application for a retirement annuity, to  
8 make a one-time member contribution to the System and, thereby,  
9 avoid the reduction in the retirement annuity for retirement  
10 before age 60 specified in paragraph (B) of Section 16-133. The  
11 exercise of the election shall also obligate the last employer  
12 to make a one-time nonrefundable contribution to the System.  
13 Substitute teachers wishing to exercise this election must  
14 teach 85 or more days in one school term with one employer, who  
15 shall be deemed the last employer for purposes of this Section.  
16 The last day of teaching with that employer must be within 6  
17 months of the date of application for retirement. All  
18 substitute teaching credit applied toward the required 85 days  
19 must be earned after June 30, 1990.

20       The one-time member and employer contributions shall be a  
21 percentage of the cost of this benefit as determined by the  
22 System. However, when determining the one-time member and  
23 employer contributions, that part of a member's salary with the  
24 same employer which exceeds the annual salary rate for the  
25 preceding year by more than 20% shall be excluded. The member  
26 contribution shall be at the rate of 50% of the cost of the

1 benefits as determined by the System. The employer contribution  
2 shall be at the rate of 50% of the cost of the benefits as  
3 determined by the System.

4 Upon receipt of the application and election, the System  
5 shall determine the one-time employee and employer  
6 contributions required. The member contribution shall be  
7 credited to the individual account of the member and the  
8 employer contribution shall be credited to the Benefit Trust  
9 Reserve. The avoidance of the reduction in retirement annuity  
10 provided under this Section is not applicable until the  
11 member's contribution, if any, has been received by the System;  
12 however, the date that contribution is received shall not be  
13 considered in determining the effective date of retirement.

14 The number of members working for a single employer who may  
15 retire under this Section in any year may be limited at the  
16 option of the employer to a specified percentage of those  
17 eligible, not less than 10%, with the right to participate to  
18 be allocated among those applying on the basis of seniority in  
19 the service of the employer.

20 The required employer contribution under this Section  
21 shall be enforceable under Section 16-158.1.

22 (40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

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

24 (a) Any annuitant receiving a retirement annuity on June  
25 30, 1969 and any member retiring after June 30, 1969 shall be

1 eligible for the annual increases provided under this Section  
2 provided the annuitant is ineligible for the automatic annual  
3 increase in annuity provided under Section 16-133.1, and  
4 provided further that (1) retirement occurred at age 55 or over  
5 and was based on 5 or more years of creditable service or (2)  
6 if retirement occurred prior to age 55, the retirement annuity  
7 was based on 20 or more years of creditable service.

8 (b) Subject to the provisions of subsections (b-1) and  
9 (b-2), an ~~An~~ annuitant entitled to increases under this Section  
10 shall be entitled to the initial increase as of the later of:  
11 (1) January 1 following attainment of age 65, (2) January 1  
12 following the first anniversary of retirement, or (3) the first  
13 day of the month following receipt of the required qualifying  
14 contribution from the annuitant. The initial monthly increase  
15 shall be computed on the basis of the period elapsed between  
16 the later of the date of last retirement or attainment of age  
17 50 and the date of qualification for the initial increase, at  
18 the rate of 1 1/2% of the original monthly retirement annuity  
19 per year for periods prior to September 1, 1971, and at the  
20 rate of 2% per year for periods between September 1, 1971 and  
21 September 1, 1978, and at the rate of 3% per year for periods  
22 thereafter.

23 Subject to the provisions of subsections (b-1) and (b-2),  
24 an ~~An~~ annuitant who has received an initial increase under this  
25 Section, shall be entitled, on each January 1 following the  
26 granting of the initial increase, to an increase of 3% of the

1 original monthly retirement annuity for increases granted  
2 prior to January 1, 1990, and equal to 3% of the total annuity,  
3 including previous increases under this Section, for increases  
4 granted on or after January 1, 1990. The original monthly  
5 retirement annuity for computations under this subsection (b)  
6 shall be considered to be \$83.34 for any annuitant entitled to  
7 benefits under Section 16-134. The minimum original disability  
8 retirement annuity for computations under this subsection (b)  
9 shall be considered to be \$33.34 per month for any annuitant  
10 retired on account of disability.

11 (b-1) Notwithstanding any other provision of this Article,  
12 for a Tier I employee or Tier I retiree who made the election  
13 under paragraph (1) of either subsection (a) or (a-5) of  
14 Section 16-131.7, the amount of each automatic annual increase  
15 in retirement annuity occurring on or after the effective date  
16 of that election shall be 3% or one-half of the annual  
17 unadjusted percentage increase, if any, in the Consumer Price  
18 Index-U for the 12 months ending with the preceding September,  
19 whichever is less, of the originally granted retirement  
20 annuity. For the purposes of this Section, "Consumer Price  
21 Index-U" means the index published by the Bureau of Labor  
22 Statistics of the United States Department of Labor that  
23 measures the average change in prices of goods and services  
24 purchased by all urban consumers, United States city average,  
25 all items, 1982-84 = 100.

26 (b-2) Notwithstanding any other provision of this Article,

1 for a Tier I employee or Tier I retiree who made the election  
2 under paragraph (1) of subsection (a) or (a-5) of Section  
3 16-131.7, the monthly retirement annuity shall first be subject  
4 to annual increases on the January 1 occurring on or next after  
5 the attainment of age 67 or the January 1 occurring on or next  
6 after the fifth anniversary of the annuity start date,  
7 whichever occurs earlier. If on the effective date of the  
8 election under paragraph (1) of subsection (a-5) of Section  
9 16-131.7 a Tier I retiree has already received an annual  
10 increase under this Section but does not yet meet the new  
11 eligibility requirements of this subsection, the annual  
12 increases already received shall continue in force, but no  
13 additional annual increase shall be granted until the Tier I  
14 retiree meets the new eligibility requirements.

15 (c) An annuitant who otherwise qualifies for annual  
16 increases under this Section must make a one-time payment of 1%  
17 of the monthly final average salary for each full year of the  
18 creditable service forming the basis of the retirement annuity  
19 or, if the retirement annuity was not computed using final  
20 average salary, 1% of the original monthly retirement annuity  
21 for each full year of service forming the basis of the  
22 retirement annuity.

23 (d) In addition to other increases which may be provided by  
24 this Section, regardless of creditable service, annuitants not  
25 meeting the service requirements of Section 16-133.1 and whose  
26 retirement annuity began on or before January 1, 1971 shall



1 receive, on January 1, 1981, an increase in the retirement  
2 annuity then being paid of one dollar per month for each year  
3 of creditable service forming the basis of the retirement  
4 allowance. On January 1, 1982, annuitants whose retirement  
5 annuity began on or before January 1, 1977, shall receive an  
6 increase in the retirement annuity then being paid of one  
7 dollar per month for each year of creditable service.

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

13 (Source: P.A. 86-273.)

14 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

15 Sec. 16-152. Contributions by members.

16 (a) Each member shall make contributions for membership  
17 service to this System as follows:

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

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

24 (3) Effective July 24, 1959, contributions of 1% of  
25 salary towards the cost of survivor benefits. Such

1 contributions shall not be credited to the individual  
2 account of the member and shall not be subject to refund  
3 except as provided under Section 16-143.2.

4 (4) Effective July 1, 2005, contributions of 0.40% of  
5 salary toward the cost of the early retirement without  
6 discount option provided under Section 16-133.2. This  
7 contribution shall cease upon termination of the early  
8 retirement without discount option as provided in Section  
9 16-176.

10 (a-1) In addition to the contributions required under  
11 subsection (a), a member who elects to participate in the  
12 optional cash balance plan under Section 1-162 shall pay to the  
13 System for the purpose of participating in the optional cash  
14 balance plan a contribution of 2% of each payment of  
15 compensation received while he or she is a participant in the  
16 optional cash balance plan. These contributions shall not be  
17 used for the purpose of determining any benefit under this  
18 Article except as provided in the optional cash balance plan.

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

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

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

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

19 Beginning with State fiscal year 2014, the employers under  
20 this Article shall be responsible for paying the normal costs  
21 of the System plus the amounts required to amortize any total  
22 cost of the benefits of the System arising on or after July 1,  
23 2013.

24 Beginning with State fiscal year 2014, the State's required  
25 contributions to the System shall be limited to the amounts

1 required to amortize the total cost of the benefits of the  
2 System arising before July 1, 2013, plus any employer  
3 contributions required from the State as the actual employer of  
4 participants under this Article.

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

10 (a-1) Annually, on or before November 15 through ~~until~~  
11 November 15, 2011, the Board shall certify to the Governor the  
12 amount of the required State contribution for the coming fiscal  
13 year. The certification under this subsection (a-1) shall  
14 include a copy of the actuarial recommendations upon which it  
15 is based ~~and shall specifically identify the System's projected~~  
16 ~~State normal cost for that fiscal year.~~

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

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

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

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

8 (a-5) On or before November 1 of each year, beginning  
9 November 1, 2012, the Board shall submit to the State Actuary,  
10 the Governor, and the General Assembly a proposed certification  
11 of the amount of the required State contribution to the System  
12 for the next fiscal year, along with all of the actuarial  
13 assumptions, calculations, and data upon which that proposed  
14 certification is based. On or before January 1 of each year,  
15 beginning January 1, 2013, the State Actuary shall issue a  
16 preliminary report concerning the proposed certification and  
17 identifying, if necessary, recommended changes in actuarial  
18 assumptions that the Board must consider before finalizing its  
19 certification of the required State contributions. On or before  
20 January 15, 2013 and each January 15 thereafter, the Board  
21 shall certify to the Governor and the General Assembly the  
22 amount of the required State contribution for the next fiscal  
23 year. The certification shall include a copy of the actuarial  
24 recommendations upon which it is based and shall specifically  
25 identify the System's projected State normal cost for that  
26 fiscal year. The Board's certification must note any deviations

1 from the State Actuary's recommended changes, the reason or  
2 reasons for not following the State Actuary's recommended  
3 changes, and the fiscal impact of not following the State  
4 Actuary's recommended changes on the required State  
5 contribution.

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

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

23 If in any month the amount remaining unexpended from all  
24 other appropriations to the System for the applicable fiscal  
25 year (including the appropriations to the System under Section  
26 8.12 of the State Finance Act and Section 1 of the State

1 Pension Funds Continuing Appropriation Act) is less than the  
2 amount lawfully vouchered under this subsection, the  
3 difference shall be paid from the Common School Fund under the  
4 continuing appropriation authority provided in Section 1.1 of  
5 the State Pension Funds Continuing Appropriation Act.

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

9 (b-3) For State fiscal years 2012 and 2013 ~~through 2045~~,  
10 the minimum contribution to the System to be made by the State  
11 for each fiscal year shall be an amount determined by the  
12 System to be sufficient to bring the total assets of the System  
13 up to 90% of the total actuarial liabilities of the System by  
14 the end of State fiscal year 2045. In making these  
15 determinations, the required State contribution shall be  
16 calculated each year as a level percentage of payroll over the  
17 years remaining to and including fiscal year 2045 and shall be  
18 determined under the projected unit credit actuarial cost  
19 method.

20 Except as provided in subsection (b-5), for State fiscal  
21 years 2014 through 2045 or until the State has amortized 100%  
22 of the total cost of benefits accrued by July 1, 2013,  
23 whichever is earlier, in addition to any employer contributions  
24 required from the State as an employer, the minimum  
25 contribution to the System to be made by the State for each  
26 fiscal year shall be an amount determined by the Board to be



1 sufficient to amortize, by the end of State fiscal year 2045,  
2 the total cost of the benefits of the System arising before  
3 July 1, 2013. In making these determinations, the required  
4 State contribution shall be calculated each year as a level  
5 percentage of payroll over the years remaining to and including  
6 fiscal year 2043 and shall be determined under the projected  
7 unit credit actuarial cost method.

8 Except as provided in subsection (b-5), beginning in State  
9 fiscal year 2046 or on the date that the State has amortized  
10 100% of the total cost of benefits accrued by July 1, 2013,  
11 whichever is earlier, the State has no further obligation to  
12 make contributions to the System under this subsection (b-3).

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

1 2003; and 13.56% in FY 2004.

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

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

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

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

23 Notwithstanding any other provision of this Article, the  
24 total required State contribution for State fiscal year 2011 is  
25 the amount recertified by the System on or before April 1, 2011  
26 pursuant to subsection (a-1) of this Section and shall be made

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

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

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

1 term does not include or apply to any amounts payable to the  
2 System under Section 25 of the Budget Stabilization Act.

3 Notwithstanding any other provision of this Section, the  
4 required State contribution for State fiscal year 2005 and for  
5 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,  
6 as calculated under this Section and certified under subsection  
7 (a-1), shall not exceed an amount equal to (i) the amount of  
8 the required State contribution that would have been calculated  
9 under this Section for that fiscal year if the System had not  
10 received any payments under subsection (d) of Section 7.2 of  
11 the General Obligation Bond Act, minus (ii) the portion of the  
12 State's total debt service payments for that fiscal year on the  
13 bonds issued in fiscal year 2003 for the purposes of that  
14 Section 7.2, as determined and certified by the Comptroller,  
15 that is the same as the System's portion of the total moneys  
16 distributed under subsection (d) of Section 7.2 of the General  
17 Obligation Bond Act. In determining this maximum for State  
18 fiscal years 2008 through 2010, however, the amount referred to  
19 in item (i) shall be increased, as a percentage of the  
20 applicable employee payroll, in equal increments calculated  
21 from the sum of the required State contribution for State  
22 fiscal year 2007 plus the applicable portion of the State's  
23 total debt service payments for fiscal year 2007 on the bonds  
24 issued in fiscal year 2003 for the purposes of Section 7.2 of  
25 the General Obligation Bond Act, so that, by State fiscal year  
26 2011, the State is contributing at the rate otherwise required

1 under this Section.

2 (b-5) If at least 50% of Tier I employees making an  
3 election under Section 16-131.7 before June 1, 2013 choose the  
4 option under paragraph (1) of subsection (a) of that Section,  
5 then beginning in State fiscal year 2014, instead of the  
6 contributions specified in subsection (b-3) of this Section,  
7 the State contributions specified in subsection (b-7) of this  
8 Section shall be paid.

9 In making its initial certification of the annual required  
10 contribution by the State for State fiscal year 2014, the Board  
11 shall assume that the new funding formula provided in  
12 subsection (b-7) of this Section applies. If fewer than 50% of  
13 Tier I employees making an election under Section 16-131.7  
14 before June 1, 2013 choose the option under paragraph (1) of  
15 subsection (a) of that Section, then:

16 (1) instead of the contributions specified in  
17 subsection (b-7) of this Section, the State contributions  
18 specified in subsection (b-3) shall continue to be paid;  
19 and

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

23 (b-7) For State fiscal years 2014 through 2043 or until the  
24 State has amortized 100% of the total cost of benefits accrued  
25 by July 1, 2013, whichever is earlier, in addition to any  
26 employer contributions required from the State as an employer,

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

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

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

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

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

26 (iii) the amount required for that fiscal year to

1 amortize any unfunded actuarial accrued liability  
2 associated with the total cost of benefits accrued on or  
3 after July 1, 2013 as a level percentage of payroll over a  
4 30-year rolling amortization period.

5 Any contributions required from an employer under  
6 subsection (f) of this Section are in addition to the  
7 contributions required under this subsection (b-10).

8 (b-15) For State fiscal year 2014, the required  
9 contribution of employers under item (i) of subsection (b-10)  
10 shall be reduced to an amount equal to 0.5% of payroll.

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

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

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

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

7 The State contribution under this subsection (b-20) is in  
8 addition to the State contributions required under subsection  
9 (b-3) or (b-7) and any contributions required to be paid by the  
10 State as an employer under subsections (b-10) and (f) of this  
11 Section.

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

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



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

8           However, with respect to benefits granted under Section  
9 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
10 of Section 16-106, the employer's contribution shall be 12%  
11 (rather than 20%) of the member's highest annual salary rate  
12 for each year of creditable service granted, and the employer  
13 shall also pay the required employee contribution on behalf of  
14 the teacher. For the purposes of Sections 16-133.4 and  
15 16-133.5, a teacher as defined in paragraph (8) of Section  
16 16-106 who is serving in that capacity while on leave of  
17 absence from another employer under this Article shall not be  
18 considered an employee of the employer from which the teacher  
19 is on leave.

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

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

26                 (2) Beginning July 1, 1999 and thereafter, the employer

1 contribution shall be equal to 0.58% of each teacher's  
2 salary.

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

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

11 Each employer of teachers is entitled to a credit against  
12 the contributions required under this subsection (e) with  
13 respect to salaries paid to teachers for the period January 1,  
14 2002 through June 30, 2003, equal to the amount paid by that  
15 employer under subsection (a-5) of Section 6.6 of the State  
16 Employees Group Insurance Act of 1971 with respect to salaries  
17 paid to teachers for that period.

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

23 If an employer is required by a contract in effect on May  
24 1, 1998 between the employer and an employee organization to  
25 pay, on behalf of all its full-time employees covered by this  
26 Article, all mandatory employee contributions required under

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

9 (f) The employer contributions under this subsection (f)  
10 are no longer required after June 30, 2013. If the amount of a  
11 teacher's salary for any school year used to determine final  
12 average salary exceeds the member's annual full-time salary  
13 rate with the same employer for the previous school year by  
14 more than 6%, the teacher's employer shall pay to the System,  
15 in addition to all other payments required under this Section  
16 and in accordance with guidelines established by the System,  
17 the present value of the increase in benefits resulting from  
18 the portion of the increase in salary that is in excess of 6%.  
19 This present value shall be computed by the System on the basis  
20 of the actuarial assumptions and tables used in the most recent  
21 actuarial valuation of the System that is available at the time  
22 of the computation. If a teacher's salary for the 2005-2006  
23 school year is used to determine final average salary under  
24 this subsection (f), then the changes made to this subsection  
25 (f) by Public Act 94-1057 shall apply in calculating whether  
26 the increase in his or her salary is in excess of 6%. For the

1 purposes of this Section, change in employment under Section  
2 10-21.12 of the School Code on or after June 1, 2005 shall  
3 constitute a change in employer. The System may require the  
4 employer to provide any pertinent information or  
5 documentation. The changes made to this subsection (f) by this  
6 amendatory Act of the 94th General Assembly apply without  
7 regard to whether the teacher was in service on or after its  
8 effective date.

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

24 The employer contributions required under this subsection  
25 (f) may be paid in the form of a lump sum within 90 days after  
26 receipt of the bill. If the employer contributions are not paid

1 within 90 days after receipt of the bill, then interest will be  
2 charged at a rate equal to the System's annual actuarially  
3 assumed rate of return on investment compounded annually from  
4 the 91st day after receipt of the bill. Payments must be  
5 concluded within 3 years after the employer's receipt of the  
6 bill.

7 (g) This subsection (g) applies only to payments made or  
8 salary increases given on or after June 1, 2005 but before July  
9 1, 2011. The changes made by Public Act 94-1057 shall not  
10 require the System to refund any payments received before July  
11 31, 2006 (the effective date of Public Act 94-1057).

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

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

20 When assessing payment for any amount due under subsection  
21 (f), the System shall exclude salary increases resulting from  
22 overload work, including summer school, when the school  
23 district has certified to the System, and the System has  
24 approved the certification, that (i) the overload work is for  
25 the sole purpose of classroom instruction in excess of the  
26 standard number of classes for a full-time teacher in a school

1 district during a school year and (ii) the salary increases are  
2 equal to or less than the rate of pay for classroom instruction  
3 computed on the teacher's current salary and work schedule.

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

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

24 (h) When assessing payment for any amount due under  
25 subsection (f), the System shall exclude any salary increase  
26 described in subsection (g) of this Section given on or after

1 July 1, 2011 but before July 1, 2014 under a contract or  
2 collective bargaining agreement entered into, amended, or  
3 renewed on or after June 1, 2005 but before July 1, 2011.  
4 Notwithstanding any other provision of this Section, any  
5 payments made or salary increases given after June 30, 2014  
6 shall be used in assessing payment for any amount due under  
7 subsection (f) of this Section.

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

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

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

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

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

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

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

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

12           (l) If the System submits a voucher for monthly  
13 contributions from the State as required by this Section and  
14 the State fails to pay within 90 days of receipt of such a  
15 voucher, the Board shall submit a written request to the  
16 Comptroller seeking payment. A copy of the request shall be  
17 filed with the Secretary of State, and the Secretary of State  
18 shall provide copies to the Governor and General Assembly. No  
19 earlier than the 16th day after filing a request with the  
20 Secretary of State, the Board shall have the right to commence  
21 a mandamus action in the Supreme Court of Illinois to compel  
22 the Comptroller to satisfy the voucher by making payment from  
23 the General Revenue Fund. This Section constitutes an express  
24 waiver of the State's sovereign immunity solely to the extent  
25 it permits the Board to commence a mandamus action in the  
26 Illinois Supreme Court to compel the Comptroller to pay a



1 voucher for monthly contributions from the State as required in  
2 this Section.

3 Any payments required to be made by the State pursuant to  
4 an action commenced under this subsection are expressly  
5 subordinated to the payment of the principal, interest, and  
6 premium, if any, on any bonded debt obligation of the State or  
7 any other State-created entity, either currently outstanding  
8 or to be issued, for which the source of repayment or security  
9 thereon is derived directly or indirectly from tax revenues  
10 collected by the State or any other State-created entity.  
11 Payments on such bonded obligations include any statutory fund  
12 transfers or other prefunding mechanisms or formulas set forth,  
13 now or hereafter, in State law or bond indentures, into debt  
14 service funds or accounts of the State related to such bonded  
15 obligations, consistent with the payment schedules associated  
16 with such obligations.

17 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
18 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.  
19 6-18-12; 97-813, eff. 7-13-12.)

20 (40 ILCS 5/16-158.2 new)

21 Sec. 16-158.2. Individual employer accounts.

22 (a) The System shall create and maintain individual  
23 accounts for each employer for the purposes of determining  
24 employer contributions under subsection (b-10) of Section  
25 16-158. Each employer's account shall be notionally credited

1 with the employer's liabilities accruing after July 1, 2013 and  
2 assets attributable to the employer's account that include (i)  
3 employer contributions made pursuant to subsection (b-10) of  
4 Section 16-158, (ii) other employer contributions from trust,  
5 federal, and other funds, (iii) employee contributions made  
6 after July 1, 2013, and (iv) income from investments. The  
7 System may deduct reasonable administrative expenses from each  
8 employer's account.

9 (b) In determining contributions required under subsection  
10 (b-10) of Section 16-158, the System shall determine a blended  
11 rate of total normal cost that is applicable to all employers.

12 (c) An employer may make written application with the Board  
13 to have a separate rate of total normal cost determined for the  
14 employer. Upon receiving the written application from an  
15 employer, the Board may determine a total rate of normal cost  
16 for the employer. The employer shall be responsible for any  
17 cost incurred in making the determination of total normal cost.

18 The Board may establish rules for the administration of  
19 this Section that include but are not limited to the date by  
20 which an application must be submitted and the fiscal year in  
21 which the determination will be used to determine the  
22 employer's contribution required under subsection (b-10) of  
23 Section 16-158.

24 (d) An employer whose determination of total normal cost  
25 under subsection (c) is used to determine its contributions  
26 required under subsection (b-10) of Section 16-158 may not be

1 included in the determination of a rate of total normal cost  
2 under subsection (c) of this Section.

3 (40 ILCS 5/16-163) (from Ch. 108 1/2, par. 16-163)

4 Sec. 16-163. Board created. A board of 13 members  
5 constitutes the board of trustees authorized to carry out the  
6 provisions of this Article and is responsible for the general  
7 administration of the System. The board shall be known as the  
8 Board of Trustees of the Teachers' Retirement System of the  
9 State of Illinois. The board shall be composed of the  
10 Superintendent of Education, ex officio, who shall be the  
11 president of the board; 4 ~~6~~ persons, not members of the System,  
12 to be appointed by the Governor, with the advice and consent of  
13 the Senate, who shall hold no elected State office; 4 persons  
14 who, at the time of their election, are teachers as defined in  
15 Section 16-106, elected by the contributing members; ~~and~~ 2  
16 annuitant members elected by the annuitants of the System, as  
17 provided in Section 16-165; and 2 school board members who are  
18 not participants in the System elected as provided in Section  
19 16-165.

20 (Source: P.A. 96-6, eff. 4-3-09.)

21 (40 ILCS 5/16-165) (from Ch. 108 1/2, par. 16-165)

22 Sec. 16-165. Board; elected members; vacancies.

23 (a) In each odd-numbered year, there shall be elected 2  
24 teachers who shall hold office for a term of 4 years beginning

1 July 15 next following their election, in the manner provided  
2 under this Section. An elected teacher member of the board who  
3 ceases to be a teacher as defined in Section 16-106 may  
4 continue to serve on the board for the remainder of the term to  
5 which he or she was elected.

6 (a-5) In each even-numbered year, there shall be elected 2  
7 school board members who are not participants in the System who  
8 shall hold office for a term of 4 years, in the manner provided  
9 under this Section. An elected school board member who ceases  
10 to be a member of a school board may continue to serve on the  
11 board for the remainder of the term to which he or she was  
12 elected. Until the initial school board member has been  
13 elected, the elected school board member positions created by  
14 this amendatory Act of the 97th General Assembly shall be  
15 filled as soon as practical by appointment of the board.

16 (b) One elected annuitant trustee shall first be elected in  
17 1987, and in every fourth year thereafter, for a term of 4  
18 years beginning July 15 next following his or her election.

19 (c) The elected annuitant position created by this  
20 amendatory Act of the 91st General Assembly shall be filled as  
21 soon as possible in the manner provided for vacancies, for an  
22 initial term ending July 15, 2001. One elected annuitant  
23 trustee shall be elected in 2001, and in every fourth year  
24 thereafter, for a term of 4 years beginning July 15 next  
25 following his or her election.

26 (d) Elections shall be held on May 1, unless May 1 falls on

1 a Saturday or Sunday, in which event the election shall be  
2 conducted on the following Monday. Candidates shall be  
3 nominated by petitions in writing, signed by not less than 500  
4 teachers, school board members, or annuitants, as the case may  
5 be, with their addresses shown opposite their names. The  
6 petitions shall be filed with the board's Secretary not less  
7 than 90 nor more than 120 days prior to May 1. The Secretary  
8 shall determine their validity not less than 75 days before the  
9 election.

10 (e) If, for ~~either~~ teacher, school board, or annuitant  
11 members, the number of qualified nominees exceeds the number of  
12 available positions, the system shall prepare an appropriate  
13 ballot with the names of the candidates in alphabetical order  
14 and shall mail one copy thereof, at least 10 days prior to the  
15 election day, to each teacher or annuitant of this system as of  
16 the latest date practicable, at the latest known address,  
17 together with a return envelope addressed to the board and also  
18 a smaller envelope marked "For Ballot Only", and a slip for  
19 signature. Each voter, upon marking his ballot with a cross  
20 mark in the square before the name of the person voted for,  
21 shall place the ballot in the envelope marked "For Ballot  
22 Only", seal the envelope, write on the slip provided therefor  
23 his signature and address, enclose both the slip and sealed  
24 envelope containing the marked ballot in the return envelope  
25 addressed to the board, and mail it. Whether a person is  
26 eligible to vote for the teacher nominees, school board

1 nominees, or the annuitant nominees shall be determined from  
2 system payroll records as of March 1.

3       Upon receipt of the return envelopes, the system shall open  
4 them and set aside unopened the envelopes marked "For Ballot  
5 Only". On election day ballots shall be publicly opened and  
6 counted by the trustees or canvassers appointed therefor. Each  
7 vote cast for a candidate represents one vote only. No ballot  
8 arriving after 10 o'clock a.m. on election day shall be  
9 counted. The 2 teacher candidates, 2 school board candidates,  
10 and the annuitant candidate receiving the highest number of  
11 votes shall be elected. The board shall declare the results of  
12 the election, keep a record thereof, and notify the candidates  
13 of the results thereof within 30 days after the election.

14       If, for any ~~either~~ class of members, there are only as many  
15 qualified nominees as there are positions available, the  
16 balloting as described in this Section shall not be conducted  
17 for those nominees, and the board shall declare them duly  
18 elected.

19       (f) A vacancy occurring in the elective membership of the  
20 board shall be filled for the unexpired term by a person  
21 qualified for the vacant position, selected by the remaining  
22 elected members of the board, if there are no more than 6  
23 months remaining on the term. For a term with more than 6  
24 months remaining, the Director of the Teachers' Retirement  
25 System of the State of Illinois shall institute an election in  
26 accordance with this Act to fill the unexpired term.

1 (Source: P.A. 94-423, eff. 8-2-05; 94-710, eff. 12-5-05;  
2 95-331, eff. 8-21-07.)

3 (40 ILCS 5/16-203)

4 Sec. 16-203. Application and expiration of new benefit  
5 increases.

6 (a) As used in this Section, "new benefit increase" means  
7 an increase in the amount of any benefit provided under this  
8 Article, or an expansion of the conditions of eligibility for  
9 any benefit under this Article, that results from an amendment  
10 to this Code that takes effect after June 1, 2005 (the  
11 effective date of Public Act 94-4). "New benefit increase",  
12 however, does not include any benefit increase resulting from  
13 the changes made to this Article or Article 1 by Public Act  
14 95-910 or this amendatory Act of the 97th ~~95th~~ General  
15 Assembly.

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

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

25 Every new benefit increase is contingent upon the General

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

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

22 (e) Except as otherwise provided in the language creating  
23 the new benefit increase, a new benefit increase that expires  
24 under this Section continues to apply to persons who applied  
25 and qualified for the affected benefit while the new benefit  
26 increase was in effect and to the affected beneficiaries and



1 alternate payees of such persons, but does not apply to any  
2 other person, including without limitation a person who  
3 continues in service after the expiration date and did not  
4 apply and qualify for the affected benefit while the new  
5 benefit increase was in effect.

6 (Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

7 (40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

8 Sec. 18-140. To certify required State contributions and  
9 submit vouchers.

10 (a) The Board shall certify to the Governor, on or before  
11 November 15 of each year through ~~until~~ November 15, 2011, the  
12 amount of the required State contribution to the System for the  
13 following fiscal year ~~and shall specifically identify the~~  
14 ~~System's projected State normal cost for that fiscal year.~~ The  
15 certification under this subsection (a) shall include a copy of  
16 the actuarial recommendations upon which it is based ~~and shall~~  
17 ~~specifically identify the System's projected State normal cost~~  
18 ~~for that fiscal year.~~

19 (a-5) On or before November 1 of each year, beginning  
20 November 1, 2012, the Board shall submit to the State Actuary,  
21 the Governor, and the General Assembly a proposed certification  
22 of the amount of the required State contribution to the System  
23 for the next fiscal year, along with all of the actuarial  
24 assumptions, calculations, and data upon which that proposed  
25 certification is based. On or before January 1 of each year, l

1 beginning January 1, 2013, the State Actuary shall issue a  
2 preliminary report concerning the proposed certification and  
3 identifying, if necessary, recommended changes in actuarial  
4 assumptions that the Board must consider before finalizing its  
5 certification of the required State contributions.

6 On or before January 15, 2013 and every January 15  
7 thereafter, the Board shall certify to the Governor and the  
8 General Assembly the amount of the required State contribution  
9 for the next fiscal year. The certification shall include a  
10 copy of the actuarial recommendations upon which it is based  
11 and shall specifically identify the System's projected State  
12 normal cost for that fiscal year. The Board's certification  
13 must note any deviations from the State Actuary's recommended  
14 changes, the reason or reasons for not following the State  
15 Actuary's recommended changes, and the fiscal impact of not  
16 following the State Actuary's recommended changes on the  
17 required State contribution.

18 (a-7) On or before May 1, 2004, the Board shall recalculate  
19 and recertify to the Governor the amount of the required State  
20 contribution to the System for State fiscal year 2005, taking  
21 into account the amounts appropriated to and received by the  
22 System under subsection (d) of Section 7.2 of the General  
23 Obligation Bond Act.

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

1 into account the changes in required State contributions made  
2 by this amendatory Act of the 94th General Assembly.

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

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

23 If in any month the amount remaining unexpended from all  
24 other appropriations to the System for the applicable fiscal  
25 year (including the appropriations to the System under Section  
26 8.12 of the State Finance Act and Section 1 of the State

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

6 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;  
7 97-694, eff. 6-18-12.)

8 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

9 Sec. 20-121. Calculation of proportional retirement  
10 annuities. Upon retirement of the employee, a proportional  
11 retirement annuity shall be computed by each participating  
12 system in which pension credit has been established on the  
13 basis of pension credits under each system. The computation  
14 shall be in accordance with the formula or method prescribed by  
15 each participating system which is in effect at the date of the  
16 employee's latest withdrawal from service covered by any of the  
17 systems in which he has pension credits which he elects to have  
18 considered under this Article. However, (1) the amount of any  
19 retirement annuity payable under the self-managed plan  
20 established under Section 15-158.2 of this Code depends solely  
21 on the value of the participant's vested account balances and  
22 is not subject to any proportional adjustment under this  
23 Section, and (2) the amount of any retirement annuity payable  
24 under the cash balance plan established under Section 1-161 of  
25 this Code shall be calculated solely in accordance with that

1 Section and is not subject to any proportional adjustment under  
2 this Section.

3 Combined pension credit under all retirement systems  
4 subject to this Article shall be considered in determining  
5 whether the minimum qualification has been met and the formula  
6 or method of computation which shall be applied. If a system  
7 has a step-rate formula for calculation of the retirement  
8 annuity, pension credits covering previous service which have  
9 been established under another system shall be considered in  
10 determining which range or ranges of the step-rate formula are  
11 to be applicable to the employee.

12 Interest on pension credit shall continue to accumulate in  
13 accordance with the provisions of the law governing the  
14 retirement system in which the same has been established during  
15 the time an employee is in the service of another employer, on  
16 the assumption such employee, for interest purposes for pension  
17 credit, is continuing in the service covered by such retirement  
18 system.

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

20 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

21 Sec. 20-123. Survivor's annuity. The provisions governing  
22 a retirement annuity shall be applicable to a survivor's  
23 annuity. Appropriate credits shall be established for  
24 survivor's annuity purposes in those participating systems  
25 which provide survivor's annuities, according to the same

1 conditions and subject to the same limitations and restrictions  
2 herein prescribed for a retirement annuity. If a participating  
3 system has no survivor's annuity benefit, or if the survivor's  
4 annuity benefit under that system is waived, pension credit  
5 established in that system shall not be considered in  
6 determining eligibility for or the amount of the survivor's  
7 annuity which may be payable by any other participating system.

8 For persons who participate in the self-managed plan  
9 established under Section 15-158.2 or the portable benefit  
10 package established under Section 15-136.4, pension credit  
11 established under Article 15 may be considered in determining  
12 eligibility for or the amount of the survivor's annuity that is  
13 payable by any other participating system, but pension credit  
14 established in any other system shall not result in any right  
15 to a survivor's annuity under the Article 15 system.

16 For persons who participate in the cash balance plan  
17 established under Section 1-161, pension credit established  
18 under the participating system with respect to which the person  
19 participates in the cash balance plan may be considered in  
20 determining eligibility for or the amount of the survivor's  
21 annuity that is payable by any other participating system with  
22 respect to which the person does not participate in the cash  
23 balance plan, but the amount of any survivor's annuity payable  
24 under the cash balance plan established under Section 1-161  
25 shall be calculated solely in accordance with that Section.

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

1 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

2 Sec. 20-124. Maximum benefits.

3 (a) In no event shall the combined retirement or survivors  
4 annuities exceed the highest annuity which would have been  
5 payable by any participating system in which the employee has  
6 pension credits, if all of his pension credits had been  
7 validated in that system.

8 If the combined annuities should exceed the highest maximum  
9 as determined in accordance with this Section, the respective  
10 annuities shall be reduced proportionately according to the  
11 ratio which the amount of each proportional annuity bears to  
12 the aggregate of all such annuities; except that benefits  
13 payable under the cash balance plan established under Section  
14 1-161 are not subject to proportionate reduction under this  
15 Section.

16 (b) In the case of a participant in the self-managed plan  
17 established under Section 15-158.2 of this Code to whom the  
18 provisions of this Article apply:

19 (i) For purposes of calculating the combined  
20 retirement annuity and the proportionate reduction, if  
21 any, in a retirement annuity other than one payable under  
22 the self-managed plan, the amount of the Article 15  
23 retirement annuity shall be deemed to be the highest  
24 annuity to which the annuitant would have been entitled if  
25 he or she had participated in the traditional benefit

1 package as defined in Section 15-103.1 rather than the  
2 self-managed plan.

3 (ii) For purposes of calculating the combined  
4 survivor's annuity and the proportionate reduction, if  
5 any, in a survivor's annuity other than one payable under  
6 the self-managed plan, the amount of the Article 15  
7 survivor's annuity shall be deemed to be the highest  
8 survivor's annuity to which the survivor would have been  
9 entitled if the deceased employee had participated in the  
10 traditional benefit package as defined in Section 15-103.1  
11 rather than the self-managed plan.

12 (iii) Benefits payable under the self-managed plan are  
13 not subject to proportionate reduction under this Section.

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

15 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

16 Sec. 20-125. Return to employment - suspension of benefits.  
17 If a retired employee returns to employment which is covered by  
18 a system from which he is receiving a proportional annuity  
19 under this Article, his proportional annuity from all  
20 participating systems shall be suspended during the period of  
21 re-employment, except that this suspension does not apply to  
22 any distributions payable under the self-managed plan  
23 established under Section 15-158.2 of this Code.

24 The provisions of the Article under which such employment  
25 would be covered (including Section 1-161 in the case of a



1 participant in the cash balance plan) shall govern the  
2 determination of whether the employee has returned to  
3 employment, and if applicable the exemption of temporary  
4 employment or employment not exceeding a specified duration or  
5 frequency, for all participating systems from which the retired  
6 employee is receiving a proportional annuity under this  
7 Article, notwithstanding any contrary provisions in the other  
8 Articles governing such systems.

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

10 Section 35. The School Code is amended by changing Sections  
11 24-1 and 24-8 as follows:

12 (105 ILCS 5/24-1) (from Ch. 122, par. 24-1)

13 Sec. 24-1. Appointment-Salaries-Payment-School  
14 month-School term.→ School boards shall appoint all teachers,  
15 determine qualifications of employment and fix the amount of  
16 their salaries subject to any limitation set forth in this Act  
17 and subject to any applicable restrictions in Section 14-106.5,  
18 15-134.6, or 16-131.7 of the Illinois Pension Code. They shall  
19 pay the wages of teachers monthly, subject, however, to the  
20 provisions of Section 24-21. The school month shall be the same  
21 as the calendar month but by resolution the school board may  
22 adopt for its use a month of 20 days, including holidays. The  
23 school term shall consist of at least the minimum number of  
24 pupil attendance days required by Section 10-19, any additional

1 legal school holidays, days of teachers' institutes, or  
2 equivalent professional educational experiences, and one or  
3 two days at the beginning of the school term when used as a  
4 teachers' workshop.

5 (Source: P.A. 80-249.)

6 (105 ILCS 5/24-8) (from Ch. 122, par. 24-8)

7 Sec. 24-8. Minimum salary. In fixing the salaries of  
8 teachers, school boards shall pay those who serve on a  
9 full-time basis not less than a rate for the school year that  
10 is based upon training completed in a recognized institution of  
11 higher learning, as follows: for the school year beginning July  
12 1, 1980 and thereafter, less than a bachelor's degree, \$9,000;  
13 120 semester hours or more and a bachelor's degree, \$10,000;  
14 150 semester hours or more and a master's degree, \$11,000.

15 Based upon previous public school experience in this State  
16 or any other State, territory, dependency or possession of the  
17 United States, or in schools operated by or under the auspices  
18 of the United States, teachers who serve on a full-time basis  
19 shall have their salaries increased to at least the following  
20 amounts above the starting salary for a teacher in such  
21 district in the same classification: with less than a  
22 bachelor's degree, \$750 after 5 years; with 120 semester hours  
23 or more and a bachelor's degree, \$1,000 after 5 years and  
24 \$1,600 after 8 years; with 150 semester hours or more and a  
25 master's degree, \$1,250 after 5 years, \$2,000 after 8 years and

1 \$2,750 after 13 years. However, any salary increase is subject  
2 to any applicable restrictions in Section 14-106.5, 15-134.6,  
3 or 16-131.7 of the Illinois Pension Code.

4 For the purpose of this Section a teacher's salary shall  
5 include any amount paid by the school district on behalf of the  
6 teacher, as teacher contributions, to the Teachers' Retirement  
7 System of the State of Illinois.

8 If a school board establishes a schedule for teachers'  
9 salaries based on education and experience, not inconsistent  
10 with this Section, all certificated nurses employed by that  
11 board shall be paid in accordance with the provisions of such  
12 schedule (subject to any applicable restrictions in Section  
13 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code).

14 For purposes of this Section, a teacher who submits a  
15 certificate of completion to the school office prior to the  
16 first day of the school term shall be considered to have the  
17 degree stated in such certificate.

18 (Source: P.A. 83-913.)

19 Section 40. The State Universities Civil Service Act is  
20 amended by changing Section 36d as follows:

21 (110 ILCS 70/36d) (from Ch. 24 1/2, par. 38b3)

22 Sec. 36d. Powers and duties of the Merit Board.

23 The Merit Board shall have the power and duty-

24 (1) To approve a classification plan prepared under its

1 direction, assigning to each class positions of substantially  
2 similar duties. The Merit Board shall have power to delegate to  
3 its Director the duty of assigning each position in the  
4 classified service to the appropriate class in the  
5 classification plan approved by the Merit Board.

6 (2) To prescribe the duties of each class of positions and  
7 the qualifications required by employment in that class.

8 (3) To prescribe the range of compensation for each class  
9 or to fix a single rate of compensation for employees in a  
10 particular class; and to establish other conditions of  
11 employment which an employer and employee representatives have  
12 agreed upon as fair and equitable. The Merit Board shall direct  
13 the payment of the "prevailing rate of wages" in those  
14 classifications in which, on January 1, 1952, any employer is  
15 paying such prevailing rate and in such other classes as the  
16 Merit Board may thereafter determine. "Prevailing rate of  
17 wages" as used herein shall be the wages paid generally in the  
18 locality in which the work is being performed to employees  
19 engaged in work of a similar character. Subject to any  
20 applicable restrictions in Section 14-106.5, 15-134.6, or  
21 16-131.7 of the Illinois Pension Code, each ~~Each~~ employer  
22 covered by the University System shall be authorized to  
23 negotiate with representatives of employees to determine  
24 appropriate ranges or rates of compensation or other conditions  
25 of employment and may recommend to the Merit Board for  
26 establishment the rates or ranges or other conditions of

1 employment which the employer and employee representatives  
2 have agreed upon as fair and equitable, but excluding the  
3 changes, the impact of changes, and the implementation of the  
4 changes set forth in this amendatory Act of the 97th General  
5 Assembly. Any rates or ranges established prior to January 1,  
6 1952, and hereafter, shall not be changed except in accordance  
7 with the procedures herein provided.

8 (4) To recommend to the institutions and agencies specified  
9 in Section 36e standards for hours of work, holidays, sick  
10 leave, overtime compensation and vacation for the purpose of  
11 improving conditions of employment covered therein and for the  
12 purpose of insuring conformity with the prevailing rate  
13 principal.

14 (5) To prescribe standards of examination for each class,  
15 the examinations to be related to the duties of such class. The  
16 Merit Board shall have power to delegate to the Director and  
17 his staff the preparation, conduct and grading of examinations.  
18 Examinations may be written, oral, by statement of training and  
19 experience, in the form of tests of knowledge, skill, capacity,  
20 intellect, aptitude; or, by any other method, which in the  
21 judgment of the Merit Board is reasonable and practical for any  
22 particular classification. Different examining procedures may  
23 be determined for the examinations in different  
24 classifications but all examinations in the same  
25 classification shall be uniform.

26 (6) To authorize the continuous recruitment of personnel

1 and to that end, to delegate to the Director and his staff the  
2 power and the duty to conduct open and continuous competitive  
3 examinations for all classifications of employment.

4 (7) To cause to be established from the results of  
5 examinations registers for each class of positions in the  
6 classified service of the State Universities Civil Service  
7 System, of the persons who shall attain the minimum mark fixed  
8 by the Merit Board for the examination; and such persons shall  
9 take rank upon the registers as candidates in the order of  
10 their relative excellence as determined by examination,  
11 without reference to priority of time of examination.

12 (8) To provide by its rules for promotions in the  
13 classified service. Vacancies shall be filled by promotion  
14 whenever practicable. For the purpose of this paragraph, an  
15 advancement in class shall constitute a promotion.

16 (9) To set a probationary period of employment of no less  
17 than 6 months and no longer than 12 months for each class of  
18 positions in the classification plan, the length of the  
19 probationary period for each class to be determined by the  
20 Director.

21 (10) To provide by its rules for employment at regular  
22 rates of compensation of physically handicapped persons in  
23 positions in which the handicap does not prevent the individual  
24 from furnishing satisfactory service.

25 (11) To make and publish rules, to carry out the purpose of  
26 the State Universities Civil Service System and for

1 examination, appointments, transfers and removals and for  
2 maintaining and keeping records of the efficiency of officers  
3 and employees and groups of officers and employees in  
4 accordance with the provisions of Sections 36b to 36q,  
5 inclusive, and said Merit Board may from time to time make  
6 changes in such rules.

7 (12) To appoint a Director and such assistants and other  
8 clerical and technical help as may be necessary efficiently to  
9 administer Sections 36b to 36q, inclusive. To authorize the  
10 Director to appoint an assistant resident at the place of  
11 employment of each employer specified in Section 36e and this  
12 assistant may be authorized to give examinations and to certify  
13 names from the regional registers provided in Section 36k.

14 (13) To submit to the Governor of this state on or before  
15 November 1 of each year prior to the regular session of the  
16 General Assembly a report of the University System's business  
17 and an estimate of the amount of appropriation from state funds  
18 required for the purpose of administering the University  
19 System.

20 (Source: P.A. 82-524.)

21 Section 45. The University of Illinois Act is amended by  
22 adding Section 85 as follows:

23 (110 ILCS 305/85 new)

24 Sec. 85. Future increases in income. The University of

1 Illinois must not pay, offer, or agree to pay any future  
2 increase in income, as that term is defined in Section  
3 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
4 to any person in a manner that violates any of those Sections.

5 Section 50. The Southern Illinois University Management  
6 Act is amended by adding Section 70 as follows:

7 (110 ILCS 520/70 new)

8 Sec. 70. Future increases in income. Southern Illinois  
9 University must not pay, offer, or agree to pay any future  
10 increase in income, as that term is defined in Section  
11 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
12 to any person in a manner that violates any of those Sections.

13 Section 55. The Chicago State University Law is amended by  
14 adding Section 5-180 as follows:

15 (110 ILCS 660/5-180 new)

16 Sec. 5-180. Future increases in income. Chicago State  
17 University must not pay, offer, or agree to pay any future  
18 increase in income, as that term is defined in Section  
19 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
20 to any person in a manner that violates any of those Sections.

21 Section 60. The Eastern Illinois University Law is amended



1 by adding Section 10-180 as follows:

2 (110 ILCS 665/10-180 new)

3 Sec. 10-180. Future increases in income. Eastern Illinois  
4 University must not pay, offer, or agree to pay any future  
5 increase in income, as that term is defined in Section  
6 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
7 to any person in a manner that violates any of those Sections.

8 Section 65. The Governors State University Law is amended  
9 by adding Section 15-180 as follows:

10 (110 ILCS 670/15-180 new)

11 Sec. 15-180. Future increases in income. Governors State  
12 University must not pay, offer, or agree to pay any future  
13 increase in income, as that term is defined in Section  
14 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
15 to any person in a manner that violates any of those Sections.

16 Section 70. The Illinois State University Law is amended by  
17 adding Section 20-185 as follows:

18 (110 ILCS 675/20-185 new)

19 Sec. 20-185. Future increases in income. Illinois State  
20 University must not pay, offer, or agree to pay any future  
21 increase in income, as that term is defined in Section

1 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
2 to any person in a manner that violates any of those Sections.

3 Section 75. The Northeastern Illinois University Law is  
4 amended by adding Section 25-180 as follows:

5 (110 ILCS 680/25-180 new)

6 Sec. 25-180. Future increases in income. Northeastern  
7 Illinois University must not pay, offer, or agree to pay any  
8 future increase in income, as that term is defined in Section  
9 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
10 to any person in a manner that violates any of those Sections.

11 Section 80. The Northern Illinois University Law is amended  
12 by adding Section 30-190 as follows:

13 (110 ILCS 685/30-190 new)

14 Sec. 30-190. Future increases in income. Northern Illinois  
15 University must not pay, offer, or agree to pay any future  
16 increase in income, as that term is defined in Section  
17 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
18 to any person in a manner that violates any of those Sections.

19 Section 85. The Western Illinois University Law is amended  
20 by adding Section 35-185 as follows:

1 (110 ILCS 690/35-185 new)

2 Sec. 35-185. Future increases in income. Western Illinois  
3 University must not pay, offer, or agree to pay any future  
4 increase in income, as that term is defined in Section  
5 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,  
6 to any person in a manner that violates any of those Sections.

7 Section 90. The Public Community College Act is amended by  
8 changing Sections 3-26 and 3-42 as follows:

9 (110 ILCS 805/3-26) (from Ch. 122, par. 103-26)

10 Sec. 3-26. (a) To make appointments and fix the salaries of  
11 a chief administrative officer, who shall be the executive  
12 officer of the board, other administrative personnel, and all  
13 teachers, but subject to any applicable restrictions in Section  
14 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code.

15 In making these appointments and fixing the salaries, the board  
16 may make no discrimination on account of sex, race, creed,  
17 color or national origin.

18 (b) Upon the written request of an employee, to withhold  
19 from the compensation of that employee the membership dues of  
20 such employee payable to any specified labor organization as  
21 defined in the Illinois Educational Labor Relations Act. Under  
22 such arrangement, an amount shall be withheld for each regular  
23 payroll period which is equal to the prorata share of the  
24 annual membership dues plus any payments or contributions and

1 the board shall pay such withholding to the specified labor  
2 organization within 10 working days from the time of the  
3 withholding.

4 (Source: P.A. 83-1014.)

5 (110 ILCS 805/3-42) (from Ch. 122, par. 103-42)

6 Sec. 3-42. To employ such personnel as may be needed, to  
7 establish policies governing their employment and dismissal,  
8 and to fix the amount of their compensation, subject to any  
9 applicable restrictions in Section 14-106.5, 15-134.6, or  
10 16-131.7 of the Illinois Pension Code. In the employment,  
11 establishment of policies and fixing of compensation the board  
12 may make no discrimination on account of sex, race, creed,  
13 color or national origin.

14 Residence within any community college district or outside  
15 any community college district shall not be considered:

16 (a) in determining whether to retain or not retain any  
17 employee of a community college employed prior to July 1,  
18 1977 or prior to the adoption by the community college  
19 board of a resolution making residency within the community  
20 college district of some or all employees a condition of  
21 employment, whichever is later;

22 (b) in assigning, promoting or transferring any  
23 employee of a community college to an office or position  
24 employed prior to July 1, 1977 or prior to the adoption by  
25 the community college board of a resolution making

1           residency within the community college district of some or  
2           all employees a condition of employment, whichever is  
3           later; or

4           (c) in determining the salary or other compensation of  
5           any employee of a community college.

6           (Source: P.A. 80-248.)

7           Section 95. The Illinois Educational Labor Relations Act is  
8           amended by changing Sections 4 and 17 as follows:

9           (115 ILCS 5/4) (from Ch. 48, par. 1704)

10          Sec. 4. Employer rights. Employers shall not be required to  
11          bargain over matters of inherent managerial policy, which shall  
12          include such areas of discretion or policy as the functions of  
13          the employer, standards of services, its overall budget, the  
14          organizational structure and selection of new employees and  
15          direction of employees. Employers, however, shall be required  
16          to bargain collectively with regard to policy matters directly  
17          affecting wages (but subject to any applicable restrictions in  
18          Section 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension  
19          Code), hours and terms and conditions of employment as well as  
20          the impact thereon upon request by employee representatives,  
21          but excluding the changes, the impact of changes, and the  
22          implementation of the changes set forth in this amendatory Act  
23          of the 97th General Assembly. To preserve the rights of  
24          employers and exclusive representatives which have established

1 collective bargaining relationships or negotiated collective  
2 bargaining agreements prior to the effective date of this Act,  
3 employers shall be required to bargain collectively with regard  
4 to any matter concerning wages (but subject to any applicable  
5 restrictions in Section 14-106.5, 15-134.6, or 16-131.7 of the  
6 Illinois Pension Code), hours or conditions of employment about  
7 which they have bargained for and agreed to in a collective  
8 bargaining agreement prior to the effective date of this Act,  
9 but excluding the changes, the impact of changes, and the  
10 implementation of the changes set forth in this amendatory Act  
11 of the 97th General Assembly.

12 (Source: P.A. 83-1014.)

13 (115 ILCS 5/17) (from Ch. 48, par. 1717)

14 Sec. 17. Effect on other laws. In case of any conflict  
15 between the provisions of this Act and any other law (other  
16 than Sections 14-106.5, 15-134.6, and 16-131.7 of the Illinois  
17 Pension Code), executive order or administrative regulation,  
18 the provisions of this Act shall prevail and control. The  
19 provisions of this Act are subject to any applicable  
20 restrictions in Section 14-106.5, 15-134.6, or 16-131.7 of the  
21 Illinois Pension Code, as well as the changes, impact of  
22 changes, and implementation of changes set forth in this  
23 amendatory Act of the 97th General Assembly. Nothing in this  
24 Act shall be construed to replace or diminish the rights of  
25 employees established by Section 36d of "An Act to create the

1 State Universities Civil Service System", approved May 11,  
2 1905, as amended or modified.

3 (Source: P.A. 83-1014.)

4 Section 100. The State Mandates Act is amended by adding  
5 Section 8.36 as follows:

6 (30 ILCS 805/8.36 new)

7 Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8  
8 of this Act, no reimbursement by the State is required for the  
9 implementation of any mandate created by this amendatory Act of  
10 the 97th General Assembly.

11 Section 105. Severability and inseverability. The  
12 provisions set forth in Sections 5, 15, 20, 25, 40, 95, 100,  
13 and 999 of this Act, as well as Sections 2-134, 7-109,  
14 14-135.08, 15-106, 15-107, 15-113.2, 15-163, 15-165, and  
15 16-106, subsection (a-5) of Section 16-158, and Section 18-140  
16 of the Illinois Pension Code, as set forth in Section 30 of  
17 this Act, are severable pursuant to Section 1.31 of the Statute  
18 on Statutes, and are not mutually dependent upon the provisions  
19 set forth in any other Section of this Act.

20 Sections 10, 35, and 45 through 90 of this Act, as well as  
21 the other provisions of Section 30 of this Act, are mutually  
22 dependent and inseverable. If any of those provision is held  
23 invalid other than as applied to a particular person or

1     circumstance, then all of those provisions are invalid.

2             Section 999. Effective date. This Act takes effect upon  
3     becoming law.



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