



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB6210

by Rep. Elaine Nekritz

SYNOPSIS AS INTRODUCED:

See Index

Amends the General Provision, 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 22285 JDS 71037 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 15-134.6 or
16 16-131.7 of the Illinois Pension Code), hours and terms and
17 conditions of employment as well as the impact thereon upon
18 request by employee representatives, but excluding the
19 changes, the impact of changes, and the implementation of the
20 changes set forth in this amendatory Act of the 97th General
21 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 15-134.6 or 16-131.7 of the Illinois Pension Code),
6 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 15-134.6 and
18 16-131.7 of the Illinois Pension Code, and Section 5 of the
19 State Employees Group Insurance Act of 1971. Nothing in this
20 Act shall be construed to replace the necessity of complaints
21 against a sworn peace officer, as defined in Section 2(a) of
22 the Uniform Peace Officer Disciplinary Act, from having a
23 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 15-134.6 or 16-131.7 of the Illinois
19 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 15-134.6 or 16-131.7 of the
23 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 15-134.6 or 16-131.7 of the Illinois Pension Code, each
7 eligible Tier I employee and each eligible Tier I retiree shall
8 receive a vested and enforceable contractual right to
9 participate in a program of health benefits while he or she
10 qualifies as an annuitant or retired employee, or as a TRS
11 benefit recipient or community college benefit recipient
12 receiving a retirement annuity. That right also extends to such
13 a person's dependents, survivors, TRS dependent beneficiaries,
14 and community college dependent beneficiaries who are eligible
15 under the applicable program of health benefits, except as
16 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 15-134.6 or
3 16-131.7 of the Illinois Pension Code shall not be entitled to
4 participate in the program of health benefits as an annuitant,
5 dependent, survivor, or retired employee, or as a TRS benefit
6 recipient or community college benefit recipient receiving a
7 retirement annuity, regardless of any contrary election
8 pursuant to any of those Sections under any other retirement
9 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 15-134.6 or 16-131.7 of the Illinois Pension Code
17 shall not be required to make contributions toward the program
18 of health benefits while he or she is an employee or active
19 contributor. However, an active employee may be required to
20 make contributions toward the health benefits he or she
21 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, 7-109, 15-106, 15-107,
5 15-111, 15-113.2, 15-134.5, 15-136, 15-155, 15-157, 15-158.2,
6 15-159, 15-163, 15-165, 15-198, 16-106, 16-121, 16-127,
7 16-133.1, 16-136.1, 16-152, 16-158, 16-163, 16-165, 16-203,
8 18-140, 20-121, 20-123, 20-124, and 20-125 and by adding
9 Sections 1-161, 1-162, 15-107.1, 15-107.2, 15-111.1, 15-134.6,
10 15-155.1, 15-155.2, 16-106.4, 16-106.5, 16-106.6, 16-121.1,
11 16-131.7, 16-133.6, and 16-158.2 as follows:

12 (40 ILCS 5/1-103.3)

13 Sec. 1-103.3. Application of 1994 amendment; funding
14 standard.

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

21 (b) (Blank). ~~The General Assembly declares that a funding~~
22 ~~ratio (the ratio of a retirement system's total assets to its~~
23 ~~total actuarial liabilities) of 90% is an appropriate goal for~~
24 ~~State funded retirement systems in Illinois, and it finds that~~

1 ~~a funding ratio of 90% is now the generally recognized norm~~
2 ~~throughout the nation for public employee retirement systems~~
3 ~~that are considered to be financially secure and funded in an~~
4 ~~appropriate and responsible manner.~~

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

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

16 (40 ILCS 5/1-160)

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

18 (a) The provisions of this Section apply to a person who,
19 on or after January 1, 2011, first becomes a member or a
20 participant under any reciprocal retirement system or pension
21 fund established under this Code, other than a retirement
22 system or pension fund established under Article 2, 3, 4, 5, 6,
23 or 18 of this Code, notwithstanding any other provision of this
24 Code to the contrary, but do not apply (i) to any self-managed
25 plan established under this Code, (ii) to any person with

1 respect to service as a sheriff's law enforcement employee
2 under Article 7, (iii) to any person with respect to service
3 for which the person participates in the cash balance plan
4 established under Section 1-161, or (iv) to any participant of
5 the retirement plan established under Section 22-101.

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

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

24 (b) "Final average salary" means the average monthly (or
25 annual) salary obtained by dividing the total salary or
26 earnings calculated under the Article applicable to the member

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

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

12 (2) In Articles 8, 9, 10, 11, and 12, "highest average
13 annual salary for any 4 consecutive years within the last
14 10 years of service immediately preceding the date of
15 withdrawal".

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

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

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

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

21 (b-5) Beginning on January 1, 2011, for all purposes under
22 this Code (including without limitation the calculation of
23 benefits and employee contributions), the annual earnings,
24 salary, or wages (based on the plan year) of a member or
25 participant to whom this Section applies shall not exceed
26 \$106,800; however, that amount shall annually thereafter be

1 increased by the lesser of (i) 3% of that amount, including all
2 previous adjustments, or (ii) one-half the annual unadjusted
3 percentage increase (but not less than zero) in the consumer
4 price index-u for the 12 months ending with the September
5 preceding each November 1, including all previous adjustments.

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

15 (c) A member or participant is entitled to a retirement
16 annuity upon written application if he or she has attained age
17 67 and has at least 10 years of service credit and is otherwise
18 eligible under the requirements of the applicable Article.

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

24 (d) The retirement annuity of a member or participant who
25 is retiring after attaining age 62 with at least 10 years of
26 service credit shall be reduced by one-half of 1% for each full

1 month that the member's age is under age 67.

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

15 (f) The initial survivor's or widow's annuity of an
16 otherwise eligible survivor or widow of a retired member or
17 participant who first became a member or participant on or
18 after January 1, 2011 shall be in the amount of 66 2/3% of the
19 retired member's or participant's retirement annuity at the
20 date of death. In the case of the death of a member or
21 participant who has not retired and who first became a member
22 or participant on or after January 1, 2011, eligibility for a
23 survivor's or widow's annuity shall be determined by the
24 applicable Article of this Code. The initial benefit shall be
25 66 2/3% of the earned annuity without a reduction due to age. A
26 child's annuity of an otherwise eligible child shall be in the

1 amount prescribed under each Article if applicable. Any
2 survivor's or widow's annuity shall be increased (1) on each
3 January 1 occurring on or after the commencement of the annuity
4 if the deceased member died while receiving a retirement
5 annuity or (2) in other cases, on each January 1 occurring
6 after the first anniversary of the commencement of the annuity.
7 Each annual increase shall be calculated at 3% or one-half the
8 annual unadjusted percentage increase (but not less than zero)
9 in the consumer price index-u for the 12 months ending with the
10 September preceding each November 1, whichever is less, of the
11 originally granted survivor's annuity. If the annual
12 unadjusted percentage change in the consumer price index-u for
13 the 12 months ending with the September preceding each November
14 1 is zero or there is a decrease, then the annuity shall not be
15 increased.

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

1 attainment of age 60 occurs while the person is still in
2 service.

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

17 If a person who first becomes a member of a retirement
18 system or pension fund subject to this Section on or after
19 January 1, 2012 and is receiving a retirement annuity or
20 retirement pension under that system or fund ~~and~~ accepts on a
21 contractual basis a position to provide services to a
22 governmental entity from which he or she has retired, then that
23 person's annuity or retirement pension earned as an active
24 employee of the employer shall be suspended during that
25 contractual service. A person receiving an annuity or
26 retirement pension under this Code shall notify the pension

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

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

15 (j) In the case of a conflict between the provisions of
16 this Section and any other provision of this Code, the
17 provisions of this Section shall control.

18 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;
19 97-609, eff. 1-1-12.)

20 (40 ILCS 5/1-161 new)

21 Sec. 1-161. Cash Balance Plan.

22 (a) Participation and Applicability. This Section applies
23 to all new cash balance plan participants and all legacy Tier
24 II participants.

25 This Section does not, however, apply to any person with

1 respect to service for which the person participates in the
2 self-managed plan established under Section 15-158.2 in lieu of
3 the retirement benefits otherwise provided by the State
4 Universities Retirement System.

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

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

10 "Account" means the notional cash balance account
11 established under this Section for a participant in the cash
12 balance plan.

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

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

22 "Legacy Tier II participant" means a person who was subject
23 to Section 1-160 with respect to service under Article 15 or 16
24 of this Code and who irrevocably elects to participate in the
25 cash balance plan created under this Section. That election
26 must be made in writing, in the manner provided by the

1 applicable retirement system.

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

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

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

20 Whenever necessary for the prompt calculation or
21 administration, or when the System lacks information necessary
22 to the calculation or administration otherwise required of or
23 for a benefit under this Section, the applicable retirement
24 system may estimate an amount to be credited to or debited from
25 a participant's cash balance account and then adjust the amount
26 so credited or debited when more accurate information becomes

1 available.

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

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

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

25 (e) Notional Employer Contributions. Upon receipt of each
26 employee contribution under subsection (d), an amount

1 representing the employer contribution shall be credited to the
2 participant's cash balance account. For a participant in the
3 cash balance plan under Article 15, the notional employer
4 contribution shall be 4.4% of salary. For a participant in the
5 cash balance plan under Article 16, the notional employer
6 contribution shall be 3.4% of salary.

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

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

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

1 interest credit shall be credited while an annuity based on the
2 account is being paid. The interest credit amount shall be a
3 percentage of the average quarterly balance in the cash balance
4 account during that fiscal year, and shall be calculated on
5 June 30.

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

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

17 (i) the assumed treasury rate, plus

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

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

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

26 For the purposes of this subsection only, "assumed treasury

1 rate" means the average annual yield of the 30-year U.S.
2 Treasury Bond over the previous fiscal year, but not less than
3 4%.

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

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

24 (f-15) Refund. In lieu of receiving a distribution under
25 subsection (f-10), at any time after terminating active
26 employment under the applicable retirement system, but before

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

12 The participant's credits in the applicable retirement
13 system shall be terminated upon payment of a refund under this
14 subsection.

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

19 The amount of the retirement annuity shall be calculated by
20 the retirement system, based on the balance in the cash balance
21 account, the assumption of future investment returns as
22 specified in this subsection, the participant's election to
23 have a lifetime survivor's annuity as specified in this
24 subsection, the annual increase in retirement annuity as
25 specified in subsection (h), the annual increase in survivor's
26 annuity as specified in subsection (l), and any actuarial

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

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

23 The participant may elect, under the participant's written
24 application for retirement, to receive a reduced annuity
25 payable for his or her life and to have a lifetime survivor's
26 annuity in a monthly amount equal to 50%, 75%, or 100% of that

1 reduced monthly amount, to be paid after the participant's
2 death to his or her eligible survivor. Eligibility for a
3 survivor's annuity shall be determined under the applicable
4 Article of this Code.

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

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

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

21 Retirement due to disability under Section 15-153.2 or
22 16-149.2 shall be deemed a disability benefit for the purposes
23 of this Section and shall apply to new cash balance plan
24 participants and legacy Tier II participants.

25 The board of the retirement system shall designate
26 annually, as a percentage of salary, an amount representing the

1 anticipated average cost of providing disability benefits for
2 new cash balance plan participants and legacy Tier II
3 participants. The amount so designated shall not exceed 1% of
4 the cash balance plan participant's salary and shall be
5 deducted annually from the account of each new cash balance
6 plan participant and each legacy Tier II participant.

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

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

25 In the case of the death of a new cash balance plan
26 participant or legacy Tier II participant who had at least 5

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

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

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

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

23 (8) a level income option.

24 The Retirement Systems Reciprocal Act applies to
25 participants in the cash balance plan who qualify under Article
26 20 of this Code, but it does not affect the calculation of

1 benefits payable under this Section.

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

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

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

20 (p) Actual Employer Contributions. Payment of employer
21 contributions with respect to participants in the cash balance
22 plan shall be the responsibility of the actual employer. These
23 contributions shall be determined under and paid in accordance
24 with the provisions of Sections 15-155. Optional employer
25 contributions may be paid by employers in any amount, but must
26 be paid in the manner specified by the applicable retirement

1 system.

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

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

10 (s) Qualified Plan Status. No provision of this Section
11 shall be interpreted in a way that would cause the applicable
12 retirement system to cease to be a qualified plan under Section
13 401 (a) of the Internal Revenue Code of 1986.

14 (40 ILCS 5/1-162 new)

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

16 (a) Participation and Applicability. Beginning on July 1,
17 2013, the following persons may elect to participate in the
18 optional cash balance plan created under this Section:

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

21 (2) any Tier I employee who has made the election under
22 or paragraph (1) of subsection (a) or (a-5) of Section
23 15-134.6, or paragraph (1) of subsection (a) or (a-5) of
24 Section 16-131.7.

25 This Section does not, however, apply to any person with

1 respect to service for which the person participates in the
2 self-managed plan established under Section 15-158.2 in lieu of
3 the retirement benefits otherwise provided by the State
4 Universities Retirement System.

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

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

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

25 "Account" means the notional cash balance account
26 established under this Section for a participant in the

1 optional cash balance plan.

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

7 "Salary" means "earnings" as defined in Article 15 or
8 "salary" as defined in Article 16, whichever is applicable,
9 without regard to the limitation in subsection (b-5) of Section
10 1-160.

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

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

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

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

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

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

22 (e) Optional Employer Contributions. Employers may make
23 optional additional contributions to the applicable retirement
24 system on behalf of their employees who are participants in the
25 optional cash balance plan in accordance with procedures
26 prescribed by the retirement system, to the extent permitted by

1 federal law and the rules prescribed by the retirement system.
2 The optional additional contributions under this subsection
3 are actual monetary contributions to the retirement system, and
4 the amount of each optional additional contribution shall be
5 credited to the participant's cash balance account upon receipt
6 and after the retirement system's reconciliation of the
7 contribution.

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

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

24 If both the retirement system's actual rate of investment
25 earnings for the previous fiscal year and the actual rate of
26 investment earnings for the five-year period ending at the end

1 of the previous fiscal year are at least the assumed treasury
2 rate, then the percentage shall be:

3 (i) the assumed treasury rate, plus

4 (ii) two-thirds of the amount of the actual rate of
5 investment earnings for the previous fiscal year that
6 exceeds the assumed treasury rate.

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

9 For the purposes of this subsection only, "previous fiscal
10 year" means fiscal year ending one year before the interest
11 rate is calculated.

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

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

21 (f-10) Distribution upon Termination of Employment. Upon
22 termination of active employment with at least 5 years of
23 service credit under the applicable retirement system and prior
24 to making application for an annuity under this Section, a
25 participant in the optional cash balance plan may make an
26 irrevocable election to distribute an amount not to exceed 40%

1 of the balance in the participant's account in the form of a
2 direct rollover to another qualified plan, to the extent
3 allowed by federal law. If the participant makes such an
4 election, then the amount distributed shall be debited from the
5 participant's cash balance account. A participant in the
6 optional cash balance plan shall be allowed only one
7 distribution under this subsection. The remaining balance in
8 the participant's account shall be used for the determination
9 of other benefits provided under this Section.

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

24 (g) Retirement Annuity. A participant in the optional cash
25 balance plan may begin collecting a retirement annuity at age
26 59 1/2, but no earlier than the date of termination of active

1 employment under the applicable retirement system.

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

22 The annuity payment shall begin on the date specified by
23 the participant submitting a written application, which date
24 shall not be prior to termination of employment or more than
25 one year before the application is received by the board;
26 however, if the participant is not an employee of an employer

1 participating in this System or in a participating system as
2 defined in Article 20 of this Code on April 1 of the calendar
3 year next following the calendar year in which the participant
4 attains age 70 1/2, the annuity payment period shall begin on
5 that date regardless of whether an application has been filed.

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

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

20 (h) Annual Increase in Retirement Annuity. The retirement
21 annuity shall be subject to an automatic annual increase in an
22 amount equal to 3% of the originally granted annuity on each
23 January 1 occurring on or after the first anniversary of the
24 annuity start date.

25 (i) Disability Benefits. There are no disability benefits
26 provided under the optional cash balance plan, and no amounts

1 for disability shall be deducted from the account of a
2 participant in the optional cash balance plan. The disability
3 benefits provided under the applicable retirement system apply
4 to participants in the optional cash balance plan.

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

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

22 In the case of a participant in the optional cash balance
23 plan who had at least 5 years of service under the applicable
24 Article and had not begun receiving a retirement annuity, the
25 eligible survivor shall be entitled to receive a survivor's
26 annuity beginning at age 59 1/2 upon written application. The

1 survivor's annuity shall be calculated in the same manner as a
2 retirement annuity under subsection (g). At any time before
3 receiving a survivor's annuity, the eligible survivor may claim
4 a distribution under subsection (f-10) or a refund under
5 subsection (f-15). The deceased participant's account shall
6 continue to receive interest credit until the eligible survivor
7 begins to receive a survivor's annuity or receives a refund of
8 employee contributions under subsection (f-15).

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

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

19 (m) Applicability of Provisions. The following provisions,
20 if and as they exist in this Code, do not apply to participants
21 in the optional cash balance plan with respect to participation
22 in the optional cash balance plan, except as they are
23 specifically provided for in this Section:

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

26 (2) provisions limiting a retirement annuity to a

1 specified percentage of salary;

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

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

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

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

16 (7) provisions authorizing optional service credits or
17 the payment of optional additional contributions (other
18 than the optional employer contributions specifically
19 authorized in this Section); or

20 (8) a level income option.

21 The Retirement Systems Reciprocal Act (Article 20 of this
22 Code) does not apply to participation in the optional cash
23 balance plan and does not affect the calculation of benefits
24 payable under this Section.

25 The other provisions of this Code continue to apply to
26 participants in the optional cash balance plan, to the extent

1 that they do not conflict with this Section. In the case of a
2 conflict between the provisions of this Section and any other
3 provision of this Code, the provisions of this Section control.

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

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

17 (p) Actual Employer Contributions. Payment of employer
18 contributions with respect to participants in the optional cash
19 balance plan shall be the responsibility of the actual
20 employer. These contributions shall be determined under and
21 paid in accordance with the provisions of Sections 15-155.
22 Optional additional contributions by employers may be paid in
23 any amount, but must be paid in the manner specified by the
24 applicable retirement system.

25 (q) Prospective Modification. The provisions set forth in
26 this Section are subject to prospective changes made by law

1 provided that any such changes shall not apply to any benefits
2 accrued under this Section prior to the effective date of any
3 amendatory Act of the General Assembly.

4 (s) Qualified Plan Status. No provision of this Section
5 shall be interpreted in a way that would cause the applicable
6 retirement system to cease to be a qualified plan under Section
7 401 (a) of the Internal Revenue Code of 1986.

8 (40 ILCS 5/7-109) (from Ch. 108 1/2, par. 7-109)

9 Sec. 7-109. Employee.

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

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

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

1 official duties, and, in counties, the several county
2 fee offices.

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

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

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

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

26 1. "An Act in relation to an Illinois State

1 Teachers' Pension and Retirement Fund", approved May
2 27, 1915, as amended;

3 2. Articles 15 and 16 of this Code.

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

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

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

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

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

26 (d) Become an employee of any of the following

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

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

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

3 (40 ILCS 5/15-106) (from Ch. 108 1/2, par. 15-106)

4 Sec. 15-106. Employer. "Employer": The University of
5 Illinois, Southern Illinois University, Chicago State
6 University, Eastern Illinois University, Governors State
7 University, Illinois State University, Northeastern Illinois
8 University, Northern Illinois University, Western Illinois
9 University, the State Board of Higher Education, the Illinois
10 Mathematics and Science Academy, the University Civil Service
11 Merit Board, the Board of Trustees of the State Universities
12 Retirement System, the Illinois Community College Board,
13 community college boards, any association of community college
14 boards organized under Section 3-55 of the Public Community
15 College Act, the Board of Examiners established under the
16 Illinois Public Accounting Act, and, only during the period for
17 which employer contributions required under Section 15-155 are
18 paid, the following organizations: the alumni associations,
19 the foundations and the athletic associations which are
20 affiliated with the universities and colleges included in this
21 Section as employers. An individual that begins employment
22 after the effective date of this amendatory Act of the 97th
23 General Assembly with an entity not defined as an employer in
24 this Section shall not be deemed an employee for the purposes
25 of this Article with respect to that employment and shall not

1 be eligible to participate in the System with respect to that
2 employment; provided, however, that those individuals who are
3 both employed and already participants in the System on the
4 effective date of this amendatory Act of the 97th General
5 Assembly shall be allowed to continue as participants in the
6 System for the duration of that employment.

7 Notwithstanding any provision of law to the contrary, an
8 individual who begins employment with any of the following
9 employers on or after the effective date of this amendatory Act
10 of the 97th General Assembly shall not be deemed an employee
11 and shall not be eligible to participate in the System with
12 respect to that employment: any association of community
13 college boards organized under Section 3-55 of the Public
14 Community College Act, the Association of Illinois
15 Middle-Grade Schools, the Illinois Association of School
16 Administrators, the Illinois Association for Supervision and
17 Curriculum Development, the Illinois Principals Association,
18 the Illinois Association of School Business Officials, or the
19 Illinois Special Olympics; provided, however, that those
20 individuals who are both employed and already participants in
21 the System on the effective date of this amendatory Act of the
22 97th General Assembly shall be allowed to continue as
23 participants in the System for the duration of that employment.

24 A department as defined in Section 14-103.04 is an employer
25 for any person appointed by the Governor under the Civil
26 Administrative Code of Illinois who is a participating employee

1 as defined in Section 15-109. The Department of Central
2 Management Services is an employer with respect to persons
3 employed by the State Board of Higher Education in positions
4 with the Illinois Century Network as of June 30, 2004 who
5 remain continuously employed after that date by the Department
6 of Central Management Services in positions with the Illinois
7 Century Network, the Bureau of Communication and Computer
8 Services, or, if applicable, any successor bureau.

9 The cities of Champaign and Urbana shall be considered
10 employers, but only during the period for which contributions
11 are required to be made under subsection (b-1) of Section
12 15-155 and only with respect to individuals described in
13 subsection (h) of Section 15-107.

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

16 (40 ILCS 5/15-107) (from Ch. 108 1/2, par. 15-107)

17 Sec. 15-107. Employee.

18 (a) "Employee" means any member of the educational,
19 administrative, secretarial, clerical, mechanical, labor or
20 other staff of an employer whose employment is permanent and
21 continuous or who is employed in a position in which services
22 are expected to be rendered on a continuous basis for at least
23 4 months or one academic term, whichever is less, who (A)
24 receives payment for personal services on a warrant issued
25 pursuant to a payroll voucher certified by an employer and

1 drawn by the State Comptroller upon the State Treasurer or by
2 an employer upon trust, federal or other funds, or (B) is on a
3 leave of absence without pay. Employment which is irregular,
4 intermittent or temporary shall not be considered continuous
5 for purposes of this paragraph.

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

7 (1) is a student enrolled in and regularly attending
8 classes in a college or university which is an employer,
9 and is employed on a temporary basis at less than full
10 time;

11 (2) is currently receiving a retirement annuity or a
12 disability retirement annuity under Section 15-153.2 from
13 this System;

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

15 (4) is eligible to participate in the Federal Civil
16 Service Retirement System and is currently making
17 contributions to that system based upon earnings paid by an
18 employer;

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

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

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

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

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

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

22 (e) A participant is considered an employee during (1) the
23 first 60 days of disability leave, (2) the period, not to
24 exceed one year, in which his or her eligibility for disability
25 benefits is being considered by the board or reviewed by the
26 courts, and (3) the period he or she receives disability

1 benefits under the provisions of Section 15-152, workers'
2 compensation or occupational disease benefits, or disability
3 income under an insurance contract financed wholly or partially
4 by the employer.

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

11 (g) A staff member whose employment contract requires
12 services during an academic term is to be considered an
13 employee during the summer and other vacation periods, unless
14 he or she declines an employment contract for the succeeding
15 academic term or his or her employment status is otherwise
16 terminated, and he or she receives no earnings during these
17 periods.

18 (h) An individual who was a participating employee employed
19 in the fire department of the University of Illinois's
20 Champaign-Urbana campus immediately prior to the elimination
21 of that fire department and who immediately after the
22 elimination of that fire department became employed by the fire
23 department of the City of Urbana or the City of Champaign shall
24 continue to be considered as an employee for purposes of this
25 Article for so long as the individual remains employed as a
26 firefighter by the City of Urbana or the City of Champaign. The

1 individual shall cease to be considered an employee under this
2 subsection (h) upon the first termination of the individual's
3 employment as a firefighter by the City of Urbana or the City
4 of Champaign.

5 (i) An individual who is employed on a full-time basis as
6 an officer or employee of a statewide teacher organization that
7 serves System participants or an officer of a national teacher
8 organization that serves System participants may participate
9 in the System and shall be deemed an employee, provided that
10 (1) the individual has previously earned creditable service
11 under this Article, (2) the individual files with the System an
12 irrevocable election to become a participant before the
13 effective date of this amendatory Act of the 97th General
14 Assembly, (3) the individual does not receive credit for that
15 employment under any other Article of this Code, and (4) the
16 individual first became a full-time employee of the teacher
17 organization and becomes a participant before the effective
18 date of this amendatory Act of the 97th General Assembly. An
19 employee under this subsection (i) is responsible for paying to
20 the System both (A) employee contributions based on the actual
21 compensation received for service with the teacher
22 organization and (B) employer contributions equal to the normal
23 costs (as defined in Section 15-155) resulting from that
24 service; all or any part of these contributions may be paid on
25 the employee's behalf or picked up for tax purposes (if
26 authorized under federal law) by the teacher organization.

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

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

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

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

23 (40 ILCS 5/15-107.1 new)

24 Sec. 15-107.1. Tier I employee. "Tier I employee": An
25 employee under this Article, other than a participant in the

1 self-managed plan under Section 15-158.2, who first became a
2 member or participant before January 1, 2011 under any
3 reciprocal retirement system or pension fund established under
4 this Code other than a retirement system or pension fund
5 established under Article 2, 3, 4, 5, 6, or 18 of this Code.

6 (40 ILCS 5/15-107.2 new)

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

9 A person does not become a Tier I retiree by virtue of
10 receiving a reversionary, survivors, beneficiary, or
11 disability annuity.

12 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

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

24 With respect to transition pay paid by the University of

1 Illinois to a person who was a participating employee employed
2 in the fire department of the University of Illinois's
3 Champaign-Urbana campus immediately prior to the elimination
4 of that fire department:

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

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

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

1 subsection (a) or (a-5) of Section 15-134.6.

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

3 (40 ILCS 5/15-111.1 new)

4 Sec. 15-111.1. Future increase in income. "Future increase
5 in income": Any increase in income in any form offered by an
6 employer to an employee under this Article after June 30, 2013
7 that would qualify as "earnings", as defined under Section
8 15-111, but for the fact that the employer offered the increase
9 in income to the employee on the condition that it not qualify
10 as earnings and the employee accepted the increase in income
11 subject to that condition. The term "future increase in income"
12 does not include an increase in income in any form that is paid
13 to a Tier I employee under an employment contract or collective
14 bargaining agreement that is in effect on the effective date of
15 this Section but does include an increase in income in any form
16 pursuant to an extension, amendment, or renewal of any such
17 employment contract or collective bargaining agreement on or
18 after the effective date of this amendatory Act of the 97th
19 General Assembly.

20 (40 ILCS 5/15-113.2) (from Ch. 108 1/2, par. 15-113.2)

21 Sec. 15-113.2. Service for leaves of absence. "Service for
22 leaves of absence" includes those periods of leaves of absence
23 at less than 50% pay, except military leave and periods of
24 disability leave in excess of 60 days, for which the employee

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

23 Service credit provided under this Section shall not exceed
24 3 years in any period of 10 years, unless the employee is on
25 special leave granted by the employer for service with a
26 teacher organization. Commencing with the fourth year in any

1 period of 10 years, a participant on such special leave is also
2 required to pay employer contributions equal to the normal cost
3 as defined in Section 15-155, based upon the employee's basic
4 compensation on the date the leave begins, or based upon the
5 actual compensation received by the employee for service with a
6 teacher organization if the employee has so elected.

7 Notwithstanding any other provision of this Article, a
8 participant shall not be eligible to make contributions or
9 receive service credit for a leave of absence for service with
10 a teacher organization if that leave of absence for service
11 with a teacher organization begins on or after the effective
12 date of this amendatory Act of the 97th General Assembly.

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

14 (40 ILCS 5/15-134.5)

15 Sec. 15-134.5. Retirement program elections.

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

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

1 in with respect to all periods of covered employment occurring
2 on and after the effective date of the employee's election. The
3 retirement program election made by an eligible employee must
4 be made in writing, in the manner prescribed by the System, and
5 within the time period described in subsection (d) or (d-1).

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

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

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

1 plan as alternatives to the traditional benefit package but not
2 on or after the effective date of this amendatory Act of the
3 97th General Assembly. A newly eligible employee participates
4 in the traditional benefit package until he or she makes an
5 election to participate in the portable benefit package or the
6 self-managed plan. If an employee does not elect to participate
7 in the portable benefit package or the self-managed plan, he or
8 she shall continue to participate in the traditional benefit
9 package by default.

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

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

25 A newly eligible employee must make this election within 6
26 months after the date on which the System receives the report

1 of status certification from the employer. If an employee
2 elects to participate in the self-managed plan, no employer
3 contributions shall be remitted to the self-managed plan when
4 the employee's account balance transfer is made. Employer
5 contributions to the self-managed plan shall commence as of the
6 first pay period that begins after the System receives the
7 employee's election.

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

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

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

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

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

20 (40 ILCS 5/15-134.6 new)

21 Sec. 15-134.6. Election by Tier I employees and Tier I
22 retirees.

23 (a) Each Tier I employee shall make an irrevocable election
24 either:

25 (1) to agree to the following:

1 (i) to have the amount of the automatic annual
2 increases in his or her retirement annuity that are
3 otherwise provided for in this Article calculated,
4 instead, as provided in subsection (d-1) of Section
5 15-136; and

6 (ii) to have his or her eligibility for automatic
7 annual increases in retirement annuity postponed as
8 provided in subsection (d-2) of Section 15-136; 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) shall be
12 made by each Tier I employee no earlier than January 1, 2013
13 and no later than May 31, 2013, except that:

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

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

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

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

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

7 (1) to agree to the following:

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

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

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

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

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

25 (ii) a person who made the election under subsection
26 (a) as a Tier I employee remains bound by that election and

1 shall not make a later election under this subsection
2 (a-5).

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

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

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

24 As adequate and legal consideration provided under this
25 amendatory Act of the 97th General Assembly for making the
26 election under paragraph (1) of subsection (a-5) of this

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

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

24 A Tier I retiree who makes the election under paragraph (2)
25 of subsection (a-5) of this Section shall not be subject to
26 items (i) and (ii) set forth in paragraph (1) of subsection

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

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

24 Tier I employees and Tier I retirees who are subject to
25 this Section shall be provided with an election packet
26 containing information regarding their options, as well as the

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

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

20 The System shall coordinate with the Illinois Department of
21 Central Management Services and each other retirement system
22 administering an election in accordance with this amendatory
23 Act of the 97th General Assembly to provide information
24 concerning the impact of the election under this Section.

25 In no event shall the System, its staff, or the Board be
26 held liable for any information given to a member, beneficiary,

1 or annuitant regarding the elections under this Section.

2 (e) Notwithstanding any other provision of law, an employer
3 under this Article is required to offer any future increases in
4 income expressly and irrevocably as not constituting
5 "earnings" under Section 15-111 to any Tier I employee, or Tier
6 I retiree returning to active service, who has made an election
7 under paragraph (2) or subsection (a) or (a-5) of this Section.

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

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

17 (g) An employee who has made the election under paragraph
18 (1) of subsection (a) or (a-5) of this Section may elect to
19 participate in the optional cash balance plan under Section
20 1-162.

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

24 (h) Qualified Plan Status. No provision of this Section
25 shall be interpreted in a way that would cause the System to
26 cease to be a qualified plan under Section 401(a) of the

1 Internal Revenue Code of 1986.

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

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

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

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

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

24 (i) the normal annuity which can be provided on an
25 actuarially equivalent basis, by the accumulated normal

1 contributions as of the date the annuity begins;

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

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

12 With respect to a police officer or firefighter who retires
13 on or after August 14, 1998, the accumulated normal
14 contributions taken into account under clauses (i) and (ii) of
15 this Rule 2 shall include the additional normal contributions
16 made by the police officer or firefighter under Section
17 15-157(a).

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

26 This amendatory Act of the 91st General Assembly is a

1 clarification of existing law and applies to every participant
2 and annuitant without regard to whether status as an employee
3 terminates before the effective date of this amendatory Act.

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

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

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

1 than 25 years of service as a police officer or firefighter,
2 shall be entitled to a retirement annuity of 2 1/4% of the
3 final rate of earnings for each of the first 10 years of
4 service as a police officer or firefighter, 2 1/2% for each of
5 the next 10 years of service as a police officer or
6 firefighter, and 2 3/4% for each year of service as a police
7 officer or firefighter in excess of 20. The retirement annuity
8 for all other service shall be computed under Rule 1.

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

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

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

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

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

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

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

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

24 In no event shall a retirement annuity under this Rule 5 be
25 lower than the amount obtained by adding (1) the monthly amount
26 obtained by dividing the combined employee and employer

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

7 With respect to a participant who is qualified for a
8 retirement annuity under this Rule 5 whose retirement annuity
9 began before the effective date of this amendatory Act of the
10 91st General Assembly, and for whom an employee contribution
11 was made under Section 15-136.2, the System shall recalculate
12 the retirement annuity under this Rule 5 and shall pay any
13 additional amounts due in the manner provided in Section
14 15-186.1 for benefits mistakenly set too low.

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

23 The General Assembly has adopted the changes set forth in
24 Section 25 of this amendatory Act of the 91st General Assembly
25 in recognition that the decision of the Appellate Court for the
26 Fourth District in *Mattis v. State Universities Retirement*

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

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

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

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

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

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

1 date the retirement annuity is to begin.

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

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

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

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

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

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

17 (d-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 either subsection (a) or (a-5) of
20 Section 15-134.6, the amount of each automatic annual increase
21 in retirement annuity occurring on or after the effective date
22 of that election shall be 3% or one-half of the annual
23 unadjusted percentage increase, if any, in the Consumer Price
24 Index-U for the 12 months ending with the preceding September,
25 whichever is less, of the originally granted retirement
26 annuity. For the purposes of this Section, "Consumer Price

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

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

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

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

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

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

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

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

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

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

22 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

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

24 (a) Except as otherwise provided in this Section, the ~~The~~
25 State of Illinois shall make contributions by appropriations of

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

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

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

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

23 (a-1) For State fiscal years 2012 and 2013 ~~through 2015,~~
24 the minimum contribution to the System to be made by the State
25 for each fiscal year shall be an amount determined by the
26 System to be sufficient to bring the total assets of the System

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

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

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

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

6 Notwithstanding any other provision of this Article, the
7 total required State contribution for State fiscal year 2006 is
8 \$166,641,900.

9 Notwithstanding any other provision of this Article, the
10 total required State contribution for State fiscal year 2007 is
11 \$252,064,100.

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

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

1 applicable.

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

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 Section
7 15-165, 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 (a-3) If at least 50% of Tier I employees making an
3 election under Section 15-134.6 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 (a-1) of this Section,
7 the State contributions specified in subsection (a-5) 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 (a-5) of this Section applies. If fewer than 50% of
13 Tier I employees making an election under Section 15-134.6
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 (a-5) of this Section, the State contributions
18 specified in subsection (a-1) 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 (a-5) 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 (a-10) Subject to the limitations provided in subsection
16 (a-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 (g) of this Section are in addition to the
7 contributions required under this subsection (a-10).

8 (a-15) For State fiscal year 2014, the required
9 contribution of employers under item (i) of subsection (a-10)
10 shall be reduced to an amount equal to 0.6% 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 (a-10) the full amount actually
14 specified by item (i) of subsection (a-10), the required
15 contribution of employers under item (i) of subsection (a-10)
16 shall be the percentage of payroll required under this
17 subsection from the previous fiscal year increased by 0.6% of
18 payroll for each of State fiscal years 2015 through 2024, and
19 increased by 0.5% of payroll for each State fiscal year after
20 2024.

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

25 (a-20) Beginning in State fiscal year 2015 and continuing
26 until the Board determines and certifies to the Governor that

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

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

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

1 are considered to be trust funds for the purpose of this
2 Article.

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

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

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

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

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

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

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

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

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

24 The employer contributions required under this subsection
25 (g) ~~(f)~~ may be paid in the form of a lump sum within 90 days
26 after receipt of the bill. If the employer contributions are

1 not paid within 90 days after receipt of the bill, then
2 interest will be charged at a rate equal to the System's annual
3 actuarially assumed rate of return on investment compounded
4 annually from the 91st day after receipt of the bill. Payments
5 must be concluded within 3 years after the employer's receipt
6 of the bill.

7 (h) This subsection (h) 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 (g), the System shall exclude earnings increases paid to
14 participants under contracts or collective bargaining
15 agreements entered into, amended, or renewed before June 1,
16 2005.

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

21 When assessing payment for any amount due under subsection
22 (g), the System shall exclude earnings increases resulting from
23 overload work, including a contract for summer teaching, or
24 overtime when the employer has certified to the System, and the
25 System has approved the certification, that: (i) in the case of
26 overloads (A) the overload work is for the sole purpose of

1 academic instruction in excess of the standard number of
2 instruction hours for a full-time employee occurring during the
3 academic year that the overload is paid and (B) the earnings
4 increases are equal to or less than the rate of pay for
5 academic instruction computed using the participant's current
6 salary rate and work schedule; and (ii) in the case of
7 overtime, the overtime was necessary for the educational
8 mission.

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

23 (i) When assessing payment for any amount due under
24 subsection (g), the System shall exclude any salary increase
25 described in subsection (h) of this Section given on or after
26 July 1, 2011 but before July 1, 2014 under a contract or

1 collective bargaining agreement entered into, amended, or
2 renewed on or after June 1, 2005 but before July 1, 2011.
3 Notwithstanding any other provision of this Section, any
4 payments made or salary increases given after June 30, 2014
5 shall be used in assessing payment for any amount due under
6 subsection (g) of this Section.

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

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

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

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

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

22 (k) The Illinois Community College Board shall adopt rules
23 for recommending lists of promotional positions submitted to
24 the Board by community colleges and for reviewing the
25 promotional lists on an annual basis. When recommending
26 promotional lists, the Board shall consider the similarity of

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

11 (l) 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 (m) 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 (n) If the System submits a voucher for monthly

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

17 Any payments required to be made by the State pursuant to
18 an action commenced under this subsection are expressly
19 subordinated to the payment of the principal, interest, and
20 premium, if any, on any bonded debt obligation of the State or
21 any other State-created entity, either currently outstanding
22 or to be issued, for which the source of repayment or security
23 thereon is derived directly or indirectly from tax revenues
24 collected by the State or any other State-created entity.
25 Payments on such bonded obligations include any statutory fund
26 transfers or other prefunding mechanisms or formulas set forth,

1 now or hereafter, in State law or bond indentures, into debt
2 service funds or accounts of the State related to such bonded
3 obligations, consistent with the payment schedules associated
4 with such obligations.

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

8 (40 ILCS 5/15-155.1 new)

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

10 (a) If any employer fails to transmit to the System
11 contributions required of it under this Article or
12 contributions collected by it from its participating employees
13 for the purposes of this Article for more than 90 days after
14 the payment of such contributions is due, then the System,
15 after giving notice to that employer, may certify to the State
16 Comptroller the amounts of the delinquent payments, and the
17 Comptroller shall deduct the amounts so certified or any part
18 thereof from any payments or grants of State funds to the
19 employer and shall pay the amounts so deducted to the System.
20 If State funds from which such deductions may be made are not
21 available, the System may proceed against the employer to
22 recover the amounts of the delinquent payments in the
23 appropriate circuit court.

24 (b) If any employer fails to transmit to the System
25 contributions required of it under this Article or

1 contributions collected by it from its participating employees
2 for the purposes of this Article for more than 90 days after
3 the payment of the contributions is due, the System, after
4 giving notice to the employer, may certify the amounts of the
5 delinquent payments to the county treasurer of any county in
6 which the employer is located, who shall deduct the amounts so
7 certified or any part thereof from the amounts collected from
8 any tax levied by the employer and shall pay the amount so
9 deducted to the System.

10 (c) If reports furnished to the System by the employer
11 involved are inadequate for the computation of the amounts of
12 any payments, the System may provide for such audit of the
13 records of the employer as may be required to establish the
14 amounts of the delinquent payments. The employer shall make its
15 records available to the System for the purpose of the audit.
16 The cost of the audit shall be added to the amount of the
17 payments and shall be recovered by the System from the employer
18 at the same time and in the same manner as the payments are
19 recovered.

20 (40 ILCS 5/15-155.2 new)

21 Sec. 15-155.2. 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 (a-10) of Section
25 15-155. 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 (a-10) of
4 Section 15-155, (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 (a-10) of Section 15-155, the System shall determine (i) a
11 blended rate of total normal cost that is applicable to
12 contributions made by the University of Illinois, Southern
13 Illinois University, Chicago State University, Eastern
14 Illinois University, Governors State University, Illinois
15 State University, Northeastern Illinois University, Northern
16 Illinois University, and Western Illinois University, (ii) a
17 blended rate of total normal cost that is applicable to
18 contributions made by each community college board, and (iii) a
19 rate equal to the total normal cost of the System that is
20 applicable to employers other than those listed under item (i)
21 or (ii).

22 (c) An employer may make written application with the Board
23 to have a separate rate of total normal cost determined for the
24 employer. Upon receiving the written application from an
25 employer, the Board may determine a total rate of normal cost
26 for the employer. The employer shall be responsible for any

1 cost incurred in making the determination of total normal cost.

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

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

13 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

14 Sec. 15-157. Employee Contributions.

15 (a) Each participating employee shall make contributions
16 towards the retirement benefits payable under the retirement
17 program applicable to the employee from each payment of
18 earnings applicable to employment under this system on and
19 after the date of becoming a participant as follows: Prior to
20 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
21 to August 31, 1955, 5%; from September 1, 1955 to August 31,
22 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
23 are to be considered as normal contributions for purposes of
24 this Article.

25 Each participant who is a police officer or firefighter

1 shall make normal contributions of 8% of each payment of
2 earnings applicable to employment as a police officer or
3 firefighter under this system on or after September 1, 1981,
4 unless he or she files with the board within 60 days after the
5 effective date of this amendatory Act of 1991 or 60 days after
6 the board receives notice that he or she is employed as a
7 police officer or firefighter, whichever is later, a written
8 notice waiving the retirement formula provided by Rule 4 of
9 Section 15-136. This waiver shall be irrevocable. If a
10 participant had met the conditions set forth in Section
11 15-132.1 prior to the effective date of this amendatory Act of
12 1991 but failed to make the additional normal contributions
13 required by this paragraph, he or she may elect to pay the
14 additional contributions plus compound interest at the
15 effective rate. If such payment is received by the board, the
16 service shall be considered as police officer service in
17 calculating the retirement annuity under Rule 4 of Section
18 15-136. While performing service described in clause (i) or
19 (ii) of Rule 4 of Section 15-136, a participating employee
20 shall be deemed to be employed as a firefighter for the purpose
21 of determining the rate of employee contributions under this
22 Section.

23 (a-1) Notwithstanding any other provision of this Section,
24 an employee who participates in the cash balance plan under
25 Section 1-161 shall pay to the System for the purpose of
26 participating in the cash balance plan 8% of each payment of

1 earnings while he or she is a participant in the cash balance
2 plan. Each participant who is a police officer or firefighter
3 who participates in the cash balance plan under Section 1-161
4 shall pay to the System for the purpose of participating in the
5 cash balance plan 9.5% of each payment of earnings while he or
6 she is participant in the cash balance plan. Employee
7 contributions required under subsections (a), (b), and (c) of
8 this Section shall not apply to an employee who participates in
9 the cash balance plan under Section 1-161.

10 (a-2) In addition to the contributions required under
11 either subsections (a), (b), and (c) or subsection (a-1), an
12 employee who elects to participate in the optional cash balance
13 plan under Section 1-162 shall pay to the System for the
14 purpose of participating in the optional cash balance plan a
15 contribution of 2% of each payment of earnings received while
16 he or she is a participant in the optional cash balance plan.
17 These contributions shall not be used for the purpose of
18 determining any benefit under this Article except as provided
19 in the optional cash balance plan.

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

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

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

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

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

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

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

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

17 (40 ILCS 5/15-158.2)

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

19 (a) Purpose. The General Assembly finds that it is
20 important for colleges and universities to be able to attract
21 and retain the most qualified employees and that in order to
22 attract and retain these employees, colleges and universities
23 should have the flexibility to provide a defined contribution
24 plan as an alternative for eligible employees who elect not to
25 participate in a defined benefit retirement program provided

1 under this Article. Accordingly, the State Universities
2 Retirement System is hereby authorized to establish and
3 administer a self-managed plan, which shall offer
4 participating employees who became participating employees
5 before the effective date of this amendatory Act of the 97th
6 General Assembly the opportunity to accumulate assets for
7 retirement through a combination of employee and employer
8 contributions that may be invested in mutual funds, collective
9 investment funds, or other investment products and used to
10 purchase annuity contracts, either fixed or variable or a
11 combination thereof. The plan must be qualified under the
12 Internal Revenue Code of 1986.

13 (b) Adoption by employers. Each employer subject to this
14 Article may elect to adopt the self-managed plan established
15 under this Section until the effective date of this amendatory
16 Act of the 97th General Assembly; this election is irrevocable.
17 An employer's election to adopt the self-managed plan makes
18 available to the eligible employees of that employer the
19 elections described in Section 15-134.5.

20 The State Universities Retirement System shall be the plan
21 sponsor for the self-managed plan and shall prepare a plan
22 document and prescribe such rules and procedures as are
23 considered necessary or desirable for the administration of the
24 self-managed plan. Consistent with its fiduciary duty to the
25 participants and beneficiaries of the self-managed plan, the
26 Board of Trustees of the System may delegate aspects of plan

1 administration as it sees fit to companies authorized to do
2 business in this State, to the employers, or to a combination
3 of both.

4 (c) Selection of service providers and funding vehicles.

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

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

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

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

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

23 (5) the efficacy of the contract in the recruitment and
24 retention of employees.

25 The System, in consultation with the employers, shall
26 periodically review each approved company. A company may

1 continue to provide administrative services and funding
2 vehicles for the self-managed plan only so long as it continues
3 to be an approved company under contract with the Board.

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

15 (e) Participation. An employee eligible to participate in
16 the self-managed plan must make a written election in
17 accordance with the provisions of Section 15-134.5 and the
18 procedures established by the System. Participation in the
19 self-managed plan by an electing employee shall begin on the
20 first day of the first pay period following the later of the
21 date the employee's election is filed with the System or the
22 effective date as of which the employee's employer begins to
23 offer participation in the self-managed plan. Employers may not
24 make the self-managed plan available earlier than January 1,
25 1998. An employee's participation in any other retirement
26 program administered by the System under this Article shall

1 terminate on the date that participation in the self-managed
2 plan begins.

3 An employee who has elected to participate in the
4 self-managed plan under this Section must continue
5 participation while employed in an eligible position, and may
6 not participate in any other retirement program administered by
7 the System under this Article while employed by that employer
8 or any other employer that has adopted the self-managed plan,
9 unless the self-managed plan is terminated in accordance with
10 subsection (i).

11 Participation in the self-managed plan under this Section
12 shall constitute membership in the State Universities
13 Retirement System.

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

16 (f) Establishment of Initial Account Balance. If at the
17 time an employee elects to participate in the self-managed plan
18 he or she has rights and credits in the System due to previous
19 participation in the traditional benefit package, the System
20 shall establish for the employee an opening account balance in
21 the self-managed plan, equal to the amount of contribution
22 refund that the employee would be eligible to receive under
23 Section 15-154 if the employee terminated employment on that
24 date and elected a refund of contributions, except that this
25 hypothetical refund shall include interest at the effective
26 rate for the respective years. The System shall transfer assets

1 from the defined benefit retirement program to the self-managed
2 plan, as a tax free transfer in accordance with Internal
3 Revenue Service guidelines, for purposes of funding the
4 employee's opening account balance.

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

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

15 The contribution rate for employees participating in the
16 self-managed plan under this Section shall be equal to the
17 employee contribution rate for other participants in the
18 System, as provided in Section 15-157. This required
19 contribution shall be made as an "employer pick-up" under
20 Section 414(h) of the Internal Revenue Code of 1986 or any
21 successor Section thereof. Any employee participating in the
22 System's traditional benefit package prior to his or her
23 election to participate in the self-managed plan shall continue
24 to have the employer pick up the contributions required under
25 Section 15-157. However, the amounts picked up after the
26 election of the self-managed plan shall be remitted to and

1 treated as assets of the self-managed plan. In no event shall
2 an employee have an option of receiving these amounts in cash.
3 Employees may make additional contributions to the
4 self-managed plan in accordance with procedures prescribed by
5 the System, to the extent permitted under rules prescribed by
6 the System.

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

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

22 The State of Illinois shall make contributions by
23 appropriations to the System of the employer contributions
24 required for employees who participate in the self-managed plan
25 under this Section. The amount required shall be certified by
26 the Board of Trustees of the System and paid by the State in

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

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

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

26 (1) completion of 5 years of service with an employer described

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

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

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

23 If an employee who is not vested in employer contributions
24 terminates employment, the employee shall be entitled to a
25 benefit based solely on the account values attributable to the
26 employee's contributions and any investment return thereon,

1 and the employer contributions and any investment return
2 thereon shall be forfeited. Any employer contributions which
3 are forfeited shall be held in escrow by the company investing
4 those contributions and shall be used as directed by the System
5 for future allocations of employer contributions or for the
6 restoration of amounts previously forfeited by former
7 participants who again become participating employees.

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

9 (40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

10 Sec. 15-159. Board created.

11 (a) A board of trustees constituted as provided in this
12 Section shall administer this System. The board shall be known
13 as the Board of Trustees of the State Universities Retirement
14 System.

15 (b) Until July 1, 1995, the Board of Trustees shall be
16 constituted as follows:

17 Two trustees shall be members of the Board of Trustees of
18 the University of Illinois, one shall be a member of the Board
19 of Trustees of Southern Illinois University, one shall be a
20 member of the Board of Trustees of Chicago State University,
21 one shall be a member of the Board of Trustees of Eastern
22 Illinois University, one shall be a member of the Board of
23 Trustees of Governors State University, one shall be a member
24 of the Board of Trustees of Illinois State University, one
25 shall be a member of the Board of Trustees of Northeastern

1 Illinois University, one shall be a member of the Board of
2 Trustees of Northern Illinois University, one shall be a member
3 of the Board of Trustees of Western Illinois University, and
4 one shall be a member of the Illinois Community College Board,
5 selected in each case by their respective boards, and 2 shall
6 be participants of the system appointed by the Governor for a 6
7 year term with the first appointment made pursuant to this
8 amendatory Act of 1984 to be effective September 1, 1985, and
9 one shall be a participant appointed by the Illinois Community
10 College Board for a 6 year term, and one shall be a participant
11 appointed by the Board of Trustees of the University of
12 Illinois for a 6 year term, and one shall be a participant or
13 annuitant of the system who is a senior citizen age 60 or older
14 appointed by the Governor for a 6 year term with the first
15 appointment to be effective September 1, 1985.

16 The terms of all trustees holding office under this
17 subsection (b) on June 30, 1995 shall terminate at the end of
18 that day and the Board shall thereafter be constituted as
19 provided in subsection (c).

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

22 The Board shall consist of 9 trustees appointed by the
23 Governor. Two of the trustees, designated at the time of
24 appointment, shall be participants of the System. Two of the
25 trustees, designated at the time of appointment, shall be
26 annuitants of the System who are receiving retirement annuities

1 under this Article. The 5 remaining trustees may, but need not,
2 be participants or annuitants of the System.

3 The term of office of trustees appointed under this
4 subsection (c) shall be 6 years, beginning on July 1. However,
5 of the initial trustees appointed under this subsection (c), 3
6 shall be appointed for terms of 2 years, 3 shall be appointed
7 for terms of 4 years, and 3 shall be appointed for terms of 6
8 years, to be designated by the Governor at the time of
9 appointment.

10 The terms of all trustees holding office under this
11 subsection (c) on the effective date of this amendatory Act of
12 the 96th General Assembly shall terminate on that effective
13 date. The Governor shall make nominations for appointment under
14 this Section within 60 days after the effective date of this
15 amendatory Act of the 96th General Assembly. A trustee sitting
16 on the board on the effective date of this amendatory Act of
17 the 96th General Assembly may not hold over in office for more
18 than 90 days after the effective date of this amendatory Act of
19 the 96th General Assembly. Nothing in this Section shall
20 prevent the Governor from making a temporary appointment or
21 nominating a trustee holding office on the day before the
22 effective date of this amendatory Act of the 96th General
23 Assembly.

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

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

3 (2) Two ~~Four~~ trustees appointed by the Governor with
4 the advice and consent of the Senate who may not be members
5 of the system or hold an elective State office and who
6 shall serve for a term of 6 years, except that the terms of
7 the initial appointees under this subsection (d) shall be
8 as follows: 1 ~~2~~ for a term of 3 years and 1 ~~2~~ for a term of
9 6 years.

10 (3) Four active participants of the system to be
11 elected from the contributing membership of the system by
12 the contributing members, no more than 2 of which may be
13 from any of the University of Illinois campuses, who shall
14 serve for a term of 6 years, except that the terms of the
15 initial electees shall be as follows: 2 for a term of 3
16 years and 2 for a term of 6 years.

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

24 (5) One trustee to be elected by the trustees of the
25 boards of trustees of community colleges in the State who
26 is not a participant in the System.

1 (6) One trustee who serves as a trustee on the board of
2 trustees of a public institution of higher education, as
3 defined in Section 1 of the Board of Higher Education Act,
4 to be elected by the trustees of public institutions of
5 higher education and who is not a participant in the
6 System.

7 The 2 positions created by this amendatory Act of the 97th
8 General Assembly shall be filled as soon as practicable by
9 appointment of the Board, and the persons so appointed shall
10 serve until such time as the System can conduct elections to
11 fill those positions.

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

15 (e) The 6 elected trustees shall be elected within 90 days
16 after the effective date of this amendatory Act of the 96th
17 General Assembly for a term beginning on the 90th day after the
18 effective date of this amendatory Act. Trustees shall be
19 elected thereafter as terms expire for a 6-year term beginning
20 July 15 next following their election, and such election shall
21 be held on May 1, or on May 2 when May 1 falls on a Sunday. The
22 board may establish rules for the election of trustees to
23 implement the provisions of this amendatory Act of the 96th
24 General Assembly and for future elections. Candidates for the
25 participating trustee shall be nominated by petitions in
26 writing, signed by not less than 400 participants with their

1 addresses shown opposite their names. Candidates for the
2 annuitant trustee shall be nominated by petitions in writing,
3 signed by not less than 100 annuitants with their addresses
4 shown opposite their names. If there is more than one qualified
5 nominee for each elected trustee, then the board shall conduct
6 a secret ballot election by mail for that trustee, in
7 accordance with rules as established by the board. If there is
8 only one qualified person nominated by petition for each
9 elected trustee, then the election as required by this Section
10 shall not be conducted for that trustee and the board shall
11 declare such nominee duly elected. A vacancy occurring in the
12 elective membership of the board shall be filled for the
13 unexpired term by the elected trustees serving on the board for
14 the remainder of the term.

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

19 (g) Trustees (other than the trustees incumbent on June 30,
20 1995 or as provided in subsection (c) of this Section) shall
21 continue in office until their respective successors are
22 appointed and have qualified, except that a trustee appointed
23 to one of the participant positions shall be disqualified
24 immediately upon the termination of his or her status as a
25 participant and a trustee appointed to one of the annuitant
26 positions shall be disqualified immediately upon the

1 termination of his or her status as an annuitant receiving a
2 retirement annuity.

3 (h) Each trustee must take an oath of office before a
4 notary public of this State and shall qualify as a trustee upon
5 the presentation to the board of a certified copy of the oath.
6 The oath must state that the person will diligently and
7 honestly administer the affairs of the retirement system, and
8 will not knowingly violate or wilfully permit to be violated
9 any provisions of this Article.

10 Each trustee shall serve without compensation but shall be
11 reimbursed for expenses necessarily incurred in attending
12 board meetings and carrying out his or her duties as a trustee
13 or officer of the system.

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

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

17 (40 ILCS 5/15-163) (from Ch. 108 1/2, par. 15-163)

18 Sec. 15-163. To consider applications and authorize
19 payments.

20 To consider and pass on all certifications of employment
21 and applications for annuities and benefits; to authorize the
22 granting of annuities and benefits; and to limit or suspend any
23 payment or payments, all in accordance with this Article.

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

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

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

3 (a) The Board shall certify to the Governor on or before
4 November 15 of each year through ~~until~~ November 15, 2011 the
5 appropriation required from State funds for the purposes of
6 this System for the following fiscal year. The certification
7 under this subsection (a) shall include a copy of the actuarial
8 recommendations upon which it is based ~~and shall specifically~~
9 ~~identify the System's projected State normal cost for that~~
10 ~~fiscal year and the projected State cost for the self managed~~
11 ~~plan for that fiscal year.~~

12 On or before May 1, 2004, the Board shall recalculate and
13 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 (a-5) On or before November 1 of each year, beginning
4 November 1, 2012, the Board shall submit to the State Actuary,
5 the Governor, and the General Assembly a proposed certification
6 of the amount of the required State contribution to the System
7 for the next fiscal year, along with all of the actuarial
8 assumptions, calculations, and data upon which that proposed
9 certification is based. On or before January 1 of each year,
10 beginning January 1, 2013, the State Actuary shall issue a
11 preliminary report concerning the proposed certification and
12 identifying, if necessary, recommended changes in actuarial
13 assumptions that the Board must consider before finalizing its
14 certification of the required State contributions.

15 On or before January 15, 2013 and each January 15
16 thereafter, the Board shall certify to the Governor and the
17 General Assembly the amount of the required State contribution
18 for the next fiscal year. The certification shall include a
19 copy of the actuarial recommendations upon which it is based
20 and shall specifically identify the System's projected State
21 normal cost for that fiscal year and the projected State cost
22 for the self-managed plan for that fiscal year. The Board's
23 certification must note, in a written response to the State
24 Actuary, any deviations from the State Actuary's recommended
25 changes, the reason or reasons for not following the State
26 Actuary's recommended changes, and the fiscal impact of not

1 following the State Actuary's recommended changes on the
2 required State contribution.

3 (b) The Board shall certify to the State Comptroller or
4 employer, as the case may be, from time to time, by its
5 president and secretary, with its seal attached, the amounts
6 payable to the System from the various funds.

7 (c) Beginning in State fiscal year 1996, on or as soon as
8 possible after the 15th day of each month the Board shall
9 submit vouchers for payment of State contributions to the
10 System, in a total monthly amount of one-twelfth of the
11 required annual State contribution certified under subsection
12 (a). From the effective date of this amendatory Act of the 93rd
13 General Assembly through June 30, 2004, the Board shall not
14 submit vouchers for the remainder of fiscal year 2004 in excess
15 of the fiscal year 2004 certified contribution amount
16 determined under this Section after taking into consideration
17 the transfer to the System under subsection (b) of Section
18 6z-61 of the State Finance Act. These vouchers shall be paid by
19 the State Comptroller and Treasurer by warrants drawn on the
20 funds appropriated to the System for that fiscal year.

21 If in any month the amount remaining unexpended from all
22 other appropriations to the System for the applicable fiscal
23 year (including the appropriations to the System under Section
24 8.12 of the State Finance Act and Section 1 of the State
25 Pension Funds Continuing Appropriation Act) is less than the
26 amount lawfully vouchered under this Section, the difference

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

4 (d) So long as the payments received are the full amount
5 lawfully vouchered under this Section, payments received by the
6 System under this Section shall be applied first toward the
7 employer contribution to the self-managed plan established
8 under Section 15-158.2. Payments shall be applied second toward
9 the employer's portion of the normal costs of the System, as
10 defined in subsection (f) of Section 15-155. The balance shall
11 be applied toward the unfunded actuarial liabilities of the
12 System.

13 (e) In the event that the System does not receive, as a
14 result of legislative enactment or otherwise, payments
15 sufficient to fully fund the employer contribution to the
16 self-managed plan established under Section 15-158.2 and to
17 fully fund that portion of the employer's portion of the normal
18 costs of the System, as calculated in accordance with Section
19 15-155(a-1), then any payments received shall be applied
20 proportionately to the optional retirement program established
21 under Section 15-158.2 and to the employer's portion of the
22 normal costs of the System, as calculated in accordance with
23 Section 15-155(a-1).

24 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;
25 97-694, eff. 6-18-12.)

1 (40 ILCS 5/15-198)

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

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

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

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

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

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

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

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

1 benefit increase was in effect.

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

3 (40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

4 Sec. 16-106. Teacher. "Teacher": The following
5 individuals, provided that, for employment prior to July 1,
6 1990, they are employed on a full-time basis, or if not
7 full-time, on a permanent and continuous basis in a position in
8 which services are expected to be rendered for at least one
9 school term:

10 (1) Any educational, administrative, professional or
11 other staff employed in the public common schools included
12 within this system in a position requiring certification
13 under the law governing the certification of teachers;

14 (2) Any educational, administrative, professional or
15 other staff employed in any facility of the Department of
16 Children and Family Services or the Department of Human
17 Services, in a position requiring certification under the
18 law governing the certification of teachers, and any person
19 who (i) works in such a position for the Department of
20 Corrections, (ii) was a member of this System on May 31,
21 1987, and (iii) did not elect to become a member of the
22 State Employees' Retirement System pursuant to Section
23 14-108.2 of this Code; except that "teacher" does not
24 include any person who (A) becomes a security employee of
25 the Department of Human Services, as defined in Section

1 14-110, after June 28, 2001 (the effective date of Public
2 Act 92-14), or (B) becomes a member of the State Employees'
3 Retirement System pursuant to Section 14-108.2c of this
4 Code;

5 (3) Any regional superintendent of schools, assistant
6 regional superintendent of schools, State Superintendent
7 of Education; any person employed by the State Board of
8 Education as an executive; any executive of the boards
9 engaged in the service of public common school education in
10 school districts covered under this system of which the
11 State Superintendent of Education is an ex-officio member;

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

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

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

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

24 (6) Any educational, administrative, professional or
25 other staff employed by and under the supervision and
26 control of a regional superintendent of schools, provided

1 such employment position requires the person to be
2 certificated under the law governing the certification of
3 teachers and is in an educational program serving 2 or more
4 districts in accordance with a joint agreement authorized
5 by the School Code or by federal legislation;

6 (7) Any educational, administrative, professional or
7 other staff employed in an educational program serving 2 or
8 more school districts in accordance with a joint agreement
9 authorized by the School Code or by federal legislation and
10 in a position requiring certification under the laws
11 governing the certification of teachers;

12 (8) Any officer or employee of a statewide teacher
13 organization or officer of a national teacher organization
14 who is certified under the law governing certification of
15 teachers, provided: (i) the individual had previously
16 established creditable service under this Article, (ii)
17 the individual files with the system an irrevocable
18 election to become a member before the effective date of
19 this amendatory Act of the 97th General Assembly, (iii) the
20 individual does not receive credit for such service under
21 any other Article of this Code, and (iv) the individual
22 first became an officer or employee of the teacher
23 organization and becomes a member before the effective date
24 of this amendatory Act of the 97th General Assembly;

25 (9) Any educational, administrative, professional, or
26 other staff employed in a charter school operating in

1 compliance with the Charter Schools Law who is certificated
2 under the law governing the certification of teachers.

3 (10) Any person employed, on the effective date of this
4 amendatory Act of the 94th General Assembly, by the
5 Macon-Piatt Regional Office of Education in a
6 birth-through-age-three pilot program receiving funds
7 under Section 2-389 of the School Code who is required by
8 the Macon-Piatt Regional Office of Education to hold a
9 teaching certificate, provided that the Macon-Piatt
10 Regional Office of Education makes an election, within 6
11 months after the effective date of this amendatory Act of
12 the 94th General Assembly, to have the person participate
13 in the system. Any service established prior to the
14 effective date of this amendatory Act of the 94th General
15 Assembly for service as an employee of the Macon-Piatt
16 Regional Office of Education in a birth-through-age-three
17 pilot program receiving funds under Section 2-389 of the
18 School Code shall be considered service as a teacher if
19 employee and employer contributions have been received by
20 the system and the system has not refunded those
21 contributions.

22 An annuitant receiving a retirement annuity under this
23 Article or under Article 17 of this Code who is employed by a
24 board of education or other employer as permitted under Section
25 16-118 or 16-150.1 is not a "teacher" for purposes of this
26 Article. A person who has received a single-sum retirement

1 benefit under Section 16-136.4 of this Article is not a
2 "teacher" for purposes of this Article.

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

4 (40 ILCS 5/16-106.4 new)

5 Sec. 16-106.4. Tier I employee. "Tier I employee": A
6 teacher under this Article who first became a member or
7 participant before January 1, 2011 under any reciprocal
8 retirement system or pension fund established under this Code
9 other than a retirement system or pension fund established
10 under Article 2, 3, 4, 5, 6, or 18 of this Code.

11 (40 ILCS 5/16-106.5 new)

12 Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former
13 Tier I employee who is receiving a retirement annuity.

14 (40 ILCS 5/16-106.6 new)

15 Sec. 16-106.6. Teacher certification. For purposes of this
16 Article, a teacher shall be deemed to be certificated if he or
17 she is required to be licensed by the Illinois State Board of
18 Education. A person employed as a paraprofessional educator
19 shall not be deemed to be certificated for the purposes of this
20 Section.

21 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

22 Sec. 16-121. Salary. "Salary": The actual compensation

1 received by a teacher during any school year and recognized by
2 the system in accordance with rules of the board. For purposes
3 of this Section, "school year" includes the regular school term
4 plus any additional period for which a teacher is compensated
5 and such compensation is recognized by the rules of the board.
6 Notwithstanding any other provision of this Section, "salary"
7 does not include any future increase in income offered by an
8 employer under this Article pursuant to the requirements of
9 subsection (c) of Section 16-131.7 that is accepted by a Tier I
10 employee, or a Tier I retiree returning to active service, who
11 has made an election under paragraph (2) of subsection (a) or
12 (a-5) of Section 16-131.7.

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

14 (40 ILCS 5/16-121.1 new)

15 Sec. 16-121.1. Future increase in income. "Future increase
16 in income": Any increase in income in any form offered by an
17 employer to a teacher under this Article after June 30, 2013
18 that would qualify as "salary", as defined under Section
19 14-103.10, but for the fact that the employer offered the
20 increase in income to the teacher on the condition that it not
21 qualify as salary and the teacher accepted the increase in
22 income subject to that condition. The term "future increase in
23 income" does not include an increase in income in any form that
24 is paid to a Tier I employee under an employment contract or
25 collective bargaining agreement that is in effect on the

1 effective date of this Section but does include an increase in
2 income in any form pursuant to an extension, amendment, or
3 renewal of any such employment contract or collective
4 bargaining agreement on or after the effective date of this
5 amendatory Act of the 97th General Assembly.

6 (40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

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

8 (a) Each member shall receive regular credit for all
9 service as a teacher from the date membership begins, for which
10 satisfactory evidence is supplied and all contributions have
11 been paid.

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

16 (1) Prior service as a teacher.

17 (2) Service in a capacity essentially similar or
18 equivalent to that of a teacher, in the public common
19 schools in school districts in this State not included
20 within the provisions of this System, or of any other
21 State, territory, dependency or possession of the United
22 States, or in schools operated by or under the auspices of
23 the United States, or under the auspices of any agency or
24 department of any other State, and service during any
25 period of professional speech correction or special

1 education experience for a public agency within this State
2 or any other State, territory, dependency or possession of
3 the United States, and service prior to February 1, 1951 as
4 a recreation worker for the Illinois Department of Public
5 Safety, for a period not exceeding the lesser of 2/5 of the
6 total creditable service of the member or 10 years. The
7 maximum service of 10 years which is allowable under this
8 paragraph shall be reduced by the service credit which is
9 validated by other retirement systems under paragraph (i)
10 of Section 15-113 and paragraph 1 of Section 17-133. Credit
11 granted under this paragraph may not be used in
12 determination of a retirement annuity or disability
13 benefits unless the member has at least 5 years of
14 creditable service earned subsequent to this employment
15 with one or more of the following systems: Teachers'
16 Retirement System of the State of Illinois, State
17 Universities Retirement System, and the Public School
18 Teachers' Pension and Retirement Fund of Chicago. Whenever
19 such service credit exceeds the maximum allowed for all
20 purposes of this Article, the first service rendered in
21 point of time shall be considered. The changes to this
22 subdivision (b)(2) made by Public Act 86-272 shall apply
23 not only to persons who on or after its effective date
24 (August 23, 1989) are in service as a teacher under the
25 System, but also to persons whose status as such a teacher
26 terminated prior to such effective date, whether or not

1 such person is an annuitant on that date.

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

18 The changes to this Section and Section 16-128 relating
19 to military service made by P.A. 87-794 shall apply not
20 only to persons who on or after its effective date are in
21 service as a teacher under the System, but also to persons
22 whose status as a teacher terminated prior to that date,
23 whether or not the person is an annuitant on that date. In
24 the case of an annuitant who applies for credit allowable
25 under this Section for a period of military service that
26 did not immediately follow employment, and who has made the

1 required contributions for such credit, the annuity shall
2 be recalculated to include the additional service credit,
3 with the increase taking effect on the date the System
4 received written notification of the annuitant's intent to
5 purchase the credit, if payment of all the required
6 contributions is made within 60 days of such notice, or
7 else on the first annuity payment date following the date
8 of payment of the required contributions. In calculating
9 the automatic annual increase for an annuity that has been
10 recalculated under this Section, the increase attributable
11 to the additional service allowable under P.A. 87-794 shall
12 be included in the calculation of automatic annual
13 increases accruing after the effective date of the
14 recalculation.

15 Credit for military service shall be determined as
16 follows: if entry occurs during the months of July, August,
17 or September and the member was a teacher at the end of the
18 immediately preceding school term, credit shall be granted
19 from July 1 of the year in which he or she entered service;
20 if entry occurs during the school term and the teacher was
21 in teaching service at the beginning of the school term,
22 credit shall be granted from July 1 of such year. In all
23 other cases where credit for military service is allowed,
24 credit shall be granted from the date of entry into the
25 service.

26 The total period of military service for which credit

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

15 (4) Any periods served as a member of the General
16 Assembly.

17 (5) (i) Any periods for which a teacher, as defined in
18 Section 16-106, is granted a leave of absence, provided he
19 or she returns to teaching service creditable under this
20 System or the State Universities Retirement System
21 following the leave; (ii) periods during which a teacher is
22 involuntarily laid off from teaching, provided he or she
23 returns to teaching following the lay-off; (iii) periods
24 prior to July 1, 1983 during which a teacher ceased covered
25 employment due to pregnancy, provided that the teacher
26 returned to teaching service creditable under this System

1 or the State Universities Retirement System following the
2 pregnancy and submits evidence satisfactory to the Board
3 documenting that the employment ceased due to pregnancy;
4 and (iv) periods prior to July 1, 1983 during which a
5 teacher ceased covered employment for the purpose of
6 adopting an infant under 3 years of age or caring for a
7 newly adopted infant under 3 years of age, provided that
8 the teacher returned to teaching service creditable under
9 this System or the State Universities Retirement System
10 following the adoption and submits evidence satisfactory
11 to the Board documenting that the employment ceased for the
12 purpose of adopting an infant under 3 years of age or
13 caring for a newly adopted infant under 3 years of age.
14 However, total credit under this paragraph (5) may not
15 exceed 3 years.

16 Any qualified member or annuitant may apply for credit
17 under item (iii) or (iv) of this paragraph (5) without
18 regard to whether service was terminated before the
19 effective date of this amendatory Act of 1997. In the case
20 of an annuitant who establishes credit under item (iii) or
21 (iv), the annuity shall be recalculated to include the
22 additional service credit. The increase in annuity shall
23 take effect on the date the System receives written
24 notification of the annuitant's intent to purchase the
25 credit, if the required evidence is submitted and the
26 required contribution paid within 60 days of that

1 notification, otherwise on the first annuity payment date
2 following the System's receipt of the required evidence and
3 contribution. The increase in an annuity recalculated
4 under this provision shall be included in the calculation
5 of automatic annual increases in the annuity accruing after
6 the effective date of the recalculation.

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

21 The change in this paragraph made by Public Act 86-273
22 shall be applicable to teachers who retire after June 1,
23 1989, as well as to teachers who are in service on that
24 date.

25 (6) Any days of unused and uncompensated accumulated
26 sick leave earned by a teacher who first became a

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

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

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

26 (7) Periods prior to February 1, 1987 served as an

1 employee of the Illinois Mathematics and Science Academy
2 for which credit has not been terminated under Section
3 15-113.9 of this Code.

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

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

8 (10) Up to 2 years of employment with Southern Illinois
9 University - Carbondale from September 1, 1959 to August
10 31, 1961, or with Governors State University from September
11 1, 1972 to August 31, 1974, for which the teacher has no
12 credit under Article 15. To receive credit under this item
13 (10), a teacher must apply in writing to the Board and pay
14 the required contributions before May 1, 1993 and have at
15 least 12 years of service credit under this Article.

16 (b-1) A member may establish optional credit for up to 2
17 years of service as a teacher or administrator employed by a
18 private school recognized by the Illinois State Board of
19 Education, provided that the teacher (i) was certified under
20 the law governing the certification of teachers at the time the
21 service was rendered, (ii) applies in writing on or after
22 August 1, 2009 and on or before August 1, 2012, (iii) supplies
23 satisfactory evidence of the employment, (iv) completes at
24 least 10 years of contributing service as a teacher as defined
25 in Section 16-106, and (v) pays the contribution required in
26 subsection (d-5) of Section 16-128. The member may apply for

1 credit under this subsection and pay the required contribution
2 before completing the 10 years of contributing service required
3 under item (iv), but the credit may not be used until the item
4 (iv) contributing service requirement has been met.

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

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

15 Credit may not be granted under this Section covering any
16 period for which an age retirement or disability retirement
17 allowance has been paid.

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

19 (40 ILCS 5/16-131.7 new)

20 Sec. 16-131.7. Election by Tier I employees and Tier I
21 retirees.

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

24 (1) to agree to the following:

25 (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 16-133.1 or subsection (b-1) of Section 16-136.1,
5 whichever is applicable; and

6 (ii) to have his or her eligibility for automatic
7 annual increases in retirement annuity postponed as
8 provided in subsection (a-2) of Section 16-133.1 or
9 subsection (b-2) of Section 16-136.1, whichever is
10 applicable; or

11 (2) to not agree to items (i) and (ii) as set forth in
12 paragraph (1) of this subsection and to be subject to
13 subsection (c) of this Section.

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

17 (i) a person who becomes a Tier I employee under this
18 Article after January 1, 2013 must make the election under
19 this subsection (a) within 60 days after becoming a Tier I
20 employee;

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

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

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

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

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

10 (1) to agree to the following:

11 (i) to have the amount of the automatic annual
12 increases in his or her retirement annuity that are
13 otherwise provided for in this Article calculated,
14 instead, as provided in subsection (a-1) of Section
15 16-133.1 or subsection (b-1) of Section 16-136.1,
16 whichever is applicable; and

17 (ii) to have his or her eligibility for automatic
18 annual increases in retirement annuity postponed as
19 provided in subsection (a-2) of Section 16-133.1 or
20 subsection (b-2) of Section 16-136.1, whichever is
21 applicable; or

22 (2) to not agree to items (i) and (ii) as set forth in
23 paragraph (1) of this subsection and to be subject to
24 subsection (c) of this Section.

25 The election required under this subsection (a-5) shall be
26 made by each Tier I retiree no earlier than January 1, 2013 and

1 no later than May 31, 2013, except that:

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

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

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

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

20 (b) As adequate and legal consideration provided under this
21 amendatory Act of the 97th General Assembly for making the
22 election under paragraph (1) of subsection (a) of this Section,
23 any future increases in income offered by an employer under
24 this Article to a Tier I employee who has made the election
25 under paragraph (1) of subsection (a) of this Section shall be
26 offered expressly and irrevocably as constituting salary under

1 Section 16-121. In addition, a Tier I employee who has made the
2 election under paragraph (1) of subsection (a) of this Section
3 shall receive the right to also participate in the optional
4 cash balance plan established under Section 1-162.

5 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-5) of this
8 Section, any future increases in income offered by an employer
9 under this Article to a Tier I retiree who returns to active
10 service after having made the election under paragraph (1) of
11 subsection (a-5) of this Section shall be offered expressly and
12 irrevocably as constituting salary under Section 16-121. In
13 addition, a Tier I retiree who returns to active service and
14 has made the election under paragraph (1) of subsection (a) of
15 this Section shall receive the right to also participate in the
16 optional cash balance plan established under Section 1-162.

17 (c) A Tier I employee who makes the election under
18 paragraph (2) of subsection (a) of this Section shall not be
19 subject to items (i) and (ii) set forth in paragraph (1) of
20 subsection (a) of this Section. However, any future increases
21 in income offered by an employer under this Article to a Tier I
22 employee who has made the election under paragraph (2) of
23 subsection (a) of this Section shall be offered expressly and
24 irrevocably as not constituting salary under Section 16-121,
25 and the employee may not accept any future increase in income
26 that is offered in violation of this requirement. In addition,

1 a Tier I employee who has made the election under paragraph (2)
2 of subsection (a) of this Section shall not receive the right
3 to participate in the optional cash balance plan established
4 under Section 1-162.

5 A Tier I retiree who makes the election under paragraph (2)
6 of subsection (a-5) of this Section shall not be subject to
7 items (i) and (ii) set forth in paragraph (1) of subsection
8 (a-5) of this Section. However, any future increases in income
9 offered by an employer under this Article to a Tier I retiree
10 who returns to active service and has made the election under
11 paragraph (2) of subsection (a-5) of this Section shall be
12 offered expressly and irrevocably as not constituting salary
13 under Section 16-121, and the employee may not accept any
14 future increase in income that is offered in violation of this
15 requirement. In addition, a Tier I retiree who returns to
16 active service and has made the election under paragraph (2) of
17 subsection (a) of this Section shall not receive the right to
18 participate in the optional cash balance plan established under
19 Section 1-162.

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

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

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

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

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

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

9 (e) Notwithstanding any other provision of law, an employer
10 under this Article is required to offer any future increases in
11 income expressly and irrevocably as not constituting "salary"
12 under Section 16-121 to any Tier I employee, or Tier I retiree
13 returning to active service, who has made an election under
14 paragraph (2) or subsection (a) or (a-5) of Section 16-131.7. A
15 Tier I employee, or Tier I retiree returning to active service,
16 who has made an election under paragraph (2) or subsection (a)
17 or (a-5) of Section 16-131.7 shall not accept any future
18 increase in income that is offered by an employer under this
19 Article in violation of the requirement set forth in this
20 subsection.

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

24 (g) An employee who has made the election under paragraph
25 (1) of subsection (a) or (a-5) of this Section may elect to
26 participate in the optional cash balance plan under Section

1 1-162.

2 The election to participate in the optional cash balance
3 plan shall be made in writing, in the manner provided by the
4 applicable retirement system.

5 (h) Qualified Plan Status. No provision of this Section
6 shall be interpreted in a way that would cause the System to
7 cease to be a qualified plan under Section 401(a) of the
8 Internal Revenue Code of 1986.

9 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)
10 Sec. 16-133.1. Automatic annual increase in annuity.

11 (a) Each member with creditable service and retiring on or
12 after August 26, 1969 is entitled to the automatic annual
13 increases in annuity provided under this Section while
14 receiving a retirement annuity or disability retirement
15 annuity from the system.

16 An annuitant shall first be entitled to an initial increase
17 under this Section on the January 1 next following the first
18 anniversary of retirement, or January 1 of the year next
19 following attainment of age 61, whichever is later. At such
20 time, the system shall pay an initial increase determined as
21 follows or as provided in subsections (a-1) and (a-2):

22 (1) 1.5% of the originally granted retirement annuity
23 or disability retirement annuity multiplied by the number
24 of years elapsed, if any, from the date of retirement until
25 January 1, 1972, plus

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

5 (3) 3% of the originally granted annuity multiplied by
6 the number of years elapsed from the date of retirement or
7 January 1, 1978, whichever is later, until the effective
8 date of the initial increase.

9 However, the initial annual increase calculated under this
10 Section for the recipient of a disability retirement annuity
11 granted under Section 16-149.2 shall be reduced by an amount
12 equal to the total of all increases in that annuity received
13 under Section 16-149.5 (but not exceeding 100% of the amount of
14 the initial increase otherwise provided under this Section).

15 Following the initial increase, automatic annual increases
16 in annuity shall be payable on each January 1 thereafter during
17 the lifetime of the annuitant, determined as a percentage of
18 the originally granted retirement annuity or disability
19 retirement annuity for increases granted prior to January 1,
20 1990, and calculated as a percentage of the total amount of
21 annuity, including previous increases under this Section, for
22 increases granted on or after January 1, 1990, as follows: 1.5%
23 for periods prior to January 1, 1972, 2% for periods after
24 December 31, 1971 and prior to January 1, 1978, and 3% for
25 periods after December 31, 1977, or as provided in subsections
26 (a-1) and (a-2).

1 (a-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 16-131.7, 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 (a-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 16-131.7, 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 16-131.7 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 (b) The automatic annual increases in annuity provided
6 under this Section shall not be applicable unless a member has
7 made contributions toward such increases for a period
8 equivalent to one full year of creditable service. If a member
9 contributes for service performed after August 26, 1969 but the
10 member becomes an annuitant before such contributions amount to
11 one full year's contributions based on the salary at the date
12 of retirement, he or she may pay the necessary balance of the
13 contributions to the system and be eligible for the automatic
14 annual increases in annuity provided under this Section.

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

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

24 (e) In addition to the automatic annual increases in
25 annuity provided under this Section, an annuitant who meets the
26 service requirements of this Section and whose retirement

1 annuity or disability retirement annuity began on or before
2 January 1, 1971 shall receive, on January 1, 1981, an increase
3 in the annuity then being paid of one dollar per month for each
4 year of creditable service. On January 1, 1982, an annuitant
5 whose retirement annuity or disability retirement annuity
6 began on or before January 1, 1977 shall receive an increase in
7 the annuity then being paid of one dollar per month for each
8 year of creditable service.

9 On January 1, 1987, any annuitant whose retirement annuity
10 began on or before January 1, 1977, shall receive an increase
11 in the monthly retirement annuity equal to 8¢ per year of
12 creditable service times the number of years that have elapsed
13 since the annuity began.

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

15 (40 ILCS 5/16-133.6 new)

16 Sec. 16-133.6. Optional teacher early retirement without
17 discount. A Tier I employee or Tier I retiree who makes an
18 election under paragraph (1) of subsection (a) or (a-5) of
19 Section 16-131.7, retires on or after July 1, 2013, and applies
20 for a retirement annuity within 6 months of the last day of
21 teaching for which retirement contributions were required may
22 elect, at the time of application for a retirement annuity, to
23 make a one-time member contribution to the System and, thereby,
24 avoid the reduction in the retirement annuity for retirement
25 before age 60 specified in paragraph (B) of Section 16-133. The

1 exercise of the election shall also obligate the last employer
2 to make a one-time nonrefundable contribution to the System.
3 Substitute teachers wishing to exercise this election must
4 teach 85 or more days in one school term with one employer, who
5 shall be deemed the last employer for purposes of this Section.
6 The last day of teaching with that employer must be within 6
7 months of the date of application for retirement. All
8 substitute teaching credit applied toward the required 85 days
9 must be earned after June 30, 1990.

10 The one-time member and employer contributions shall be a
11 percentage of the cost of this benefit as determined by the
12 System. However, when determining the one-time member and
13 employer contributions, that part of a member's salary with the
14 same employer which exceeds the annual salary rate for the
15 preceding year by more than 20% shall be excluded. The member
16 contribution shall be at the rate of 50% of the cost of the
17 benefits as determined by the System. The employer contribution
18 shall be at the rate of 50% of the cost of the benefits as
19 determined by the System.

20 Upon receipt of the application and election, the System
21 shall determine the one-time employee and employer
22 contributions required. The member contribution shall be
23 credited to the individual account of the member and the
24 employer contribution shall be credited to the Benefit Trust
25 Reserve. The avoidance of the reduction in retirement annuity
26 provided under this Section is not applicable until the

1 member's contribution, if any, has been received by the System;
2 however, the date that contribution is received shall not be
3 considered in determining the effective date of retirement.

4 The number of members working for a single employer who may
5 retire under this Section in any year may be limited at the
6 option of the employer to a specified percentage of those
7 eligible, not less than 10%, with the right to participate to
8 be allocated among those applying on the basis of seniority in
9 the service of the employer.

10 The required employer contribution under this Section
11 shall be enforceable under Section 16-158.1.

12 (40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

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

14 (a) Any annuitant receiving a retirement annuity on June
15 30, 1969 and any member retiring after June 30, 1969 shall be
16 eligible for the annual increases provided under this Section
17 provided the annuitant is ineligible for the automatic annual
18 increase in annuity provided under Section 16-133.1, and
19 provided further that (1) retirement occurred at age 55 or over
20 and was based on 5 or more years of creditable service or (2)
21 if retirement occurred prior to age 55, the retirement annuity
22 was based on 20 or more years of creditable service.

23 (b) Subject to the provisions of subsections (b-1) and
24 (b-2), an ~~An~~ annuitant entitled to increases under this Section
25 shall be entitled to the initial increase as of the later of:

1 (1) January 1 following attainment of age 65, (2) January 1
2 following the first anniversary of retirement, or (3) the first
3 day of the month following receipt of the required qualifying
4 contribution from the annuitant. The initial monthly increase
5 shall be computed on the basis of the period elapsed between
6 the later of the date of last retirement or attainment of age
7 50 and the date of qualification for the initial increase, at
8 the rate of 1 1/2% of the original monthly retirement annuity
9 per year for periods prior to September 1, 1971, and at the
10 rate of 2% per year for periods between September 1, 1971 and
11 September 1, 1978, and at the rate of 3% per year for periods
12 thereafter.

13 Subject to the provisions of subsections (b-1) and (b-2),
14 an ~~An~~ annuitant who has received an initial increase under this
15 Section, shall be entitled, on each January 1 following the
16 granting of the initial increase, to an increase of 3% of the
17 original monthly retirement annuity for increases granted
18 prior to January 1, 1990, and equal to 3% of the total annuity,
19 including previous increases under this Section, for increases
20 granted on or after January 1, 1990. The original monthly
21 retirement annuity for computations under this subsection (b)
22 shall be considered to be \$83.34 for any annuitant entitled to
23 benefits under Section 16-134. The minimum original disability
24 retirement annuity for computations under this subsection (b)
25 shall be considered to be \$33.34 per month for any annuitant
26 retired on account of disability.

1 (b-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 16-131.7, 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 (b-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 16-131.7, 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 16-131.7 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 (c) An annuitant who otherwise qualifies for annual
6 increases under this Section must make a one-time payment of 1%
7 of the monthly final average salary for each full year of the
8 creditable service forming the basis of the retirement annuity
9 or, if the retirement annuity was not computed using final
10 average salary, 1% of the original monthly retirement annuity
11 for each full year of service forming the basis of the
12 retirement annuity.

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

24 On January 1, 1987, any annuitant whose retirement annuity
25 began on or before January 1, 1977, shall receive an increase
26 in the monthly retirement annuity equal to 8¢ per year of

1 creditable service times the number of years that have elapsed
2 since the annuity began.

3 (Source: P.A. 86-273.)

4 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

5 Sec. 16-152. Contributions by members.

6 (a) Each member shall make contributions for membership
7 service to this System as follows:

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

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

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

19 (4) Effective July 1, 2005, contributions of 0.40% of
20 salary toward the cost of the early retirement without
21 discount option provided under Section 16-133.2. This
22 contribution shall cease upon termination of the early
23 retirement without discount option as provided in Section
24 16-176.

25 (a-1) In addition to the contributions required under

1 subsection (a), a member who elects to participate in the
2 optional cash balance plan under Section 1-162 shall pay to the
3 System for the purpose of participating in the optional cash
4 balance plan a contribution of 2% of each payment of
5 compensation received while he or she is a participant in the
6 optional cash balance plan. These contributions shall not be
7 used for the purpose of determining any benefit under this
8 Article except as provided in the optional cash balance plan.

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

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

14 (d) A person who (i) was a member before July 1, 1998, (ii)
15 retires with more than 34 years of creditable service, and
16 (iii) does not elect to qualify for the augmented rate under
17 Section 16-129.1 shall be entitled, at the time of retirement,
18 to receive a partial refund of contributions made under this
19 Section for service occurring after the later of June 30, 1998
20 or attainment of 34 years of creditable service, in an amount
21 equal to 1.00% of the salary upon which those contributions
22 were based.

23 (e) A member's contributions toward the cost of early
24 retirement without discount made under item (a)(4) of this
25 Section shall not be refunded if the member has elected early
26 retirement without discount under Section 16-133.2 and has

1 begun to receive a retirement annuity under this Article
2 calculated in accordance with that election. Otherwise, a
3 member's contributions toward the cost of early retirement
4 without discount made under item (a)(4) of this Section shall
5 be refunded according to whichever one of the following
6 circumstances occurs first:

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

11 (2) The contributions shall be included, without
12 interest, in any refund claimed by the member under Section
13 16-151.

14 (3) The contributions shall be refunded to the member's
15 designated beneficiary (or if there is no beneficiary, to
16 the member's estate), without interest, if the member dies
17 without having begun to receive a retirement annuity under
18 this Article.

19 (4) The contributions shall be refunded to the member,
20 without interest, within 120 days after the early
21 retirement without discount option provided under Section
22 16-133.2 is terminated under Section 16-176.

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

24 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

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

1 units.

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

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

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

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

26 (a-1) Annually, on or before November 15 through ~~until~~

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

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

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

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

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

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

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

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

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

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

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

25 (b-3) For State fiscal years 2012 and 2013 ~~through 2045~~,
26 the minimum contribution to the System to be made by the State

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

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

24 Except as provided in subsection (b-5), beginning in State
25 fiscal year 2046 or on the date that the State has amortized
26 100% of the total cost of benefits accrued by July 1, 2013,

1 whichever is earlier, the State has no further obligation to
2 make contributions to the System under this subsection (b-3).

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

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

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

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

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

4 Notwithstanding any other provision of this Article, the
5 total required State contribution for State fiscal year 2010 is
6 \$2,089,268,000 and shall be made from the proceeds of bonds
7 sold in fiscal year 2010 pursuant to Section 7.2 of the General
8 Obligation Bond Act, less (i) the pro rata share of bond sale
9 expenses determined by the System's share of total bond
10 proceeds, (ii) any amounts received from the Common School Fund
11 in fiscal year 2010, and (iii) any reduction in bond proceeds
12 due to the issuance of discounted bonds, if applicable.

13 Notwithstanding any other provision of this Article, the
14 total required State contribution for State fiscal year 2011 is
15 the amount recertified by the System on or before April 1, 2011
16 pursuant to subsection (a-1) of this Section and shall be made
17 from the proceeds of bonds sold in fiscal year 2011 pursuant to
18 Section 7.2 of the General Obligation Bond Act, less (i) the
19 pro rata share of bond sale expenses determined by the System's
20 share of total bond proceeds, (ii) any amounts received from
21 the Common School Fund in fiscal year 2011, and (iii) any
22 reduction in bond proceeds due to the issuance of discounted
23 bonds, if applicable. This amount shall include, in addition to
24 the amount certified by the System, an amount necessary to meet
25 employer contributions required by the State as an employer
26 under paragraph (e) of this Section, which may also be used by

1 the System for contributions required by paragraph (a) of
2 Section 16-127.

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

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

19 Notwithstanding any other provision of this Section, the
20 required State contribution for State fiscal year 2005 and for
21 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,
22 as calculated under this Section and certified under subsection
23 (a-1), shall not exceed an amount equal to (i) the amount of
24 the required State contribution that would have been calculated
25 under this Section for that fiscal year if the System had not
26 received any payments under subsection (d) of Section 7.2 of

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

18 (b-5) If at least 50% of Tier I employees making an
19 election under Section 16-131.7 before June 1, 2013 choose the
20 option under paragraph (1) of subsection (a) of that Section,
21 then beginning in State fiscal year 2014, instead of the
22 contributions specified in subsection (b-3) of this Section,
23 the State contributions specified in subsection (b-7) of this
24 Section shall be paid.

25 In making its initial certification of the annual required
26 contribution by the State for State fiscal year 2014, the Board

1 shall assume that the new funding formula provided in
2 subsection (b-7) of this Section applies. If fewer than 50% of
3 Tier I employees making an election under Section 16-131.7
4 before June 1, 2013 choose the option under paragraph (1) of
5 subsection (a) of that Section, then:

6 (1) instead of the contributions specified in
7 subsection (b-7) of this Section, the State contributions
8 specified in subsection (b-3) shall continue to be paid;
9 and

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

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

26 Beginning in State fiscal year 2044 or on the date that the

1 State has amortized 100% of the total cost of benefits accrued
2 by July 1, 2013, whichever is earlier, the State has no further
3 obligation to make contributions to the System under this
4 subsection (a-5).

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

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

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

16 (iii) the amount required for that fiscal year to
17 amortize any unfunded actuarial accrued liability
18 associated with the total cost of benefits accrued on or
19 after July 1, 2013 as a level percentage of payroll over a
20 30-year rolling amortization period.

21 Any contributions required from an employer under
22 subsection (f) of this Section are in addition to the
23 contributions required under this subsection (b-10).

24 (b-15) For State fiscal year 2014, the required
25 contribution of employers under item (i) of subsection (b-10)
26 shall be reduced to an amount equal to 0.5% of payroll.

1 For each fiscal year thereafter, until the Board determines
2 and certifies to the Governor that employers are contributing
3 under item (i) of subsection (b-10) the full amount actually
4 specified by item (i) of subsection (b-10), the required
5 contribution of employers under item (i) of subsection (b-10)
6 shall be the percentage of payroll required under this
7 subsection from the previous fiscal year increased by 0.5% of
8 payroll.

9 Contributions required of employers under items (ii) and
10 (iii) of subsection (b-10), under subsection (f), and under any
11 other applicable provision of this Section are in addition to
12 contributions required under item (i) of subsection (b-10).

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

23 The State contribution under this subsection (b-20) is in
24 addition to the State contributions required under subsection
25 (b-3) or (b-7) and any contributions required to be paid by the
26 State as an employer under subsections (b-10) and (f) of this

1 Section.

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

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

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

24 However, with respect to benefits granted under Section
25 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
26 of Section 16-106, the employer's contribution shall be 12%

1 (rather than 20%) of the member's highest annual salary rate
2 for each year of creditable service granted, and the employer
3 shall also pay the required employee contribution on behalf of
4 the teacher. For the purposes of Sections 16-133.4 and
5 16-133.5, a teacher as defined in paragraph (8) of Section
6 16-106 who is serving in that capacity while on leave of
7 absence from another employer under this Article shall not be
8 considered an employee of the employer from which the teacher
9 is on leave.

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

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

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

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

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

1 Each employer of teachers is entitled to a credit against
2 the contributions required under this subsection (e) with
3 respect to salaries paid to teachers for the period January 1,
4 2002 through June 30, 2003, equal to the amount paid by that
5 employer under subsection (a-5) of Section 6.6 of the State
6 Employees Group Insurance Act of 1971 with respect to salaries
7 paid to teachers for that period.

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

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

25 (f) The employer contributions under this subsection (f)
26 are no longer required after June 30, 2013. If the amount of a

1 teacher's salary for any school year used to determine final
2 average salary exceeds the member's annual full-time salary
3 rate with the same employer for the previous school year by
4 more than 6%, the teacher's employer shall pay to the System,
5 in addition to all other payments required under this Section
6 and in accordance with guidelines established by the System,
7 the present value of the increase in benefits resulting from
8 the portion of the increase in salary that is in excess of 6%.
9 This present value shall be computed by the System on the basis
10 of the actuarial assumptions and tables used in the most recent
11 actuarial valuation of the System that is available at the time
12 of the computation. If a teacher's salary for the 2005-2006
13 school year is used to determine final average salary under
14 this subsection (f), then the changes made to this subsection
15 (f) by Public Act 94-1057 shall apply in calculating whether
16 the increase in his or her salary is in excess of 6%. For the
17 purposes of this Section, change in employment under Section
18 10-21.12 of the School Code on or after June 1, 2005 shall
19 constitute a change in employer. The System may require the
20 employer to provide any pertinent information or
21 documentation. The changes made to this subsection (f) by this
22 amendatory Act of the 94th General Assembly apply without
23 regard to whether the teacher was in service on or after its
24 effective date.

25 Whenever it determines that a payment is or may be required
26 under this subsection, the System shall calculate the amount of

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

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

23 (g) This subsection (g) applies only to payments made or
24 salary increases given on or after June 1, 2005 but before July
25 1, 2011. The changes made by Public Act 94-1057 shall not
26 require the System to refund any payments received before July

1 31, 2006 (the effective date of Public Act 94-1057).

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

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

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

20 When assessing payment for any amount due under subsection
21 (f), the System shall exclude a salary increase resulting from
22 a promotion (i) for which the employee is required to hold a
23 certificate or supervisory endorsement issued by the State
24 Teacher Certification Board that is a different certification
25 or supervisory endorsement than is required for the teacher's
26 previous position and (ii) to a position that has existed and

1 been filled by a member for no less than one complete academic
2 year and the salary increase from the promotion is an increase
3 that results in an amount no greater than the lesser of the
4 average salary paid for other similar positions in the district
5 requiring the same certification or the amount stipulated in
6 the collective bargaining agreement for a similar position
7 requiring the same certification.

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

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

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

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

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

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

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

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

17 As of June 30, 2008, the actuarial value of the System's
18 assets shall be equal to the market value of the assets as of
19 that date. In determining the actuarial value of the System's
20 assets for fiscal years after June 30, 2008, any actuarial
21 gains or losses from investment return incurred in a fiscal
22 year shall be recognized in equal annual amounts over the
23 5-year period following that fiscal year.

24 (k) For purposes of determining the required State
25 contribution to the system for a particular year, the actuarial
26 value of assets shall be assumed to earn a rate of return equal

1 to the system's actuarially assumed rate of return.

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

19 Any payments required to be made by the State pursuant to
20 an action commenced under this subsection are expressly
21 subordinated to the payment of the principal, interest, and
22 premium, if any, on any bonded debt obligation of the State or
23 any other State-created entity, either currently outstanding
24 or to be issued, for which the source of repayment or security
25 thereon is derived directly or indirectly from tax revenues
26 collected by the State or any other State-created entity.

1 Payments on such bonded obligations include any statutory fund
2 transfers or other prefunding mechanisms or formulas set forth,
3 now or hereafter, in State law or bond indentures, into debt
4 service funds or accounts of the State related to such bonded
5 obligations, consistent with the payment schedules associated
6 with such obligations.

7 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
8 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.
9 6-18-12; 97-813, eff. 7-13-12.)

10 (40 ILCS 5/16-158.2 new)

11 Sec. 16-158.2. Individual employer accounts.

12 (a) The System shall create and maintain individual
13 accounts for each employer for the purposes of determining
14 employer contributions under subsection (b-10) of Section
15 16-158. Each employer's account shall be notionally credited
16 with the employer's liabilities accruing after July 1, 2013 and
17 assets attributable to the employer's account that include (i)
18 employer contributions made pursuant to subsection (b-10) of
19 Section 16-158, (ii) other employer contributions from trust,
20 federal, and other funds, (iii) employee contributions made
21 after July 1, 2013, and (iv) income from investments. The
22 System may deduct reasonable administrative expenses from each
23 employer's account.

24 (b) In determining contributions required under subsection
25 (b-10) of Section 16-158, the System shall determine a blended

1 rate of total normal cost that is applicable to all employers.

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

8 The Board may establish rules for the administration of
9 this Section that include but are not limited to the date by
10 which an application must be submitted and the fiscal year in
11 which the determination will be used to determine the
12 employer's contribution required under subsection (b-10) of
13 Section 16-158.

14 (d) An employer whose determination of total normal cost
15 under subsection (c) is used to determine its contributions
16 required under subsection (b-10) of Section 16-158 may not be
17 included in the determination of a rate of total normal cost
18 under subsection (c) of this Section.

19 (40 ILCS 5/16-163) (from Ch. 108 1/2, par. 16-163)

20 Sec. 16-163. Board created. A board of 13 members
21 constitutes the board of trustees authorized to carry out the
22 provisions of this Article and is responsible for the general
23 administration of the System. The board shall be known as the
24 Board of Trustees of the Teachers' Retirement System of the
25 State of Illinois. The board shall be composed of the

1 Superintendent of Education, ex officio, who shall be the
2 president of the board; 4 ~~6~~ persons, not members of the System,
3 to be appointed by the Governor, with the advice and consent of
4 the Senate, who shall hold no elected State office; 4 persons
5 who, at the time of their election, are teachers as defined in
6 Section 16-106, elected by the contributing members; ~~and~~ 2
7 annuitant members elected by the annuitants of the System, as
8 provided in Section 16-165; and 2 school board members who are
9 not participants in the System elected as provided in Section
10 16-165.

11 (Source: P.A. 96-6, eff. 4-3-09.)

12 (40 ILCS 5/16-165) (from Ch. 108 1/2, par. 16-165)

13 Sec. 16-165. Board; elected members; vacancies.

14 (a) In each odd-numbered year, there shall be elected 2
15 teachers who shall hold office for a term of 4 years beginning
16 July 15 next following their election, in the manner provided
17 under this Section. An elected teacher member of the board who
18 ceases to be a teacher as defined in Section 16-106 may
19 continue to serve on the board for the remainder of the term to
20 which he or she was elected.

21 (a-5) In each even-numbered year, there shall be elected 2
22 school board members who are not participants in the System who
23 shall hold office for a term of 4 years, in the manner provided
24 under this Section. An elected school board member who ceases
25 to be a member of a school board may continue to serve on the

1 board for the remainder of the term to which he or she was
2 elected. Until the initial school board member has been
3 elected, the elected school board member positions created by
4 this amendatory Act of the 97th General Assembly shall be
5 filled as soon as practical by appointment of the board.

6 (b) One elected annuitant trustee shall first be elected in
7 1987, and in every fourth year thereafter, for a term of 4
8 years beginning July 15 next following his or her election.

9 (c) The elected annuitant position created by this
10 amendatory Act of the 91st General Assembly shall be filled as
11 soon as possible in the manner provided for vacancies, for an
12 initial term ending July 15, 2001. One elected annuitant
13 trustee shall be elected in 2001, and in every fourth year
14 thereafter, for a term of 4 years beginning July 15 next
15 following his or her election.

16 (d) Elections shall be held on May 1, unless May 1 falls on
17 a Saturday or Sunday, in which event the election shall be
18 conducted on the following Monday. Candidates shall be
19 nominated by petitions in writing, signed by not less than 500
20 teachers, school board members, or annuitants, as the case may
21 be, with their addresses shown opposite their names. The
22 petitions shall be filed with the board's Secretary not less
23 than 90 nor more than 120 days prior to May 1. The Secretary
24 shall determine their validity not less than 75 days before the
25 election.

26 (e) If, for ~~either~~ teacher, school board, or annuitant

1 members, the number of qualified nominees exceeds the number of
2 available positions, the system shall prepare an appropriate
3 ballot with the names of the candidates in alphabetical order
4 and shall mail one copy thereof, at least 10 days prior to the
5 election day, to each teacher or annuitant of this system as of
6 the latest date practicable, at the latest known address,
7 together with a return envelope addressed to the board and also
8 a smaller envelope marked "For Ballot Only", and a slip for
9 signature. Each voter, upon marking his ballot with a cross
10 mark in the square before the name of the person voted for,
11 shall place the ballot in the envelope marked "For Ballot
12 Only", seal the envelope, write on the slip provided therefor
13 his signature and address, enclose both the slip and sealed
14 envelope containing the marked ballot in the return envelope
15 addressed to the board, and mail it. Whether a person is
16 eligible to vote for the teacher nominees, school board
17 nominees, or the annuitant nominees shall be determined from
18 system payroll records as of March 1.

19 Upon receipt of the return envelopes, the system shall open
20 them and set aside unopened the envelopes marked "For Ballot
21 Only". On election day ballots shall be publicly opened and
22 counted by the trustees or canvassers appointed therefor. Each
23 vote cast for a candidate represents one vote only. No ballot
24 arriving after 10 o'clock a.m. on election day shall be
25 counted. The 2 teacher candidates, 2 school board candidates,
26 and the annuitant candidate receiving the highest number of

1 votes shall be elected. The board shall declare the results of
2 the election, keep a record thereof, and notify the candidates
3 of the results thereof within 30 days after the election.

4 If, for any ~~either~~ class of members, there are only as many
5 qualified nominees as there are positions available, the
6 balloting as described in this Section shall not be conducted
7 for those nominees, and the board shall declare them duly
8 elected.

9 (f) A vacancy occurring in the elective membership of the
10 board shall be filled for the unexpired term by a person
11 qualified for the vacant position, selected by the remaining
12 elected members of the board, if there are no more than 6
13 months remaining on the term. For a term with more than 6
14 months remaining, the Director of the Teachers' Retirement
15 System of the State of Illinois shall institute an election in
16 accordance with this Act to fill the unexpired term.

17 (Source: P.A. 94-423, eff. 8-2-05; 94-710, eff. 12-5-05;
18 95-331, eff. 8-21-07.)

19 (40 ILCS 5/16-203)

20 Sec. 16-203. Application and expiration of new benefit
21 increases.

22 (a) As used in this Section, "new benefit increase" means
23 an increase in the amount of any benefit provided under this
24 Article, or an expansion of the conditions of eligibility for
25 any benefit under this Article, that results from an amendment

1 to this Code that takes effect after June 1, 2005 (the
2 effective date of Public Act 94-4). "New benefit increase",
3 however, does not include any benefit increase resulting from
4 the changes made to this Article or Article 1 by Public Act
5 95-910 or this amendatory Act of the 97th ~~95th~~ General
6 Assembly.

7 (b) Notwithstanding any other provision of this Code or any
8 subsequent amendment to this Code, every new benefit increase
9 is subject to this Section and shall be deemed to be granted
10 only in conformance with and contingent upon compliance with
11 the provisions of this Section.

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

16 Every new benefit increase is contingent upon the General
17 Assembly providing the additional funding required under this
18 subsection. The Commission on Government Forecasting and
19 Accountability shall analyze whether adequate additional
20 funding has been provided for the new benefit increase and
21 shall report its analysis to the Public Pension Division of the
22 Department of Financial and Professional Regulation. A new
23 benefit increase created by a Public Act that does not include
24 the additional funding required under this subsection is null
25 and void. If the Public Pension Division determines that the
26 additional funding provided for a new benefit increase under

1 this subsection is or has become inadequate, it may so certify
2 to the Governor and the State Comptroller and, in the absence
3 of corrective action by the General Assembly, the new benefit
4 increase shall expire at the end of the fiscal year in which
5 the certification is made.

6 (d) Every new benefit increase shall expire 5 years after
7 its effective date or on such earlier date as may be specified
8 in the language enacting the new benefit increase or provided
9 under subsection (c). This does not prevent the General
10 Assembly from extending or re-creating a new benefit increase
11 by law.

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

22 (Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

23 (40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

24 Sec. 18-140. To certify required State contributions and
25 submit vouchers.

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

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

22 On or before January 15, 2013 and every January 15
23 thereafter, the Board shall certify to the Governor and the
24 General Assembly the amount of the required State contribution
25 for the next fiscal year. The certification shall include a
26 copy of the actuarial recommendations upon which it is based

1 and shall specifically identify the System's projected State
2 normal cost for that fiscal year. The Board's certification
3 must note any deviations from the State Actuary's recommended
4 changes, the reason or reasons for not following the State
5 Actuary's recommended changes, and the fiscal impact of not
6 following the State Actuary's recommended changes on the
7 required State contribution.

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

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

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

25 (b) Beginning in State fiscal year 1996, on or as soon as
26 possible after the 15th day of each month the Board shall

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

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

22 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11;
23 97-694, eff. 6-18-12.)

24 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

25 Sec. 20-121. Calculation of proportional retirement

1 annuities. Upon retirement of the employee, a proportional
2 retirement annuity shall be computed by each participating
3 system in which pension credit has been established on the
4 basis of pension credits under each system. The computation
5 shall be in accordance with the formula or method prescribed by
6 each participating system which is in effect at the date of the
7 employee's latest withdrawal from service covered by any of the
8 systems in which he has pension credits which he elects to have
9 considered under this Article. However, (1) the amount of any
10 retirement annuity payable under the self-managed plan
11 established under Section 15-158.2 of this Code depends solely
12 on the value of the participant's vested account balances and
13 is not subject to any proportional adjustment under this
14 Section, and (2) the amount of any retirement annuity payable
15 under the cash balance plan established under Section 1-161 of
16 this Code shall be calculated solely in accordance with that
17 Section and is not subject to any proportional adjustment under
18 this Section.

19 Combined pension credit under all retirement systems
20 subject to this Article shall be considered in determining
21 whether the minimum qualification has been met and the formula
22 or method of computation which shall be applied. If a system
23 has a step-rate formula for calculation of the retirement
24 annuity, pension credits covering previous service which have
25 been established under another system shall be considered in
26 determining which range or ranges of the step-rate formula are

1 to be applicable to the employee.

2 Interest on pension credit shall continue to accumulate in
3 accordance with the provisions of the law governing the
4 retirement system in which the same has been established during
5 the time an employee is in the service of another employer, on
6 the assumption such employee, for interest purposes for pension
7 credit, is continuing in the service covered by such retirement
8 system.

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

10 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

11 Sec. 20-123. Survivor's annuity. The provisions governing
12 a retirement annuity shall be applicable to a survivor's
13 annuity. Appropriate credits shall be established for
14 survivor's annuity purposes in those participating systems
15 which provide survivor's annuities, according to the same
16 conditions and subject to the same limitations and restrictions
17 herein prescribed for a retirement annuity. If a participating
18 system has no survivor's annuity benefit, or if the survivor's
19 annuity benefit under that system is waived, pension credit
20 established in that system shall not be considered in
21 determining eligibility for or the amount of the survivor's
22 annuity which may be payable by any other participating system.

23 For persons who participate in the self-managed plan
24 established under Section 15-158.2 or the portable benefit
25 package established under Section 15-136.4, pension credit

1 established under Article 15 may be considered in determining
2 eligibility for or the amount of the survivor's annuity that is
3 payable by any other participating system, but pension credit
4 established in any other system shall not result in any right
5 to a survivor's annuity under the Article 15 system.

6 For persons who participate in the cash balance plan
7 established under Section 1-161, pension credit established
8 under the participating system with respect to which the person
9 participates in the cash balance plan may be considered in
10 determining eligibility for or the amount of the survivor's
11 annuity that is payable by any other participating system with
12 respect to which the person does not participate in the cash
13 balance plan, but the amount of any survivor's annuity payable
14 under the cash balance plan established under Section 1-161
15 shall be calculated solely in accordance with that Section.

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

17 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

18 Sec. 20-124. Maximum benefits.

19 (a) In no event shall the combined retirement or survivors
20 annuities exceed the highest annuity which would have been
21 payable by any participating system in which the employee has
22 pension credits, if all of his pension credits had been
23 validated in that system.

24 If the combined annuities should exceed the highest maximum
25 as determined in accordance with this Section, the respective

1 annuities shall be reduced proportionately according to the
2 ratio which the amount of each proportional annuity bears to
3 the aggregate of all such annuities; except that benefits
4 payable under the cash balance plan established under Section
5 1-161 are not subject to proportionate reduction under this
6 Section.

7 (b) In the case of a participant in the self-managed plan
8 established under Section 15-158.2 of this Code to whom the
9 provisions of this Article apply:

10 (i) For purposes of calculating the combined
11 retirement annuity and the proportionate reduction, if
12 any, in a retirement annuity other than one payable under
13 the self-managed plan, the amount of the Article 15
14 retirement annuity shall be deemed to be the highest
15 annuity to which the annuitant would have been entitled if
16 he or she had participated in the traditional benefit
17 package as defined in Section 15-103.1 rather than the
18 self-managed plan.

19 (ii) For purposes of calculating the combined
20 survivor's annuity and the proportionate reduction, if
21 any, in a survivor's annuity other than one payable under
22 the self-managed plan, the amount of the Article 15
23 survivor's annuity shall be deemed to be the highest
24 survivor's annuity to which the survivor would have been
25 entitled if the deceased employee had participated in the
26 traditional benefit package as defined in Section 15-103.1

1 rather than the self-managed plan.

2 (iii) Benefits payable under the self-managed plan are
3 not subject to proportionate reduction under this Section.

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

5 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

6 Sec. 20-125. Return to employment - suspension of benefits.

7 If a retired employee returns to employment which is covered by
8 a system from which he is receiving a proportional annuity
9 under this Article, his proportional annuity from all
10 participating systems shall be suspended during the period of
11 re-employment, except that this suspension does not apply to
12 any distributions payable under the self-managed plan
13 established under Section 15-158.2 of this Code.

14 The provisions of the Article under which such employment
15 would be covered (including Section 1-161 in the case of a
16 participant in the cash balance plan) shall govern the
17 determination of whether the employee has returned to
18 employment, and if applicable the exemption of temporary
19 employment or employment not exceeding a specified duration or
20 frequency, for all participating systems from which the retired
21 employee is receiving a proportional annuity under this
22 Article, notwithstanding any contrary provisions in the other
23 Articles governing such systems.

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

1 Section 35. The School Code is amended by changing Sections
2 24-1 and 24-8 as follows:

3 (105 ILCS 5/24-1) (from Ch. 122, par. 24-1)

4 Sec. 24-1. Appointment-Salaries-Payment-School
5 month-School term. School boards shall appoint all teachers,
6 determine qualifications of employment and fix the amount of
7 their salaries subject to any limitation set forth in this Act
8 and subject to any applicable restrictions in Section 15-134.6
9 or 16-131.7 of the Illinois Pension Code. They shall pay the
10 wages of teachers monthly, subject, however, to the provisions
11 of Section 24-21. The school month shall be the same as the
12 calendar month but by resolution the school board may adopt for
13 its use a month of 20 days, including holidays. The school term
14 shall consist of at least the minimum number of pupil
15 attendance days required by Section 10-19, any additional legal
16 school holidays, days of teachers' institutes, or equivalent
17 professional educational experiences, and one or two days at
18 the beginning of the school term when used as a teachers'
19 workshop.

20 (Source: P.A. 80-249.)

21 (105 ILCS 5/24-8) (from Ch. 122, par. 24-8)

22 Sec. 24-8. Minimum salary. In fixing the salaries of
23 teachers, school boards shall pay those who serve on a
24 full-time basis not less than a rate for the school year that

1 is based upon training completed in a recognized institution of
2 higher learning, as follows: for the school year beginning July
3 1, 1980 and thereafter, less than a bachelor's degree, \$9,000;
4 120 semester hours or more and a bachelor's degree, \$10,000;
5 150 semester hours or more and a master's degree, \$11,000.

6 Based upon previous public school experience in this State
7 or any other State, territory, dependency or possession of the
8 United States, or in schools operated by or under the auspices
9 of the United States, teachers who serve on a full-time basis
10 shall have their salaries increased to at least the following
11 amounts above the starting salary for a teacher in such
12 district in the same classification: with less than a
13 bachelor's degree, \$750 after 5 years; with 120 semester hours
14 or more and a bachelor's degree, \$1,000 after 5 years and
15 \$1,600 after 8 years; with 150 semester hours or more and a
16 master's degree, \$1,250 after 5 years, \$2,000 after 8 years and
17 \$2,750 after 13 years. However, any salary increase is subject
18 to any applicable restrictions in Section 15-134.6 or 16-131.7
19 of the Illinois Pension Code.

20 For the purpose of this Section a teacher's salary shall
21 include any amount paid by the school district on behalf of the
22 teacher, as teacher contributions, to the Teachers' Retirement
23 System of the State of Illinois.

24 If a school board establishes a schedule for teachers'
25 salaries based on education and experience, not inconsistent
26 with this Section, all certificated nurses employed by that

1 board shall be paid in accordance with the provisions of such
2 schedule (subject to any applicable restrictions in Section
3 15-134.6 or 16-131.7 of the Illinois Pension Code).

4 For purposes of this Section, a teacher who submits a
5 certificate of completion to the school office prior to the
6 first day of the school term shall be considered to have the
7 degree stated in such certificate.

8 (Source: P.A. 83-913.)

9 Section 40. The State Universities Civil Service Act is
10 amended by changing Section 36d as follows:

11 (110 ILCS 70/36d) (from Ch. 24 1/2, par. 38b3)

12 Sec. 36d. Powers and duties of the Merit Board.

13 The Merit Board shall have the power and duty-

14 (1) To approve a classification plan prepared under its
15 direction, assigning to each class positions of substantially
16 similar duties. The Merit Board shall have power to delegate to
17 its Director the duty of assigning each position in the
18 classified service to the appropriate class in the
19 classification plan approved by the Merit Board.

20 (2) To prescribe the duties of each class of positions and
21 the qualifications required by employment in that class.

22 (3) To prescribe the range of compensation for each class
23 or to fix a single rate of compensation for employees in a
24 particular class; and to establish other conditions of

1 employment which an employer and employee representatives have
2 agreed upon as fair and equitable. The Merit Board shall direct
3 the payment of the "prevailing rate of wages" in those
4 classifications in which, on January 1, 1952, any employer is
5 paying such prevailing rate and in such other classes as the
6 Merit Board may thereafter determine. "Prevailing rate of
7 wages" as used herein shall be the wages paid generally in the
8 locality in which the work is being performed to employees
9 engaged in work of a similar character. Subject to any
10 applicable restrictions in Section 15-134.6 or 16-131.7 of the
11 Illinois Pension Code, each ~~Each~~ employer covered by the
12 University System shall be authorized to negotiate with
13 representatives of employees to determine appropriate ranges
14 or rates of compensation or other conditions of employment and
15 may recommend to the Merit Board for establishment the rates or
16 ranges or other conditions of employment which the employer and
17 employee representatives have agreed upon as fair and
18 equitable, but excluding the changes, the impact of changes,
19 and the implementation of the changes set forth in this
20 amendatory Act of the 97th General Assembly. Any rates or
21 ranges established prior to January 1, 1952, and hereafter,
22 shall not be changed except in accordance with the procedures
23 herein provided.

24 (4) To recommend to the institutions and agencies specified
25 in Section 36e standards for hours of work, holidays, sick
26 leave, overtime compensation and vacation for the purpose of

1 improving conditions of employment covered therein and for the
2 purpose of insuring conformity with the prevailing rate
3 principal.

4 (5) To prescribe standards of examination for each class,
5 the examinations to be related to the duties of such class. The
6 Merit Board shall have power to delegate to the Director and
7 his staff the preparation, conduct and grading of examinations.
8 Examinations may be written, oral, by statement of training and
9 experience, in the form of tests of knowledge, skill, capacity,
10 intellect, aptitude; or, by any other method, which in the
11 judgment of the Merit Board is reasonable and practical for any
12 particular classification. Different examining procedures may
13 be determined for the examinations in different
14 classifications but all examinations in the same
15 classification shall be uniform.

16 (6) To authorize the continuous recruitment of personnel
17 and to that end, to delegate to the Director and his staff the
18 power and the duty to conduct open and continuous competitive
19 examinations for all classifications of employment.

20 (7) To cause to be established from the results of
21 examinations registers for each class of positions in the
22 classified service of the State Universities Civil Service
23 System, of the persons who shall attain the minimum mark fixed
24 by the Merit Board for the examination; and such persons shall
25 take rank upon the registers as candidates in the order of
26 their relative excellence as determined by examination,

1 without reference to priority of time of examination.

2 (8) To provide by its rules for promotions in the
3 classified service. Vacancies shall be filled by promotion
4 whenever practicable. For the purpose of this paragraph, an
5 advancement in class shall constitute a promotion.

6 (9) To set a probationary period of employment of no less
7 than 6 months and no longer than 12 months for each class of
8 positions in the classification plan, the length of the
9 probationary period for each class to be determined by the
10 Director.

11 (10) To provide by its rules for employment at regular
12 rates of compensation of physically handicapped persons in
13 positions in which the handicap does not prevent the individual
14 from furnishing satisfactory service.

15 (11) To make and publish rules, to carry out the purpose of
16 the State Universities Civil Service System and for
17 examination, appointments, transfers and removals and for
18 maintaining and keeping records of the efficiency of officers
19 and employees and groups of officers and employees in
20 accordance with the provisions of Sections 36b to 36q,
21 inclusive, and said Merit Board may from time to time make
22 changes in such rules.

23 (12) To appoint a Director and such assistants and other
24 clerical and technical help as may be necessary efficiently to
25 administer Sections 36b to 36q, inclusive. To authorize the
26 Director to appoint an assistant resident at the place of

1 employment of each employer specified in Section 36e and this
2 assistant may be authorized to give examinations and to certify
3 names from the regional registers provided in Section 36k.

4 (13) To submit to the Governor of this state on or before
5 November 1 of each year prior to the regular session of the
6 General Assembly a report of the University System's business
7 and an estimate of the amount of appropriation from state funds
8 required for the purpose of administering the University
9 System.

10 (Source: P.A. 82-524.)

11 Section 45. The University of Illinois Act is amended by
12 adding Section 85 as follows:

13 (110 ILCS 305/85 new)

14 Sec. 85. Future increases in income. The University of
15 Illinois must not pay, offer, or agree to pay any future
16 increase in income, as that term is defined in Section 15-134.6
17 or 16-131.7 of the Illinois Pension Code, to any person in a
18 manner that violates any of those Sections.

19 Section 50. The Southern Illinois University Management
20 Act is amended by adding Section 70 as follows:

21 (110 ILCS 520/70 new)

22 Sec. 70. Future increases in income. Southern Illinois

1 University must not pay, offer, or agree to pay any future
2 increase in income, as that term is defined in Section 15-134.6
3 or 16-131.7 of the Illinois Pension Code, to any person in a
4 manner that violates any of those Sections.

5 Section 55. The Chicago State University Law is amended by
6 adding Section 5-180 as follows:

7 (110 ILCS 660/5-180 new)

8 Sec. 5-180. Future increases in income. Chicago State
9 University must not pay, offer, or agree to pay any future
10 increase in income, as that term is defined in Section 15-134.6
11 or 16-131.7 of the Illinois Pension Code, to any person in a
12 manner that violates any of those Sections.

13 Section 60. The Eastern Illinois University Law is amended
14 by adding Section 10-180 as follows:

15 (110 ILCS 665/10-180 new)

16 Sec. 10-180. Future increases in income. Eastern Illinois
17 University must not pay, offer, or agree to pay any future
18 increase in income, as that term is defined in Section 15-134.6
19 or 16-131.7 of the Illinois Pension Code, to any person in a
20 manner that violates any of those Sections.

21 Section 65. The Governors State University Law is amended

1 by adding Section 15-180 as follows:

2 (110 ILCS 670/15-180 new)

3 Sec. 15-180. Future increases in income. Governors State
4 University must not pay, offer, or agree to pay any future
5 increase in income, as that term is defined in Section 15-134.6
6 or 16-131.7 of the Illinois Pension Code, to any person in a
7 manner that violates any of those Sections.

8 Section 70. The Illinois State University Law is amended by
9 adding Section 20-185 as follows:

10 (110 ILCS 675/20-185 new)

11 Sec. 20-185. Future increases in income. Illinois State
12 University must not pay, offer, or agree to pay any future
13 increase in income, as that term is defined in Section 15-134.6
14 or 16-131.7 of the Illinois Pension Code, to any person in a
15 manner that violates any of those Sections.

16 Section 75. The Northeastern Illinois University Law is
17 amended by adding Section 25-180 as follows:

18 (110 ILCS 680/25-180 new)

19 Sec. 25-180. Future increases in income. Northeastern
20 Illinois University must not pay, offer, or agree to pay any
21 future increase in income, as that term is defined in Section

1 15-134.6 or 16-131.7 of the Illinois Pension Code, to any
2 person in a manner that violates any of those Sections.

3 Section 80. The Northern Illinois University Law is amended
4 by adding Section 30-190 as follows:

5 (110 ILCS 685/30-190 new)

6 Sec. 30-190. Future increases in income. Northern Illinois
7 University must not pay, offer, or agree to pay any future
8 increase in income, as that term is defined in Section 15-134.6
9 or 16-131.7 of the Illinois Pension Code, to any person in a
10 manner that violates any of those Sections.

11 Section 85. The Western Illinois University Law is amended
12 by adding Section 35-185 as follows:

13 (110 ILCS 690/35-185 new)

14 Sec. 35-185. Future increases in income. Western Illinois
15 University must not pay, offer, or agree to pay any future
16 increase in income, as that term is defined in Section 15-134.6
17 or 16-131.7 of the Illinois Pension Code, to any person in a
18 manner that violates any of those Sections.

19 Section 90. The Public Community College Act is amended by
20 changing Sections 3-26 and 3-42 as follows:

1 (110 ILCS 805/3-26) (from Ch. 122, par. 103-26)

2 Sec. 3-26. (a) To make appointments and fix the salaries of
3 a chief administrative officer, who shall be the executive
4 officer of the board, other administrative personnel, and all
5 teachers, but subject to any applicable restrictions in Section
6 15-134.6 or 16-131.7 of the Illinois Pension Code. In making
7 these appointments and fixing the salaries, the board may make
8 no discrimination on account of sex, race, creed, color or
9 national origin.

10 (b) Upon the written request of an employee, to withhold
11 from the compensation of that employee the membership dues of
12 such employee payable to any specified labor organization as
13 defined in the Illinois Educational Labor Relations Act. Under
14 such arrangement, an amount shall be withheld for each regular
15 payroll period which is equal to the prorata share of the
16 annual membership dues plus any payments or contributions and
17 the board shall pay such withholding to the specified labor
18 organization within 10 working days from the time of the
19 withholding.

20 (Source: P.A. 83-1014.)

21 (110 ILCS 805/3-42) (from Ch. 122, par. 103-42)

22 Sec. 3-42. To employ such personnel as may be needed, to
23 establish policies governing their employment and dismissal,
24 and to fix the amount of their compensation, subject to any
25 applicable restrictions in Section 15-134.6 or 16-131.7 of the

1 Illinois Pension Code. In the employment, establishment of
2 policies and fixing of compensation the board may make no
3 discrimination on account of sex, race, creed, color or
4 national origin.

5 Residence within any community college district or outside
6 any community college district shall not be considered:

7 (a) in determining whether to retain or not retain any
8 employee of a community college employed prior to July 1,
9 1977 or prior to the adoption by the community college
10 board of a resolution making residency within the community
11 college district of some or all employees a condition of
12 employment, whichever is later;

13 (b) in assigning, promoting or transferring any
14 employee of a community college to an office or position
15 employed prior to July 1, 1977 or prior to the adoption by
16 the community college board of a resolution making
17 residency within the community college district of some or
18 all employees a condition of employment, whichever is
19 later; or

20 (c) in determining the salary or other compensation of
21 any employee of a community college.

22 (Source: P.A. 80-248.)

23 Section 95. The Illinois Educational Labor Relations Act is
24 amended by changing Sections 4 and 17 as follows:

1 (115 ILCS 5/4) (from Ch. 48, par. 1704)

2 Sec. 4. Employer rights. Employers shall not be required to
3 bargain over matters of inherent managerial policy, which shall
4 include such areas of discretion or policy as the functions of
5 the employer, standards of services, its overall budget, the
6 organizational structure and selection of new employees and
7 direction of employees. Employers, however, shall be required
8 to bargain collectively with regard to policy matters directly
9 affecting wages (but subject to any applicable restrictions in
10 Section 15-134.6 or 16-131.7 of the Illinois Pension Code),
11 hours and terms and conditions of employment as well as the
12 impact thereon upon request by employee representatives, but
13 excluding the changes, the impact of changes, and the
14 implementation of the changes set forth in this amendatory Act
15 of the 97th General Assembly. To preserve the rights of
16 employers and exclusive representatives which have established
17 collective bargaining relationships or negotiated collective
18 bargaining agreements prior to the effective date of this Act,
19 employers shall be required to bargain collectively with regard
20 to any matter concerning wages (but subject to any applicable
21 restrictions in Section 15-134.6 or 16-131.7 of the Illinois
22 Pension Code), hours or conditions of employment about which
23 they have bargained for and agreed to in a collective
24 bargaining agreement prior to the effective date of this Act,
25 but excluding the changes, the impact of changes, and the
26 implementation of the changes set forth in this amendatory Act

1 of the 97th General Assembly.

2 (Source: P.A. 83-1014.)

3 (115 ILCS 5/17) (from Ch. 48, par. 1717)

4 Sec. 17. Effect on other laws. In case of any conflict
5 between the provisions of this Act and any other law (other
6 than Sections 15-134.6 and 16-131.7 of the Illinois Pension
7 Code), executive order or administrative regulation, the
8 provisions of this Act shall prevail and control. The
9 provisions of this Act are subject to any applicable
10 restrictions in Section 15-134.6 or 16-131.7 of the Illinois
11 Pension Code, as well as the changes, impact of changes, and
12 implementation of changes set forth in this amendatory Act of
13 the 97th General Assembly. Nothing in this Act shall be
14 construed to replace or diminish the rights of employees
15 established by Section 36d of "An Act to create the State
16 Universities Civil Service System", approved May 11, 1905, as
17 amended or modified.

18 (Source: P.A. 83-1014.)

19 Section 100. The State Mandates Act is amended by adding
20 Section 8.36 as follows:

21 (30 ILCS 805/8.36 new)

22 Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8
23 of this Act, no reimbursement by the State is required for the

1 implementation of any mandate created by this amendatory Act of
2 the 97th General Assembly.

3 Section 105. Severability and inseverability. The
4 provisions set forth in Sections 5, 15, 20, 25, 40, 95, 100,
5 and 999 of this Act, as well as Sections 7-109, 15-106, 15-107,
6 15-113.2, 15-163, 15-165, and 16-106, subsection (a-5) of
7 Section 16-158, and Section 18-140 of the Illinois Pension
8 Code, as set forth in Section 30 of this Act, are severable
9 pursuant to Section 1.31 of the Statute on Statutes, and are
10 not mutually dependent upon the provisions set forth in any
11 other Section of this Act.

12 Sections 10, 35, and 45 through 90 of this Act, as well as
13 the other provisions of Section 30 of this Act, are mutually
14 dependent and inseverable. If any of those provision is held
15 invalid other than as applied to a particular person or
16 circumstance, then all of those provisions are invalid.

17 Section 999. Effective date. This Act takes effect upon
18 becoming law.

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