HB6258

LRB097 23545 JDS 72554 b

97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB6258

by Rep. Elaine Nekritz

SYNOPSIS AS INTRODUCED:

See Index

Amends the General Provisions, General Assembly, State Employee, State Universities, and Downstate Teacher Articles of the Illinois Pension Code. In the General Provisions Article, creates a cash balance plan for new hires of the State Universities and Teachers' Retirement Systems and for certain Tier II participants. Increases the retirement age for certain Tier I members and participants. Changes the conditions of eligibility for, and the amount of, automatic annual increases for Tier I retirees. Increases required employee contributions for Tier I members and participants. Limits pensionable salary for Tier I participants. Changes the required State contribution to each of the affected retirement systems so that those systems are 100% funded by 2043. Guarantees certain funding levels. In the State Universities and Downstate Teacher Articles, shifts costs to local employers. Makes other changes. 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 State Mandates Act to require implementation without reimbursement. Includes an inseverability provision. Makes other changes. Effective immediately.

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FISCAL NOTE ACT MAY APPLY	PENSION IMPACT NOTE ACT MAY APPLY	STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

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

Section 5. The Governor's Office of Management and Budget Act is amended by changing Sections 7 and 8 as follows:

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

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

(1) Personal services

(2) State contribution for employee group insurance

(3) Contractual services

(4) Travel

(5) Commodities

(6) Equipment

(7) Permanent improvements

(8) Land

(9) Electronic Data Processing

(10) Telecommunication services

(11) Operation of Automotive Equipment

(12) Contingencies

(13) Reserve

(14) Interest

(15) Awards and Grants

(16) Debt Retirement

(17) Non-cost Charges~~.~~

(18) State retirement contribution for annual normal cost

(19) State retirement contribution for unfunded accrued liability.

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

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

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

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

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

Section 10. The State Finance Act is amended by changing Section 13 and by adding Sections 24.12 and 24.13 as follows:

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

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

(1) Personal services;

(2) State contribution for employee group insurance;

(3) Contractual services;

(4) Travel;

(5) Commodities;

(6) Equipment;

(7) Permanent improvements;

(8) Land;

(9) Electronic Data Processing;

(10) Operation of automotive equipment;

(11) Telecommunications services;

(12) Contingencies;

(13) Reserve;

(14) Interest;

(15) Awards and Grants;

(16) Debt Retirement;

(17) Non-Cost Charges;

(18) State retirement contribution for annual normal cost;

(19) State retirement contribution for unfunded accrued liability;

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

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

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

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

(30 ILCS 105/24.12 new)

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

(30 ILCS 105/24.13 new)

Sec. 24.13. "State retirement contribution for unfunded accrued liability" defined. The term "State retirement contribution for unfunded accrued liability" means the portion of the total required State contribution to a retirement system for a fiscal year that is not included in the State retirement contribution for annual normal cost.

Section 15. The Budget Stabilization Act is amended by changing Section 20 as follows:

(30 ILCS 122/20)

Sec. 20. Pension Stabilization Fund.

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

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

(c) For each fiscal year through State fiscal year 2013, when the General Assembly's appropriations and transfers or diversions as required by law from general funds do not exceed 98% of the estimated general funds revenues pursuant to subsection (b) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 1.0% of the estimated general funds revenues to the Pension Stabilization Fund.

(c-10) In State fiscal year 2016 and each fiscal year thereafter, the State Comptroller shall order transferred and the State Treasurer shall transfer $693,500,000 from the General Revenue Fund to the Pension Stabilization Fund.

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

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

(c-25) The transfers made pursuant to subsections (c-10) through (c-20) of this Section shall continue through State fiscal year 2045 or until each of the designated retirement systems, as defined in Section 25, has achieved a funding ratio of at least 100%, whichever occurs first.

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

Until State fiscal year 2014, before ~~Before~~ the final transfer for a fiscal year is made, the Comptroller shall reconcile the estimated general funds revenues used in calculating the other transfers under this Section for that fiscal year with the actual general funds revenues for that fiscal year. The final transfer for the fiscal year shall be adjusted so that the total amount transferred under this Section for that fiscal year is equal to the percentage specified in subsection (b) or (c) of this Section, whichever is applicable, of the actual general funds revenues for that fiscal year. The actual general funds revenues for the fiscal year shall be calculated in a manner consistent with subsection (c) of Section 10 of this Act.

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

Section 20. The Illinois Pension Code is amended by changing Sections 1-103.3, 1-160, 2-108, 2-119, 2-119.1, 2-121.1, 2-124, 2-125, 2-126, 2-134, 2-162, 14-103.10, 14-107, 14-108, 14-110, 14-114, 14-131, 14-132, 14-133, 14-135.08, 14-152.1, 15-111, 15-113.6, 15-113.7, 15-134.5, 15-135, 15-136, 15-155, 15-156, 15-157, 15-158.2, 15-165, 15-198, 16-121, 16-132, 16-133, 16-133.1, 16-152, 16-158, 16-158.1, 16-203, 20-121, 20-123, 20-124, and 20-125 and by adding Sections 1-161, 2-105.1, 2-105.2, 14-103.40, 14-103.41, 15-107.1, 15-107.2, 15-155.1, 16-106.4, 16-106.5, and 16-158.2 as follows:

(40 ILCS 5/1-103.3)

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

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

(b) (Blank) ~~The General Assembly declares that a funding ratio (the ratio of a retirement system's total assets to its total actuarial liabilities) of 90% is an appropriate goal for State-funded retirement systems in Illinois, and it finds that a funding ratio of 90% is now the generally-recognized norm throughout the nation for public employee retirement systems~~

~~that are considered to be financially secure and funded in an appropriate and responsible manner~~.

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

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

(40 ILCS 5/1-160)

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

(a) The provisions of this Section apply to a person who, on or after January 1, 2011, first becomes a member or a participant under any reciprocal retirement system or pension fund established under this Code, other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code, notwithstanding any other provision of this Code to the contrary, but do not apply (i) to any self-managed plan established under this Code, (ii) to any person with respect to service as a sheriff's law enforcement employee under Article 7, (iii) to any person with respect to service for which the person participates in the cash balance plan established under Section 1-161, or (iv) to any participant of the retirement plan established under Section 22-101.

A person subject to this Section with respect to service under the State Universities Retirement System may irrevocably elect to transfer to the cash balance plan under Section 1-161 with respect to service under the State Universities Retirement System by filing with the State Universities Retirement System by December 31, 2013, in the manner required by that System, his or her irrevocable written election to transfer to the cash balance plan. A person subject to this Section who returns to active service under Article 15 after November 1, 2013 shall have 60 days after returning to active service to make this election. Participation in the cash balance plan shall begin no earlier than July 1, 2013. For a person who transfers to the cash balance plan, the benefits that would otherwise be payable under this Section with respect to service in the State Universities Retirement System shall instead be payable as provided in the cash balance plan.

A person subject to this Section with respect to service under the Teachers' Retirement System of the State of Illinois may irrevocably elect to transfer to the cash balance plan under Section 1-161 with respect to service under the Teachers' Retirement System of the State of Illinois by filing with the Teachers' Retirement System of the State of Illinois by December 31, 2013, in the manner required by that System, his or her irrevocable written election to transfer to the cash balance plan. A person subject to this Section who returns to active service under Article 16 after November 1, 2013 shall have 60 days after returning to active service to make this election. Participation in the cash balance plan shall begin no earlier than July 1, 2013. For a person who transfers to the cash balance plan, the benefits that would otherwise be payable under this Section with respect to service in the Teachers' Retirement System of the State of Illinois shall instead be payable as provided in the cash balance plan.

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

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

(2) In Articles 8, 9, 10, 11, and 12, "highest average annual salary for any 4 consecutive years within the last

10 years of service immediately preceding the date of withdrawal".

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

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

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

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

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

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

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

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

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

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

(f) The initial survivor's or widow's annuity of an otherwise eligible survivor or widow of a retired member or participant who first became a member or participant on or after January 1, 2011 shall be in the amount of 66 2/3% of the retired member's or participant's retirement annuity at the date of death. In the case of the death of a member or participant who has not retired and who first became a member or participant on or after January 1, 2011, eligibility for a survivor's or widow's annuity shall be determined by the applicable Article of this Code. The initial benefit shall be 66 2/3% of the earned annuity without a reduction due to age. A child's annuity of an otherwise eligible child shall be in the amount prescribed under each Article if applicable. Any survivor's or widow's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring after the first anniversary of the commencement of the annuity. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November

1 is zero or there is a decrease, then the annuity shall not be increased.

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

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

If a person who first becomes a member of a retirement system or pension fund subject to this Section on or after January 1, 2012 and is receiving a retirement annuity or retirement pension under that system or fund ~~and~~ accepts on a contractual basis a position to provide services to a governmental entity from which he or she has retired, then that person's annuity or retirement pension earned as an active employee of the employer shall be suspended during that contractual service. A person receiving an annuity or retirement pension under this Code shall notify the pension fund or retirement system from which he or she is receiving an annuity or retirement pension, as well as his or her contractual employer, of his or her retirement status before accepting contractual employment. A person who fails to submit such notification shall be guilty of a Class A misdemeanor and required to pay a fine of $1,000. Upon termination of that contractual employment, the person's retirement annuity or retirement pension payments shall resume and, if appropriate, be recalculated under the applicable provisions of this Code.

(i) Notwithstanding any other provision of this Section, a person who first becomes a participant of the retirement system established under Article 15 on or after January 1, 2011 <u>but before the effective date of this amendatory Act of the 97th</u>

General Assembly shall have the option to enroll in the self-managed plan created under Section 15-158.2 of this Code.

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

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

(40 ILCS 5/1-161 new)

Sec. 1-161. Cash Balance Plan.

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

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

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

"Account" means the notional cash balance account established under this Section by the applicable retirement system for a participant in the cash balance plan.

"Eligible child" means:

(1) with respect to a participant in the retirement system established under Article 15 of this Code, a person who would be eligible for a survivors insurance benefit as

a dependent unmarried child under Article 15 of this Code if the deceased participant had been a participant in the traditional benefit package; or

(2) with respect to a participant in the retirement system established under Article 16, an eligible child as defined in subdivision (a)(4) of Section 16-140 of this Code who would be eligible for survivors' benefits if the deceased participant had not been subject to this Section.

"Eligible parent" means:

(1) with respect to a participant in the retirement system established under Article 15 of this Code, a person who would be eligible for a survivors insurance benefit as a dependent parent under Article 15 of this Code if the deceased participant had been a participant in the traditional benefit package; or

(2) with respect to a participant in the retirement system established under Article 16, a dependent parent as defined in subdivision (a)(5) of Section 16-140 of this Code who would be eligible for survivors' benefits if the deceased participant had not been subject to this Section.

"Eligible surviving spouse" means:

(1) with respect to a participant in the retirement system established under Article 15 of this Code, a person who would be eligible for a survivors annuity as a surviving spouse under Article 15 of this Code if the deceased participant had been a participant in the

traditional benefit package; or

(2) with respect to a participant in the retirement system established under Article 16, a dependent beneficiary as defined in subdivision (a)(3)(A) or (a)(3)(A-1) of Section 16-140 of this Code who would be eligible for survivors' benefits payable in the form of an annuity if the deceased participant had not been subject to this Section.

"Eligible survivor" means:

(1) with respect to a participant in the retirement system established under Article 15 of this Code, a person who would be eligible for survivors insurance benefits as a survivors insurance beneficiary (as defined in Section 15-131 of this Code) if the deceased participant had been a participant in the traditional benefit package; or

(2) with respect to a participant in the retirement system established under Article 16, a person who would be eligible for survivors' benefits under Article 16 of this Code if the deceased participant had not been subject to this Section.

"Salary" means "earnings" as defined in Article 15 or "salary" as defined in Article 16, whichever is applicable.

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

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

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

If a person participates in the cash balance plan with respect to service under more than one retirement system, each retirement system shall establish a separate cash balance account for the participant, and the participant shall be entitled to separate benefits from each retirement system based upon the participant's service and cash balance account under that retirement system. References in this Section to a participant's account mean the account established by, and related to his or her service under, the applicable retirement system.

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

The amounts to be debited from the cash balance account shall include (i) amounts representing contributions for disability benefits, (ii) amounts representing contributions for survivor benefits not based on the cash balance account, and (iii) upon a return to service after retirement, amounts representing each payment of retirement annuity following the latest retirement and preceding the return to service, all as provided in this Section.

The applicable retirement system shall give to each participant in the cash balance plan who has not yet retired annual notice of the balance in the participant's cash balance account.

(c-5) Initial Account Balance for Legacy Tier II Participants. The applicable retirement system shall establish an initial account balance for each legacy Tier II participant when he or she begins participation in the cash balance plan. The initial account balance shall be an amount equal to the refund that the participant would be eligible to receive under the applicable Article of this Code if the participant terminated employment on that date and elected a refund of contributions. If a legacy Tier II participant has purchased service credit prior to irrevocably electing to participate in the cash balance plan created under this Section, then the initial account balance shall include an amount equal to the contributions made by the participant to purchase that service credit.

By accepting the initial account balance, the participant relinquishes the right to any benefits (including survivor benefits) that would otherwise be payable under Section 1-160 with respect to service in the applicable retirement system, but does not forfeit any service credit earned with respect to such service.

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

(e) Notional Employer Contributions. Upon crediting each employee contribution under subsection (d), an amount representing the corresponding employer contribution shall be credited to the participant's cash balance account. Notional employer contributions shall be 6.2% of salary.

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

(e-1) Notional Amount Based on Optional Employer Contributions. If an employer agrees to make optional employer contributions under subsection (p), then, for the period specified in the agreement, an amount representing the percentage of salary specified in the agreement shall be credited to the cash balance account of each affected participant after receipt and reconciliation of the corresponding employee contribution under subsection (d).

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

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

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

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

(i) the assumed treasury rate, plus

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

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

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

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

When a person applies for a retirement annuity under subsection (g) or a surviving spouse's annuity under subsection (k), the retirement system shall calculate the initial annuity without applying an interest credit for the portion of the fiscal year before the initial annuity payment date. On the first June 30 occurring on or after the initial annuity payment date, the retirement system shall (1) calculate a prorated interest credit for the portion of the fiscal year before the initial annuity payment date, (2) credit the prorated amount to the participant's account, and (3) recalculate the amount of the annuity from the initial annuity payment date. The retirement system shall pay to the annuitant in a lump-sum, without interest, the difference, for the portion of the fiscal year on and after the initial annuity payment, between the original annuity amount and the annuity amount as recalculated under this subsection.

(f-10) Distribution after Termination of Employment. After termination of the participant's active employment with at least 5 years of service credit under the applicable retirement system but prior to applying for an annuity under this Section, a participant in the cash balance plan or an eligible surviving spouse under subsection (k) may make an irrevocable election to receive a distribution from the applicable retirement system in an amount not to exceed 40% of the balance in the participant's account in the form of a direct rollover to another qualified plan, to the extent allowed by federal law. Only one distribution under this subsection may be made with respect to a participant's cash balance account.

Upon payment of the distribution, the amount distributed shall be debited from the participant's cash balance account. The remaining balance in the account shall be used for the determination of the other benefits provided to the participant or eligible surviving spouse under this Section. Once a distribution under this subsection (f-10) has been paid, neither the participant nor an eligible survivor may repay the amount distributed or reinstate any benefit arising under this Section from the distributed amount.

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

Upon payment of the refund, the participant's notional cash balance account is closed, and the participant's credits in the applicable retirement system are terminated. A person who receives a refund under this subsection forfeits all rights under the applicable retirement system, including any right to repay refunded amounts and to reinstate any benefit under that retirement system.

An eligible surviving spouse under subsection (k) may elect to receive a refund under this subsection in lieu of a survivor's annuity unless a distribution has been made under subsection (f-10) with respect to the participant's cash balance account.

(g) Retirement Annuity. A participant in the cash balance plan may begin collecting a retirement annuity at age 59 1/2, but not before reaching the age of 59 1/2 and not before the date of termination of active employment under the applicable retirement system.

The amount of the retirement annuity shall be calculated by the retirement system, based on the balance in the cash balance account, the assumption of future investment returns as specified in this subsection, the participant's election to have a lifetime surviving spouse's annuity as specified in this subsection, the annual increase in retirement annuity as specified in subsection (h), the annual increase in survivor's annuity as specified in subsection (l), and any actuarial assumptions and tables adopted by the board of the retirement system for this purpose. The calculation shall be designed to determine, on an actuarially equivalent basis, the amount of retirement annuity that will result in total annuity payments being equal to the total balance in the participant's account on the date when the last payment of retirement annuity (or surviving spouse's annuity, if the participant elects to provide for a surviving spouse's annuity pursuant to this subsection) is anticipated to be paid under the relevant actuarial assumptions.

For the purpose of calculating retirement annuities, future investment returns shall be assumed to be a percentage equal to the average yield of the 30-year U.S. Treasury Bond over the 5 fiscal years prior to the calculation of the initial retirement annuity, plus 200 basis points; but not less than 4% nor more than 8%.

A retirement annuity or surviving spouse's annuity provided under this subsection shall be a life annuity and shall not expire for the reason that the total amount paid has reached or exceeded the account balance.

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

The participant may elect, in the participant's written application for retirement, to receive a reduced retirement annuity payable for his or her life and to have a surviving spouse's annuity in a monthly amount equal to 50%, 75%, or 100% of that reduced monthly amount, to be paid to his or her eligible surviving spouse, commencing upon the participant's death.

When the final payment of the retirement annuity (or surviving spouse's annuity, if the participant elects to provide for a surviving spouse's annuity pursuant to this subsection) has been paid, the account shall be closed. When the participant has died and there are no longer any eligible survivors, any unused employee contributions shall be forfeited to the applicable retirement system.

(h) Annual Increase in Retirement Annuity. The retirement annuity shall be subject to an automatic annual increase in an amount equal to 3% of the originally granted annuity on each January 1 occurring on or after the first anniversary of the annuity start date. Automatic annual increases in a surviving spouse's annuity provided under subsection (g) shall be in accordance with subsection (k-5) of this Section.

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

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

The board of the retirement system shall designate annually, as a percentage of salary, an amount representing the anticipated average cost of providing disability benefits for participants. The amount so designated shall not exceed 1% of the participant's salary and shall be deducted annually from the account of each participant receiving salary.

(j) Return to Service. Upon a return to service under the same retirement system after beginning to receive a retirement annuity under the cash balance plan, the retirement annuity shall be suspended and active participation in the cash balance plan shall resume. Upon termination of the employment, the retirement annuity shall resume in an amount to be recalculated in accordance with subsection (g), taking into effect the changes in the cash balance account. If a retired annuitant returns to service, his or her notional cash balance account shall thereupon be decreased by amounts representing each payment of retirement annuity following the latest retirement and preceding the return to service.

(k) Surviving Spouse's Annuity - Death before Retirement. In the case of the death of a new cash balance plan participant or legacy Tier II participant who had less than 5 years of service under the applicable Article and had not begun receiving a retirement annuity or taken a refund under subsection (f-15), the eligible surviving spouse shall be entitled only to a refund of employee contributions under subsection (f-15).

In the case of the death of a new cash balance plan participant or legacy Tier II participant who had at least 5 years of service under the applicable Article and had not begun receiving a retirement annuity or taken a refund under subsection (f-15), the eligible surviving spouse shall, upon written application, be entitled to receive a surviving spouse's annuity beginning at age 59 1/2 (regardless of the existence of dependent eligible children). The surviving spouse's annuity shall be equal to 66 2/3% of the amount of retirement annuity that the deceased participant would have been entitled to if he or she had retired on the date of death having attained age 59 1/2 and without having elected to take a reduced annuity to provide a surviving spouse's annuity.

At any time before beginning to receive a surviving spouse's annuity under this subsection, the eligible surviving spouse may claim a distribution under subsection (f-10) or a refund under subsection (f-15). The deceased participant's account shall continue to receive interest credit until the eligible surviving spouse begins to receive a surviving spouse's annuity or receives a refund of employee contributions under subsection (f-15).

A surviving spouse's annuity provided under this subsection shall be a life annuity and shall not expire for the reason that the amount paid has reached or exceeded the account balance. When the final payment of the surviving spouse's annuity has been paid, the account shall be closed. When the participant has died and there are no longer any eligible survivors, any unused employee contributions shall be forfeited to the applicable retirement system.

(k-5) Annual Increase in Surviving Spouse's Annuity. A surviving spouse's annuity granted under subsection (g) or (k) shall be subject to an automatic annual increase in an amount equal to 3% of the originally granted annuity on each January 1 occurring on or after the first anniversary of the annuity start date.

(l) Benefits for Eligible Children and Eligible Parents. Upon the death of a participant in the cash balance plan, an eligible child or eligible parent may be entitled to receive death benefits and survivors insurance benefits under Article 15 or survivors' benefits under Article 16 of this Code. These benefits shall be deemed to be "survivor benefits not based on the cash balance account" for the purposes of this Section.

Eligibility for these benefits shall be determined under this Section and the applicable Article of this Code, including without limitation any provision restricting eligibility on the basis of (i) an election to receive a lump-sum death benefit or (ii) a permitted designation of a different or alternate beneficiary.

The amount of these benefits shall be determined under this Section and the applicable Article of this Code, including without limitation any limitation on the minimum or maximum amount of such benefits, individually or in combination. In applying any limitation on the minimum or maximum amount of such benefits that depends on the existence or amount of a benefit payable to the surviving spouse, the retirement system shall use the amount of surviving spouse annuity payable by the retirement system under this Section rather than the amount otherwise provided under the applicable Article. Under no circumstance shall the sum of the benefits payable to all eligible survivors of a particular deceased participant by the applicable retirement system in accordance with this Section exceed the sum of the benefits that would be payable to all eligible survivors if the deceased participant had not been subject to this Section.

The board of the retirement system shall designate annually, as a percentage of salary, an amount representing the anticipated average cost of providing survivor benefits not based on the cash balance account for dependent children and dependent parents of deceased participants in the cash balance plan. The amount so designated shall not exceed XXX% of the cash balance plan participant's salary and shall be deducted annually from the account of each participant receiving salary.

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

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

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

(3) provisions authorizing a minimum retirement or survivor's annuity or a supplemental annuity (except as provided in subsection (l) of this Section with respect to eligible children and eligible parents);

(4) provisions authorizing any form of annuity not authorized under this Section;

(5) provisions authorizing a reversionary annuity (other than a surviving spouse's annuity under subsection (g));

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

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

(8) a level income option.

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

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

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

(o) Actual Employer Contributions. Payment of employer contributions with respect to participants in the cash balance plan shall be the responsibility of the actual employer. These contributions shall be determined under and paid in accordance with the provisions of Sections 15-155 and 16-158.

(p) Actual Optional Employer Contributions. An employer may agree with the applicable retirement system to make optional employer contributions to the system on behalf of employees who are participants in the cash balance plan, to the extent permitted by federal law and in accordance with the rules and procedures of the system.

Any such agreement must apply to all employees of the employer who are participants in the cash balance plan. The agreement shall be filed in writing with the applicable retirement system, and shall specify (i) the additional percentage of salary to be credited to the accounts of the employees, (ii) the period during which the optional employer contributions will apply, and (iii) that the employer agrees to pay to the applicable retirement system the employer's normal cost of the benefits resulting from those credited amounts, as well as any unfunded accrued liability resulting from the cost of those benefits, all as determined by the system in accordance with the applicable Article.

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

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

(40 ILCS 5/2-105.1 new)

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

(40 ILCS 5/2-105.2 new)

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

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

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

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

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

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

Notwithstanding any other provision of this Code, the salary of a Tier I participant for the purposes of this Code shall not exceed, for periods of service in a term of office beginning on or after the effective date of this amendatory Act of the 97th General Assembly, the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act.

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

(40 ILCS 5/2-119) (from Ch. 108 1/2, par. 2-119)

Sec. 2-119. Retirement annuity - conditions for eligibility.

(a) A participant whose service as a member is terminated, regardless of age or cause, is entitled to a retirement annuity beginning on the date specified by the participant in a written application subject to the following conditions:

1. The date the annuity begins does not precede the date of final termination of service, or is not more than 30 days before the receipt of the application by the board in the case of annuities based on disability or one year before the receipt of the application in the case of annuities based on attained age;

2. The participant meets one of the following eligibility requirements:

For a participant who first becomes a participant of this System before January 1, 2011 (the effective date of

Public Act 96-889):

(A) He or she has attained age 55 and has at least 8 years of service credit;

(B) He or she has attained age 62 and terminated service after July 1, 1971 with at least 4 years of service credit; or

(C) He or she has completed 8 years of service and has become permanently disabled and as a consequence, is unable to perform the duties of his or her office.

For a participant who first becomes a participant of this System on or after January 1, 2011 (the effective date of Public Act 96-889), he or she has attained age 67 and has at least 8 years of service credit.

<u>(a-5) Notwithstanding subsection (a) of this Section, for a Tier I participant who begins receiving a retirement annuity under this Section after July 1, 2013:</u>

<u>(1) If the Tier I participant is at least 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section remain unchanged.</u>

<u>(2) If the Tier I participant is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by one year.</u>

<u>(3) If the Tier I participant is at least 35 but less</u>

than 40 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by 3 years.

(4) If the Tier I participant is less than 35 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by 5 years.

Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

(a-5) A participant who first becomes a participant of this System on or after January 1, 2011 (the effective date of Public Act 96-889) who has attained age 62 and has at least 8 years of service credit may elect to receive the lower retirement annuity provided in paragraph (c) of Section 2-119.01 of this Code.

(b) A participant shall be considered permanently disabled only if: (1) disability occurs while in service and is of such a nature as to prevent him or her from reasonably performing the duties of his or her office at the time; and (2) the board has received a written certificate by at least 2 licensed physicians appointed by the board stating that the member is disabled and that the disability is likely to be permanent.

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

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

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

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

<u>(a-1) Notwithstanding any other provision of this Article, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 97th General Assembly shall be the lesser of $750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.</u>

<u>(a-2) Notwithstanding any other provision of this Article, for a Tier I retiree, the monthly retirement annuity shall</u>

first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 97th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding Section 1-103.1, subsections (a-1) and (a-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

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

This subsection (b) does not apply to any person who first becomes a member of the System after August 8, 2003 (the effective date of Public Act 93-494) ~~this amendatory Act of the 93rd General Assembly~~.

(b-5) Notwithstanding any other provision of this Article, a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act 96-889) shall, in January or July next following the first anniversary of retirement, whichever occurs first, and in the same month of each year thereafter, but in no event prior to age 67, have the amount of the originally granted retirement annuity ~~then being paid~~ increased by 3% or one-half the annual unadjusted percentage increase in the Consumer Price Index for All Urban Consumers as determined by the Public Pension Division of the Department of Insurance under subsection (a) of Section 2-108.1, whichever is less. The changes made to this subsection by this amendatory Act of the 97th General Assembly do not apply to any automatic annual increase granted under this subsection before the effective date of this amendatory Act.

(c) The foregoing provisions relating to automatic increases are not applicable to a participant who retires before having made contributions (at the rate prescribed in

Section 2-126) for automatic increases for less than the equivalent of one full year. However, in order to be eligible for the automatic increases, such a participant may make arrangements to pay to the system the amount required to bring the total contributions for the automatic increase to the equivalent of one year's contributions based upon his or her last salary.

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

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

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

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

(40 ILCS 5/2-121.1) (from Ch. 108 1/2, par. 2-121.1)

Sec. 2-121.1. Survivor's annuity - amount.

(a) A surviving spouse shall be entitled to 66 2/3% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, without regard to whether the participant had attained age 55 prior to his or her death, subject to a minimum payment of 10% of salary. If a surviving spouse, regardless of age, has in his or her care at the date of death any eligible child or children of the participant, the survivor's annuity shall be the greater of the following: (1) 66 2/3% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, or (2) 30% of the participant's salary increased by 10% of salary on account of each such child, subject to a total payment for the surviving spouse and children of 50% of salary. If eligible children survive but there is no surviving spouse, or if the surviving spouse dies or becomes disqualified by remarriage while eligible children survive, each eligible child shall be entitled to an annuity of 20% of salary, subject to a maximum total payment for all such children of 50% of salary.

However, the survivor's annuity payable under this Section shall not be less than 100% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, if he or she is survived by a dependent disabled child.

The salary to be used for determining these benefits shall be the salary used for determining the amount of retirement annuity as provided in Section 2-119.01.

(b) Upon the death of a participant after the termination of service or upon death of an annuitant, the maximum total payment to a surviving spouse and eligible children, or to eligible children alone if there is no surviving spouse, shall be 75% of the retirement annuity to which the participant or annuitant was entitled, unless there is a dependent disabled child among the survivors.

(c) When a child ceases to be an eligible child, the annuity to that child, or to the surviving spouse on account of that child, shall thereupon cease, and the annuity payable to the surviving spouse or other eligible children shall be recalculated if necessary.

Upon the ineligibility of the last eligible child, the annuity shall immediately revert to the amount payable upon death of a participant or annuitant who leaves no eligible children. If the surviving spouse is then under age 50, the annuity as revised shall be deferred until the attainment of age 50.

(d) Beginning January 1, 1990, every survivor's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity, or (2) in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, by an amount equal to 3% of the current amount of the annuity, including any previous increases under this Article. Such increases shall apply without regard to whether the deceased member was in service on or after the effective date of this amendatory Act of 1991, but shall not accrue for any period prior to January 1, 1990.

(d-5) Notwithstanding any other provision of this Article, the initial survivor's annuity of a survivor of a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act 96-889) shall be in the amount of 66 2/3% of the amount of the retirement annuity to which the participant or annuitant was entitled on the date of death and shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, by an amount equal to 3% or one-half the annual unadjusted percentage increase in the Consumer Price Index for All Urban Consumers as determined by the Public Pension Division of the Department of Insurance under subsection (a) of Section 2-108.1, whichever is less, of the originally granted survivor's annuity ~~then being paid~~. The changes made to this subsection by this amendatory Act of the 97th General Assembly do not apply to any automatic annual increase granted under this subsection before the effective date of this amendatory Act.

(e) Notwithstanding any other provision of this Article, beginning January 1, 1990, the minimum survivor's annuity payable to any person who is entitled to receive a survivor's annuity under this Article shall be $300 per month, without regard to whether or not the deceased participant was in service on the effective date of this amendatory Act of 1989.

(f) In the case of a proportional survivor's annuity arising under the Retirement Systems Reciprocal Act where the amount payable by the System on January 1, 1993 is less than $300 per month, the amount payable by the System shall be increased beginning on that date by a monthly amount equal to $2 for each full year that has expired since the annuity began.

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

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

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

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

(c) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 2012 and 2013 ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

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

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

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

(40 ILCS 5/2-125) (from Ch. 108 1/2, par. 2-125)

Sec. 2-125. Obligations of State; funding guarantee.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses of administration and operation are obligations of the State to the extent specified in this Article.

(b) All income, interest and dividends derived from deposits and investments shall be credited to the account of the system in the State Treasury and used to pay benefits under this Article.

(c) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 2-124 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

(Source: P.A. 83-1440.)

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

Sec. 2-126. Contributions by participants.

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

(a-5) In addition to the contributions otherwise required under this Article, each Tier I participant shall also make the following contributions toward the cost of his or her retirement annuity from each payment of salary received by him or her for service as a member:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of salary; and

(2) beginning on July 1, 2014, 2% of salary.

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

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

(c) Beginning July 1, 1967, each participant shall contribute 1% of salary towards the cost of automatic increase in annuity provided in Section 2-119.1. These contributions shall be made concurrently with contributions for retirement annuity purposes.

(d) In addition, each participant serving as an officer of the General Assembly shall contribute, for the same purposes and at the same rates as are required of a regular participant, on each additional payment received as an officer. If the participant serves as an officer for at least 2 but less than 4 years, he or she shall contribute an amount equal to the amount that would have been contributed had the participant served as an officer for 4 years. Persons who serve as officers in the 87th General Assembly but cannot receive the additional payment to officers because of the ban on increases in salary during their terms may nonetheless make contributions based on those additional payments for the purpose of having the additional payments included in their highest salary for annuity purposes;

however, persons electing to make these additional contributions must also pay an amount representing the corresponding employer contributions, as calculated by the System.

(e) Notwithstanding any other provision of this Article, the required contribution of a participant who first becomes a participant on or after January 1, 2011 shall not exceed the contribution that would be due under this Article if that participant's highest salary for annuity purposes were $106,800, plus any increases in that amount under Section 2-108.1.

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

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

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

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

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

November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions.

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

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

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

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

On or before July 1, 2013, the Board shall, if necessary, recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2014, taking into account the changes in required State contributions made by this amendatory Act of the 97th General Assembly.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd

General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (d) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

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

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

(40 ILCS 5/2-162)

Sec. 2-162. Application and expiration of new benefit increases.

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

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

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

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

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

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

apply and qualify for the affected benefit while the new benefit increase was in effect.
(Source: P.A. 94-4, eff. 6-1-05.)

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

Sec. 14-103.10. Compensation.

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

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

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

(1) for vacation,

(2) for accumulated unused sick leave,

(3) upon discharge or dismissal,

(4) for approved holidays.

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

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

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

(1) for vacation;

(2) for accumulated unused sick leave;

(3) upon discharge or dismissal; and

(4) for approved holidays.

(f) Notwithstanding any other provision of this Code, the compensation of a Tier I member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 97th General Assembly, the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act; except that this limitation does not apply to a member's compensation that is determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 97th General Assembly and has not been amended or renewed after that date.

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

(40 ILCS 5/14-103.40 new)

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

(40 ILCS 5/14-103.41 new)

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

(40 ILCS 5/14-107) (from Ch. 108 1/2, par. 14-107)

Sec. 14-107. Retirement annuity - service and age - conditions.

(a) A member is entitled to a retirement annuity after having at least 8 years of creditable service.

(b) A member who has at least 35 years of creditable service may claim his or her retirement annuity at any age. A member having at least 8 years of creditable service but less than 35 may claim his or her retirement annuity upon or after attainment of age 60 or, beginning January 1, 2001, any lesser age which, when added to the number of years of his or her creditable service, equals at least 85. A member upon or after attainment of age 55 having at least 25 years of creditable service (30 years if retirement is before January 1, 2001) may elect to receive the lower retirement annuity provided in paragraph (c) of Section 14-108 of this Code. For purposes of the rule of 85, portions of years shall be counted in whole months.

(c) Notwithstanding subsection (b) of this Section, for a Tier I member who begins receiving a retirement annuity under this Article after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section remain unchanged and the references to 85 in subsection (b) of this Section remain

unchanged.

(2) If the Tier I member is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by one year and the references to 85 in subsection (b) are increased to 87.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by 3 years and the references to 85 in subsection (b) are increased to 91.

(4) If the Tier I member is less than 35 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by 5 years and the references to 85 in subsection (b) are increased to 95.

Notwithstanding Section 1-103.1, this subsection (c) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

(d) The allowance shall begin with the first full calendar month specified in the member's application therefor, the first day of which shall not be before the date of withdrawal as approved by the board. Regardless of the date of withdrawal, the allowance need not begin within one year of application therefor.

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

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

Sec. 14-108. Amount of retirement annuity. A member who has contributed to the System for at least 12 months shall be entitled to a prior service annuity for each year of certified prior service credited to him, except that a member shall receive 1/3 of the prior service annuity for each year of service for which contributions have been made and all of such annuity shall be payable after the member has made contributions for a period of 3 years. Proportionate amounts shall be payable for service of less than a full year after completion of at least 12 months.

The total period of service to be considered in establishing the measure of prior service annuity shall include service credited in the Teachers' Retirement System of the State of Illinois and the State Universities Retirement System for which contributions have been made by the member to such systems; provided that at least 1 year of the total period of 3 years prescribed for the allowance of a full measure of prior service annuity shall consist of membership service in this system for which credit has been granted.

(a) In the case of a member who retires on or after January 1, 1998 and is a noncovered employee, the retirement annuity for membership service and prior service shall be 2.2% of final average compensation for each year of service. Any service credit established as a covered employee shall be computed as stated in paragraph (b).

(b) In the case of a member who retires on or after January 1, 1998 and is a covered employee, the retirement annuity for membership service and prior service shall be computed as stated in paragraph (a) for all service credit established as a noncovered employee; for service credit established as a covered employee it shall be 1.67% of final average compensation for each year of service.

(c) For a member retiring after attaining age 55 but before age 60 with at least 30 but less than 35 years of creditable service if retirement is before January 1, 2001, or with at least 25 but less than 30 years of creditable service if retirement is on or after January 1, 2001, the retirement annuity shall be reduced by 1/2 of 1% for each month that the member's age is under age 60 at the time of retirement. For members to whom subsection (c) of Section 14-107 applies, the references to age 55 and 60 in this subsection (c) are increased as provided in subsection (c) of Section 14-107.

(d) A retirement annuity shall not exceed 75% of final average compensation, subject to such extension as may result from the application of Section 14-114 or Section 14-115.

(e) The retirement annuity payable to any covered employee who is a member of the System and in service on January 1, 1969, or in service thereafter in 1969 as a result of legislation enacted by the Illinois General Assembly transferring the member to State employment from county employment in a county Department of Public Aid in counties of 3,000,000 or more population, under a plan of coordination with the Old Age, Survivors and Disability provisions thereof, if not fully insured for Old Age Insurance payments under the Federal Old Age, Survivors and Disability Insurance provisions at the date of acceptance of a retirement annuity, shall not be less than the amount for which the member would have been eligible if coordination were not applicable.

(f) The retirement annuity payable to any covered employee who is a member of the System and in service on January 1, 1969, or in service thereafter in 1969 as a result of the legislation designated in the immediately preceding paragraph, if fully insured for Old Age Insurance payments under the Federal Social Security Act at the date of acceptance of a retirement annuity, shall not be less than an amount which when added to the Primary Insurance Benefit payable to the member upon attainment of age 65 under such Federal Act, will equal the annuity which would otherwise be payable if the coordinated plan of coverage were not applicable.

(g) In the case of a member who is a noncovered employee, the retirement annuity for membership service as a security employee of the Department of Corrections or security employee of the Department of Human Services shall be: if retirement occurs on or after January 1, 2001, 3% of final average compensation for each year of creditable service; or if retirement occurs before January 1, 2001, 1.9% of final average compensation for each of the first 10 years of service, 2.1% for each of the next 10 years of service, 2.25% for each year of service in excess of 20 but not exceeding 30, and 2.5% for each year in excess of 30; except that the annuity may be calculated under subsection (a) rather than this subsection (g) if the resulting annuity is greater.

(h) In the case of a member who is a covered employee, the retirement annuity for membership service as a security employee of the Department of Corrections or security employee of the Department of Human Services shall be: if retirement occurs on or after January 1, 2001, 2.5% of final average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 1.67% of final average compensation for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30.

(i) For the purposes of this Section and Section 14-133 of this Act, the term "security employee of the Department of Corrections" and the term "security employee of the Department of Human Services" shall have the meanings ascribed to them in subsection (c) of Section 14-110.

(j) The retirement annuity computed pursuant to paragraphs

(g) or (h) shall be applicable only to those security employees of the Department of Corrections and security employees of the Department of Human Services who have at least 20 years of membership service and who are not eligible for the alternative retirement annuity provided under Section 14-110. However, persons transferring to this System under Section 14-108.2 or 14-108.2c who have service credit under Article 16 of this Code may count such service toward establishing their eligibility under the 20-year service requirement of this subsection; but such service may be used only for establishing such eligibility, and not for the purpose of increasing or calculating any benefit.

(k) (Blank).

(l) The changes to this Section made by this amendatory Act of 1997 (changing certain retirement annuity formulas from a stepped rate to a flat rate) apply to members who retire on or after January 1, 1998, without regard to whether employment terminated before the effective date of this amendatory Act of 1997. An annuity shall not be calculated in steps by using the new flat rate for some steps and the superseded stepped rate for other steps of the same type of service.

(Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01.)

(40 ILCS 5/14-110) (from Ch. 108 1/2, par. 14-110)

Sec. 14-110. Alternative retirement annuity.

(a) Any member who has withdrawn from service with not less than 20 years of eligible creditable service and has attained age 55, and any member who has withdrawn from service with not less than 25 years of eligible creditable service and has attained age 50, regardless of whether the attainment of either of the specified ages occurs while the member is still in service, shall be entitled to receive at the option of the member, in lieu of the regular or minimum retirement annuity, a retirement annuity computed as follows:

(i) for periods of service as a noncovered employee: if retirement occurs on or after January 1, 2001, 3% of final average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 2 1/4% of final average compensation for each of the first 10 years of creditable service, 2 1/2% for each year above 10 years to and including 20 years of creditable service, and 2 3/4% for each year of creditable service above 20 years; and

(ii) for periods of eligible creditable service as a covered employee: if retirement occurs on or after January 1, 2001, 2.5% of final average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 1.67% of final average compensation for each of the first 10 years of such service, 1.90% for each of the next 10 years of such service, 2.10% for each year of such service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30.

Such annuity shall be subject to a maximum of 75% of final average compensation if retirement occurs before January 1, 2001 or to a maximum of 80% of final average compensation if retirement occurs on or after January 1, 2001.

These rates shall not be applicable to any service performed by a member as a covered employee which is not eligible creditable service. Service as a covered employee which is not eligible creditable service shall be subject to the rates and provisions of Section 14-108.

(a-5) Notwithstanding subsection (a) of this Section, for a Tier I member who begins receiving a retirement annuity under this Section after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section remain unchanged.

(2) If the Tier I member is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by one year.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by 3 years.

(4) If the Tier I member is less than 35 years old on

<u>the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by 5 years.</u>

<u>Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.</u>

(b) For the purpose of this Section, "eligible creditable service" means creditable service resulting from service in one or more of the following positions:

(1) State policeman;

(2) fire fighter in the fire protection service of a department;

(3) air pilot;

(4) special agent;

(5) investigator for the Secretary of State;

(6) conservation police officer;

(7) investigator for the Department of Revenue or the Illinois Gaming Board;

(8) security employee of the Department of Human Services;

(9) Central Management Services security police officer;

(10) security employee of the Department of Corrections or the Department of Juvenile Justice;

(11) dangerous drugs investigator;

(12) investigator for the Department of State Police;

(13) investigator for the Office of the Attorney General;

(14) controlled substance inspector;

(15) investigator for the Office of the State's Attorneys Appellate Prosecutor;

(16) Commerce Commission police officer;

(17) arson investigator;

(18) State highway maintenance worker.

A person employed in one of the positions specified in this subsection is entitled to eligible creditable service for service credit earned under this Article while undergoing the basic police training course approved by the Illinois Law Enforcement Training Standards Board, if completion of that training is required of persons serving in that position. For the purposes of this Code, service during the required basic police training course shall be deemed performance of the duties of the specified position, even though the person is not a sworn peace officer at the time of the training.

(c) For the purposes of this Section:

(1) The term "state policeman" includes any title or position in the Department of State Police that is held by an individual employed under the State Police Act.

(2) The term "fire fighter in the fire protection service of a department" includes all officers in such fire protection service including fire chiefs and assistant

fire chiefs.

(3) The term "air pilot" includes any employee whose official job description on file in the Department of Central Management Services, or in the department by which he is employed if that department is not covered by the Personnel Code, states that his principal duty is the operation of aircraft, and who possesses a pilot's license; however, the change in this definition made by this amendatory Act of 1983 shall not operate to exclude any noncovered employee who was an "air pilot" for the purposes of this Section on January 1, 1984.

(4) The term "special agent" means any person who by reason of employment by the Division of Narcotic Control, the Bureau of Investigation or, after July 1, 1977, the Division of Criminal Investigation, the Division of Internal Investigation, the Division of Operations, or any other Division or organizational entity in the Department of State Police is vested by law with duties to maintain public order, investigate violations of the criminal law of this State, enforce the laws of this State, make arrests and recover property. The term "special agent" includes any title or position in the Department of State Police that is held by an individual employed under the State Police Act.

(5) The term "investigator for the Secretary of State" means any person employed by the Office of the Secretary of State and vested with such investigative duties as render

him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act.

A person who became employed as an investigator for the Secretary of State between January 1, 1967 and December 31, 1975, and who has served as such until attainment of age 60, either continuously or with a single break in service of not more than 3 years duration, which break terminated before January 1, 1976, shall be entitled to have his retirement annuity calculated in accordance with subsection (a), notwithstanding that he has less than 20 years of credit for such service.

(6) The term "Conservation Police Officer" means any person employed by the Division of Law Enforcement of the Department of Natural Resources and vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act. The term "Conservation Police Officer" includes the positions of Chief Conservation Police Administrator and Assistant Conservation Police Administrator.

(7) The term "investigator for the Department of Revenue" means any person employed by the Department of Revenue and vested with such investigative duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and

218(l)(1) of that Act.

The term "investigator for the Illinois Gaming Board" means any person employed as such by the Illinois Gaming Board and vested with such peace officer duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act.

(8) The term "security employee of the Department of Human Services" means any person employed by the Department of Human Services who (i) is employed at the Chester Mental Health Center and has daily contact with the residents thereof, (ii) is employed within a security unit at a facility operated by the Department and has daily contact with the residents of the security unit, (iii) is employed at a facility operated by the Department that includes a security unit and is regularly scheduled to work at least 50% of his or her working hours within that security unit, or (iv) is a mental health police officer. "Mental health police officer" means any person employed by the Department of Human Services in a position pertaining to the Department's mental health and developmental disabilities functions who is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act. "Security unit" means that portion of a facility that is devoted to the

care, containment, and treatment of persons committed to the Department of Human Services as sexually violent persons, persons unfit to stand trial, or persons not guilty by reason of insanity. With respect to past employment, references to the Department of Human Services include its predecessor, the Department of Mental Health and Developmental Disabilities.

The changes made to this subdivision (c)(8) by Public Act 92-14 apply to persons who retire on or after January 1, 2001, notwithstanding Section 1-103.1.

(9) "Central Management Services security police officer" means any person employed by the Department of Central Management Services who is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act.

(10) For a member who first became an employee under this Article before July 1, 2005, the term "security employee of the Department of Corrections or the Department of Juvenile Justice" means any employee of the Department of Corrections or the Department of Juvenile Justice or the former Department of Personnel, and any member or employee of the Prisoner Review Board, who has daily contact with inmates or youth by working within a correctional facility or Juvenile facility operated by the Department of Juvenile Justice or who is a parole officer or an employee who has

direct contact with committed persons in the performance of his or her job duties. For a member who first becomes an employee under this Article on or after July 1, 2005, the term means an employee of the Department of Corrections or the Department of Juvenile Justice who is any of the following: (i) officially headquartered at a correctional facility or Juvenile facility operated by the Department of Juvenile Justice, (ii) a parole officer, (iii) a member of the apprehension unit, (iv) a member of the intelligence unit, (v) a member of the sort team, or (vi) an investigator.

(11) The term "dangerous drugs investigator" means any person who is employed as such by the Department of Human Services.

(12) The term "investigator for the Department of State Police" means a person employed by the Department of State Police who is vested under Section 4 of the Narcotic Control Division Abolition Act with such law enforcement powers as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act.

(13) "Investigator for the Office of the Attorney General" means any person who is employed as such by the Office of the Attorney General and is vested with such investigative duties as render him ineligible for coverage under the Social Security Act by reason of Sections

218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act. For the period before January 1, 1989, the term includes all persons who were employed as investigators by the Office of the Attorney General, without regard to social security status.

(14) "Controlled substance inspector" means any person who is employed as such by the Department of Professional Regulation and is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(l)(1) of that Act. The term "controlled substance inspector" includes the Program Executive of Enforcement and the Assistant Program Executive of Enforcement.

(15) The term "investigator for the Office of the State's Attorneys Appellate Prosecutor" means a person employed in that capacity on a full time basis under the authority of Section 7.06 of the State's Attorneys Appellate Prosecutor's Act.

(16) "Commerce Commission police officer" means any person employed by the Illinois Commerce Commission who is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act.

(17) "Arson investigator" means any person who is

employed as such by the Office of the State Fire Marshal and is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act. A person who was employed as an arson investigator on January 1, 1995 and is no longer in service but not yet receiving a retirement annuity may convert his or her creditable service for employment as an arson investigator into eligible creditable service by paying to the System the difference between the employee contributions actually paid for that service and the amounts that would have been contributed if the applicant were contributing at the rate applicable to persons with the same social security status earning eligible creditable service on the date of application.

(18) The term "State highway maintenance worker" means a person who is either of the following:

(i) A person employed on a full-time basis by the Illinois Department of Transportation in the position of highway maintainer, highway maintenance lead worker, highway maintenance lead/lead worker, heavy construction equipment operator, power shovel operator, or bridge mechanic; and whose principal responsibility is to perform, on the roadway, the actual maintenance necessary to keep the highways that form a part of the State highway system in serviceable condition for vehicular traffic.

(ii) A person employed on a full-time basis by the Illinois State Toll Highway Authority in the position of equipment operator/laborer H-4, equipment operator/laborer H-6, welder H-4, welder H-6, mechanical/electrical H-4, mechanical/electrical H-6, water/sewer H-4, water/sewer H-6, sign maker/hanger H-4, sign maker/hanger H-6, roadway lighting H-4, roadway lighting H-6, structural H-4, structural H-6, painter H-4, or painter H-6; and whose principal responsibility is to perform, on the roadway, the actual maintenance necessary to keep the Authority's tollways in serviceable condition for vehicular traffic.

(d) A security employee of the Department of Corrections or the Department of Juvenile Justice, and a security employee of the Department of Human Services who is not a mental health police officer, shall not be eligible for the alternative retirement annuity provided by this Section unless he or she meets the following minimum age and service requirements at the time of retirement:

(i) 25 years of eligible creditable service and age 55; or

(ii) beginning January 1, 1987, 25 years of eligible creditable service and age 54, or 24 years of eligible creditable service and age 55; or

(iii) beginning January 1, 1988, 25 years of eligible creditable service and age 53, or 23 years of eligible creditable service and age 55; or

(iv) beginning January 1, 1989, 25 years of eligible creditable service and age 52, or 22 years of eligible creditable service and age 55; or

(v) beginning January 1, 1990, 25 years of eligible creditable service and age 51, or 21 years of eligible creditable service and age 55; or

(vi) beginning January 1, 1991, 25 years of eligible creditable service and age 50, or 20 years of eligible creditable service and age 55.

For members to whom subsection (a-5) of this Section applies, the references to age 50 and 55 in item (vi) of this subsection are increased as provided in subsection (a-5).

Persons who have service credit under Article 16 of this Code for service as a security employee of the Department of Corrections or the Department of Juvenile Justice, or the Department of Human Services in a position requiring certification as a teacher may count such service toward establishing their eligibility under the service requirements of this Section; but such service may be used only for establishing such eligibility, and not for the purpose of increasing or calculating any benefit.

(e) If a member enters military service while working in a position in which eligible creditable service may be earned, and returns to State service in the same or another such position, and fulfills in all other respects the conditions prescribed in this Article for credit for military service, such military service shall be credited as eligible creditable service for the purposes of the retirement annuity prescribed in this Section.

(f) For purposes of calculating retirement annuities under this Section, periods of service rendered after December 31, 1968 and before October 1, 1975 as a covered employee in the position of special agent, conservation police officer, mental health police officer, or investigator for the Secretary of State, shall be deemed to have been service as a noncovered employee, provided that the employee pays to the System prior to retirement an amount equal to (1) the difference between the employee contributions that would have been required for such service as a noncovered employee, and the amount of employee contributions actually paid, plus (2) if payment is made after July 31, 1987, regular interest on the amount specified in item (1) from the date of service to the date of payment.

For purposes of calculating retirement annuities under this Section, periods of service rendered after December 31, 1968 and before January 1, 1982 as a covered employee in the position of investigator for the Department of Revenue shall be deemed to have been service as a noncovered employee, provided that the employee pays to the System prior to retirement an amount equal to (1) the difference between the employee contributions that would have been required for such service as a noncovered employee, and the amount of employee contributions actually paid, plus (2) if payment is made after January 1, 1990, regular interest on the amount specified in item (1) from the date of service to the date of payment.

(g) A State policeman may elect, not later than January 1, 1990, to establish eligible creditable service for up to 10 years of his service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.5, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman may elect, not later than July 1, 1993, to establish eligible creditable service for up to 10 years of his service as a member of the County Police Department under Article 9, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 9-121.10 and the amounts that would have been contributed had those contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(h) Subject to the limitation in subsection (i), a State policeman or investigator for the Secretary of State may elect to establish eligible creditable service for up to 12 years of his service as a policeman under Article 5, by filing a written election with the Board on or before January 31, 1992, and paying to the System by January 31, 1994 an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 5-236, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 10 years of service as a sheriff's law enforcement employee under Article 7, by filing a written election with the Board on or before January 31, 1993, and paying to the System by January 31, 1994 an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 7-139.7, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, a member of the county police department under Article 9, or a police officer under Article 15 by filing a written election with the Board and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, 9-121.10, or 15-134.4 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), an investigator for the Office of the Attorney General, or an investigator for the Department of Revenue, may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, or a member of the county police department under Article 9 by filing a written election with the Board within 6 months after August 25, 2009 (the effective date of Public Act 96-745) and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, or 9-121.10 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, investigator for the Office of the Attorney General, an investigator for the Department of Revenue, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 5 years of service as a person employed by a participating municipality to perform police duties, or law enforcement officer employed on a full-time basis by a forest preserve district under Article 7, a county corrections officer, or a court services officer under Article 9, by filing a written election with the Board within 6 months after August 25, 2009 (the effective date of Public Act 96-745) and paying to the

System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Sections 7-139.8 and 9-121.10 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

(i) The total amount of eligible creditable service established by any person under subsections (g), (h), (j), (k), and (l) of this Section shall not exceed 12 years.

(j) Subject to the limitation in subsection (i), an investigator for the Office of the State's Attorneys Appellate Prosecutor or a controlled substance inspector may elect to establish eligible creditable service for up to 10 years of his service as a policeman under Article 3 or a sheriff's law enforcement employee under Article 7, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (1) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6 or 7-139.8, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (2) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(k) Subject to the limitation in subsection (i) of this Section, an alternative formula employee may elect to establish eligible creditable service for periods spent as a full-time law enforcement officer or full-time corrections officer employed by the federal government or by a state or local government located outside of Illinois, for which credit is not held in any other public employee pension fund or retirement system. To obtain this credit, the applicant must file a written application with the Board by March 31, 1998, accompanied by evidence of eligibility acceptable to the Board and payment of an amount to be determined by the Board, equal to (1) employee contributions for the credit being established, based upon the applicant's salary on the first day as an alternative formula employee after the employment for which credit is being established and the rates then applicable to alternative formula employees, plus (2) an amount determined by the Board to be the employer's normal cost of the benefits accrued for the credit being established, plus (3) regular interest on the amounts in items (1) and (2) from the first day as an alternative formula employee after the employment for which credit is being established to the date of payment.

(l) Subject to the limitation in subsection (i), a security employee of the Department of Corrections may elect, not later than July 1, 1998, to establish eligible creditable service for up to 10 years of his or her service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.5, and the amounts that would have been contributed had such contributions been made at the rates applicable to security employees of the Department of Corrections, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(m) The amendatory changes to this Section made by this amendatory Act of the 94th General Assembly apply only to: (1) security employees of the Department of Juvenile Justice employed by the Department of Corrections before the effective date of this amendatory Act of the 94th General Assembly and transferred to the Department of Juvenile Justice by this amendatory Act of the 94th General Assembly; and (2) persons employed by the Department of Juvenile Justice on or after the effective date of this amendatory Act of the 94th General Assembly who are required by subsection (b) of Section 3-2.5-15 of the Unified Code of Corrections to have a bachelor's or advanced degree from an accredited college or university with a specialization in criminal justice, education, psychology, social work, or a closely related social science or, in the case of persons who provide vocational training, who are required to have adequate knowledge in the skill for which they are providing the vocational training.

(n) A person employed in a position under subsection (b) of this Section who has purchased service credit under subsection (j) of Section 14-104 or subsection (b) of Section 14-105 in any other capacity under this Article may convert up to 5 years of that service credit into service credit covered under this Section by paying to the Fund an amount equal to (1) the additional employee contribution required under Section 14-133, plus (2) the additional employer contribution required under Section 14-131, plus (3) interest on items (1) and (2) at the actuarially assumed rate from the date of the service to the date of payment.

(Source: P.A. 95-530, eff. 8-28-07; 95-1036, eff. 2-17-09; 96-37, eff. 7-13-09; 96-745, eff. 8-25-09; 96-1000, eff. 7-2-10.)

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

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

(a) Except as provided in subsections (a-1) and (a-2), any ~~Any~~ person receiving a retirement annuity under this Article who retires having attained age 60, or who retires before age 60 having at least 35 years of creditable service, or who retires on or after January 1, 2001 at an age which, when added to the number of years of his or her creditable service, equals at least 85, shall, on January 1 next following the first full year of retirement, have the amount of the then fixed and payable monthly retirement annuity increased 3%. Any person receiving a retirement annuity under this Article who retires before attainment of age 60 and with less than (i) 35 years of creditable service if retirement is before January 1, 2001, or (ii) the number of years of creditable service which, when added to the member's age, would equal 85, if retirement is on or after January 1, 2001, shall have the amount of the fixed and payable retirement annuity increased by 3% on the January 1 occurring on or next following (1) attainment of age 60, or (2) the first anniversary of retirement, whichever occurs later. However, for persons who receive the alternative retirement annuity under Section 14-110, references in this subsection (a) to attainment of age 60 shall be deemed to refer to attainment of age 55. For a person receiving early retirement incentives under Section 14-108.3 whose retirement annuity began after January 1, 1992 pursuant to an extension granted under subsection (e) of that Section, the first anniversary of retirement shall be deemed to be January 1, 1993. For a person who retires on or after June 28, 2001 and on or before October 1, 2001, and whose retirement annuity is calculated, in whole or in part, under Section 14-110 or subsection (g) or (h) of Section 14-108, the first anniversary of retirement shall be deemed to be January 1, 2002.

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

Beginning January 1, 1990 <u>and except as provided in</u>

subsections (a-1) and (a-2), all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including previous increases granted under this Article.

(a-1) Notwithstanding any other provision of this Article, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 97th General Assembly shall be the lesser of $600 ($750 if the annuity is based primarily upon service as a noncovered employee) or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(a-2) Notwithstanding any other provision of this Article, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 97th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding Section 1-103.1, subsections (a-1) and (a-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

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

(c) The provisions of subsection (a) of this Section shall not be applicable to any annuitant who is on retirement on December 31, 1969, and thereafter returns to State service, unless the member has established at least one year of additional creditable service following reentry into service.

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

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

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

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

(40 ILCS 5/14-131)

Sec. 14-131. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with other employer contributions from trust, federal, and other funds, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

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

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

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

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

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

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

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

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

(e) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 2012 and 2013 ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that (i) for State fiscal year 1998, for all purposes of this Code and any other law of this State, the certified percentage of the applicable employee payroll shall be 5.052% for employees earning eligible creditable service under Section 14-110 and 6.500% for all other employees, notwithstanding any contrary certification made under Section 14-135.08 before the effective date of this amendatory Act of 1997, and (ii) in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a): 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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

Notwithstanding any other provision of this Article, the total required State General Revenue Fund contribution for State fiscal year 2010 is $723,703,100 and shall be made from the proceeds of bonds sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2010, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

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

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

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

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

Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under Section 14-135.08, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

(i) After the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in fiscal year 2010 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2010 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 96th General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2010 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2010 through payments under this Section. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2010 Shortfall" for purposes of this Section, and the Fiscal Year 2010 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2010 Overpayment" for purposes of this Section, and the Fiscal Year 2010 Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(j) After the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in fiscal year 2011 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2011 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the

96th General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2011 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2011 through payments under this Section. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2011 Shortfall" for purposes of this Section, and the Fiscal Year 2011 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2011 Overpayment" for purposes of this Section, and the Fiscal Year 2011 Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(k) For fiscal years 2012 and 2013 only, after the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in the fiscal year have been made, the Comptroller shall provide to the System a certification of the sum of all expenditures in the fiscal year for personal services. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for the fiscal year in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System for the fiscal year. If the amount due is more than the amount received, the difference shall be termed the "Prior Fiscal Year Shortfall" for purposes of this Section, and the Prior Fiscal Year Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Prior Fiscal Year Overpayment" for purposes of this Section, and the Prior Fiscal Year Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

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

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

Sec. 14-132. Obligations of State; funding guarantee.

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

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

(c) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 14-131 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

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

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

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

(3) Noncovered employees serving in a position in which "eligible creditable service" as defined in Section 14-110 may be earned, 1% for a widow or survivors annuity plus the following amount for retirement annuity: 8.5% through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5% in 2004 and thereafter;

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

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

in 2004 and thereafter;

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

(a-5) In addition to the contributions otherwise required under this Article, each Tier I member shall also make the following contributions for retirement annuity from each payment of compensation:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of compensation; and

(2) beginning on July 1, 2014, 2% of compensation.

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

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

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

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

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

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

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State

<u>normal cost for that fiscal year.</u> The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

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

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

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

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

<u>On or before July 1, 2013, the Board shall, if necessary, recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2014, taking into account the changes in required State contributions made by this amendatory Act of the 97th General Assembly.</u>

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

(40 ILCS 5/14-152.1)

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

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

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

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

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

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

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

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

(40 ILCS 5/15-107.1 new)

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

(40 ILCS 5/15-107.2 new)

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

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

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

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

Section 15-113.2, earnings are equal to the basic compensation on which contributions are paid by the employee during such periods. Compensation for employment which is irregular, intermittent and temporary shall not be considered earnings, unless the participant is also receiving earnings from the employer as an employee under Section 15-107.

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

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

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

employer contributions become an obligation of the State.

Notwithstanding any other provision of this Code, the earnings of a Tier I participant for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 97th General Assembly, the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act; except that this limitation does not apply to a participant's earnings that are determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 97th General Assembly and has not been amended or renewed after that date.

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

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

Sec. 15-113.6. Service for employment in public schools. "Service for employment in public schools": Includes those periods not exceeding the lesser of 10 years or 2/3 of the service granted under other Sections of this Article dealing with service credit, during which a person who entered the system after September 1, 1974 was employed full time by a public common school, public college and public university, or by an agency or instrumentality of any of the foregoing, of any state, territory, dependency or possession of the United States of America, including the Philippine Islands, or a school operated by or under the auspices of any agency or department of any other state, if the person (1) cannot qualify for a retirement pension or other benefit based upon employer contributions from another retirement system, exclusive of federal social security, based in whole or in part upon this employment, and (2) pays the lesser of (A) an amount equal to 8% of his or her annual basic compensation on the date of becoming a participating employee subsequent to this service multiplied by the number of years of such service, together with compound interest from the date participation begins to the date payment is received by the board at the rate of 6% per annum through August 31, 1982, and at the effective rates after that date, and (B) 50% of the actuarial value of the increase in the retirement annuity provided by this service, and (3) contributes for at least 5 years subsequent to this employment to one or more of the following systems: the State Universities Retirement System, the Teachers' Retirement System of the State of Illinois, and the Public School Teachers' Pension and Retirement Fund of Chicago.

The service granted under this Section shall not be considered in determining whether the person has the minimum number of ~~8~~ years of service required to qualify for a retirement annuity ~~at age 55 or the 5 years of service required to qualify for a retirement annuity at age 62, as provided in Section 15-135, or the 10 years required by subsection (c) of Section 1-160 for a person who first becomes a participant on~~

~~or after January 1, 2011~~. The maximum allowable service of 10 years for this governmental employment shall be reduced by the service credit which is validated under paragraph (2) of subsection (b) of Section 16-127 and paragraph 1 of Section 17-133.

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

(40 ILCS 5/15-113.7) (from Ch. 108 1/2, par. 15-113.7)

Sec. 15-113.7. Service for other public employment. "Service for other public employment": Includes those periods not exceeding the lesser of 10 years or 2/3 of the service granted under other Sections of this Article dealing with service credit, during which a person was employed full time by the United States government, or by the government of a state, or by a political subdivision of a state, or by an agency or instrumentality of any of the foregoing, if the person (1) cannot qualify for a retirement pension or other benefit based upon employer contributions from another retirement system, exclusive of federal social security, based in whole or in part upon this employment, and (2) pays the lesser of (A) an amount equal to 8% of his or her annual basic compensation on the date of becoming a participating employee subsequent to this service multiplied by the number of years of such service, together with compound interest from the date participation begins to the date payment is received by the board at the rate of 6% per annum through August 31, 1982, and at the effective rates after that date, and (B) 50% of the actuarial value of the increase in the retirement annuity provided by this service, and (3) contributes for at least 5 years subsequent to this employment to one or more of the following systems: the State Universities Retirement System, the Teachers' Retirement System of the State of Illinois, and the Public School Teachers' Pension and Retirement Fund of Chicago. If a function of a governmental unit as defined by Section 20-107 is transferred by law, in whole or in part to an employer, and an employee transfers employment from this governmental unit to such employer within 6 months of the transfer of the function, the payment for service authorized under this Section shall not exceed the amount which would have been payable for this service to the retirement system covering the governmental unit from which the function was transferred.

The service granted under this Section shall not be considered in determining whether the person has the minimum number of ~~8~~ years of service required to qualify for a retirement annuity ~~at age 55 or the 5 years of service required to qualify for a retirement annuity at age 62, as provided in Section 15-135~~. The maximum allowable service of 10 years for this governmental employment shall be reduced by the service credit which is validated under paragraph (2) of subsection (b) of Section 16-127 and paragraph one of Section 17-133.

Except as hereinafter provided, this Section shall not apply to persons who become participants in the system after

September 1, 1974.

(Source: P.A. 95-83, eff. 8-13-07.)

(40 ILCS 5/15-134.5)

Sec. 15-134.5. Retirement program elections.

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

Effective as of the date that an employer elects, as described in Section 15-158.2, to offer to its employees the portable benefit package and the self-managed plan as alternatives to the traditional benefit package, each of that employer's eligible employees (as defined in subsection (b)) shall be given the choice to elect which retirement program he or she wishes to participate in with respect to all periods of covered employment occurring on and after the effective date of the employee's election. The retirement program election made by an eligible employee must be made in writing, in the manner prescribed by the System, and within the time period described in subsection (d) or (d-1).

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

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

(b) "Eligible employee" means an employee (as defined in Section 15-107) who is either a currently eligible employee or a newly eligible employee. For purposes of this Section, a "currently eligible employee" is an employee who is employed by an employer on the effective date on which the employer offers to its employees the portable benefit package and the self-managed plan as alternatives to the traditional benefit package. A "newly eligible employee" is an employee who first becomes employed by an employer after the effective date on which the employer offers its employees the portable benefit package and the self-managed plan as alternatives to the traditional benefit package. A newly eligible employee participates in the traditional benefit package until he or she makes an election to participate in the portable benefit package or the self-managed plan. If an employee does not elect to participate in the portable benefit package or the self-managed plan, he or she shall continue to participate in the traditional benefit package by default.

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

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

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

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

General Assembly.

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

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

(g) Notwithstanding any other provision of this Section, a person may not elect to participate or begin participation in the self-managed plan established under Section 15-158.2 on or after the effective date of this amendatory Act of the 97th General Assembly.

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

(40 ILCS 5/15-135) (from Ch. 108 1/2, par. 15-135)

Sec. 15-135. Retirement annuities - Conditions.

(a) A participant who retires in one of the following specified years with the specified amount of service is entitled to a retirement annuity at any age under the retirement program applicable to the participant:

35 years if retirement is in 1997 or before;

34 years if retirement is in 1998;

33 years if retirement is in 1999;

32 years if retirement is in 2000;

31 years if retirement is in 2001;

30 years if retirement is in 2002 or later.

A participant with 8 or more years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 55.

A participant with at least 5 but less than 8 years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 62.

A participant who has at least 25 years of service in this system as a police officer or firefighter is entitled to a retirement annuity on or after the attainment of age 50, if Rule 4 of Section 15-136 is applicable to the participant.

(a-5) Notwithstanding subsection (a) of this Section, for a Tier I participant who begins receiving a retirement annuity under this Article after July 1, 2013:

(1) If the Tier I participant is at least 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50, 55, and 62 in subsection (a) of this Section remain unchanged.

(2) If the Tier I participant is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50, 55, and 62 in subsection (a) of this Section are increased by one year.

(3) If the Tier I participant is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50, 55, and 62 in subsection (a) of this Section are increased by 3 years.

(4) If the Tier I participant is less than 35 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 50, 55, and 62

in subsection (a) of this Section are increased by 5 years.

Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I participant is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

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

(c) An annuity is not payable if the amount provided under Section 15-136 is less than $10 per month.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12.)

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

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

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

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

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

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

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

and

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

For the purpose of calculating an annuity under this Rule 2, the contribution required under subsection (c-5) of Section 15-157 shall not be considered when determining the participant's accumulated normal contributions under clause (i) or the employer contribution under clause (ii).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>(d-1) Notwithstanding any other provision of this Article, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 97th General Assembly shall be the lesser of $750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.</u>

<u>(d-2) Notwithstanding any other provision of this Article, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity</u>

start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 97th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(d-3) Notwithstanding Section 1-103.1, subsections (d-1) and (d-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

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

(f) A participant is entitled to such additional annuity as may be provided on an actuarially equivalent basis, by any accumulated additional contributions to his or her credit. However, the additional contributions made by the participant toward the automatic increases in annuity provided under this Section and the contributions made under subsection (c-5) of Section 15-157 by this amendatory Act of the 97th General Assembly shall not be taken into account in determining the amount of such additional annuity.

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

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

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

(j) For participants to whom subsection (a-5) of Section 15-135 applies, the references to age 50, 55, and 62 in this Section are increased as provided in subsection (a-5) of Section 15-135.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12.)

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

Sec. 15-155. Employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with the ~~other~~ employer contributions ~~from trust, federal, and other funds~~, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

Beginning with State fiscal year 2014, the State's required contributions to the System under subsection (a-1) shall be limited to the amounts required to amortize the total cost of the benefits of the System arising before July 1, 2013. The State shall also pay any employer contributions required from the State as the actual employer of participants under this Article and any contribution required under subsection (a-20).

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

(a-1) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State under this subsection (a-1) for each fiscal year shall be an amount determined by the Board to be sufficient to amortize the unfunded accrued liability that is attributable to benefits that accrued before July 1, 2013 as a level percentage of payroll over the years remaining to and including fiscal year 2043, determined under the projected unit credit actuarial cost method.

For State fiscal year 2044 and thereafter, the minimum contribution to the System to be made by the State under this subsection (a-1) for each fiscal year shall be an amount determined by the Board to be sufficient to amortize, over a 30-year rolling amortization period, any unfunded liability arising on or after July 1, 2043 that is attributable to benefits that accrued before July 1, 2013.

For State fiscal years 2012 and 2013 ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

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

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

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

(a-10) Subject to the limitations provided in subsection (a-15), beginning with State fiscal year 2014, the minimum required contribution of each employer under this Article shall be sufficient to produce an annual amount equal to:

(i) the employer's normal cost for that fiscal year, exclusive of the employer's normal cost that arises from optional employer contributions agreed to by that employer for that fiscal year under Section 1-161; plus

(ii) the employer's normal cost for that fiscal year that arises from optional employer contributions agreed to by that employer for that fiscal year under Section 1-161; plus

(iii) the amount required for that fiscal year to amortize that employer's portion of the unfunded accrued liability associated with the cost of benefits accrued on or after July 1, 2013 as a level percentage of payroll over a 30-year rolling amortization period, as determined for each employer by the Board.

Each employer under this Article shall make these contributions in the amounts determined and the manner prescribed from time to time by the Board.

(a-15) The System shall determine the employer's normal cost under item (i) of subsection (a-10) as a percentage of projected payroll applicable to all employers, based on actuarial assumptions applicable to the System as a whole. The required employer contribution under item (i) in a fiscal year shall not exceed a percentage of payroll determined by subtracting 2013 from the applicable fiscal year and multiplying the result by 0.5%.

The System shall determine the employer's normal cost under item (ii) of subsection (a-10) as an additional percentage of projected payroll payable by a specific employer, based on the optional employer contributions agreed to by that employer for that fiscal year under Section 1-161 and the actuarial assumptions applicable to the System as a whole.

The System shall determine the employer's portion of the unfunded accrued liability under item (iii) of subsection (a-10) separately for each employer, as a percentage of that employer's projected payroll, based on the liabilities attributable to that employer arising on or after July 1, 2013 and the actuarial assumptions applicable to the System as a whole.

For use in determining the employer's contribution for unfunded accrued liability under item (iii), the System shall maintain a separate account for each employer. The separate account shall be maintained in such form and detail as the System determines to be appropriate. The separate account shall reflect the following items to the extent that they are attributable to that employer and arise on or after July 1, 2013: employer contributions, State contributions under subsection (a-20), employee contributions, investment returns, payments of benefits, and that employer's proportionate share of the System's administrative expenses.

In the event that the Board determines that there is a deficiency or surplus in the account of an employer with respect to the , the Board shall determine the employer's contribution rate under item (iii) of subsection (a-10) so as to address that deficiency or surplus over a reasonable period of time as determined by the Board.

(a-20) Beginning in State fiscal year 2014, for any fiscal year in which (1) the System's normal cost for all employers for that fiscal year, exclusive of the normal cost that arises from optional employer contributions agreed to by employers for that fiscal year under Section 1-161, exceeds (2) the total contribution calculated under item (i) of subsection (a-10) for all employers for that fiscal year, the State shall make an additional contribution to the System for that fiscal year equal to the difference.

The State contribution under this subsection (a-20) is in addition to the State contributions required under subsection (a-1) and any contributions required to be paid by the State as an employer under subsection (a-10) of this Section.

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

Article.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.

7-13-12; revised 10-17-12.)

(40 ILCS 5/15-155.1 new)

Sec. 15-155.1. Actions to enforce payments by employers other than the State. Any employer, other than the State, that fails to transmit to the System contributions required of it under this Article or contributions required of employees, for more than 90 days after such contributions are due, is subject to the following: after giving notice to the employer, the System may certify to the State Comptroller or the Illinois Community College Board, whichever is applicable, the amounts of such delinquent payments and the State Comptroller or the Illinois Community College Board, whichever is applicable, shall deduct the amounts so certified or any part thereof from any State funds to be remitted to the employer and shall pay the amount so deducted to the System. If State funds from which such deductions may be made are not available, the System may proceed against the employer to recover the amounts of such delinquent payments in the appropriate circuit court.

The System may provide for an audit of the records of an employer, other than the State, as may be required to establish the amounts of required contributions. The employer shall make its records available to the System for the purpose of such audit. The cost of such audit shall be added to the amount of the delinquent payments and may be recovered by the System from the employer at the same time and in the same manner as the delinquent payments are recovered.

(40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

Sec. 15-156. Obligations of State; funding guarantees.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses in connection with the administration and operation thereof are obligations of the State of Illinois to the extent specified in this Article. The accumulated employee normal, additional and survivors insurance contributions credited to the accounts of active and inactive participants shall not be used to pay the State's share of the obligations.

(b) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 15-155 in each State fiscal year an amount not less than the sum of (i) the State's required contribution under subsections (a-10) and (a-20) of Section 15-155 and (ii) the portion of the total cost of the benefits of the System arising before July 1, 2013 assigned to that State fiscal year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (b) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the circuit court of Champaign or Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

(Source: P.A. 83-1440.)

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

Sec. 15-157. Employee Contributions.

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

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

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

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

(c-5) In addition to the contributions otherwise required under this Article, each Tier I participant shall also make the following contributions toward the retirement benefits payable under the retirement program applicable to the employee from each payment of earnings applicable to employment under this system:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of earnings; and

(2) beginning on July 1, 2014, 2% of earnings.

Except as otherwise specified, these contributions are to be considered as normal contributions for purposes of this Article.

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

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

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

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

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

(40 ILCS 5/15-158.2)

Sec. 15-158.2. Self-managed plan.

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

(b) Adoption by employers. <u>Until the effective date of this</u>

amendatory Act of the 97th General Assembly, each ~~Each~~ employer subject to this Article may elect to adopt the self-managed plan established under this Section; this election is irrevocable. An employer's election to adopt the self-managed plan makes available to the eligible employees of that employer the elections described in Section 15-134.5.

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) Establishment of Initial Account Balance. If at the time an employee elects to participate in the self-managed plan he or she has rights and credits in the System due to previous participation in the traditional benefit package, the System shall establish for the employee an opening account balance in the self-managed plan, equal to the amount of contribution refund that the employee would be eligible to receive under Section 15-154 if the employee terminated employment on that date and elected a refund of contributions, except that this hypothetical refund shall include interest at the effective rate for the respective years. The System shall transfer assets from the defined benefit retirement program to the self-managed plan, as a tax free transfer in accordance with Internal Revenue Service guidelines, for purposes of funding the employee's opening account balance.

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

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

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

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

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

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

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

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

A participant in the self-managed plan who receives a distribution of his or her vested amounts from the self-managed plan while not yet eligible for retirement under this Article (and Article 20, if applicable) shall forfeit all service credit and accrued rights in the System; if subsequently re-employed, the participant shall be considered a new employee. If a former participant again becomes a participating employee (or becomes employed by a participating system under

Article 20 of this Code) and continues as such for at least 2 years, all such rights, service credits, and previous status as a participant shall be restored upon repayment of the amount of the distribution, without interest.

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

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

(l) Notwithstanding any other provision of this Section, a person may not elect to participate or begin participation in the self-managed plan established under this Section on or after the effective date of this amendatory Act of the 97th General Assembly.

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

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

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

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

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

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

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

On or before July 1, 2013, the Board shall, if necessary, recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2014, taking into account the changes in required State contributions made by this amendatory Act of the 97th General Assembly.

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

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

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

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

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

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

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied

proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).
(Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 97-694, eff. 6-18-12.)

(40 ILCS 5/15-198)

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

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

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

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

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

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

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

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

(40 ILCS 5/16-106.4 new)

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

(40 ILCS 5/16-106.5 new)

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

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

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

Notwithstanding any other provision of this Code, the salary of a Tier I member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 97th General Assembly, the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act; except that this limitation does not apply to a member's salary that is determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 97th General Assembly and has not been amended or renewed after that date.

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

(40 ILCS 5/16-132) (from Ch. 108 1/2, par. 16-132)

Sec. 16-132. Retirement annuity eligibility.

(a) A member who has at least 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 55. A member who has at least 10 but less than 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 60. A member who has at least 5 but less than 10 years of creditable service is entitled to a retirement annuity upon or after attainment of age 62. A member who (i) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (ii) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, and (iii) retires on or after January 1, 2001 is entitled to a retirement annuity upon or after attainment of an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

A member who is eligible to receive a retirement annuity of at least 74.6% of final average salary and will attain age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

(b) Notwithstanding subsection (a) of this Section, for a Tier I member who begins receiving a retirement annuity under this Article after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section remain unchanged and the reference to 85 in subsection (a) of this Section remains unchanged.

(2) If the Tier I member is at least 40 but less than

45 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by one year and the reference to 85 in subsection (a) is increased to 87.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by 3 years and the reference to 85 in subsection (a) is increased to 91.

(4) If the Tier I member is less than 35 years old on the effective date of this amendatory Act of the 97th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by 5 years and the reference to 85 in subsection (a) is increased to 95.

Notwithstanding Section 1-103.1, this subsection (b) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

(c) A member meeting the above eligibility conditions is entitled to a retirement annuity upon written application to the board setting forth the date the member wishes the retirement annuity to commence. However, the effective date of the retirement annuity shall be no earlier than the day following the last day of creditable service, regardless of the date of official termination of employment.

(d) To be eligible for a retirement annuity, a member shall not be employed as a teacher in the schools included under this System or under Article 17, except (i) as provided in Section 16-118 or 16-150.1, (ii) if the member is disabled (in which event, eligibility for salary must cease), or (iii) if the System is required by federal law to commence payment due to the member's age; the changes to this sentence made by Public Act 93-320 ~~this amendatory Act of the 93rd General Assembly~~ apply without regard to whether the member terminated employment before or after its effective date.

(Source: P.A. 93-320, eff. 7-23-03.)

(40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

Sec. 16-133. Retirement annuity; amount.

(a) The amount of the retirement annuity shall be (i) in the case of a person who first became a teacher under this Article before July 1, 2005, the larger of the amounts determined under paragraphs (A) and (B) below, or (ii) in the case of a person who first becomes a teacher under this Article on or after July 1, 2005, the amount determined under the applicable provisions of paragraph (B):

(A) An amount consisting of the sum of the following:

(1) An amount that can be provided on an actuarially equivalent basis by the member's

accumulated contributions at the time of retirement; and

(2) The sum of (i) the amount that can be provided on an actuarially equivalent basis by the member's accumulated contributions representing service prior to July 1, 1947, and (ii) the amount that can be provided on an actuarially equivalent basis by the amount obtained by multiplying 1.4 times the member's accumulated contributions covering service subsequent to June 30, 1947; and

(3) If there is prior service, 2 times the amount that would have been determined under subparagraph (2) of paragraph (A) above on account of contributions which would have been made during the period of prior service creditable to the member had the System been in operation and had the member made contributions at the contribution rate in effect prior to July 1, 1947.

For the purpose of calculating the sum provided under this paragraph (A), the contribution required under subsection (a-5) of Section 16-152 shall not be considered when determining the amount of the member's accumulated contributions under subparagraph (1) or (2).

This paragraph (A) does not apply to a person who first becomes a teacher under this Article on or after July 1, 2005.

(B) An amount consisting of the greater of the following:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 16-129.1: 1.67% of final average salary for each of the first 10 years of creditable service, 1.90% of final average salary for each year in excess of 10 but not exceeding 20, 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30; and

For creditable service earned on or after July 1, 1998 by a member who has at least 24 years of creditable service on July 1, 1998 and who does not elect to augment service under Section 16-129.1: 2.2% of final average salary for each year of creditable service earned on or after July 1, 1998 but before the member reaches a total of 30 years of creditable service and 2.3% of final average salary for each year of creditable service earned on or after July 1, 1998 and after the member reaches a total of 30 years of creditable service; and

For all other creditable service: 2.2% of final average salary for each year of creditable service; or

(2) 1.5% of final average salary for each year of creditable service plus the sum $7.50 for each of the first 20 years of creditable service.

The amount of the retirement annuity determined under this paragraph (B) shall be reduced by 1/2 of 1% for each month that the member is less than age 60 at the time the retirement annuity begins. However, this reduction shall not apply (i) if the member has at least 35 years of creditable service, or (ii) if the member retires on account of disability under Section 16-149.2 of this Article with at least 20 years of creditable service, or (iii) if the member (1) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (2) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, (3) retires on or after January 1, 2001, and (4) retires having attained an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents. For participants to whom subsection (b) of Section 16-132 applies, the reference to age 60 in this paragraph and the reference to 85 in this paragraph are increased as provided in subsection (b) of Section 16-132.

(b) For purposes of this Section, final average salary shall be the average salary for the highest 4 consecutive years within the last 10 years of creditable service as determined under rules of the board. The minimum final average salary shall be considered to be $2,400 per year.

In the determination of final average salary for members other than elected officials and their appointees when such appointees are allowed by statute, that part of a member's salary for any year beginning after June 30, 1979 which exceeds the member's annual full-time salary rate with the same employer for the preceding year by more than 20% shall be excluded. The exclusion shall not apply in any year in which the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

(c) In determining the amount of the retirement annuity under paragraph (B) of this Section, a fractional year shall be granted proportional credit.

(d) The retirement annuity determined under paragraph (B) of this Section shall be available only to members who render teaching service after July 1, 1947 for which member contributions are required, and to annuitants who re-enter under the provisions of Section 16-150.

(e) The maximum retirement annuity provided under paragraph (B) of this Section shall be 75% of final average salary.

(f) A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of final average salary if the member is qualified to receive a retirement annuity equal to at least 74.6% of final average salary under this Article or as proportional annuities under Article 20 of this Code.

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

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

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

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

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

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

(3) 3% of the originally granted annuity multiplied by

the number of years elapsed from the date of retirement or January 1, 1978, whichever is later, until the effective date of the initial increase.

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

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

(a-1) Notwithstanding any other provision of this Article, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 97th General Assembly shall be the lesser of $750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(a-2) Notwithstanding any other provision of this Article, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 97th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding Section 1-103.1, subsections (a-1) and (a-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 97th General Assembly.

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

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

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

(e) In addition to the automatic annual increases in annuity provided under this Section, an annuitant who meets the service requirements of this Section and whose retirement annuity or disability retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the annuity then being paid of one dollar per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity or disability retirement annuity began on or before January 1, 1977 shall receive an increase in the annuity then being paid of one dollar per month for each year of creditable service.

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

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

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

Sec. 16-152. Contributions by members.

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

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

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

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

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

<u>(a-5) In addition to the contributions otherwise required under this Article, each Tier I member shall also make the following contributions toward the cost of the retirement annuity from each payment of salary:</u>

<u>(1) beginning July 1, 2013 and through June 30, 2014, 1% of salary; and</u>

<u>(2) beginning on July 1, 2014, 2% of salary.</u>

<u>Except as otherwise specified, these contributions are to be considered as normal contributions for purposes of this Article.</u>

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

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

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

(e) A member's contributions toward the cost of early retirement without discount made under item (a)(4) of this

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

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

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

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

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

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

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

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

(a) The State shall make contributions to the System by means of appropriations from the Common School Fund and other State funds of amounts which, together with ~~other~~ employer contributions, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

Beginning with State fiscal year 2014, the State's required contributions to the System under subsection (b-3) shall be limited to the amounts required to amortize the total cost of the benefits of the System arising before July 1, 2013. The State shall also pay any employer contributions required from the State as the actual employer of participants under this Article and any contribution required under subsection (b-20).

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

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

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

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

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

On or before July 1, 2013, the Board shall, if necessary, recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2014, taking into account the changes in required State contributions made by this amendatory Act of the 97th General

Assembly.

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

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

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

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

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

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

(b-3) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State under this subsection (b-3) for each fiscal year shall be an amount determined by the Board to be sufficient to amortize the unfunded accrued liability that is attributable to benefits that accrued before July 1, 2013 as a level percentage of payroll over the years remaining to and including fiscal year 2043, determined under the projected unit credit actuarial cost method.

For State fiscal year 2044 and thereafter, the minimum contribution to the System to be made by the State under this subsection (b-3) for each fiscal year shall be an amount determined by the Board to be sufficient to amortize, over a 30-year rolling amortization period, any unfunded liability arising on or after July 1, 2043 that is attributable to benefits that accrued before July 1, 2013.

For State fiscal years 2012 and 2013 ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to subsection (a-1) of this Section and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the Common School Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable. This amount shall include, in addition to the amount certified by the System, an amount necessary to meet employer contributions required by the State as an employer under paragraph (e) of this Section, which may also be used by the System for contributions required by paragraph (a) of Section 16-127.

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

<u>(b-10) Subject to the limitations provided in subsection (b-15), beginning with State fiscal year 2014, the minimum required contribution of each employer under this Article shall be sufficient to produce an annual amount equal to:</u>

<u>(i) the employer's normal cost for that fiscal year, exclusive of the employer's normal cost that arises from optional employer contributions agreed to by that employer for that fiscal year under Section 1-161; plus</u>

<u>(ii) the employer's normal cost for that fiscal year</u>

that arises from optional employer contributions agreed to by that employer for that fiscal year under Section 1-161; plus

(iii) the amount required for that fiscal year to amortize that employer's portion of the unfunded accrued liability associated with the cost of benefits accrued on or after July 1, 2013 as a level percentage of payroll over a 30-year rolling amortization period, as determined for each employer by the Board.

Each employer under this Article shall make these contributions in the amounts determined and the manner prescribed from time to time by the Board.

(b-15) The System shall determine the employer's normal cost under item (i) of subsection (b-10) as a percentage of projected payroll applicable to all employers, based on actuarial assumptions applicable to the System as a whole. The required employer contribution under item (i) in a fiscal year shall not exceed a percentage of payroll determined by subtracting 2013 from the applicable fiscal year and multiplying the result by 0.5%.

The System shall determine the employer's normal cost under item (ii) of subsection (b-10) as an additional percentage of projected payroll payable by a specific employer, based on the optional employer contributions agreed to by that employer for that fiscal year under Section 1-161 and the actuarial assumptions applicable to the System as a whole.

The System shall determine the employer's portion of the unfunded accrued liability under item (iii) of subsection (b-10) separately for each employer, as a percentage of that employer's projected payroll, based on the liabilities attributable to that employer and the actuarial assumptions applicable to the System as a whole.

For use in determining the employer's contribution for unfunded accrued liability under item (iii), the System shall maintain a separate account for each employer. The separate account shall be maintained in such form and detail as the System determines to be appropriate. The separate account shall reflect the following items to the extent that they are attributable to that employer and arise on or after July 1, 2013: employer contributions, State contributions under subsection (b-20), employee contributions, investment returns, payments of benefits, and that employer's proportionate share of the System's administrative expenses.

In the event that the Board determines that there is a deficiency or surplus in the account of an employer with respect to the projected liabilities attributable to that employer arising on or after July 1, 2013, the Board shall determine the employer's contribution rate under item (iii) of subsection (b-10) so as to address that deficiency or surplus over a reasonable period of time as determined by the Board.

(b-20) Beginning in State fiscal year 2014, for any fiscal year in which (1) the System's normal cost for all employers for that fiscal year, exclusive of the normal cost that arises from optional employer contributions agreed to by employers for that fiscal year under Section 1-161, exceeds (2) the total contribution calculated under item (i) of subsection (b-10) for all employers for that fiscal year, the State shall make an additional contribution to the System for that fiscal year equal to the difference.

The State contribution under this subsection (b-20) is in addition to the State contributions required under subsection (b-1) and any contributions required to be paid by the State as an employer under subsection (b-10) of this Section.

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

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

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

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

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

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

(2) Beginning July 1, 1999 and thereafter, the employer

contribution shall be equal to 0.58% of each teacher's salary.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(h) When assessing payment for any amount due under subsection (f), the System shall exclude any salary increase described in subsection (g) of this Section given on or after

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/16-158.1) (from Ch. 108 1/2, par. 16-158.1)

Sec. 16-158.1. Actions to enforce payments by school districts and other employing units other than the State. Any school district or other employing unit, other than the State, that fails ~~failing~~ to transmit to the System contributions required of it under this Article or contributions required of teachers, for more than 90 days after such contributions are due is subject to the following: after giving notice to the district or other unit, the System may certify to the State Comptroller or the Regional Superintendent of Schools the amounts of such delinquent payments and the State Comptroller or the Regional Superintendent of Schools shall deduct the amounts so certified or any part thereof from any State funds to be remitted to the school district or other employing unit involved and shall pay the amount so deducted to the System. If State funds from which such deductions may be made are not available, the System may proceed against the school district or other employing unit to recover the amounts of such delinquent payments in the appropriate circuit court.

The System may provide for an audit of the records of a school district or other employing unit, other than the State, as may be required to establish the amounts of required contributions. The school district or other employing unit shall make its records available to the System for the purpose of such audit. The cost of such audit shall be added to the amount of the delinquent payments and shall be recovered by the System from the school district or other employing unit at the same time and in the same manner as the delinquent payments are recovered.

(Source: P.A. 90-448, eff. 8-16-97.)

(40 ILCS 5/16-158.2 new)

Sec. 16-158.2. Obligations of State; funding guarantee.

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

(b) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 16-158 in each State fiscal year an amount not less than the sum of (i) the State's required contribution under subsections (b-10) and (b-20) of Section 16-158 and (ii) the portion of the total cost of the benefits of the System arising before July 1, 2013 assigned to that State fiscal year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (b) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the circuit court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

(40 ILCS 5/16-203)

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

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after June 1, 2005 (the effective date of Public Act 94-4). "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article or Article 1 by Public Act 95-910 or this amendatory Act of the 97th ~~95th~~ General Assembly.

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

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

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

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

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

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

(40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

Sec. 20-121. Calculation of proportional retirement annuities. Upon retirement of the employee, a proportional retirement annuity shall be computed by each participating system in which pension credit has been established on the basis of pension credits under each system. The computation shall be in accordance with the formula or method prescribed by each participating system which is in effect at the date of the employee's latest withdrawal from service covered by any of the systems in which he has pension credits which he elects to have considered under this Article. However, <u>(1)</u> the amount of any retirement annuity payable under the self-managed plan established under Section 15-158.2 of this Code depends solely on the value of the participant's vested account balances and is not subject to any proportional adjustment under this Section<u>, and (2) the amount of any retirement annuity payable under the cash balance plan established under Section 1-161 of this Code shall be calculated solely in accordance with that Section and is not subject to any proportional adjustment under this Section</u>.

Combined pension credit under all retirement systems subject to this Article shall be considered in determining whether the minimum qualification has been met and the formula or method of computation which shall be applied. If a system has a step-rate formula for calculation of the retirement annuity, pension credits covering previous service which have been established under another system shall be considered in determining which range or ranges of the step-rate formula are to be applicable to the employee.

Interest on pension credit shall continue to accumulate in accordance with the provisions of the law governing the retirement system in which the same has been established during the time an employee is in the service of another employer, on the assumption such employee, for interest purposes for pension credit, is continuing in the service covered by such retirement system.

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

(40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

Sec. 20-123. Survivor's annuity. The provisions governing a retirement annuity shall be applicable to a survivor's annuity. Appropriate credits shall be established for survivor's annuity purposes in those participating systems which provide survivor's annuities, according to the same conditions and subject to the same limitations and restrictions herein prescribed for a retirement annuity. If a participating system has no survivor's annuity benefit, or if the survivor's annuity benefit under that system is waived, pension credit established in that system shall not be considered in determining eligibility for or the amount of the survivor's annuity which may be payable by any other participating system.

For persons who participate in the self-managed plan established under Section 15-158.2 or the portable benefit package established under Section 15-136.4, pension credit established under Article 15 may be considered in determining eligibility for or the amount of the survivor's annuity that is payable by any other participating system, but pension credit established in any other system shall not result in any right to a survivor's annuity under the Article 15 system.

For persons who participate in the cash balance plan established under Section 1-161, pension credit established under the participating system with respect to which the person participates in the cash balance plan may be considered in determining eligibility for or the amount of the survivor's annuity that is payable by any other participating system with respect to which the person does not participate in the cash balance plan, but the amount of any survivor's annuity payable under the cash balance plan established under Section 1-161 shall be calculated solely in accordance with that Section.

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

(40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

Sec. 20-124. Maximum benefits.

(a) In no event shall the combined retirement or survivors annuities exceed the highest annuity which would have been payable by any participating system in which the employee has pension credits, if all of his pension credits had been validated in that system.

If the combined annuities should exceed the highest maximum as determined in accordance with this Section, the respective annuities shall be reduced proportionately according to the ratio which the amount of each proportional annuity bears to the aggregate of all such annuities; except that benefits payable under the cash balance plan established under Section 1-161 are not subject to proportionate reduction under this Section.

(b) In the case of a participant in the self-managed plan established under Section 15-158.2 of this Code to whom the provisions of this Article apply:

(i) For purposes of calculating the combined retirement annuity and the proportionate reduction, if any, in a retirement annuity other than one payable under the self-managed plan, the amount of the Article 15 retirement annuity shall be deemed to be the highest annuity to which the annuitant would have been entitled if he or she had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

(ii) For purposes of calculating the combined survivor's annuity and the proportionate reduction, if any, in a survivor's annuity other than one payable under the self-managed plan, the amount of the Article 15 survivor's annuity shall be deemed to be the highest survivor's annuity to which the survivor would have been entitled if the deceased employee had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

(iii) Benefits payable under the self-managed plan are not subject to proportionate reduction under this Section.

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

(40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

Sec. 20-125. Return to employment - suspension of benefits. If a retired employee returns to employment which is covered by a system from which he is receiving a proportional annuity under this Article, his proportional annuity from all participating systems shall be suspended during the period of re-employment, except that this suspension does not apply to any distributions payable under the self-managed plan established under Section 15-158.2 of this Code.

The provisions of the Article under which such employment would be covered <u>(including Section 1-161 in the case of a participant in the cash balance plan)</u> shall govern the determination of whether the employee has returned to employment, and if applicable the exemption of temporary employment or employment not exceeding a specified duration or frequency, for all participating systems from which the retired

employee is receiving a proportional annuity under this Article, notwithstanding any contrary provisions in the other Articles governing such systems.
(Source: P.A. 91-887, eff. 7-6-00.)

Section 90. The State Mandates Act is amended by adding Section 8.36 as follows:

(30 ILCS 805/8.36 new)

Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 97th General Assembly.

Section 97. Inseverability. The provisions of this Act are inseverable.

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

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Statutes amended in order of appearance

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40 ILCS 5/14-108	from Ch. 108 1/2, par. 14-108
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40 ILCS 5/14-114	from Ch. 108 1/2, par. 14-114
40 ILCS 5/14-131	
40 ILCS 5/14-132	from Ch. 108 1/2, par. 14-132
40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
40 ILCS 5/14-135.08	from Ch. 108 1/2, par. 14-135.08
40 ILCS 5/14-152.1	
40 ILCS 5/15-107.1 new	
40 ILCS 5/15-107.2 new	
40 ILCS 5/15-111	from Ch. 108 1/2, par. 15-111
40 ILCS 5/15-113.6	from Ch. 108 1/2, par. 15-113.6
40 ILCS 5/15-113.7	from Ch. 108 1/2, par. 15-113.7
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