



Rep. Mike Fortner

Filed: 2/28/2013

09800HB1165ham002

LRB098 08854 EFG 41948 a

1 AMENDMENT TO HOUSE BILL 1165

2 AMENDMENT NO. _____. Amend House Bill 1165 by replacing
3 everything after the enacting clause with the following:

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

6 (30 ILCS 122/20)

7 Sec. 20. Pension Stabilization Fund.

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

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

1 provided by this Section a total amount equal to 0.5% of the
2 estimated general funds revenues to the Pension Stabilization
3 Fund.

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

12 (c-5) In Fiscal Year 2014, the State Comptroller shall
13 order transferred and the State Treasurer shall transfer
14 \$4,600,000,000 from the General Revenue Fund to the Pension
15 Stabilization Fund. In each fiscal year thereafter, the State
16 Comptroller shall order transferred and the State Treasurer
17 shall transfer from the General Revenue Fund to the Pension
18 Stabilization Fund the amount transferred under this
19 subsection (c-5) in the previous fiscal year increased by 2.5%.

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

24 (c-15) In addition, in Fiscal Year 2020 and each fiscal
25 year thereafter, the State Comptroller shall order transferred
26 and the State Treasurer shall transfer \$900,000,000 from the

1 General Revenue Fund to the Pension Stabilization Fund.

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

6 (c-25) The transfers made pursuant to subsections (c-5)
7 through (c-20) of this Section shall continue until Fiscal Year
8 2045 or until each of the designated retirement systems, as
9 defined in Section 25, has achieved a funding ratio of at least
10 100%, whichever occurs first.

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

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

1 general funds revenues for that fiscal year. The actual general
2 funds revenues for the fiscal year shall be calculated in a
3 manner consistent with subsection (c) of Section 10 of this
4 Act.

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

6 (30 ILCS 122/25)

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

8 (a) As used in this Section, "designated retirement
9 systems" means:

10 (1) the State Employees' Retirement System of
11 Illinois;

12 (2) the Teachers' Retirement System of the State of
13 Illinois;

14 (3) the State Universities Retirement System;

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

16 (5) the General Assembly Retirement System.

17 (b) As soon as may be practical after any money is
18 deposited into the Pension Stabilization Fund, the State
19 Comptroller shall apportion the deposited amount among the
20 designated retirement systems and the State Comptroller and
21 State Treasurer shall pay the apportioned amounts to the
22 designated retirement systems. The amount deposited shall be
23 apportioned among the designated retirement systems in
24 proportion to their respective certified State contributions
25 for the State fiscal year in which the payment is made to those

1 ~~systems in the same proportion as their respective portions of~~
2 ~~the total actuarial reserve deficiency of the designated~~
3 ~~retirement systems, as most recently determined by the~~
4 ~~Governor's Office of Management and Budget.~~ Amounts received by
5 a designated retirement system under this Section shall be used
6 for funding the unfunded liabilities of the retirement system.
7 Payments under this Section are authorized by the continuing
8 appropriation under Section 1.7 of the State Pension Funds
9 Continuing Appropriation Act. The total amount transferred to
10 the designated retirement systems in Fiscal Year 2014 shall not
11 be less than \$4,600,000,000. In each Fiscal Year thereafter,
12 the total amount transferred to the designated retirement
13 systems shall not be less than the total amount transferred in
14 the previous fiscal year.

15 (c) At the request of the State Comptroller, the Governor's
16 Office of Management and Budget shall determine the individual
17 and total actuarial reserve deficiencies of the designated
18 retirement systems. For this purpose, the Governor's Office of
19 Management and Budget shall consider the latest available audit
20 and actuarial reports of each of the retirement systems and the
21 relevant reports and statistics of the Public Pension Division
22 of the Department of Financial and Professional Regulation.

23 (d) Payments to the designated retirement systems under
24 this Section shall be in addition to, and not in lieu of, any
25 State contributions required under Section 2-124, 14-131,
26 15-155, 16-158, or 18-131 of the Illinois Pension Code.

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

2 Section 5. The Illinois Pension Code is amended by adding
3 Sections 2-103.1, 2-103.2, 2-108.2, 2-126.2, 2-134.1,
4 14-103.12a, 14-103.40, 14-103.41, 14-133.2, 14-135.08a,
5 15-112.1, 15-165.1, 16-121.1, 16-122.2, 16-122.3, 16-158.2,
6 16-181.4, 18-111.1, 18-118.1, 18-118.2, 18-133.2, and 18-140.1
7 and by changing Sections 2-124, 2-126, 14-103.10, 14-131,
8 14-133, 15-111, 15-155, 15-157, 15-158.2, 16-121, 16-152,
9 16-158, 18-131, and 18-133 as follows:

10 (40 ILCS 5/2-103.1 new)

11 Sec. 2-103.1. Traditional benefit package. "Traditional
12 benefit package" means the defined benefit retirement program
13 maintained by the System, which includes retirement annuities
14 payable directly from the System, as provided in Sections
15 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
16 payable directly from the System, as provided in Sections
17 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
18 refunds, as provided in Section 2-123.

19 (40 ILCS 5/2-103.2 new)

20 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
21 the defined contribution retirement program maintained by the
22 System, as described in Section 2-126.2. The self-managed plan
23 does not include retirement annuities or survivor's benefits

1 payable directly from the System, as provided in Sections
2 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
3 2-121.3 or refunds determined under Section 2-123.

4 (40 ILCS 5/2-108.2 new)

5 Sec. 2-108.2. Limitation on salary. For the purpose of
6 calculating traditional benefit package benefits and
7 contributions, the annual earnings, salary, or wages of a
8 participant shall not exceed the greater of (i) the amount
9 specified under subsection (b-5) of Section 1-160 or (ii) the
10 annual salary of the participant during the 365 days
11 immediately before the effective date of this Section.

12 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

13 Sec. 2-124. Contributions by State.

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

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

1 (c) For State fiscal years 2012 through 2045, the minimum
2 contribution to the System to be made by the State for each
3 fiscal year shall be an amount determined by the System to be
4 sufficient to bring the total assets of the System up to 100%
5 ~~90%~~ of the total actuarial liabilities of the System by the end
6 of State fiscal year 2045.

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

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

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

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2006 is
23 \$4,157,000.

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2007 is
26 \$5,220,300.

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

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

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

1 applicable.

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

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

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

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

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

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

1 5-year period following that fiscal year.

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

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

9 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

10 Sec. 2-126. Contributions by participants.

11 (a) Each participant shall contribute toward the cost of
12 his or her retirement annuity a percentage of each payment of
13 salary received by him or her for service as a member as
14 follows: for service between October 31, 1947 and January 1,
15 1959, 5%; for service between January 1, 1959 and June 30,
16 1969, 6%; for service between July 1, 1969 and January 10,
17 1973, 6 1/2%; for service after January 10, 1973, 7%; for
18 service after December 31, 1981, 8 1/2%.

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

22 A participant who has no eligible survivor's annuity
23 beneficiary may elect to cease making contributions for
24 survivor's annuity under this subsection. A survivor's annuity
25 shall not be payable upon the death of a person who has made

1 this election, unless prior to that death the election has been
2 revoked and the amount of the contributions that would have
3 been paid under this subsection in the absence of the election
4 is paid to the System, together with interest at the rate of 4%
5 per year from the date the contributions would have been made
6 to the date of payment.

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

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

1 corresponding employer contributions, as calculated by the
2 System.

3 (e) Notwithstanding any other provision of this Article,
4 the required contribution of a participant who first becomes a
5 participant on or after January 1, 2011 shall not exceed the
6 contribution that would be due under this Article if that
7 participant's highest salary for annuity purposes were
8 \$106,800, plus any increases in that amount under Section
9 2-108.1.

10 (e-1) Notwithstanding any provision of this Code to the
11 contrary, (i) for a participant who does not file an election
12 under subsection (a-5) of Section 2-126.2, any contributions on
13 amounts of salary in excess of the amount specified under
14 Section 2-108.2 for that year shall instead be used to finance
15 self-managed plan benefits and (ii) for a participant who files
16 an election under subsection (a-5) of Section 2-126.2, any
17 contributions made after the date of the election, including
18 the contributions for a survivor's annuity, shall be used to
19 finance the benefits under Section 2-126.2. Notwithstanding
20 any provision of this Code to the contrary, a participant who
21 does not file an election under subsection (a-5) of Section
22 2-126.2 shall contribute toward the traditional benefit
23 package a percentage of salary equal to the greater of (i)
24 one-half of the normal cost of the traditional benefit package
25 or (ii) 6% of salary.

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

1 (40 ILCS 5/2-126.2 new)

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

3 (a) The General Assembly Retirement System must establish
4 and administer a self-managed plan that shall offer
5 participants the opportunity to accumulate assets for
6 retirement through a combination of participant and State
7 contributions that may be invested in mutual funds, collective
8 investment funds, or other investment products and used to
9 purchase annuity contracts, that are fixed, variable, or a
10 combination of fixed and variable. The plan must be qualified
11 under the Internal Revenue Code of 1986.

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

21 (a-5) A participant may file an irrevocable election to
22 transfer to the self-managed plan an amount equal to the
23 participant's total contributions under the traditional
24 benefit package, with interest. By filing the election, a
25 participant forfeits all accrued rights and benefits under the

1 traditional benefit package.

2 (b) Notwithstanding any other provision of this Code, (i)
3 for a participant who does not file an election under
4 subsection (a-5) of this Section, any portion of his or her
5 salary that exceeds the amount specified in Section 2-108.2 for
6 that year shall be subject to the self-managed plan and (ii)
7 for a participant who files an election under subsection (a-5)
8 of this Section, the entirety of the participant's salary
9 shall, after the date of the election, be subject to the
10 self-managed plan created under this Section.

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

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

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

24 (3) the suitability of the benefits to the needs and
25 interests of the participants and the State; and

26 (4) the ability of the company to provide benefits

1 under the contract and the financial stability of the
2 company.

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

8 In addition to the companies approved by the System under
9 this subsection (c), the System may offer its participants an
10 investment fund managed by the Illinois State Board of
11 Investment.

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

22 (e) Participation in the self-managed plan under this
23 Section shall constitute participation in the General Assembly
24 Retirement System.

25 (f) The self-managed plan shall be funded by contributions
26 from participants in the self-managed plan and State

1 contributions as provided in this Section.

2 The contribution rate for participants in the self-managed
3 plan shall be, (i) for a participant who does not file an
4 election under subsection (a-5) of this Section, 6% of the
5 amount of salary in excess of the limit specified in Section
6 2-108.2 in that year, in addition to the amount specified under
7 subsection (e-1) of Section 2-126 for that year and (ii) for a
8 participant who files an election under subsection (a-5) of
9 Section 2-126.2, 8% of any amount of salary up to and including
10 the limit specified in Section 2-108.2 for that year and 6% of
11 any amount of salary in excess of that limit for that year.
12 This required contribution shall be made as an employer pick-up
13 under Section 414(h) of the Internal Revenue Code of 1986 or
14 any successor Section thereof. Any participant in the System's
15 traditional benefit package prior to his or her election to
16 participate in the self-managed plan shall continue to have the
17 employer pick up the contributions required under Section
18 2-126. However, the amounts picked up after the election of the
19 self-managed plan shall be remitted to and treated as assets of
20 the self-managed plan. In no event shall a participant have the
21 option of receiving these amounts in cash. Participants may
22 make additional contributions to the self-managed plan in
23 accordance with procedures prescribed by the System, to the
24 extent permitted under rules adopted by the System.

25 The program shall provide for State contributions to the
26 self-managed plan in the following amounts: (i) for a

1 participant who does not file an election under subsection
2 (a-5) of this Section, 3% of the amount of salary in excess of
3 the limit specified in Section 2-108.2 for that year and (ii)
4 for a participant who does not file an election under
5 subsection (a-5) of this Section, 7.1% of any amount of salary
6 up to and including the limit specified in Section 2-108.2 for
7 that year and 3% of any amount of salary in excess of that
8 limit for that year.

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

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

25 If a participant in the self-managed plan who is not
26 otherwise vested under this Article terminates employment, the

1 participant shall be entitled to a benefit based solely on the
2 account values attributable to the participant's contributions
3 and any investment return thereon, and the State contributions
4 and any investment return thereon shall be forfeited. Any State
5 contributions that are forfeited shall be held in escrow by the
6 company investing those contributions and shall be used, as
7 directed by the System, for future allocations of State
8 contributions.

9 (40 ILCS 5/2-134.1 new)

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

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

15 Sec. 14-103.10. Compensation.

16 (a) For periods of service prior to January 1, 1978, the
17 full rate of salary or wages payable to an employee for
18 personal services performed if he worked the full normal
19 working period for his position, subject to the following
20 maximum amounts: (1) prior to July 1, 1951, \$400 per month or
21 \$4,800 per year; (2) between July 1, 1951 and June 30, 1957
22 inclusive, \$625 per month or \$7,500 per year; (3) beginning
23 July 1, 1957, no limitation.

24 In the case of service of an employee in a position

1 involving part-time employment, compensation shall be
2 determined according to the employees' earnings record.

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

- 10 (1) for vacation,
11 (2) for accumulated unused sick leave,
12 (3) upon discharge or dismissal,
13 (4) for approved holidays.

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

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

25 (e) For members for which Section 1-160 applies for periods
26 of service on and after January 1, 2011, all remuneration for

1 personal services performed defined as "wages" under the Social
2 Security Enabling Act, excluding remuneration that is in excess
3 of the annual earnings, salary, or wages of a member or
4 participant, as provided in subsection (b-5) of Section 1-160,
5 but including any benefits received by an employee under a sick
6 pay plan in effect before January 1, 1981. Compensation shall
7 exclude lump sum salary payments:

8 (1) for vacation;

9 (2) for accumulated unused sick leave;

10 (3) upon discharge or dismissal; and

11 (4) for approved holidays.

12 (f) Notwithstanding any other provision of this Section,
13 "compensation", except as used in Section 14-133.2, does not
14 include any future increase in income due to a provision in a
15 collectively bargained contract that grants an increase in
16 salary based on an employee's expected date of retirement. The
17 changes made to this Section by this amendatory Act of the 98th
18 General Assembly do not apply to an employee who is covered by
19 a collective bargaining agreement or employment contract that
20 is in effect on the effective date of this amendatory Act of
21 the 98th General Assembly and that provides for such increases,
22 until that agreement or contract expires or is amended or
23 renewed.

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

1 Sec. 14-103.12a. Limitation on compensation. For the
2 purpose of calculating traditional benefit package benefits
3 and contributions, the annual earnings, salary, or wages of a
4 participant shall not exceed the greater of (i) the amount
5 specified under subsection (b-5) of Section 1-160 or (ii) the
6 annual salary of the participant during the 365 days
7 immediately before the effective date of this Section. If,
8 however, an employment contract that is in place on or before
9 the effective date of this Section authorizes an increase in
10 earnings, salary, or wages on or after the effective date of
11 this Section, then the annual earnings, salary, or wages of the
12 participant during the 365 days that immediately precede the
13 date that the contract expires may be used in lieu of the
14 amount specified in item (ii) of this Section.

15 (40 ILCS 5/14-103.40 new)

16 Sec. 14-103.40. Traditional benefit package. "Traditional
17 benefit package" means the defined benefit retirement program
18 maintained by the System, which includes retirement annuities
19 payable directly from the System, as provided in Sections
20 14-107, 14-108, 14-113, and 14-114; survivor's annuities
21 payable directly from the System, as provided in Sections
22 14-120, 14-121, and 14-121.1; and contribution refunds, as
23 provided in Section 14-130.

24 (40 ILCS 5/14-103.41 new)

1 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
2 means the defined contribution retirement program maintained
3 by the System, as described in Section 14-133.2. The
4 self-managed plan does not include retirement annuities or
5 survivor's benefits payable directly from the System, as
6 provided in Sections 14-107, 14-108, 14-113, 14-114, 14-120,
7 14-121, and 14-121.1 or refunds determined under Section
8 14-130.

9 (40 ILCS 5/14-131)

10 Sec. 14-131. Contributions by State.

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

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

23 (b) The Board shall determine the total amount of State
24 contributions required for each fiscal year on the basis of the
25 actuarial tables and other assumptions adopted by the Board,

1 using the formula in subsection (e).

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

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

20 (c) Contributions shall be made by the several departments
21 for each pay period by warrants drawn by the State Comptroller
22 against their respective funds or appropriations based upon
23 vouchers stating the amount to be so contributed. These amounts
24 shall be based on the full rate certified by the Board under
25 Section 14-135.08 for that fiscal year. From the effective date
26 of this amendatory Act of the 93rd General Assembly through the

1 payment of the final payroll from fiscal year 2004
2 appropriations, the several departments shall not make
3 contributions for the remainder of fiscal year 2004 but shall
4 instead make payments as required under subsection (a-1) of
5 Section 14.1 of the State Finance Act. The several departments
6 shall resume those contributions at the commencement of fiscal
7 year 2005.

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

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

22 (d) If an employee is paid from trust funds or federal
23 funds, the department or other employer shall pay employer
24 contributions from those funds to the System at the certified
25 rate, unless the terms of the trust or the federal-State
26 agreement preclude the use of the funds for that purpose, in

1 which case the required employer contributions shall be paid by
2 the State. From the effective date of this amendatory Act of
3 the 93rd General Assembly through the payment of the final
4 payroll from fiscal year 2004 appropriations, the department or
5 other employer shall not pay contributions for the remainder of
6 fiscal year 2004 but shall instead make payments as required
7 under subsection (a-1) of Section 14.1 of the State Finance
8 Act. The department or other employer shall resume payment of
9 contributions at the commencement of fiscal year 2005.

10 (e) For State fiscal years 2012 through 2045, the minimum
11 contribution to the System to be made by the State for each
12 fiscal year shall be an amount determined by the System to be
13 sufficient to bring the total assets of the System up to 100%
14 ~~90%~~ of the total actuarial liabilities of the System by the end
15 of State fiscal year 2045. In making these determinations, the
16 required State contribution shall be calculated each year as a
17 level percentage of payroll over the years remaining to and
18 including fiscal year 2045 and shall be determined under the
19 projected unit credit actuarial cost method.

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

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

25 For State fiscal years 1996 through 2005, the State
26 contribution to the System, as a percentage of the applicable

1 employee payroll, shall be increased in equal annual increments
2 so that by State fiscal year 2011, the State is contributing at
3 the rate required under this Section; except that (i) for State
4 fiscal year 1998, for all purposes of this Code and any other
5 law of this State, the certified percentage of the applicable
6 employee payroll shall be 5.052% for employees earning eligible
7 creditable service under Section 14-110 and 6.500% for all
8 other employees, notwithstanding any contrary certification
9 made under Section 14-135.08 before the effective date of this
10 amendatory Act of 1997, and (ii) in the following specified
11 State fiscal years, the State contribution to the System shall
12 not be less than the following indicated percentages of the
13 applicable employee payroll, even if the indicated percentage
14 will produce a State contribution in excess of the amount
15 otherwise required under this subsection and subsection (a):
16 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY
17 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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

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

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

14 Notwithstanding any other provision of this Article, the
15 total required State General Revenue Fund contribution for
16 State fiscal year 2011 is the amount recertified by the System
17 on or before April 1, 2011 pursuant to Section 14-135.08 and
18 shall be made from the proceeds of bonds sold in fiscal year
19 2011 pursuant to Section 7.2 of the General Obligation Bond
20 Act, less (i) the pro rata share of bond sale expenses
21 determined by the System's share of total bond proceeds, (ii)
22 any amounts received from the General Revenue Fund in fiscal
23 year 2011, and (iii) any reduction in bond proceeds due to the
24 issuance of discounted bonds, if applicable.

25 Beginning in State fiscal year 2046, the minimum State
26 contribution for each fiscal year shall be the amount needed to

1 maintain the total assets of the System at 100% ~~90%~~ of the
2 total actuarial liabilities of the System.

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

15 Notwithstanding any other provision of this Section, the
16 required State contribution for State fiscal year 2005 and for
17 fiscal year 2008 and each fiscal year thereafter, as calculated
18 under this Section and certified under Section 14-135.08, shall
19 not exceed an amount equal to (i) the amount of the required
20 State contribution that would have been calculated under this
21 Section for that fiscal year if the System had not received any
22 payments under subsection (d) of Section 7.2 of the General
23 Obligation Bond Act, minus (ii) the portion of the State's
24 total debt service payments for that fiscal year on the bonds
25 issued in fiscal year 2003 for the purposes of that Section
26 7.2, as determined and certified by the Comptroller, that is

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

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

1 under this Section and under Section 6z-61 of the State Finance
2 Act. If the amount due is more than the amount received, the
3 difference shall be termed the "Fiscal Year 2004 Shortfall" for
4 purposes of this Section, and the Fiscal Year 2004 Shortfall
5 shall be satisfied under Section 1.2 of the State Pension Funds
6 Continuing Appropriation Act. If the amount due is less than
7 the amount received, the difference shall be termed the "Fiscal
8 Year 2004 Overpayment" for purposes of this Section, and the
9 Fiscal Year 2004 Overpayment shall be repaid by the System to
10 the Pension Contribution Fund as soon as practicable after the
11 certification.

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

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

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

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

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

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

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

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

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

20 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

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

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

25 (1) Covered employees, except as indicated below, 3.5%

1 for retirement annuity, and 0.5% for a widow or survivors
2 annuity;

3 (2) Noncovered employees, except as indicated below,
4 7% for retirement annuity and 1% for a widow or survivors
5 annuity;

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

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

18 (5) Each security employee of the Department of
19 Corrections or of the Department of Human Services who is a
20 covered employee, 0.5% for a widow or survivors annuity
21 plus the following amount for retirement annuity: 5%
22 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
23 in 2004 and thereafter;

24 (6) Each security employee of the Department of
25 Corrections or of the Department of Human Services who is
26 not a covered employee, 1% for a widow or survivors annuity

1 plus the following amount for retirement annuity: 8.5%
2 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
3 11.5% in 2004 and thereafter.

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

11 (c) Notwithstanding any provision of this Code to the
12 contrary, (i) for a participant who does not file an election
13 under subsection (a-5) of Section 14-133.2, any contributions
14 on amounts of salary in excess of the limit specified in
15 Section 14-103.12a for that year shall instead be used to
16 finance self-managed plan benefits and (ii) for a participant
17 who files an election under subsection (a-5) of Section
18 14-133.2, any contributions made after the date of the
19 election, including contributions for a survivor's annuity,
20 shall instead be used to finance the benefits under Section
21 14-133.2. Notwithstanding any provision of this Code to the
22 contrary, a participant who does not file an election under
23 subsection (a-5) of Section 14-133.2 shall contribute towards
24 the traditional benefit package a percentage of salary equal to
25 the greater of (i) one-half of the normal cost of the
26 traditional benefit package or (ii) 6% of salary.

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

2 (40 ILCS 5/14-133.2 new)

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

4 (a) The State Employees' Retirement System of Illinois must
5 establish and administer a self-managed plan that shall offer
6 participants the opportunity to accumulate assets for
7 retirement through a combination of participant and State
8 contributions that may be invested in mutual funds, collective
9 investment funds, or other investment products and used to
10 purchase annuity contracts, that are fixed, variable, or a
11 combination of fixed and variable. The plan must be qualified
12 under the Internal Revenue Code of 1986.

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

22 (a-5) A participant may file an irrevocable election to
23 transfer amounts equal to the participant's total
24 contributions under the traditional benefit package, with
25 interest, to the self-managed plan under this Section. By

1 filing the election, a participant forfeits all accrued rights
2 and benefits under the traditional benefit package.

3 (b) Notwithstanding any other provision of this Code, (i)
4 for a participant who does not file an election under
5 subsection (a-5) of this Section, any portion of his or her
6 compensation that exceeds the limit specified in Section
7 14-103.12a for that year shall be subject to the self-managed
8 plan and (ii) for a participant who files an election under
9 subsection (a-5) of this Section, the entirety of the
10 participant's compensation shall, after the date of the
11 election, be subject to the self-managed plan created under
12 this Section.

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

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

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

26 (3) the suitability of the benefits to the needs and

1 interests of the participants and the State; and

2 (4) the ability of the company to provide benefits
3 under the contract and the financial stability of the
4 company.

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

10 In addition to the companies approved by the System under
11 this subsection (c), the System may offer its participants an
12 investment fund managed by the Illinois State Board of
13 Investment.

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

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

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

4 The contribution rate for participants in the self-managed
5 plan shall be, (i) for a participant who does not file an
6 election under subsection (a-5) of this Section, 6% of the
7 amount of compensation in excess of the limit specified in
8 14-103.12a for that year, in addition to the amount specified
9 under subsection (c) of Section 14-133 for that year and (ii)
10 for a participant who files an election under subsection (a-5)
11 of Section 14-133.2, 8% of any amount of compensation up to and
12 including the limit specified in Section 14-103.12a for that
13 year and 6% of any amount of compensation in excess of that
14 limit for that year. This required contribution shall be made
15 as an employer pick-up under Section 414(h) of the Internal
16 Revenue Code of 1986 or any successor Section thereof. Any
17 participant in the System's traditional benefit package prior
18 to his or her election to participate in the self-managed plan
19 shall continue to have the employer pick up the contributions
20 required under Section 14-133. However, the amounts picked up
21 after the election of the self-managed plan shall be remitted
22 to and treated as assets of the self-managed plan. In no event
23 shall a participant have the option of receiving these amounts
24 in cash. Participants may make additional contributions to the
25 self-managed plan in accordance with procedures prescribed by
26 the System, to the extent permitted under rules adopted by the

1 System.

2 The program shall provide for State contributions to the
3 self-managed plan in the following amounts: (i) for a
4 participant who does not file an election under subsection
5 (a-5) of this Section, 3% of the amount of compensation in
6 excess of the limit specified in 14-103.12a for that year and
7 (ii) for a participant who does not file an election under
8 subsection (a-5) of this Section, 7.1% of any amount of
9 compensation up to and including the limit specified in Section
10 14-103.12a for that year and 3% of any amount of compensation
11 in excess of that limit for that year.

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

23 (g) If a participant in the self-managed plan who is
24 otherwise vested under this Article terminates employment, the
25 participant shall be entitled to a benefit that is based on the
26 account values attributable to both State and member

1 contributions and any investment return thereon.

2 If a participant in the self-managed plan who is not
3 otherwise vested under this Article terminates employment, the
4 participant shall be entitled to a benefit based solely on the
5 account values attributable to the participant's contributions
6 and any investment return thereon, and the State contributions
7 and any investment return thereon shall be forfeited. Any State
8 contributions that are forfeited shall be held in escrow by the
9 company investing those contributions and shall be used, as
10 directed by the System, for future allocations of State
11 contributions.

12 (40 ILCS 5/14-135.08a new)

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

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

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

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

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

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

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

26 Notwithstanding any other provision of this Section,

1 "earnings", except as used in Section 15-158.2, does not
2 include any future increase in income due to a provision in a
3 collectively bargained contract that grants an increase in
4 earnings based on an employee's expected date of retirement.
5 The changes made to this Section by this amendatory Act of the
6 98th General Assembly do not apply to an employee who is
7 covered by a collective bargaining agreement or employment
8 contract that is in effect on the effective date of this
9 amendatory Act of the 98th General Assembly and that provides
10 for such increases, until that agreement or contract expires or
11 is amended or renewed.

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

13 (40 ILCS 5/15-112.1 new)

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

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

1 salary, or wages of the participant during the 365 days that
2 immediately precede the date that the contract expires may be
3 used in lieu of the amount specified in item (ii) of this
4 Section.

5 (b) Notwithstanding any other provision of this Code, (i)
6 for a participant who does not make an election under Section
7 15-134.5, any portion of his or her earnings that exceeds the
8 limit specified in subsection (a) of this Section for that year
9 shall be subject to the self-managed plan and (ii) for a
10 participant who makes an election under Section 15-134.5, the
11 entirety of the participant's earnings shall, after the date of
12 the election, be subject to the self-managed plan created under
13 this Section, as is provided in Section 15-158.2.

14 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

15 Sec. 15-155. Employer contributions.

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

23 The Board shall determine the amount of State contributions
24 required for each fiscal year on the basis of the actuarial
25 tables and other assumptions adopted by the Board and the

1 recommendations of the actuary, using the formula in subsection
2 (a-1).

3 (a-1) For State fiscal years 2012 through 2045, the minimum
4 contribution to the System to be made by the State for each
5 fiscal year shall be an amount determined by the System to be
6 sufficient to bring the total assets of the System up to 100%
7 ~~90%~~ of the total actuarial liabilities of the System by the end
8 of State fiscal year 2045.

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

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

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

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2006 is
26 \$166,641,900.

1 Notwithstanding any other provision of this Article, the
2 total required State contribution for State fiscal year 2007 is
3 \$252,064,100.

4 For each of State fiscal years 2008 through 2009, the State
5 contribution to the System, as a percentage of the applicable
6 employee payroll, shall be increased in equal annual increments
7 from the required State contribution for State fiscal year
8 2007, so that by State fiscal year 2011, the State is
9 contributing at the rate otherwise required under this Section.

10 Notwithstanding any other provision of this Article, the
11 total required State contribution for State fiscal year 2010 is
12 \$702,514,000 and shall be made from the State Pensions Fund and
13 proceeds of bonds sold in fiscal year 2010 pursuant to Section
14 7.2 of the General Obligation Bond Act, less (i) the pro rata
15 share of bond sale expenses determined by the System's share of
16 total bond proceeds, (ii) any amounts received from the General
17 Revenue Fund in fiscal year 2010, (iii) any reduction in bond
18 proceeds due to the issuance of discounted bonds, if
19 applicable.

20 Notwithstanding any other provision of this Article, the
21 total required State contribution for State fiscal year 2011 is
22 the amount recertified by the System on or before April 1, 2011
23 pursuant to Section 15-165 and shall be made from the State
24 Pensions Fund and proceeds of bonds sold in fiscal year 2011
25 pursuant to Section 7.2 of the General Obligation Bond Act,
26 less (i) the pro rata share of bond sale expenses determined by

1 the System's share of total bond proceeds, (ii) any amounts
2 received from the General Revenue Fund in fiscal year 2011, and
3 (iii) any reduction in bond proceeds due to the issuance of
4 discounted bonds, if applicable.

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

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

21 Notwithstanding any other provision of this Section, the
22 required State contribution for State fiscal year 2005 and for
23 fiscal year 2008 and each fiscal year thereafter, as calculated
24 under this Section and certified under Section 15-165, shall
25 not exceed an amount equal to (i) the amount of the required
26 State contribution that would have been calculated under this

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

20 (b) If an employee is paid from trust or federal funds, the
21 employer shall pay to the Board contributions from those funds
22 which are sufficient to cover the accruing normal costs on
23 behalf of the employee. However, universities having employees
24 who are compensated out of local auxiliary funds, income funds,
25 or service enterprise funds are not required to pay such
26 contributions on behalf of those employees. The local auxiliary

1 funds, income funds, and service enterprise funds of
2 universities shall not be considered trust funds for the
3 purpose of this Article, but funds of alumni associations,
4 foundations, and athletic associations which are affiliated
5 with the universities included as employers under this Article
6 and other employers which do not receive State appropriations
7 are considered to be trust funds for the purpose of this
8 Article.

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

22 (c) Through State fiscal year 1995: The total employer
23 contribution shall be apportioned among the various funds of
24 the State and other employers, whether trust, federal, or other
25 funds, in accordance with actuarial procedures approved by the
26 Board. State of Illinois contributions for employers receiving

1 State appropriations for personal services shall be payable
2 from appropriations made to the employers or to the System. The
3 contributions for Class I community colleges covering earnings
4 other than those paid from trust and federal funds, shall be
5 payable solely from appropriations to the Illinois Community
6 College Board or the System for employer contributions.

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

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

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

24 (g) If the amount of a participant's earnings for any
25 academic year used to determine the final rate of earnings,
26 determined on a full-time equivalent basis, exceeds the amount

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

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

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

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

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

17 When assessing payment for any amount due under subsection
18 (g), the System shall exclude earnings increases paid to
19 participants under contracts or collective bargaining
20 agreements entered into, amended, or renewed before June 1,
21 2005.

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

26 When assessing payment for any amount due under subsection

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

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

1 paid for other similar positions.

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

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

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

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

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

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

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

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

20 As of June 30, 2008, the actuarial value of the System's
21 assets shall be equal to the market value of the assets as of
22 that date. In determining the actuarial value of the System's
23 assets for fiscal years after June 30, 2008, any actuarial
24 gains or losses from investment return incurred in a fiscal
25 year shall be recognized in equal annual amounts over the
26 5-year period following that fiscal year.

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

5 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
6 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
7 7-13-12; revised 10-17-12.)

8 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

9 Sec. 15-157. Employee Contributions.

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

20 Each participant who is a police officer or firefighter
21 shall make normal contributions of 8% of each payment of
22 earnings applicable to employment as a police officer or
23 firefighter under this system on or after September 1, 1981,
24 unless he or she files with the board within 60 days after the
25 effective date of this amendatory Act of 1991 or 60 days after

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

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

25 (c) In addition to the amounts described in subsections (a)
26 and (b) of this Section, each participating employee shall make

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

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

20 (e) That fraction of a participant's total accumulated
21 normal contributions, the numerator of which is equal to the
22 number of years of service in excess of that which is required
23 to qualify for the maximum retirement annuity, and the
24 denominator of which is equal to the total service of the
25 participant, shall be considered as accumulated additional
26 contributions. The determination of the applicable maximum

1 annuity and the adjustment in contributions required by this
2 provision shall be made as of the date of the participant's
3 retirement.

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

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

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

1 of earnings.

2 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
3 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
4 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

5 (40 ILCS 5/15-158.2)

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

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

24 (b) Adoption by employers. Each employer subject to this
25 Article may elect to adopt the self-managed plan established

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

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

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

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

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

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

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

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

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

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

26 (e) Participation. An employee eligible to participate in

1 the self-managed plan must make a written election in
2 accordance with the provisions of Section 15-134.5 and the
3 procedures established by the System or become subject to the
4 limitation specified in Section 15-112.1. Participation in the
5 self-managed plan by an ~~electing~~ employee shall begin on the
6 first day of the first pay period following the later of the
7 date the employee's election is filed with the System, ~~or~~ the
8 effective date as of which the employee's employer begins to
9 offer participation in the self-managed plan, or the date the
10 participant's annual earnings exceeds the limitation specified
11 in Section 15-112.1. Employers may not make the self-managed
12 plan available earlier than January 1, 1998. An employee's
13 participation in any other retirement program administered by
14 the System under this Article shall terminate on the date that
15 participation in the self-managed plan begins.

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

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

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

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

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

25 (h) Contributions.

26 (1) The self-managed plan shall be funded by

1 contributions from employees participating in the
2 self-managed plan and employer contributions as provided
3 in this Section.

4 (A) Before the effective date of this amendatory
5 Act of the 98th General Assembly, the ~~The~~ contribution
6 rate for employees participating in the self-managed
7 plan under this Section shall be equal to the employee
8 contribution rate for other participants in the
9 System, as provided in Section 15-157. This required
10 contribution shall be made as an "employer pick-up"
11 under Section 414(h) of the Internal Revenue Code of
12 1986 or any successor Section thereof. Any employee
13 participating in the System's traditional benefit
14 package prior to his or her election to participate in
15 the self-managed plan shall continue to have the
16 employer pick up the contributions required under
17 Section 15-157. However, the amounts picked up after
18 the election of the self-managed plan shall be remitted
19 to and treated as assets of the self-managed plan. In
20 no event shall an employee have an option of receiving
21 these amounts in cash. Employees may make additional
22 contributions to the self-managed plan in accordance
23 with procedures prescribed by the System, to the extent
24 permitted under rules prescribed by the System.

25 (B) On and after the effective date of this
26 amendatory Act of the 98th General Assembly, the

1 contribution rate for participants in the self-managed
2 plan shall be, (i) for a participant who does not file
3 an election under subsection (e) of this Section, 6% of
4 the amount of earnings in excess of the limit specified
5 in 15-112.1 for that year, in addition to the amount
6 specified under subsection (h) of Section 15-157 for
7 that year and (ii) for a participant who files an
8 election under subsection (e) of this Section, 8% of
9 any amount of earnings up to and including the limit
10 specified in Section 15-112.1 for that year and 6% of
11 any amount of earnings in excess of that limit for that
12 year. This required contribution shall be made as an
13 employer pick-up under Section 414(h) of the Internal
14 Revenue Code of 1986 or any successor Section thereof.
15 Any participant in the System's traditional benefit
16 package prior to his or her election to participate in
17 the self-managed plan shall continue to have the
18 employer pick up the contributions required under
19 Section 15-157. However, the amounts picked up after
20 the election of the self-managed plan shall be remitted
21 to and treated as assets of the self-managed plan. In
22 no event shall a participant have the option of
23 receiving these amounts in cash. Participants may make
24 additional contributions to the self-managed plan in
25 accordance with procedures prescribed by the System,
26 to the extent permitted under rules adopted by the

1 System.

2 (2) The program shall provide for employer and State
3 contributions to the self-managed plan in the following
4 amounts: (i) for a member who does not file an election
5 under subsection (e) of this Section, 3% of the amount of
6 earnings in excess of the limit specified in Section
7 15-112.1 for that year, to be paid by the actual employer,
8 and (ii) for a member who files an election under
9 subsection (e) of this Section, 7.1% of any amount of
10 earnings up to and including the limit specified in Section
11 15-112.1 for that year, to be paid by the State, and 3% of
12 any amount of earnings in excess of that limit for that
13 year, to be paid by the actual employer.

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

22 (3) An amount of employer contribution, not exceeding
23 1% of the participating employee's salary, shall be used
24 for the purpose of providing the disability benefits of the
25 System to the employee. Prior to the beginning of each plan
26 year under the self-managed plan, the Board of Trustees

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

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

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

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

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

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

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

1 the distribution, without interest.

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

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

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

19 (40 ILCS 5/15-165.1 new)

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

24 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

1 Sec. 16-121. Salary. "Salary": The actual compensation
2 received by a teacher during any school year and recognized by
3 the system in accordance with rules of the board. For purposes
4 of this Section, "school year" includes the regular school term
5 plus any additional period for which a teacher is compensated
6 and such compensation is recognized by the rules of the board.
7 Notwithstanding any other provision of this Section, "salary",
8 except as used in Section 16-158.2, does not include any future
9 increase in income due to a provision in a collectively
10 bargained contract that grants an increase in salary based on a
11 teacher's expected date of retirement. The changes made to this
12 Section by this amendatory Act of the 98th General Assembly do
13 not apply to a teacher who is covered by a collective
14 bargaining agreement or employment contract that is in effect
15 on the effective date of this amendatory Act of the 98th
16 General Assembly and that provides for such increases, until
17 that agreement or contract expires or is amended or renewed.

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

19 (40 ILCS 5/16-121.1 new)

20 Sec. 16-121.1. Limitation on salary. For the purpose of
21 calculating traditional benefit package benefits and
22 contributions, the annual earnings, salary, or wages of a
23 member shall not exceed the greater of (i) the amount specified
24 under subsection (b-5) of Section 1-160 or (ii) the annual
25 salary of the member during the 365 days immediately before the

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

9 (40 ILCS 5/16-122.2 new)

10 Sec. 16-122.2. Traditional benefit package. "Traditional
11 benefit package" means the defined benefit retirement program
12 maintained by the System, which includes retirement annuities
13 payable directly from the System, as provided in Sections
14 16-132, 16-133, 16-133.1, and 16-136; survivor's annuities
15 payable directly from the System, as provided in Sections
16 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,
17 and 16-143.1; and contribution refunds, as provided in Section
18 16-151.

19 (40 ILCS 5/16-122.3 new)

20 Sec. 16-122.3. Self-managed plan. "Self-managed plan"
21 means the defined contribution retirement program maintained
22 by the System, as described in Section 16-158.2. The
23 self-managed plan does not include retirement annuities or
24 survivor's benefits payable directly from the System, as

1 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,
2 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and
3 16-143.1 or refunds determined under Section 16-151.

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

5 Sec. 16-152. Contributions by members.

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

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

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

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

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

25 (b) The minimum required contribution for any year of

1 full-time teaching service shall be \$192.

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

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

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

24 (1) The contributions shall be refunded to the member,
25 without interest, within 120 days after the member's
26 retirement annuity commences, if the member does not elect

1 early retirement without discount under Section 16-133.2.

2 (2) The contributions shall be included, without
3 interest, in any refund claimed by the member under Section
4 16-151.

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

10 (4) The contributions shall be refunded to the member,
11 without interest, within 120 days after the early
12 retirement without discount option provided under Section
13 16-133.2 is terminated under Section 16-176.

14 (f) Notwithstanding any provision of this Code to the
15 contrary, (i) for a member who does not file an election under
16 subsection (a-5) of Section 16-158.2, any contributions on
17 amounts of salary in excess of the limit specified in Section
18 16-121.1 for that year shall instead be used to finance
19 self-managed plan benefits and (ii) for a member who files an
20 election under subsection (a-5) of Section 16-158.2, any
21 contributions made after the date of the election, including
22 the contributions for a survivor's annuity, shall be used to
23 finance the benefits under Section 16-158.2. Notwithstanding
24 any provision of this Code to the contrary, a member who does
25 not file an election under subsection (a-5) of Section 16-158.2
26 shall contribute towards the traditional benefit package a

1 percentage of salary equal to the greater of (i) one-half of
2 the normal cost of the traditional benefit package or (ii) 6%
3 of salary.

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

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

6 Sec. 16-158. Contributions by State and other employing
7 units.

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

15 The Board shall determine the amount of State contributions
16 required for each fiscal year on the basis of the actuarial
17 tables and other assumptions adopted by the Board and the
18 recommendations of the actuary, using the formula in subsection
19 (b-3).

20 (a-1) Annually, on or before November 15 until November 15,
21 2011, the Board shall certify to the Governor the amount of the
22 required State contribution for the coming fiscal year. The
23 certification under this subsection (a-1) shall include a copy
24 of the actuarial recommendations upon which it is based and
25 shall specifically identify the System's projected State

1 normal cost for that fiscal year.

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

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

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

19 (a-5) On or before November 1 of each year, beginning
20 November 1, 2012, the Board shall submit to the State Actuary,
21 the Governor, and the General Assembly a proposed certification
22 of the amount of the required State contribution to the System
23 for the next fiscal year, along with all of the actuarial
24 assumptions, calculations, and data upon which that proposed
25 certification is based. On or before January 1 of each year,
26 beginning January 1, 2013, the State Actuary shall issue a

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

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

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

1 6z-61 of the State Finance Act. These vouchers shall be paid by
2 the State Comptroller and Treasurer by warrants drawn on the
3 funds appropriated to the System for that fiscal year.

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

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

16 (b-3) For State fiscal years 2012 through 2045, the minimum
17 contribution to the System to be made by the State for each
18 fiscal year shall be an amount determined by the System to be
19 sufficient to bring the total assets of the System up to 100%
20 ~~90%~~ of the total actuarial liabilities of the System by the end
21 of State fiscal year 2045.

22 Pursuant to Article XIII of the 1970 Constitution of the
23 State of Illinois, beginning on July 1, 2013, the State shall,
24 as a retirement benefit to each participant and annuitant of
25 the System be contractually obligated to the System (as a
26 fiduciary and trustee of the participants and annuitants) to

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

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

6 For State fiscal years 1996 through 2005, the State
7 contribution to the System, as a percentage of the applicable
8 employee payroll, shall be increased in equal annual increments
9 so that by State fiscal year 2011, the State is contributing at
10 the rate required under this Section; except that in the
11 following specified State fiscal years, the State contribution
12 to the System shall not be less than the following indicated
13 percentages of the applicable employee payroll, even if the
14 indicated percentage will produce a State contribution in
15 excess of the amount otherwise required under this subsection
16 and subsection (a), and notwithstanding any contrary
17 certification made under subsection (a-1) before the effective
18 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
19 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
20 2003; and 13.56% in FY 2004.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2006 is
23 \$534,627,700.

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2007 is
26 \$738,014,500.

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

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

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

1 the amount certified by the System, an amount necessary to meet
2 employer contributions required by the State as an employer
3 under paragraph (e) of this Section, which may also be used by
4 the System for contributions required by paragraph (a) of
5 Section 16-127.

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

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

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

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

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

26 If members are paid from special trust or federal funds

1 which are administered by the employing unit, whether school
2 district or other unit, the employing unit shall pay to the
3 System from such funds the full accruing retirement costs based
4 upon that service, as determined by the System. Employer
5 contributions, based on salary paid to members from federal
6 funds, may be forwarded by the distributing agency of the State
7 of Illinois to the System prior to allocation, in an amount
8 determined in accordance with guidelines established by such
9 agency and the System.

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

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

1 considered an employee of the employer from which the teacher
2 is on leave.

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

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

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

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

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

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

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

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

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

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

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

1 pertinent to the applicability of that subsection. Upon
2 receiving a timely application for recalculation, the System
3 shall review the application and, if appropriate, recalculate
4 the amount due.

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

14 (g) This subsection (g) applies only to payments made or
15 salary increases given on or after June 1, 2005 but before July
16 1, 2011. The changes made by Public Act 94-1057 shall not
17 require the System to refund any payments received before July
18 31, 2006 (the effective date of Public Act 94-1057).

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

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

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

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

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

1 the State of Illinois or the State Board of Education over
2 which the employer does not have discretion, notwithstanding
3 that the payment is included in the computation of final
4 average salary.

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

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

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

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

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

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

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

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

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

19 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
20 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.
21 6-18-12; 97-813, eff. 7-13-12.)

22 (40 ILCS 5/16-158.2 new)

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

24 (a) The Teachers' Retirement System of the State of
25 Illinois must establish and administer a self-managed plan that

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

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

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

23 (b) Notwithstanding any other provision of this Code, (i)
24 for a member who does not file an election under subsection
25 (a-5) of this Section, any portion of his or her salary that
26 exceeds the limit specified in Section 16-121.1 for that year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 7.1% of any amount of salary up to and including the limit
2 specified in Section 16-121.1 for that year, to be paid by the
3 State, and 3% of any amount of salary in excess of that limit
4 for that year, to be paid by the actual employer.

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

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

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

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

5 (40 ILCS 5/16-181.4 new)

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

10 (40 ILCS 5/18-111.1 new)

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

18 (40 ILCS 5/18-118.1 new)

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

1 directly from the System, as provided in Sections 18-128,
2 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution
3 refunds, as provided in Section 18-129.

4 (40 ILCS 5/18-118.2 new)

5 Sec. 18-118.2. Self-managed plan. "Self-managed plan"
6 means the defined contribution retirement program maintained
7 by the System, as described in Section 18-133.2. The
8 self-managed plan does not include retirement annuities or
9 survivor's benefits payable directly from the System, as
10 provided in Sections 18-124, 18-125, 18-125.1, 18-128,
11 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds
12 determined under Section 18-129.

13 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

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

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

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

1 subsection (c).

2 (c) For State fiscal years 2012 through 2045, the minimum
3 contribution to the System to be made by the State for each
4 fiscal year shall be an amount determined by the System to be
5 sufficient to bring the total assets of the System up to 100%
6 ~~90%~~ of the total actuarial liabilities of the System by the end
7 of State fiscal year 2045.

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

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

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

23 Notwithstanding any other provision of this Article, the
24 total required State contribution for State fiscal year 2006 is
25 \$29,189,400.

26 Notwithstanding any other provision of this Article, the

1 total required State contribution for State fiscal year 2007 is
2 \$35,236,800.

3 For each of State fiscal years 2008 through 2009, the State
4 contribution to the System, as a percentage of the applicable
5 employee payroll, shall be increased in equal annual increments
6 from the required State contribution for State fiscal year
7 2007, so that by State fiscal year 2011, the State is
8 contributing at the rate otherwise required under this Section.

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

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

1 Revenue Fund in fiscal year 2011, and (iii) any reduction in
2 bond proceeds due to the issuance of discounted bonds, if
3 applicable.

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

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

20 Notwithstanding any other provision of this Section, the
21 required State contribution for State fiscal year 2005 and for
22 fiscal year 2008 and each fiscal year thereafter, as calculated
23 under this Section and certified under Section 18-140, shall
24 not exceed an amount equal to (i) the amount of the required
25 State contribution that would have been calculated under this
26 Section for that fiscal year if the System had not received any

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

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

23 As of June 30, 2008, the actuarial value of the System's
24 assets shall be equal to the market value of the assets as of
25 that date. In determining the actuarial value of the System's
26 assets for fiscal years after June 30, 2008, any actuarial

1 gains or losses from investment return incurred in a fiscal
2 year shall be recognized in equal annual amounts over the
3 5-year period following that fiscal year.

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

8 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
9 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
10 7-13-12.)

11 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

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

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

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

1 prior to January 1, 2000, and while continuing to serve as
2 judge, the judge (A) files with the Board a letter
3 cancelling the direction to discontinue contributing to
4 the System and requesting that such contributing resume,
5 and (B) pays into the System an amount equal to the total
6 of the discontinued contributions plus interest thereon at
7 5% per annum. Service credits earned in any other
8 "participating system" as defined in Article 20 of this
9 Code shall be considered for purposes of determining a
10 judge's eligibility to discontinue contributions under
11 this subdivision (a) (2).

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

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

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

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

24 (d) Notwithstanding any other provision of this Article,
25 the required contributions for a participant who first becomes
26 a participant on or after January 1, 2011 shall not exceed the

1 contributions that would be due under this Article if that
2 participant's highest salary for annuity purposes were
3 \$106,800, plus any increase in that amount under Section
4 18-125.

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

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

22 (40 ILCS 5/18-133.2 new)

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

24 (a) The Judges Retirement System of Illinois must establish
25 and administer a self-managed plan that shall offer

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

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

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

23 (b) Notwithstanding any other provision of this Code, (i)
24 for a participant who does not file an election under
25 subsection (a-5) of this Section, any portion of his or her
26 salary that exceeds the limit specified in Section 18-111.1 for

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 subsection (a-5) of this Section, 7.1% of any amount of salary
2 up to and including the limit specified in Section 18-111.1 for
3 that year and 3% of any amount of salary in excess of that
4 limit for that year.

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

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

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

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

5 (40 ILCS 5/18-140.1 new)

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

10 Section 90. The State Mandates Act is amended by adding
11 Section 8.37 as follows:

12 (30 ILCS 805/8.37 new)

13 Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8
14 of this Act, no reimbursement by the State is required for the
15 implementation of any mandate created by this amendatory Act of
16 the 98th General Assembly.

17 Section 99. Effective date. This Act takes effect upon
18 becoming law.".