



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

HB2365

by Rep. Mike Fortner

#### SYNOPSIS AS INTRODUCED:

See Index

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

LRB098 07779 EFG 37858 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

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

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

6 (30 ILCS 122/20)

7 Sec. 20. Pension Stabilization Fund.

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

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

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

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

5 (c-5) In Fiscal Year 2014, the State Comptroller shall  
6 order transferred and the State Treasurer shall transfer  
7 \$4,600,000,000 from the General Revenue Fund to the Pension  
8 Stabilization Fund. In each fiscal year thereafter, the State  
9 Comptroller shall order transferred and the State Treasurer  
10 shall transfer from the General Revenue Fund to the Pension  
11 Stabilization Fund the amount transferred under this  
12 subsection (c-5) in the previous fiscal year increased by 2.5%.

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

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

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

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

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

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

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

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

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

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

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

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

8                 (3) the State Universities Retirement System;

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

10                (5) the General Assembly Retirement System.

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

1 appropriation under Section 1.7 of the State Pension Funds  
2 Continuing Appropriation Act. The total amount transferred to  
3 the designated retirement systems in Fiscal Year 2014 shall not  
4 be less than \$4,600,000,000. In each Fiscal Year thereafter,  
5 the total amount transferred to the designated retirement  
6 systems shall not be less than the total amount transferred in  
7 the previous fiscal year.

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

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

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

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

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

4 (40 ILCS 5/2-103.1 new)

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

13 (40 ILCS 5/2-103.2 new)

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

21 (40 ILCS 5/2-108.2 new)

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

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

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

7 Sec. 2-124. Contributions by State.

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

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

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

25 Pursuant to Article XIII of the 1970 Constitution of the



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

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

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

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

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

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

26 Notwithstanding any other provision of this Article, the

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

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

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

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

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

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

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

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

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

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

25 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
26 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.

1 7-13-12.)

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

3 Sec. 2-126. Contributions by participants.

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

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

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

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

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

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

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

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

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

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

20 (40 ILCS 5/2-126.2 new)

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 limit for that year.

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

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

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

1 contributions.

2 (40 ILCS 5/2-134.1 new)

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

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

8 Sec. 14-103.10. Compensation.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

8 (40 ILCS 5/14-103.40 new)

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

17 (40 ILCS 5/14-103.41 new)

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

1 14-130.

2 (40 ILCS 5/14-131)

3 Sec. 14-131. Contributions by State.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (40 ILCS 5/14-133.2 new)

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 Notwithstanding any other provision of this Section,  
20 "earnings", except as used in Section 15-158.2, does not  
21 include any future increase in income due to a provision in a  
22 collectively bargained contract that grants an increase in  
23 earnings based on an employee's expected date of retirement.  
24 The changes made to this Section by this amendatory Act of the  
25 98th General Assembly do not apply to an employee who is  
26 covered by a collective bargaining agreement or employment

1 contract that is in effect on the effective date of this  
2 amendatory Act of the 98th General Assembly and that provides  
3 for such increases, until that agreement or contract expires or  
4 is amended or renewed.

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

6 (40 ILCS 5/15-112.1 new)

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

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

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



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

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

8 Sec. 15-155. Employer contributions.

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

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

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

1 of State fiscal year 2045.

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

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

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

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

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

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

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

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

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

24 Beginning in State fiscal year 2046, the minimum State  
25 contribution for each fiscal year shall be the amount needed to  
26 maintain the total assets of the System at 100% ~~90%~~ of the

1 total actuarial liabilities of the System.

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

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

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

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

1 Article.

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

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

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

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

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

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

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



1 of 6%. This present value shall be computed by the System on  
2 the basis of the actuarial assumptions and tables used in the  
3 most recent actuarial valuation of the System that is available  
4 at the time of the computation. The System may require the  
5 employer to provide any pertinent information or  
6 documentation.

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

22 The employer contributions required under this subsection  
23 (f) may be paid in the form of a lump sum within 90 days after  
24 receipt of the bill. If the employer contributions are not paid  
25 within 90 days after receipt of the bill, then interest will be  
26 charged at a rate equal to the System's annual actuarially

1 assumed rate of return on investment compounded annually from  
2 the 91st day after receipt of the bill. Payments must be  
3 concluded within 3 years after the employer's receipt of the  
4 bill.

5 (h) This subsection (h) applies only to payments made or  
6 salary increases given on or after June 1, 2005 but before July  
7 1, 2011. The changes made by Public Act 94-1057 shall not  
8 require the System to refund any payments received before July  
9 31, 2006 (the effective date of Public Act 94-1057).

10 When assessing payment for any amount due under subsection  
11 (g), the System shall exclude earnings increases paid to  
12 participants under contracts or collective bargaining  
13 agreements entered into, amended, or renewed before June 1,  
14 2005.

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

19 When assessing payment for any amount due under subsection  
20 (g), the System shall exclude earnings increases resulting from  
21 overload work, including a contract for summer teaching, or  
22 overtime when the employer has certified to the System, and the  
23 System has approved the certification, that: (i) in the case of  
24 overloads (A) the overload work is for the sole purpose of  
25 academic instruction in excess of the standard number of  
26 instruction hours for a full-time employee occurring during the

1 academic year that the overload is paid and (B) the earnings  
2 increases are equal to or less than the rate of pay for  
3 academic instruction computed using the participant's current  
4 salary rate and work schedule; and (ii) in the case of  
5 overtime, the overtime was necessary for the educational  
6 mission.

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

21 (i) When assessing payment for any amount due under  
22 subsection (g), the System shall exclude any salary increase  
23 described in subsection (h) of this Section given on or after  
24 July 1, 2011 but before July 1, 2014 under a contract or  
25 collective bargaining agreement entered into, amended, or  
26 renewed on or after June 1, 2005 but before July 1, 2011.

1 Notwithstanding any other provision of this Section, any  
2 payments made or salary increases given after June 30, 2014  
3 shall be used in assessing payment for any amount due under  
4 subsection (g) of this Section.

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

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

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

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

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

20 (k) The Illinois Community College Board shall adopt rules  
21 for recommending lists of promotional positions submitted to  
22 the Board by community colleges and for reviewing the  
23 promotional lists on an annual basis. When recommending  
24 promotional lists, the Board shall consider the similarity of  
25 the positions submitted to those positions recognized for State  
26 universities by the State Universities Civil Service System.

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

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

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

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

24 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
25 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.  
26 7-13-12.)

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

2 Sec. 15-157. Employee Contributions.

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

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

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

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

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

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

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

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

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



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

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

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

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

24 (40 ILCS 5/15-158.2)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 (h) Contributions.

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

23 (A) Before the effective date of this amendatory  
24 Act of the 98th General Assembly, the ~~The~~ contribution  
25 rate for employees participating in the self-managed  
26 plan under this Section shall be equal to the employee

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

18 (B) On and after the effective date of this  
19 amendatory Act of the 98th General Assembly, the  
20 contribution rate for participants in the self-managed  
21 plan shall be, (i) for a participant who does not file  
22 an election under subsection (e) of this Section, 6% of  
23 the amount of earnings in excess of the limit specified  
24 in 15-112.1 for that year, in addition to the amount  
25 specified under subsection (h) of Section 15-157 for  
26 that year and (ii) for a participant who files an

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

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



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

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

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

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

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

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

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

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

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

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

26 If an employee who is not vested in employer contributions

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

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

12 (40 ILCS 5/15-165.1 new)

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

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

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

1 except as used in Section 16-158.2, does not include any future  
2 increase in income due to a provision in a collectively  
3 bargained contract that grants an increase in salary based on a  
4 teacher's expected date of retirement. The changes made to this  
5 Section by this amendatory Act of the 98th General Assembly do  
6 not apply to a teacher who is covered by a collective  
7 bargaining agreement or employment contract that is in effect  
8 on the effective date of this amendatory Act of the 98th  
9 General Assembly and that provides for such increases, until  
10 that agreement or contract expires or is amended or renewed.

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

12 (40 ILCS 5/16-121.1 new)

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

1 (ii) of this Section.

2 (40 ILCS 5/16-122.2 new)

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

12 (40 ILCS 5/16-122.3 new)

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

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

22 Sec. 16-152. Contributions by members.

23 (a) Each member shall make contributions for membership

1 service to this System as follows:

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

1 units.

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

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

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

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

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

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

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

1 year. The Board's certification must note any deviations from  
2 the State Actuary's recommended changes, the reason or reasons  
3 for not following the State Actuary's recommended changes, and  
4 the fiscal impact of not following the State Actuary's  
5 recommended changes on the required State contribution.

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

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

23 If in any month the amount remaining unexpended from all  
24 other appropriations to the System for the applicable fiscal  
25 year (including the appropriations to the System under Section  
26 8.12 of the State Finance Act and Section 1 of the State

1 Pension Funds Continuing Appropriation Act) is less than the  
2 amount lawfully vouchered under this subsection, the  
3 difference shall be paid from the Common School Fund under the  
4 continuing appropriation authority provided in Section 1.1 of  
5 the State Pension Funds Continuing Appropriation Act.

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

9 (b-3) For State fiscal years 2012 through 2045, the minimum  
10 contribution to the System to be made by the State for each  
11 fiscal year shall be an amount determined by the System to be  
12 sufficient to bring the total assets of the System up to 100%  
13 ~~90%~~ of the total actuarial liabilities of the System by the end  
14 of State fiscal year 2045.

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

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

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 in the  
4 following specified State fiscal years, the State contribution  
5 to the System shall not be less than the following indicated  
6 percentages of the applicable employee payroll, even if the  
7 indicated percentage will produce a State contribution in  
8 excess of the amount otherwise required under this subsection  
9 and subsection (a), and notwithstanding any contrary  
10 certification made under subsection (a-1) before the effective  
11 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
12 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
13 2003; and 13.56% in FY 2004.

14 Notwithstanding any other provision of this Article, the  
15 total required State contribution for State fiscal year 2006 is  
16 \$534,627,700.

17 Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2007 is  
19 \$738,014,500.

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

26 Notwithstanding any other provision of this Article, the

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

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

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 subsection (a-1), 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 (c) Payment of the required State contributions and of all  
15 pensions, retirement annuities, death benefits, refunds, and  
16 other benefits granted under or assumed by this System, and all  
17 expenses in connection with the administration and operation  
18 thereof, are obligations of the State.

19 If members are paid from special trust or federal funds  
20 which are administered by the employing unit, whether school  
21 district or other unit, the employing unit shall pay to the  
22 System from such funds the full accruing retirement costs based  
23 upon that service, as determined by the System. Employer  
24 contributions, based on salary paid to members from federal  
25 funds, may be forwarded by the distributing agency of the State  
26 of Illinois to the System prior to allocation, in an amount

1 determined in accordance with guidelines established by such  
2 agency and the System.

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

10 However, with respect to benefits granted under Section  
11 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
12 of Section 16-106, the employer's contribution shall be 12%  
13 (rather than 20%) of the member's highest annual salary rate  
14 for each year of creditable service granted, and the employer  
15 shall also pay the required employee contribution on behalf of  
16 the teacher. For the purposes of Sections 16-133.4 and  
17 16-133.5, a teacher as defined in paragraph (8) of Section  
18 16-106 who is serving in that capacity while on leave of  
19 absence from another employer under this Article shall not be  
20 considered an employee of the employer from which the teacher  
21 is on leave.

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

25 (1) Beginning July 1, 1998 through June 30, 1999, the  
26 employer contribution shall be equal to 0.3% of each

1 teacher's salary.

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

5 The school district or other employing unit may pay these  
6 employer contributions out of any source of funding available  
7 for that purpose and shall forward the contributions to the  
8 System on the schedule established for the payment of member  
9 contributions.

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

13 Each employer of teachers is entitled to a credit against  
14 the contributions required under this subsection (e) with  
15 respect to salaries paid to teachers for the period January 1,  
16 2002 through June 30, 2003, equal to the amount paid by that  
17 employer under subsection (a-5) of Section 6.6 of the State  
18 Employees Group Insurance Act of 1971 with respect to salaries  
19 paid to teachers for that period.

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

25 If an employer is required by a contract in effect on May  
26 1, 1998 between the employer and an employee organization to

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

11 (f) If the amount of a teacher's salary for any school year  
12 used to determine final average salary exceeds the member's  
13 annual full-time salary rate with the same employer for the  
14 previous school year by more than 6%, the teacher's employer  
15 shall pay to the System, in addition to all other payments  
16 required under this Section and in accordance with guidelines  
17 established by the System, the present value of the increase in  
18 benefits resulting from the portion of the increase in salary  
19 that is in excess of 6%. This present value shall be computed  
20 by the System on the basis of the actuarial assumptions and  
21 tables used in the most recent actuarial valuation of the  
22 System that is available at the time of the computation. If a  
23 teacher's salary for the 2005-2006 school year is used to  
24 determine final average salary under this subsection (f), then  
25 the changes made to this subsection (f) by Public Act 94-1057  
26 shall apply in calculating whether the increase in his or her

1 salary is in excess of 6%. For the purposes of this Section,  
2 change in employment under Section 10-21.12 of the School Code  
3 on or after June 1, 2005 shall constitute a change in employer.  
4 The System may require the employer to provide any pertinent  
5 information or documentation. The changes made to this  
6 subsection (f) by this amendatory Act of the 94th General  
7 Assembly apply without regard to whether the teacher was in  
8 service on or after its effective date.

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

24 The employer contributions required under this subsection  
25 (f) may be paid in the form of a lump sum within 90 days after  
26 receipt of the bill. If the employer contributions are not paid

1 within 90 days after receipt of the bill, then interest will be  
2 charged at a rate equal to the System's annual actuarially  
3 assumed rate of return on investment compounded annually from  
4 the 91st day after receipt of the bill. Payments must be  
5 concluded within 3 years after the employer's receipt of the  
6 bill.

7 (g) This subsection (g) applies only to payments made or  
8 salary increases given on or after June 1, 2005 but before July  
9 1, 2011. The changes made by Public Act 94-1057 shall not  
10 require the System to refund any payments received before July  
11 31, 2006 (the effective date of Public Act 94-1057).

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

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

20 When assessing payment for any amount due under subsection  
21 (f), the System shall exclude salary increases resulting from  
22 overload work, including summer school, when the school  
23 district has certified to the System, and the System has  
24 approved the certification, that (i) the overload work is for  
25 the sole purpose of classroom instruction in excess of the  
26 standard number of classes for a full-time teacher in a school

1 district during a school year and (ii) the salary increases are  
2 equal to or less than the rate of pay for classroom instruction  
3 computed on the teacher's current salary and work schedule.

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

18 When assessing payment for any amount due under subsection  
19 (f), the System shall exclude any payment to the teacher from  
20 the State of Illinois or the State Board of Education over  
21 which the employer does not have discretion, notwithstanding  
22 that the payment is included in the computation of final  
23 average salary.

24 (h) When assessing payment for any amount due under  
25 subsection (f), the System shall exclude any salary increase  
26 described in subsection (g) of this Section given on or after



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

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

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

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

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

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

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

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

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

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

15           (40 ILCS 5/16-158.2 new)

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

17           (a) The Teachers' Retirement System of the State of  
18 Illinois must establish and administer a self-managed plan that  
19 shall offer member the opportunity to accumulate assets for  
20 retirement through a combination of member and State  
21 contributions that may be invested in mutual funds, collective  
22 investment funds, or other investment products and used to  
23 purchase annuity contracts, that are fixed, variable, or a  
24 combination of fixed and variable. The plan must be qualified  
25 under the Internal Revenue Code of 1986.

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

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

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

25       (c) The System shall solicit proposals to provide  
26 administrative services and funding vehicles for the

1 self-managed plan from insurance and annuity companies and  
2 mutual fund companies, banks, trust companies, or other  
3 financial institutions authorized to do business in this State.  
4 In reviewing the proposals received and approving and  
5 contracting with no fewer than 2 and no more than 7 companies,  
6 the Board of Trustees of the System shall consider, among other  
7 things, the following criteria:

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

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

12 (3) the suitability of the benefits to the needs and  
13 interests of the members and the State; and

14 (4) the ability of the company to provide benefits  
15 under the contract and the financial stability of the  
16 company.

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

22 In addition to the companies approved by the System under  
23 this subsection (c), the System may offer its members an  
24 investment fund managed by the Illinois State Board of  
25 Investment.

26 (d) Members in the program must be allowed to direct the

1 transfer of their account balances among the various investment  
2 options offered, subject to applicable contractual provisions.  
3 The member shall not be deemed a fiduciary by reason of  
4 providing such investment direction. A person who is a  
5 fiduciary shall not be liable for any loss resulting from that  
6 investment direction and shall not be deemed to have breached  
7 any fiduciary duty by acting in accordance with that direction.  
8 Neither the System nor the State shall guarantee any of the  
9 investments in the member's account balances.

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

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

16 The contribution rate for members in the self-managed plan  
17 shall be, (i) for a member who does not file an election under  
18 subsection (a-5) of this Section, 6% of the amount of salary in  
19 excess of the limit specified in Section 16-121.1 for that  
20 year, in addition to the amount specified under subsection (f)  
21 of Section 16-152 for that year and (ii) for a member who files  
22 an election under subsection (a-5) of this Section, 8% of any  
23 amount of salary up to and including the limit specified in  
24 Section 16-121.1 for that year and 6% of any amount of salary  
25 in excess of that limit for that year. This required  
26 contribution shall be made as an employer pick-up under Section

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

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

24 The State of Illinois shall make contributions by  
25 appropriations to the System for members in the self-managed  
26 plan under this Section. The amount required shall be certified

1 by the Board of Trustees of the System and paid by the State in  
2 accordance with Section 16-158. The System shall not be  
3 obligated to remit the required State contributions to any of  
4 the insurance and annuity companies, mutual fund companies,  
5 banks, trust companies, financial institutions, or other  
6 sponsors of any of the funding vehicles offered under the  
7 self-managed plan until it has received the required State  
8 contributions from the State.

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

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

24 (40 ILCS 5/16-181.4 new)

25 Sec. 16-181.4. To calculate the normal cost of benefits. To

1 calculate the normal cost of each plan offered by the system as  
2 a percentage of salary and to update those amounts at least  
3 every 3 years.

4 (40 ILCS 5/18-111.1 new)

5 Sec. 18-111.1. 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 5/18-118.1 new)

13 Sec. 18-118.1. Traditional benefit package. "Traditional  
14 benefit package" means the defined benefit retirement program  
15 maintained by the System, which includes retirement annuities  
16 payable directly from the System, as provided in Sections  
17 18-124, 18-125, and 18-125.1; survivor's annuities payable  
18 directly from the System, as provided in Sections 18-128,  
19 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution  
20 refunds, as provided in Section 18-129.

21 (40 ILCS 5/18-118.2 new)

22 Sec. 18-118.2. Self-managed plan. "Self-managed plan"  
23 means the defined contribution retirement program maintained



1 by the System, as described in Section 18-133.2. The  
2 self-managed plan does not include retirement annuities or  
3 survivor's benefits payable directly from the System, as  
4 provided in Sections 18-124, 18-125, 18-125.1, 18-128,  
5 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds  
6 determined under Section 18-129.

7 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

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

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

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

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

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

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

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

16 Notwithstanding any other provision of this Article, the  
17 total required State contribution for State fiscal year 2006 is  
18 \$29,189,400.

19 Notwithstanding any other provision of this Article, the  
20 total required State contribution for State fiscal year 2007 is  
21 \$35,236,800.

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

1 contributing at the rate otherwise required under this Section.

2 Notwithstanding any other provision of this Article, the  
3 total required State contribution for State fiscal year 2010 is  
4 \$78,832,000 and shall be made from the proceeds of bonds sold  
5 in fiscal year 2010 pursuant to Section 7.2 of the General  
6 Obligation Bond Act, less (i) the pro rata share of bond sale  
7 expenses determined by the System's share of total bond  
8 proceeds, (ii) any amounts received from the General Revenue  
9 Fund in fiscal year 2010, and (iii) any reduction in bond  
10 proceeds due to the issuance of discounted bonds, if  
11 applicable.

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

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

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

13           Notwithstanding any other provision of this Section, the  
14 required State contribution for State fiscal year 2005 and for  
15 fiscal year 2008 and each fiscal year thereafter, as calculated  
16 under this Section and certified under Section 18-140, shall  
17 not exceed an amount equal to (i) the amount of the required  
18 State contribution that would have been calculated under this  
19 Section for that fiscal year if the System had not received any  
20 payments under subsection (d) of Section 7.2 of the General  
21 Obligation Bond Act, minus (ii) the portion of the State's  
22 total debt service payments for that fiscal year on the bonds  
23 issued in fiscal year 2003 for the purposes of that Section  
24 7.2, as determined and certified by the Comptroller, that is  
25 the same as the System's portion of the total moneys  
26 distributed under subsection (d) of Section 7.2 of the General

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

12 (d) 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 (e) 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 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
2 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.  
3 7-13-12.)

4 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

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

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

14 (2) A participant who continues to serve as a judge  
15 after becoming eligible to receive the maximum rate of  
16 annuity may elect, through a written direction filed with  
17 the Board, to discontinue contributing to the System. Any  
18 such option elected by a judge shall be irrevocable unless  
19 prior to January 1, 2000, and while continuing to serve as  
20 judge, the judge (A) files with the Board a letter  
21 cancelling the direction to discontinue contributing to  
22 the System and requesting that such contributing resume,  
23 and (B) pays into the System an amount equal to the total  
24 of the discontinued contributions plus interest thereon at  
25 5% per annum. Service credits earned in any other

1 "participating system" as defined in Article 20 of this  
2 Code shall be considered for purposes of determining a  
3 judge's eligibility to discontinue contributions under  
4 this subdivision (a) (2).

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



1 participating system as defined in Article 20 of this Code  
2 shall be considered for purposes of determining a judge's  
3 eligibility to make an election under this subdivision  
4 (a) (3).

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

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

17 (d) Notwithstanding any other provision of this Article,  
18 the required contributions for a participant who first becomes  
19 a participant on or after January 1, 2011 shall not exceed the  
20 contributions that would be due under this Article if that  
21 participant's highest salary for annuity purposes were  
22 \$106,800, plus any increase in that amount under Section  
23 18-125.

24 (e) Notwithstanding any provision of this Code to the  
25 contrary, (i) for a participant who does not file an election  
26 under subsection (a-5) of Section 18-133.2, any contributions

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

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

15 (40 ILCS 5/18-133.2 new)

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

17 (a) The Judges Retirement System of Illinois must establish  
18 and administer a self-managed plan that shall offer  
19 participants the opportunity to accumulate assets for  
20 retirement through a combination of participant and State  
21 contributions that may be invested in mutual funds, collective  
22 investment funds, or other investment products and used to  
23 purchase annuity contracts, that are fixed, variable, or a  
24 combination of fixed and variable. The plan must be qualified  
25 under the Internal Revenue Code of 1986.

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

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

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

25       (c) The System shall solicit proposals to provide  
26       administrative services and funding vehicles for the

1 self-managed plan from insurance and annuity companies and  
2 mutual fund companies, banks, trust companies, or other  
3 financial institutions authorized to do business in this State.  
4 In reviewing the proposals received and approving and  
5 contracting with no fewer than 2 and no more than 7 companies,  
6 the Board of Trustees of the System shall consider, among other  
7 things, the following criteria:

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

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

12 (3) the suitability of the benefits to the needs and  
13 interests of the participants and the State; and

14 (4) the ability of the company to provide benefits  
15 under the contract and the financial stability of the  
16 company.

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

22 In addition to the companies approved by the System under  
23 this subsection (c), the System may offer its participants an  
24 investment fund managed by the Illinois State Board of  
25 Investment.

26 (d) Participants in the program must be allowed to direct

1 the transfer of their account balances among the various  
2 investment options offered, subject to applicable contractual  
3 provisions. The participant shall not be deemed a fiduciary by  
4 reason of providing such investment direction. A person who is  
5 a fiduciary shall not be liable for any loss resulting from  
6 that investment direction and shall not be deemed to have  
7 breached any fiduciary duty by acting in accordance with that  
8 direction. Neither the System nor the State shall guarantee any  
9 of the investments in the participant's account balances.

10 (e) Participation in the self-managed plan under this  
11 Section shall constitute participation in the Judges  
12 Retirement System of Illinois.

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

16 The contribution rate for participants in the self-managed  
17 plan shall be, (i) for a participant who does not file an  
18 election under subsection (a-5) of this Section, 6% of the  
19 amount of salary in excess of the limit specified in Section  
20 18-111.1 for that year, in addition to the amount specified  
21 under subsection (e) of Section 18-133 for that year and (ii)  
22 for a participant who files an election under subsection (a-5)  
23 of this Section, 8% of any amount of salary up to and including  
24 the limit specified in Section 18-111.1 for that year and 6% of  
25 any amount of salary in excess of that limit for that year.  
26 This required contribution shall be made as an employer pick-up

1 under Section 414(h) of the Internal Revenue Code of 1986 or  
2 any successor Section thereof. Any participant in the System's  
3 traditional benefit package prior to his or her election to  
4 participate in the self-managed plan shall continue to have the  
5 employer pick up the contributions required under Section  
6 18-133. However, the amounts picked up after the election of  
7 the self-managed plan shall be remitted to and treated as  
8 assets of the self-managed plan. In no event shall a  
9 participant have the option of receiving these amounts in cash.  
10 participants may make additional contributions to the  
11 self-managed plan in accordance with procedures prescribed by  
12 the System, to the extent permitted under rules adopted by the  
13 System.

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

24 The State of Illinois shall make contributions by  
25 appropriations to the System for participants in the  
26 self-managed plan under this Section. The amount required shall

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

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

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

24 (40 ILCS 5/18-140.1 new)

25 Sec. 18-140.1. To calculate the normal cost of benefits. To

1 calculate the normal cost of each plan offered by the system as  
2 a percentage of salary and to update those amounts at least  
3 every 3 years.

4 Section 90. The State Mandates Act is amended by adding  
5 Section 8.37 as follows:

6 (30 ILCS 805/8.37 new)

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

11 Section 99. Effective date. This Act takes effect upon  
12 becoming law.



1

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## Statutes amended in order of appearance

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30 ILCS 122/20

4

30 ILCS 122/25

5

40 ILCS 5/2-103.1 new

6

40 ILCS 5/2-103.2 new

7

40 ILCS 5/2-108.2 new

8

40 ILCS 5/2-124

from Ch. 108 1/2, par. 2-124

9

40 ILCS 5/2-126

from Ch. 108 1/2, par. 2-126

10

40 ILCS 5/2-126.2 new

11

40 ILCS 5/2-134.1 new

12

40 ILCS 5/14-103.10

from Ch. 108 1/2, par. 14-103.10

13

40 ILCS 5/14-103.12a new

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40 ILCS 5/14-103.40 new

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40 ILCS 5/14-103.41 new

16

40 ILCS 5/14-131

17

40 ILCS 5/14-133

from Ch. 108 1/2, par. 14-133

18

40 ILCS 5/14-133.2 new

19

40 ILCS 5/14-135.08a new

20

40 ILCS 5/15-111

from Ch. 108 1/2, par. 15-111

21

40 ILCS 5/15-112.1 new

22

40 ILCS 5/15-155

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24

40 ILCS 5/15-158.2

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