



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB3265

by Rep. Pam Roth

SYNOPSIS AS INTRODUCED:

40 ILCS 5/15-155	from Ch. 108 1/2, par. 15-155
40 ILCS 5/16-158	from Ch. 108 1/2, par. 16-158
30 ILCS 805/8.37 new	

Amends the State Universities and Downstate Teacher Articles of the Illinois Pension Code. Provides that, for academic years beginning on or after July 1, 2013, if the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than the unadjusted percentage increase in the consumer price index-u for that year (rather than 6%), then the participant's employer shall pay to the applicable System, in addition to all other payments required and in accordance with guidelines established by that System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of the unadjusted percentage increase in the consumer price index-u for that year (rather than the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%). Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB098 05822 JDS 35861 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing
5 Sections 15-155 and 16-158 as follows:

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

7 Sec. 15-155. Employer contributions.

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

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

20 (a-1) 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 90% of

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

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

12 Notwithstanding any other provision of this Article, the
13 total required State contribution for State fiscal year 2006 is
14 \$166,641,900.

15 Notwithstanding any other provision of this Article, the
16 total required State contribution for State fiscal year 2007 is
17 \$252,064,100.

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

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2010 is
26 \$702,514,000 and shall be made from the State Pensions Fund and

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

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

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

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

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

9 Notwithstanding any other provision of this Section, the
10 required State contribution for State fiscal year 2005 and for
11 fiscal year 2008 and each fiscal year thereafter, as calculated
12 under this Section and certified under Section 15-165, shall
13 not exceed an amount equal to (i) the amount of the required
14 State contribution that would have been calculated under this
15 Section for that fiscal year if the System had not received any
16 payments under subsection (d) of Section 7.2 of the General
17 Obligation Bond Act, minus (ii) the portion of the State's
18 total debt service payments for that fiscal year on the bonds
19 issued in fiscal year 2003 for the purposes of that Section
20 7.2, as determined and certified by the Comptroller, that is
21 the same as the System's portion of the total moneys
22 distributed under subsection (d) of Section 7.2 of the General
23 Obligation Bond Act. In determining this maximum for State
24 fiscal years 2008 through 2010, however, the amount referred to
25 in item (i) shall be increased, as a percentage of the
26 applicable employee payroll, in equal increments calculated

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

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

23 (b-1) The City of Urbana and the City of Champaign shall
24 each make employer contributions to this System for their
25 respective firefighter employees who participate in this
26 System pursuant to subsection (h) of Section 15-107. The rate

1 of contributions to be made by those municipalities shall be
2 determined annually by the Board on the basis of the actuarial
3 assumptions adopted by the Board and the recommendations of the
4 actuary, and shall be expressed as a percentage of salary for
5 each such employee. The Board shall certify the rate to the
6 affected municipalities as soon as may be practical. The
7 employer contributions required under this subsection shall be
8 remitted by the municipality to the System at the same time and
9 in the same manner as employee contributions.

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

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

26 (e) The State Comptroller shall draw warrants payable to

1 the System upon proper certification by the System or by the
2 employer in accordance with the appropriation laws and this
3 Code.

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

12 (g) For academic years beginning on or after June 1, 2005
13 and before July 1, 2013, if ~~if~~ the amount of a participant's
14 earnings for any academic year used to determine the final rate
15 of earnings, determined on a full-time equivalent basis,
16 exceeds the amount of his or her earnings with the same
17 employer for the previous academic year, determined on a
18 full-time equivalent basis, by more than 6%, the participant's
19 employer shall pay to the System, in addition to all other
20 payments required under this Section and in accordance with
21 guidelines established by the System, the present value of the
22 increase in benefits resulting from the portion of the increase
23 in earnings that is in excess of 6%. This present value shall
24 be computed by the System on the basis of the actuarial
25 assumptions and tables used in the most recent actuarial
26 valuation of the System that is available at the time of the

1 computation. The System may require the employer to provide any
2 pertinent information or documentation.

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

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

1 (g-1) For academic years beginning on or after July 1,
2 2013, if the amount of a participant's earnings for any
3 academic year used to determine the final rate of earnings,
4 determined on a full-time equivalent basis, exceeds the amount
5 of his or her earnings with the same employer for the previous
6 academic year, determined on a full-time equivalent basis, by
7 more than the unadjusted percentage increase in the consumer
8 price index-u for that year, then the participant's employer
9 shall pay to the System, in addition to all other payments
10 required under this Section and in accordance with guidelines
11 established by the System, the present value of the increase in
12 benefits resulting from the portion of the increase in earnings
13 that is in excess of the unadjusted percentage increase in the
14 consumer price index-u for that year. This present value shall
15 be computed by the System on the basis of the actuarial
16 assumptions and tables used in the most recent actuarial
17 valuation of the System that is available at the time of the
18 computation. The System may require the employer to provide any
19 pertinent information or documentation.

20 Whenever it determines that a payment is or may be required
21 under this subsection (g-1), the System shall calculate the
22 amount of the payment and bill the employer for that amount.
23 The bill shall specify the calculations used to determine the
24 amount due. If the employer disputes the amount of the bill, it
25 may, within 30 days after receipt of the bill, apply to the
26 System in writing for a recalculation. The application must

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

9 The employer contributions required under this subsection
10 (g-1) may be paid in the form of a lump sum within 90 days after
11 receipt of the bill. If the employer contributions are not paid
12 within 90 days after receipt of the bill, then interest will be
13 charged at a rate equal to the System's annual actuarially
14 assumed rate of return on investment compounded annually from
15 the 91st day after receipt of the bill. Payments must be
16 concluded within 3 years after the employer's receipt of the
17 bill.

18 (h) This subsection (h) applies only to payments made or
19 salary increases given on or after June 1, 2005 but before July
20 1, 2011. The changes made by Public Act 94-1057 shall not
21 require the System to refund any payments received before July
22 31, 2006 (the effective date of Public Act 94-1057).

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

1 2005.

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

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

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

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

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

18 (i-1) When assessing payment for any amount due under
19 subsection (g-1), the System shall exclude earnings increases
20 paid to participants under contracts or collective bargaining
21 agreements entered into, amended, or renewed before the
22 effective date of this amendatory Act of the 98th General
23 Assembly.

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

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

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

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

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

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

1 submit any information to the Community College Board.

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

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

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

17 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
18 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
19 7-13-12; revised 10-17-12.)

20 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

21 Sec. 16-158. Contributions by State and other employing
22 units.

23 (a) The State shall make contributions to the System by
24 means of appropriations from the Common School Fund and other
25 State funds of amounts which, together with other employer

1 contributions, employee contributions, investment income, and
2 other income, will be sufficient to meet the cost of
3 maintaining and administering the System on a 90% funded basis
4 in accordance with actuarial recommendations.

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

10 (a-1) Annually, on or before November 15 until November 15,
11 2011, the Board shall certify to the Governor the amount of the
12 required State contribution for the coming fiscal year. The
13 certification under this subsection (a-1) shall include a copy
14 of the actuarial recommendations upon which it is based and
15 shall specifically identify the System's projected State
16 normal cost for that fiscal year.

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

23 On or before July 1, 2005, the Board shall recalculate and
24 recertify to the Governor the amount of the required State
25 contribution to the System for State fiscal year 2006, taking
26 into account the changes in required State contributions made

1 by this amendatory Act of the 94th General Assembly.

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

8 (a-5) On or before November 1 of each year, beginning
9 November 1, 2012, the Board shall submit to the State Actuary,
10 the Governor, and the General Assembly a proposed certification
11 of the amount of the required State contribution to the System
12 for the next fiscal year, along with all of the actuarial
13 assumptions, calculations, and data upon which that proposed
14 certification is based. On or before January 1 of each year,
15 beginning January 1, 2013, the State Actuary shall issue a
16 preliminary report concerning the proposed certification and
17 identifying, if necessary, recommended changes in actuarial
18 assumptions that the Board must consider before finalizing its
19 certification of the required State contributions. On or before
20 January 15, 2013 and each January 15 thereafter, the Board
21 shall certify to the Governor and the General Assembly the
22 amount of the required State contribution for the next fiscal
23 year. The Board's certification must note any deviations from
24 the State Actuary's recommended changes, the reason or reasons
25 for not following the State Actuary's recommended changes, and
26 the fiscal impact of not following the State Actuary's

1 recommended changes on the required State contribution.

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

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

19 If in any month the amount remaining unexpended from all
20 other appropriations to the System for the applicable fiscal
21 year (including the appropriations to the System under Section
22 8.12 of the State Finance Act and Section 1 of the State
23 Pension Funds Continuing Appropriation Act) is less than the
24 amount lawfully vouchered under this subsection, the
25 difference shall be paid from the Common School Fund under the
26 continuing appropriation authority provided in Section 1.1 of

1 the State Pension Funds Continuing Appropriation Act.

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

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

15 For State fiscal years 1996 through 2005, the State
16 contribution to the System, as a percentage of the applicable
17 employee payroll, shall be increased in equal annual increments
18 so that by State fiscal year 2011, the State is contributing at
19 the rate required under this Section; except that in the
20 following specified State fiscal years, the State contribution
21 to the System shall not be less than the following indicated
22 percentages of the applicable employee payroll, even if the
23 indicated percentage will produce a State contribution in
24 excess of the amount otherwise required under this subsection
25 and subsection (a), and notwithstanding any contrary
26 certification made under subsection (a-1) before the effective

1 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
2 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
3 2003; and 13.56% in FY 2004.

4 Notwithstanding any other provision of this Article, the
5 total required State contribution for State fiscal year 2006 is
6 \$534,627,700.

7 Notwithstanding any other provision of this Article, the
8 total required State contribution for State fiscal year 2007 is
9 \$738,014,500.

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

16 Notwithstanding any other provision of this Article, the
17 total required State contribution for State fiscal year 2010 is
18 \$2,089,268,000 and shall be made from the proceeds of bonds
19 sold in fiscal year 2010 pursuant to Section 7.2 of the General
20 Obligation Bond Act, less (i) the pro rata share of bond sale
21 expenses determined by the System's share of total bond
22 proceeds, (ii) any amounts received from the Common School Fund
23 in fiscal year 2010, and (iii) any reduction in bond proceeds
24 due to the issuance of discounted bonds, if applicable.

25 Notwithstanding any other provision of this Article, the
26 total required State contribution for State fiscal year 2011 is

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

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

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

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

5 Notwithstanding any other provision of this Section, the
6 required State contribution for State fiscal year 2005 and for
7 fiscal year 2008 and each fiscal year thereafter, as calculated
8 under this Section and certified under subsection (a-1), shall
9 not exceed an amount equal to (i) the amount of the required
10 State contribution that would have been calculated under this
11 Section for that fiscal year if the System had not received any
12 payments under subsection (d) of Section 7.2 of the General
13 Obligation Bond Act, minus (ii) the portion of the State's
14 total debt service payments for that fiscal year on the bonds
15 issued in fiscal year 2003 for the purposes of that Section
16 7.2, as determined and certified by the Comptroller, that is
17 the same as the System's portion of the total moneys
18 distributed under subsection (d) of Section 7.2 of the General
19 Obligation Bond Act. In determining this maximum for State
20 fiscal years 2008 through 2010, however, the amount referred to
21 in item (i) shall be increased, as a percentage of the
22 applicable employee payroll, in equal increments calculated
23 from the sum of the required State contribution for State
24 fiscal year 2007 plus the applicable portion of the State's
25 total debt service payments for fiscal year 2007 on the bonds
26 issued in fiscal year 2003 for the purposes of Section 7.2 of

1 the General Obligation Bond Act, so that, by State fiscal year
2 2011, the State is contributing at the rate otherwise required
3 under this Section.

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

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

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

26 However, with respect to benefits granted under Section

1 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
2 of Section 16-106, the employer's contribution shall be 12%
3 (rather than 20%) of the member's highest annual salary rate
4 for each year of creditable service granted, and the employer
5 shall also pay the required employee contribution on behalf of
6 the teacher. For the purposes of Sections 16-133.4 and
7 16-133.5, a teacher as defined in paragraph (8) of Section
8 16-106 who is serving in that capacity while on leave of
9 absence from another employer under this Article shall not be
10 considered an employee of the employer from which the teacher
11 is on leave.

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

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

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

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

26 These employer contributions are intended to offset a

1 portion of the cost to the System of the increases in
2 retirement benefits resulting from this amendatory Act of 1998.

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

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

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

1 (f) For school years beginning on or after June 1, 2005 and
2 before July 1, 2013, if ~~if~~ the amount of a teacher's salary for
3 any school year used to determine final average salary exceeds
4 the member's annual full-time salary rate with the same
5 employer for the previous school year by more than 6%, the
6 teacher's employer shall pay to the System, in addition to all
7 other payments required under this Section and in accordance
8 with guidelines established by the System, the present value of
9 the increase in benefits resulting from the portion of the
10 increase in salary that is in excess of 6%. This present value
11 shall be computed by the System on the basis of the actuarial
12 assumptions and tables used in the most recent actuarial
13 valuation of the System that is available at the time of the
14 computation. If a teacher's salary for the 2005-2006 school
15 year is used to determine final average salary under this
16 subsection (f), then the changes made to this subsection (f) by
17 Public Act 94-1057 shall apply in calculating whether the
18 increase in his or her salary is in excess of 6%. For the
19 purposes of this Section, change in employment under Section
20 10-21.12 of the School Code on or after June 1, 2005 shall
21 constitute a change in employer. The System may require the
22 employer to provide any pertinent information or
23 documentation. The changes made to this subsection (f) by this
24 amendatory Act of the 94th General Assembly apply without
25 regard to whether the teacher was in service on or after its
26 effective date.

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

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

25 (f-1) For school years beginning on or after July 1, 2013,
26 if the amount of a teacher's salary for any school year used to

1 determine final average salary exceeds the member's annual
2 full-time salary rate with the same employer for the previous
3 school year by more than the unadjusted percentage increase in
4 the consumer price index-u for that year, then the teacher's
5 employer shall pay to the System, in addition to all other
6 payments required under this Section and in accordance with
7 guidelines established by the System, the present value of the
8 increase in benefits resulting from the portion of the increase
9 in salary that is in excess of the unadjusted percentage
10 increase in the consumer price index-u for that year. This
11 present value shall be computed by the System on the basis of
12 the actuarial assumptions and tables used in the most recent
13 actuarial valuation of the System that is available at the time
14 of the computation. The System may require the employer to
15 provide any pertinent information or documentation.

16 Whenever it determines that a payment is or may be required
17 under this subsection (f-1), the System shall calculate the
18 amount of the payment and bill the employer for that amount.
19 The bill shall specify the calculations used to determine the
20 amount due. If the employer disputes the amount of the bill, it
21 may, within 30 days after receipt of the bill, apply to the
22 System in writing for a recalculation. The application must
23 specify in detail the grounds of the dispute and, if the
24 employer asserts that the calculation is subject to subsection
25 (h-1) of this Section, must include an affidavit setting forth
26 and attesting to all facts within the employer's knowledge that

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

5 The employer contributions required under this subsection
6 (f-1) may be paid in the form of a lump sum within 90 days after
7 receipt of the bill. If the employer contributions are not paid
8 within 90 days after receipt of the bill, then interest will be
9 charged at a rate equal to the System's annual actuarially
10 assumed rate of return on investment compounded annually from
11 the 91st day after receipt of the bill. Payments must be
12 concluded within 3 years after the employer's receipt of the
13 bill.

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

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

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

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

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

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

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

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

15 (h-1) When assessing payment for any amount due under
16 subsection (f-1), the System shall exclude earnings increases
17 paid to participants under contracts or collective bargaining
18 agreements entered into, amended, or renewed before the
19 effective date of this amendatory Act of the 98th General
20 Assembly.

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

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

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

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

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

10 (j) 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 (k) 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; 97-694, eff.

1 6-18-12; 97-813, eff. 7-13-12.)

2 Section 90. The State Mandates Act is amended by adding
3 Section 8.37 as follows:

4 (30 ILCS 805/8.37 new)

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

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.