

AN ACT concerning public employee benefits.

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

Section 5. The Illinois Pension Code is amended by changing Sections 15-106, 15-107, 15-110, 15-111, 15-113.11, 15-155, 15-158.2, 15-168, and 15-168.2 and by adding Sections 15-111.5 and 15-113.12 as follows:

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

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 15-106. Employer. "Employer": The University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the State Board of Higher Education, the Illinois Mathematics and Science Academy, the University Civil Service Merit Board, the Board of Trustees of the State Universities Retirement System, the Illinois Community College Board, community college boards, any association of community college boards organized under Section 3-55 of the Public Community College Act, the Board of Examiners established under the Illinois Public Accounting Act, and, only during the period for

which employer contributions required under Section 15-155 are paid, the following organizations: the alumni associations, the foundations and the athletic associations which are affiliated with the universities and colleges included in this Section as employers. An individual who begins employment on or after the effective date of this amendatory Act of the 99th General Assembly with any association of community college boards organized under Section 3-55 of the Public Community College Act, the Association of Illinois Middle-Grade Schools, the Illinois Association of School Administrators, the Illinois Association for Supervision and Curriculum Development, the Illinois Principals Association, the Illinois Association of School Business Officials, the Illinois Special Olympics, or an entity not defined as an employer in this Section shall not be deemed an employee for the purposes of this Article with respect to that employment and shall not be eligible to participate in the System with respect to that employment; provided, however, that those individuals who are both employed by such an entity and are participating in the System with respect to that employment on the effective date of this amendatory Act of the 99th General Assembly shall be allowed to continue as participants in the System for the duration of that employment.

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

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

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

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

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

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 15-107. Employee.

(a) "Employee" means any member of the educational, administrative, secretarial, clerical, mechanical, labor or other staff of an employer whose employment is permanent and continuous or who is employed in a position in which services are expected to be rendered on a continuous basis for at least 4 months or one academic term, whichever is less, who (A)

receives payment for personal services on a warrant issued pursuant to a payroll voucher certified by an employer and drawn by the State Comptroller upon the State Treasurer or by an employer upon trust, federal or other funds, or (B) is on a leave of absence without pay. Employment which is irregular, intermittent or temporary shall not be considered continuous for purposes of this paragraph.

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

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

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

(3) is on a military leave of absence;

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

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

(6) is hired after June 30, 1979 as a public service employment program participant under the Federal Comprehensive Employment and Training Act and receives

earnings in whole or in part from funds provided under that Act; or

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

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

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

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

(e) A participant is considered an employee during (1) the first 60 days of disability leave, (2) the period, not to exceed one year, in which his or her eligibility for disability

benefits is being considered by the board or reviewed by the courts, and (3) the period he or she receives disability benefits under the provisions of Section 15-152, workers' compensation or occupational disease benefits, or disability income under an insurance contract financed wholly or partially by the employer.

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

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

(h) An individual who was a participating employee employed in the fire department of the University of Illinois's Champaign-Urbana campus immediately prior to the elimination of that fire department and who immediately after the elimination of that fire department became employed by the fire department of the City of Urbana or the City of Champaign shall continue to be considered as an employee for purposes of this

Article for so long as the individual remains employed as a firefighter by the City of Urbana or the City of Champaign. The individual shall cease to be considered an employee under this subsection (h) upon the first termination of the individual's employment as a firefighter by the City of Urbana or the City of Champaign.

(i) An individual who is employed on a full-time basis as an officer or employee of a statewide teacher organization that serves System participants or an officer of a national teacher organization that serves System participants may participate in the System and shall be deemed an employee, provided that (1) the individual has previously earned creditable service under this Article, (2) the individual files with the System an irrevocable election to become a participant before the effective date of this amendatory Act of the 97th General Assembly, (3) the individual does not receive credit for that employment under any other Article of this Code, and (4) the individual first became a full-time employee of the teacher organization and becomes a participant before the effective date of this amendatory Act of the 97th General Assembly. An employee under this subsection (i) is responsible for paying to the System both (A) employee contributions based on the actual compensation received for service with the teacher organization and (B) employer contributions equal to the normal costs (as defined in Section 15-155) resulting from that service; all or any part of these contributions may be paid on

the employee's behalf or picked up for tax purposes (if authorized under federal law) by the teacher organization.

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

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

(k) The Board shall promulgate rules with respect to determining whether any person is an employee within the meaning of this Section. In the case of doubt as to whether any person is an employee within the meaning of this Section or any rule adopted by the Board, the decision of the Board shall be final.



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

(40 ILCS 5/15-110) (from Ch. 108 1/2, par. 15-110)

Sec. 15-110. Basic compensation. "Basic compensation":  
Subject to Section 15-111.5, the ~~The~~ gross basic rate of salary  
or wages payable by an employer, including:

(1) the value of maintenance, board, living quarters,  
personal laundry, or other allowances furnished in lieu of  
salary which are considered gross income under the federal  
~~Federal~~ Internal Revenue Code of 1986, as amended;~~7~~

(2) the employee contributions required under Section  
15-157;~~7~~ and

(3) the amount paid by any employer to a custodial  
account for investment in regulated investment company  
stocks for the benefit of the employee pursuant to the  
University Employees Custodial Accounts Act; "An Act in  
~~relation to payments to custodial accounts for the benefit~~  
~~of employees of public institutions of higher education",~~  
~~approved September 9, 1983, and~~

(4) the amount of the premium payable by any employer  
to an insurance company or companies on an annuity  
contract, pursuant to the employee's election to accept a  
reduction in earnings or forego an increase in earnings  
under Section 30c of the State Finance Act "An Act in  
~~relation to State Finance," approved June 10, 1919, as~~  
~~amended,~~ or a tax-sheltered annuity plan approved by any

employer; and

(5) the amount of any elective deferral to a deferred compensation plan established under Article 24 of this Code pursuant to Section 457(b) of the federal Internal Revenue Code of 1986, as amended.

Basic compensation does not include (1) salary or wages for overtime or other extra service; (2) prospective salary or wages under a summer teaching contract not yet entered upon; and (3) overseas differential allowances, quarters allowances, post allowances, educational allowances and transportation allowances paid by an employer under a contract with the federal government or its agencies for services rendered in other countries. If an employee elects to receive in lieu of cash salary or wages, fringe benefits which are not taxable under the federal ~~Federal~~ Internal Revenue Code of 1986, as amended, the amount of the cash salary or wages which is waived shall be included in determining basic compensation.

(Source: P.A. 84-1308.)

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

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 15-111. Earnings.

(a) "Earnings": Subject to Section 15-111.5, an ~~An~~ amount paid for personal services equal to the sum of the basic compensation plus extra compensation for summer teaching,

overtime or other extra service. For periods for which an employee receives service credit under subsection (c) of Section 15-113.1 or Section 15-113.2, earnings are equal to the basic compensation on which contributions are paid by the employee during such periods. Compensation for employment which is irregular, intermittent and temporary shall not be considered earnings, unless the participant is also receiving earnings from the employer as an employee under Section 15-107.

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

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

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

approved by the System. Upon payment of the employee contributions on transition pay, the corresponding employer contributions become an obligation of the State.

(b) For a Tier 2 member, the annual earnings shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) one half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

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

(c) With each submission of payroll information in the manner prescribed by the System, the employer shall certify that the payroll information is correct and complies with all applicable State and federal laws.

(Source: P.A. 98-92, eff. 7-16-13.)

(40 ILCS 5/15-111.5 new)

Sec. 15-111.5. Basic compensation and earnings restrictions. For an employee who first becomes a participant on or after the effective date of this amendatory Act of the 99th General Assembly, basic compensation under Section 15-110 and earnings under Section 15-111 shall not include bonuses, housing allowances, vehicle allowances, social club dues, or athletic club dues.

(40 ILCS 5/15-113.11)

Sec. 15-113.11. Service for periods of voluntary or involuntary furlough.

(a) A participant may establish creditable service and earnings credit for periods of furlough beginning on or after July 1, 2009 and ending on or before June 30, 2011. To receive this credit, the participant must (i) apply in writing to the System before December 31, 2011; (ii) not receive compensation from an employer for any furlough period; and (iii) make, on an after-tax basis, employee contributions required under Section 15-157 based on the rate of basic compensation during the periods of furlough, plus an amount determined by the Board to be equal to the employer's normal cost of the benefit, plus compounded interest at the actuarially assumed rate from the date of voluntary or involuntary furlough to the date of payment. The participant shall provide, at the time of application, written certification from the employer providing

the total number of furlough days a participant has been required to take.

(b) A participant may establish creditable service and earnings credit for periods of furlough beginning on or after July 1, 2015 and ending on or before June 30, 2017. To receive this credit, the participant must (i) apply in writing to the System before December 31, 2018; (ii) not receive compensation from an employer for any furlough period; and (iii) make, on an after-tax basis, employee contributions required under Section 15-157 based on the rate of basic compensation during the periods of furlough, plus an amount determined by the Board to be equal to the employer's normal cost of the benefit, plus compounded interest at the actuarially assumed rate from the date of voluntary or involuntary furlough to the date of payment. The participant shall provide, at the time of application, written certification from the employer providing the total number of furlough days a participant has been required to take.

(Source: P.A. 96-961, eff. 7-2-10.)

(40 ILCS 5/15-113.12 new)

Sec. 15-113.12. Earnings for periods of voluntary pay reduction taken in lieu of furlough. A participant may establish earnings credit for periods of voluntary pay reduction, taken in lieu of furlough, beginning on or after July 1, 2015 and ending on or before June 30, 2017. To receive

this credit, the participant must: (1) apply in writing to the System before December 31, 2018; and (2) make, on an after-tax basis, employee contributions required under Section 15-157 based on the voluntary reduction in pay, plus an amount determined by the Board to be equal to the employer's normal cost of the benefit, plus compounded interest at the actuarially assumed rate from the date of voluntary reduction in pay to the date of payment. The participant shall provide, at the time of application, (i) written certification from the employer providing the total voluntary reduction in pay per pay period for each pay period with a voluntary reduction in pay and (ii) written certification from the employer stating that the voluntary reduction in pay was taken in lieu of furlough.

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

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)

Sec. 15-155. Employer contributions.

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

The Board shall determine the amount of State contributions

required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (a-1).

(a-1) For State fiscal years 2012 through 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

For each of State fiscal years 2008 through 2009, the State



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

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

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

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds

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

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

with the universities included as employers under this Article and other employers which do not receive State appropriations are considered to be trust funds for the purpose of this Article.

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

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

payable solely from appropriations to the Illinois Community College Board or the System for employer contributions.

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

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

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

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

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

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

The employer contributions required under this subsection (g) may be paid in the form of a lump sum within 90 days after

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

When assessing payment for any amount due under this subsection (g), the System shall include earnings, to the extent not established by a participant under Section 15-113.11 or 15-113.12, that would have been paid to the participant had the participant not taken (i) periods of voluntary or involuntary furlough occurring on or after July 1, 2015 and on or before June 30, 2017 or (ii) periods of voluntary pay reduction in lieu of furlough occurring on or after July 1, 2015 and on or before June 30, 2017. Determining earnings that would have been paid to a participant had the participant not taken periods of voluntary or involuntary furlough or periods of voluntary pay reduction shall be the responsibility of the employer, and shall be reported in a manner prescribed by the System.

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

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

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

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

When assessing payment for any amount due under subsection (g), the System shall exclude any earnings increase resulting from (i) a promotion for which the employee moves from one



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

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

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

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

employer.

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

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

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

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

(l) For purposes of determining the required State

contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

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

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

(Source: P.A. 97-813, eff. 7-13-12; 98-92, eff. 7-16-13; 98-463, eff. 8-16-13.)

(40 ILCS 5/15-158.2)

Sec. 15-158.2. Self-managed plan.

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

under this Article. Accordingly, the State Universities Retirement System is hereby authorized to establish and administer a self-managed plan, which shall offer participating employees the opportunity to accumulate assets for retirement through a combination of employee and employer contributions that may be invested in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts, either fixed or variable or a combination thereof. The plan must be qualified under the Internal Revenue Code of 1986.

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

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

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

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

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

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

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

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

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

(d) Employee Direction. Employees who are participating in the program must be allowed to direct the transfer of their account balances among the various investment options offered, subject to applicable contractual provisions. The participant shall not be deemed a fiduciary by reason of providing such investment direction. A person who is a fiduciary shall not be liable for any loss resulting from such investment direction and shall not be deemed to have breached any fiduciary duty by acting in accordance with that direction. The System shall provide advance notice to the participant of the participant's obligation to direct the investment of employee and employer contributions into one or more investment funds selected by the System at the time he or she makes his or her initial retirement plan selection. If a participant fails to direct the investment of employee and employer contributions into the various investment options offered to the participant when making his or her initial retirement election choice, that failure shall require the System to invest the employee and employer contributions in a default investment fund on behalf of the participant, and the investment shall be deemed to have been made at the participant's investment direction. The participant has the right to transfer account balances out of the default investment fund during time periods designated by the System. Neither the System nor the employer guarantees any of the investments in the employee's account balances.

(e) Participation. An employee eligible to participate in

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

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

Notwithstanding any other provision of this Article, a Tier 2 member shall have the option to enroll in the self-managed plan.

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

Retirement System.

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

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

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

(h) Contributions. The self-managed plan shall be funded by



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

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

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

prescribed by the System.

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

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

(i) Termination. The self-managed plan authorized under this Section may be terminated by the System, subject to the

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

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

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

employee (or becomes employed by a participating system under Article 20 of this Code) and continues as such for at least 2 years, all such rights, service credits, and previous status as a participant shall be restored upon repayment of the amount of the distribution, without interest.

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

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

(Source: P.A. 98-92, eff. 7-16-13.)

(40 ILCS 5/15-168) (from Ch. 108 1/2, par. 15-168)

Sec. 15-168. To require information.

(a) To require such information as shall be necessary for

the proper operation of the system from any participant or beneficiary or annuitant ~~benefit recipient~~ or from any current or former employer of a participant or annuitant. Such information may include, but is not limited to, employment contracts ~~current or former participant~~.

(b) When the System submits a request for information under subsection (a) of this Section, the employer shall respond within 90 calendar days of the System's request. Beginning on the 91st calendar day after the System's request, the System may assess a penalty of \$250 per calendar day until receipt of the information by the System, with a maximum penalty of \$25,000. All payments must be received within one calendar year after receipt of the information by the System or one calendar year of reaching the maximum penalty of \$25,000, whichever occurs earlier. If the employer fails to make complete payment within the applicable timeframe, then the System may, after giving notice to the employer, certify the delinquent amount to the State Comptroller, and the Comptroller shall thereupon deduct the certified delinquent amount from State funds payable to the employer and pay them instead to the System.

(c) If a participant, beneficiary, or annuitant fails to provide any information that is necessary for the calculation, payment, or finalization of any benefit under this Article within 90 calendar days of the date of the System's request under subsection (a) of this Section, then the System may immediately cease processing the benefit and may not pay any

additional benefit payment to the participant, beneficiary, or annuitant until the requested information is provided.

(Source: P.A. 98-92, eff. 7-16-13; 99-450, eff. 8-24-15.)

(40 ILCS 5/15-168.2)

Sec. 15-168.2. Audit of employers.

(a) Beginning August 1, 2013, the System may audit the employment records and payroll records of all employers. When the System audits an employer, it shall specify the exact information it requires, which may include but need not be limited to the names, titles, and earnings history of every individual receiving compensation from the employer. If an employer is audited by the System, then the employer must provide to the System all necessary documents and records within 60 calendar days after receiving notification from the System. When the System audits an employer, it shall send related correspondence by certified mail.

(b) When the System submits a request for information under subsection (a) of this Section, the employer shall respond within 60 calendar days of the System's request. Beginning on the 61st calendar day after the System's request, the System may assess a penalty of \$250 per calendar day until receipt of the information by the System, with a maximum penalty of \$25,000. All payments must be received by the System within one calendar year after receipt of the information by the System or one calendar year after reaching the maximum penalty of

\$25,000, whichever occurs earlier. If the employer fails to make complete payment within the applicable timeframe, then the System may, after giving notice to the employer, certify the delinquent amount to the State Comptroller, and the Comptroller shall thereupon deduct the certified delinquent amount from State funds payable to the employer and pay them instead to the System.

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