



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

SB2591

Introduced 5/31/2013, by Sen. Michael E. Hastings

SYNOPSIS AS INTRODUCED:

See Index

Amends the State Universities Article of the Illinois Pension Code. Changes the definition of "effective rate of interest" for a fiscal year to the interest rate of 30-year United States Treasury bonds as of the beginning of that fiscal year, plus 75 basis points. Defines "Tier 1" and "Tier 3" participants and creates a new Tier 3 benefit program, applicable to all new participants and to Tier 2 participants who elect to participate, consisting of both a Tier 3 defined contribution component and a Tier 3 defined benefit component. Excludes Tier 3 participants from the portable benefit package and the self-managed plan. Imposes an additional contribution on Tier 1 participants, which increases incrementally until it reaches 2.0% of earnings; excludes these contributions from being considered under the Rule 2 money-purchase formula. Reduces the automatic annual increase in retirement annuity for Tier 1 participants to one-half of the annual unadjusted percentage increase in the consumer price index-u; increases the automatic annual increase in retirement annuity for Tier 3 participants over the Tier 2 level by compounding the increases and removing the 3% annual maximum. Adds 2 additional members to the Board of Trustees, to be appointed by the Governor with the advice and consent of the Senate. Also, beginning in 2015, converts 2 of the elected active participant positions on the Board into active participant positions appointed by the Governor. Includes a new benefit increase exemption. Also makes technical and conforming changes. Amends the State Mandates Act to require implementation without reimbursement. Contains a severability provision. Effective immediately.

LRB098 12404 EFG 46799 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 1-160, 15-111, 15-125, 15-134.5, 15-136, 15-136.4,
6 15-157, 15-158.2, 15-159, 15-198, 20-121, 20-123, 20-124, and
7 20-125 and by adding Sections 15-103.4, 15-107.1, 15-107.2,
8 15-157.2, 15-158.5, and 15-158.6 as follows:

9 (40 ILCS 5/1-160)

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

11 (a) The provisions of this Section apply to a person who,
12 on or after January 1, 2011, first becomes a member or a
13 participant under any reciprocal retirement system or pension
14 fund established under this Code, other than a retirement
15 system or pension fund established under Article 2, 3, 4, 5, 6,
16 or 18 of this Code, notwithstanding any other provision of this
17 Code to the contrary, but do not apply to any self-managed plan
18 established under this Code, to any person with respect to
19 service as a sheriff's law enforcement employee under Article
20 7, or to any participant of the retirement plan established
21 under Section 22-101. With respect to a participant in the Tier
22 3 benefit package under Article 15 of this Code, this Section
23 applies only to the defined benefit component of that Tier 3

1 benefit package and is subject to the modifications provided in
2 Section 15-158.6.

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

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

17 (2) In Articles 8, 9, 10, 11, and 12, "highest average
18 annual salary for any 4 consecutive years within the last
19 10 years of service immediately preceding the date of
20 withdrawal".

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

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

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

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

26 (b-5) Beginning on January 1, 2011, for all purposes under

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

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

20 (c) A member or participant is entitled to a retirement
21 annuity upon written application if he or she has attained age
22 67 and has at least 10 years of service credit and is otherwise
23 eligible under the requirements of the applicable Article.

24 A member or participant who has attained age 62 and has at
25 least 10 years of service credit and is otherwise eligible
26 under the requirements of the applicable Article may elect to

1 receive the lower retirement annuity provided in subsection (d)
2 of this Section.

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

7 (e) Any retirement annuity or supplemental annuity shall be
8 subject to annual increases on the January 1 occurring either
9 on or after the attainment of age 67 or the first anniversary
10 of the annuity start date, whichever is later. Each annual
11 increase shall be calculated at 3% or one-half the annual
12 unadjusted percentage increase (but not less than zero) in the
13 consumer price index-u for the 12 months ending with the
14 September preceding each November 1, whichever is less, of the
15 originally granted retirement annuity. If the annual
16 unadjusted percentage change in the consumer price index-u for
17 the 12 months ending with the September preceding each November
18 1 is zero or there is a decrease, then the annuity shall not be
19 increased.

20 (f) The initial survivor's or widow's annuity of an
21 otherwise eligible survivor or widow of a retired member or
22 participant who first became a member or participant on or
23 after January 1, 2011 shall be in the amount of 66 2/3% of the
24 retired member's or participant's retirement annuity at the
25 date of death. In the case of the death of a member or
26 participant who has not retired and who first became a member

1 or participant on or after January 1, 2011, eligibility for a
2 survivor's or widow's annuity shall be determined by the
3 applicable Article of this Code. The initial benefit shall be
4 $66 \frac{2}{3}\%$ of the earned annuity without a reduction due to age. A
5 child's annuity of an otherwise eligible child shall be in the
6 amount prescribed under each Article if applicable. Any
7 survivor's or widow's annuity shall be increased (1) on each
8 January 1 occurring on or after the commencement of the annuity
9 if the deceased member died while receiving a retirement
10 annuity or (2) in other cases, on each January 1 occurring
11 after the first anniversary of the commencement of the annuity.
12 Each annual increase shall be calculated at 3% or one-half the
13 annual unadjusted percentage increase (but not less than zero)
14 in the consumer price index-u for the 12 months ending with the
15 September preceding each November 1, whichever is less, of the
16 originally granted survivor's annuity. If the annual
17 unadjusted percentage change in the consumer price index-u for
18 the 12 months ending with the September preceding each November
19 1 is zero or there is a decrease, then the annuity shall not be
20 increased.

21 (g) The benefits in Section 14-110 apply only if the person
22 is a State policeman, a fire fighter in the fire protection
23 service of a department, or a security employee of the
24 Department of Corrections or the Department of Juvenile
25 Justice, as those terms are defined in subsection (b) of
26 Section 14-110. A person who meets the requirements of this

1 Section is entitled to an annuity calculated under the
2 provisions of Section 14-110, in lieu of the regular or minimum
3 retirement annuity, only if the person has withdrawn from
4 service with not less than 20 years of eligible creditable
5 service and has attained age 60, regardless of whether the
6 attainment of age 60 occurs while the person is still in
7 service.

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

22 If a person who first becomes a member of a retirement
23 system or pension fund subject to this Section on or after
24 January 1, 2012 and is receiving a retirement annuity or
25 retirement pension under that system or fund and accepts on a
26 contractual basis a position to provide services to a

1 governmental entity from which he or she has retired, then that
2 person's annuity or retirement pension earned as an active
3 employee of the employer shall be suspended during that
4 contractual service. A person receiving an annuity or
5 retirement pension under this Code shall notify the pension
6 fund or retirement system from which he or she is receiving an
7 annuity or retirement pension, as well as his or her
8 contractual employer, of his or her retirement status before
9 accepting contractual employment. A person who fails to submit
10 such notification shall be guilty of a Class A misdemeanor and
11 required to pay a fine of \$1,000. Upon termination of that
12 contractual employment, the person's retirement annuity or
13 retirement pension payments shall resume and, if appropriate,
14 be recalculated under the applicable provisions of this Code.

15 (i) Notwithstanding any other provision of this Section, a
16 person who first becomes a participant of the retirement system
17 established under Article 15 on or after January 1, 2011 and
18 before July 1, 2015 shall have the option to enroll in the
19 self-managed plan created under Section 15-158.2 of this Code.

20 A person, other than a Tier 1 participant, who first
21 becomes a participant of the retirement system established
22 under Article 15 on or after January 1, 2011 and before July 1,
23 2015 may elect to participate in the Tier 3 benefit plan in
24 accordance with Section 15-158.6 of this Code.

25 A person, other than a Tier 1 participant, who first
26 becomes a participant of the retirement system established

1 under Article 15 on or after July 1, 2015 shall participate in
2 the Tier 3 benefit plan under that Article.

3 (j) Except as provided in Section 15-158.6 of this Code, in
4 ~~In~~ the case of a conflict between the provisions of this
5 Section and any other provision of this Code, the provisions of
6 this Section shall control.

7 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;
8 97-609, eff. 1-1-12.)

9 (40 ILCS 5/15-103.4 new)

10 Sec. 15-103.4. Tier 3 benefit package. "Tier 3 benefit
11 package": The benefit package made available to persons who are
12 not Tier 1 participants and who first become participants under
13 this Article on or after July 1, 2015, and to certain other
14 persons who elect to participate under subsection (b) of
15 Section 15-158.6. The Tier 3 benefit package consists of both a
16 defined benefit component and a defined contribution
17 component. All Tier 3 participants shall participate in both
18 components.

19 The Tier 3 defined benefit component consists of the
20 traditional benefit package as modified by Section 1-160, but
21 subject to the additional modifications provided in Section
22 15-158.6. The Tier 3 defined contribution plan is the plan
23 provided in Section 15-158.5.

24 Tier 3 participants are not eligible to participate in the
25 portable benefit package or the self-managed plan.

1 References in this Article to the "traditional benefit
2 package" shall be deemed to include the defined benefit
3 component of the Tier 3 benefit package. The Tier 3 defined
4 contribution plan is not intended to be included in the terms
5 "traditional benefit package" and "self-managed plan" as used
6 in this Article or the other Articles of this Code.

7 (40 ILCS 5/15-107.1 new)

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

15 (40 ILCS 5/15-107.2 new)

16 Sec. 15-107.2. Tier 3 participant. "Tier 3 participant": A
17 participant under this Article, other than a Tier 1
18 participant, who first becomes a participant under this Article
19 on or after July 1, 2015. "Tier 3 participant" also includes a
20 participant, other than a Tier 1 participant, who makes an
21 irrevocable election to become a Tier 3 participant in
22 accordance with subsection (b) of Section 15-158.6.

23 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

1 Sec. 15-111. Earnings. "Earnings": An amount paid for
2 personal services equal to the sum of the basic compensation
3 plus extra compensation for summer teaching, overtime or other
4 extra service. For periods for which an employee receives
5 service credit under subsection (c) of Section 15-113.1 or
6 Section 15-113.2, earnings are equal to the basic compensation
7 on which contributions are paid by the employee during such
8 periods. Compensation for employment which is irregular,
9 intermittent and temporary shall not be considered earnings,
10 unless the participant is also receiving earnings from the
11 employer as an employee under Section 15-107.

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

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

20 (2) "Earnings" includes transition pay paid to the
21 employee before the effective date of this amendatory Act
22 of the 91st General Assembly only if (i) employee
23 contributions under Section 15-157 have been withheld from
24 that transition pay or (ii) the employee pays to the System
25 before January 1, 2001 an amount representing employee
26 contributions under Section 15-157 on that transition pay.

1 Employee contributions under item (ii) may be paid in a
2 lump sum, by withholding from additional transition pay
3 accruing before January 1, 2001, or in any other manner
4 approved by the System. Upon payment of the employee
5 contributions on transition pay, the corresponding
6 employer contributions become an obligation of the State.

7 With respect to Tier 3 participants, references to
8 "earnings" mean "earnings" as defined in this Section but
9 subject to the earnings limitation provided in Section 15-158.6
10 that is applicable to the defined benefit component of the Tier
11 3 benefit package, unless the context specifies that the
12 different earnings limitation applicable to the Tier 3 defined
13 contribution plan is intended.

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

15 (40 ILCS 5/15-125) (from Ch. 108 1/2, par. 15-125)

16 Sec. 15-125. "Prescribed Rate of Interest; Effective Rate
17 of Interest".

18 (1) "Prescribed rate of interest": The rate of interest to
19 be used in actuarial valuations and in development of actuarial
20 tables as determined by the board on the basis of the probable
21 average effective rate of interest on a long term basis.

22 (2) "Effective rate of interest": For a fiscal year
23 concluding no later than June 30, 2013, the ~~The~~ interest rate
24 for all or any part of a fiscal year that is determined by the
25 board based on factors including the system's past and expected

1 investment experience; historical and expected fluctuations in
2 the market value of investments; the desirability of minimizing
3 volatility in the effective rate of interest from year to year;
4 and the provision of reserves for anticipated losses upon
5 sales, redemptions, or other disposition of investments and for
6 variations in interest experience; except that for the purpose
7 of determining the accumulated normal contributions used in
8 calculating retirement annuities under Rule 2 of Section
9 15-136, the effective rate of interest shall be determined by
10 the State Comptroller rather than the board. For a fiscal year
11 concluding no later than June 30, 2013, the ~~The~~ State
12 Comptroller shall determine the effective rate of interest to
13 be used for this purpose using the factors listed above, and
14 shall certify to the board and the Commission on Government
15 Forecasting and Accountability the rate to be used for this
16 purpose for fiscal year 2006 as soon as possible after the
17 effective date of this amendatory Act of the 94th General
18 Assembly, and for each fiscal year thereafter no later than the
19 January 31 immediately preceding the start of that fiscal year.

20 For a fiscal year that begins on or after July 1, 2013, the
21 effective rate of interest for a given fiscal year shall be
22 equal to the interest rate of 30-year United States Treasury
23 bonds as of the beginning of that given fiscal year, plus 75
24 basis points. This certification shall not be used in
25 determining the prescribed rate of interest as defined in
26 paragraph (1) of this Section.

1 (3) The change made to this Section by Public Acts 90-65
2 and 90-511 is a clarification of existing law.

3 (Source: P.A. 94-4, eff. 6-1-05; 94-982, eff. 6-30-06.)

4 (40 ILCS 5/15-134.5)

5 Sec. 15-134.5. Retirement program elections.

6 (a) All participating employees are participants under the
7 traditional benefit package prior to January 1, 1998. This
8 Section does not apply to Tier 3 participants.

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

21 The employee election authorized by this Section is a
22 one-time, irrevocable election. If an employee terminates
23 employment after making the election provided under this
24 subsection (a), then upon his or her subsequent re-employment
25 with an employer the original election shall automatically

1 apply to him or her, provided that the employer is then a
2 participating employer as described in Section 15-158.2.

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

5 (b) "Eligible employee" means an employee (as defined in
6 Section 15-107) who is either a currently eligible employee or
7 a newly eligible employee, but the term does not include a Tier
8 3 participant. For purposes of this Section, a "currently
9 eligible employee" is an employee who is employed by an
10 employer on the effective date on which the employer offers to
11 its employees the portable benefit package and the self-managed
12 plan as alternatives to the traditional benefit package. A
13 "newly eligible employee" is an employee who first becomes
14 employed by an employer after the effective date on which the
15 employer offers its employees the portable benefit package and
16 the self-managed plan as alternatives to the traditional
17 benefit package, but the term does not include a Tier 3
18 participant. A newly eligible employee participates in the
19 traditional benefit package until he or she makes an election
20 to participate in the portable benefit package or the
21 self-managed plan. If an employee does not elect to participate
22 in the portable benefit package or the self-managed plan, he or
23 she shall continue to participate in the traditional benefit
24 package by default.

25 (c) An eligible employee who at the time he or she is first
26 eligible to make the election described in subsection (a) does

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

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

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

23 (d-1) A newly eligible employee who, prior to the effective
24 date of this amendatory Act of the 91st General Assembly, fails
25 to make the election within the period provided under
26 subsection (d) and participates by default in the traditional

1 benefit package may make a late election to participate in the
2 portable benefit package or the self-managed plan instead of
3 the traditional benefit package at any time within 6 months
4 after the effective date of this amendatory Act of the 91st
5 General Assembly.

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

24 (f) An eligible employee shall be provided with written
25 information prepared or prescribed by the System which
26 describes the employee's retirement program choices. The

1 eligible employee shall be offered an opportunity to receive
2 counseling from the System prior to making his or her election.
3 This counseling may consist of videotaped materials, group
4 presentations, individual consultation with an employee or
5 authorized representative of the System in person or by
6 telephone or other electronic means, or any combination of
7 these methods.

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

9 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

10 Sec. 15-136. Retirement annuities - Amount. The provisions
11 of this Section 15-136 apply only to those participants who are
12 participating in the traditional benefit package or the
13 portable benefit package and do not apply to participants who
14 are participating in the self-managed plan. For Tier 3
15 participants, the provisions of this Section are subject to
16 Section 15-158.6.

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

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

1 after January 1, 1998, 2.2% of the final rate of earnings for
2 each year of service.

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

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

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

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

21 For the purpose of calculating an annuity under this Rule
22 2, the contribution required under Section 15-157.2 shall not
23 be considered when determining the participant's accumulated
24 normal contributions under clause (i) or the employer
25 contribution under clause (ii).

26 With respect to a police officer or firefighter who retires

1 on or after August 14, 1998, the accumulated normal
2 contributions taken into account under clauses (i) and (ii) of
3 this Rule 2 shall include the additional normal contributions
4 made by the police officer or firefighter under Section
5 15-157(a).

6 The amount of a retirement annuity calculated under this
7 Rule 2 shall be computed solely on the basis of the
8 participant's accumulated normal contributions, as specified
9 in this Rule and defined in Section 15-116. Neither an employee
10 or employer contribution for early retirement under Section
11 15-136.2 nor any other employer contribution shall be used in
12 the calculation of the amount of a retirement annuity under
13 this Rule 2.

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

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

20 Rule 3: The retirement annuity of a participant who is
21 employed at least one-half time during the period on which his
22 or her final rate of earnings is based, shall be equal to the
23 participant's years of service not to exceed 30, multiplied by
24 (1) \$96 if the participant's final rate of earnings is less
25 than \$3,500, (2) \$108 if the final rate of earnings is at least
26 \$3,500 but less than \$4,500, (3) \$120 if the final rate of

1 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if
2 the final rate of earnings is at least \$5,500 but less than
3 \$6,500, (5) \$144 if the final rate of earnings is at least
4 \$6,500 but less than \$7,500, (6) \$156 if the final rate of
5 earnings is at least \$7,500 but less than \$8,500, (7) \$168 if
6 the final rate of earnings is at least \$8,500 but less than
7 \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or
8 more, except that the annuity for those persons having made an
9 election under Section 15-154(a-1) shall be calculated and
10 payable under the portable retirement benefit program pursuant
11 to the provisions of Section 15-136.4.

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

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

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

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

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

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

24 (ii) an annuity from employer contributions of an
25 amount equal to that which can be provided on an
26 actuarially equivalent basis from the accumulated normal

1 contributions made by the participant under Section
2 15-113.6 and Section 15-113.7 plus 1.4 times all other
3 accumulated normal contributions made by the participant;
4 and

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

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

21 With respect to a participant who is qualified for a
22 retirement annuity under this Rule 5 whose retirement annuity
23 began before the effective date of this amendatory Act of the
24 91st General Assembly, and for whom an employee contribution
25 was made under Section 15-136.2, the System shall recalculate
26 the retirement annuity under this Rule 5 and shall pay any

1 additional amounts due in the manner provided in Section
2 15-186.1 for benefits mistakenly set too low.

3 The amount of a retirement annuity calculated under this
4 Rule 5 shall be computed solely on the basis of those
5 contributions specifically set forth in this Rule 5. Except as
6 provided in clause (iii) of this Rule 5, neither an employee
7 nor employer contribution for early retirement under Section
8 15-136.2, nor any other employer contribution, shall be used in
9 the calculation of the amount of a retirement annuity under
10 this Rule 5.

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

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

25 (b) The retirement annuity provided under Rules 1 and 3
26 above shall be reduced by 1/2 of 1% for each month the

1 participant is under age 60 at the time of retirement. However,
2 this reduction shall not apply in the following cases:

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

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

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

16 (c) The maximum retirement annuity provided under Rules 1,
17 2, 4, and 5 shall be the lesser of (1) the annual limit of
18 benefits as specified in Section 415 of the Internal Revenue
19 Code of 1986, as such Section may be amended from time to time
20 and as such benefit limits shall be adjusted by the
21 Commissioner of Internal Revenue, and (2) 80% of final rate of
22 earnings.

23 (d) Except as provided in subsection (d-1), an An annuitant
24 whose status as an employee terminates after August 14, 1969
25 shall receive automatic increases in his or her retirement
26 annuity as follows:

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

15 The annuitant shall receive an increase in his or her
16 monthly retirement annuity on each January 1 thereafter during
17 the annuitant's life of 3% of the monthly annuity provided
18 under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5 contained in
19 this Section. The change made under this subsection by P.A.
20 81-970 is effective January 1, 1980 and applies to each
21 annuitant whose status as an employee terminates before or
22 after that date.

23 Beginning January 1, 1990, all automatic annual increases
24 payable under this Section shall be calculated as a percentage
25 of the total annuity payable at the time of the increase,
26 including all increases previously granted under this Article.

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

4 (d-1) Beginning January 1, 2014, all automatic increases
5 payable under this Section shall be calculated as a percentage
6 of the total annuity payable at the time of the increase,
7 including all increases previously granted under this Article,
8 equal to one-half of the annual unadjusted percentage increase
9 (but not less than zero) in the consumer price index-u for the
10 12 months ending with the September preceding each November 1;
11 except that in the case of an initial increase under this
12 Section, the amount of the increase shall be prorated if less
13 than one year has elapsed since retirement.

14 For the purposes of this subsection, "consumer price
15 index-u" means the index published by the Bureau of Labor
16 Statistics of the United States Department of Labor that
17 measures the average change in prices of goods and services
18 purchased by all urban consumers, United States city average,
19 all items, 1982-84 = 100, as determined by the Public Pension
20 Division of the Department of Insurance.

21 This subsection (d-1) is applicable without regard to
22 whether status as an employee terminated before the effective
23 date of this amendatory Act of the 98th General Assembly.

24 (e) If, on January 1, 1987, or the date the retirement
25 annuity payment period begins, whichever is later, the sum of
26 the retirement annuity provided under Rule 1 or Rule 2 of this

1 Section and the automatic annual increases provided under the
2 preceding subsection or Section 15-136.1, amounts to less than
3 the retirement annuity which would be provided by Rule 3, the
4 retirement annuity shall be increased as of January 1, 1987, or
5 the date the retirement annuity payment period begins,
6 whichever is later, to the amount which would be provided by
7 Rule 3 of this Section. Such increased amount shall be
8 considered as the retirement annuity in determining benefits
9 provided under other Sections of this Article. This paragraph
10 applies without regard to whether status as an employee
11 terminated before the effective date of this amendatory Act of
12 1987, provided that the annuitant was employed at least
13 one-half time during the period on which the final rate of
14 earnings was based.

15 (f) A participant is entitled to such additional annuity as
16 may be provided on an actuarially equivalent basis, by any
17 accumulated additional contributions to his or her credit.
18 However, the additional contributions made by the participant
19 toward the automatic increases in annuity provided under this
20 Section shall not be taken into account in determining the
21 amount of such additional annuity.

22 (g) If, (1) by law, a function of a governmental unit, as
23 defined by Section 20-107 of this Code, is transferred in whole
24 or in part to an employer, and (2) a participant transfers
25 employment from such governmental unit to such employer within
26 6 months after the transfer of the function, and (3) the sum of

1 (A) the annuity payable to the participant under Rule 1, 2, or
2 3 of this Section (B) all proportional annuities payable to the
3 participant by all other retirement systems covered by Article
4 20, and (C) the initial primary insurance amount to which the
5 participant is entitled under the Social Security Act, is less
6 than the retirement annuity which would have been payable if
7 all of the participant's pension credits validated under
8 Section 20-109 had been validated under this system, a
9 supplemental annuity equal to the difference in such amounts
10 shall be payable to the participant.

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

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

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

25 (40 ILCS 5/15-136.4)

1 Sec. 15-136.4. Retirement and Survivor Benefits Under
2 Portable Benefit Package.

3 (a) This Section 15-136.4 describes the form of annuity and
4 survivor benefits available to a participant who has elected
5 the portable benefit package and has completed the one-year
6 waiting period required under subsection (e) of Section
7 15-134.5. For purposes of this Section, the term "eligible
8 spouse" means the husband or wife of a participant to whom the
9 participant is married on the date the participant's annuity
10 payment period begins, provided however, that if the
11 participant should die prior to the commencement of retirement
12 annuity benefits, then "eligible spouse" means the husband or
13 wife, if any, to whom the participant was married throughout
14 the one-year period preceding the date of his or her death.
15 Tier 3 participants are not eligible to participate in the
16 portable benefit package prescribed under this Section.

17 (b) This subsection (b) describes the normal form of
18 annuity payable to a participant subject to this Section
19 15-136.4. If the participant is unmarried on the date his or
20 her annuity payment period begins, then the annuity payments
21 shall be made in the form of a single-life annuity as described
22 in Section 15-118. If the participant is married on the date
23 his or her annuity payments commence, then the annuity payments
24 shall be paid in the form of a qualified joint and survivor
25 annuity that is the actuarial equivalent of the single-life
26 annuity. Under the "qualified joint and survivor annuity", a

1 reduced amount shall be paid to the participant for his or her
2 lifetime and his or her eligible spouse, if surviving at the
3 participant's death, shall be entitled to receive thereafter a
4 lifetime survivorship annuity in a monthly amount equal to 50%
5 of the reduced monthly amount that was payable to the
6 participant. The last payment of a qualified joint and survivor
7 annuity shall be made as of the first day of the month in which
8 the death of the survivor occurs.

9 (c) Instead of the normal form of annuity that would be
10 paid under subsection (b), a participant may elect in writing
11 within the 180-day period prior to the date his or her annuity
12 payments commence to waive the normal form of annuity payment
13 and receive an optional form of payment as described in
14 subsection (h). If the participant is married and elects an
15 optional form of payment under subsection (h) other than a
16 joint and survivor annuity with the eligible spouse designated
17 as the contingent annuitant, then such election shall require
18 the consent of his or her eligible spouse in the manner
19 described in subsection (d). At any time during the 180-day
20 period preceding the date the participant's payment period
21 begins, the participant may revoke the optional form of payment
22 elected under this subsection (c) and reinstate coverage under
23 the qualified joint and survivor annuity without the spouse's
24 consent, but an election to revoke the optional form elected
25 and elect a new optional form of payment or designate a
26 different contingent annuitant shall not be effective without

1 the eligible spouse's consent.

2 (d) The eligible spouse's consent to any election made
3 pursuant to this Section that requires the eligible spouse's
4 consent shall be in writing and shall acknowledge the effect of
5 the consent. In addition, the eligible spouse's signature on
6 the written consent must be witnessed by a notary public. The
7 eligible spouse's consent need not be obtained if the system is
8 satisfied that there is no eligible spouse, that the eligible
9 spouse cannot be located, or because of any other relevant
10 circumstances. An eligible spouse's consent under this Section
11 is valid only with respect to the specified optional form of
12 payment and, if applicable, contingent annuitant designated by
13 the participant. If the optional form of payment or the
14 contingent annuitant is subsequently changed (other than by a
15 revocation of the optional form of payment and reinstatement of
16 the qualified joint and survivor annuity), a new consent by the
17 eligible spouse is required. The eligible spouse's consent to
18 an election made by a participant pursuant to this Section,
19 once made, may not be revoked by the eligible spouse.

20 (e) Within a reasonable period of time preceding the date a
21 participant's annuity commences, a participant shall be
22 supplied with a written explanation of (1) the terms and
23 conditions of the normal form single-life annuity and qualified
24 joint and survivor annuity, (2) the participant's right to
25 elect a single-life annuity or an optional form of payment
26 under subsection (h) subject to his or her eligible spouse's

1 consent, if applicable, and (3) the participant's right to
2 reinstate coverage under the qualified joint and survivor
3 annuity prior to his or her annuity commencement date by
4 revoking an election of an optional form of payment under
5 subsection (h).

6 (f) If a married participant with at least 1.5 years of
7 service dies prior to commencing retirement annuity payments
8 and prior to taking a refund under Section 15-154, his or her
9 eligible spouse is entitled to receive a pre-retirement
10 survivor annuity, if there is not then in effect a waiver of
11 the pre-retirement survivor annuity. The pre-retirement
12 survivor annuity payable under this subsection shall be a
13 monthly annuity payable for the eligible spouse's life,
14 commencing as of the beginning of the month next following the
15 later of the date of the participant's death or the date the
16 participant would have first met the eligibility requirements
17 for retirement, and continuing through the beginning of the
18 month in which the death of the eligible spouse occurs. The
19 monthly amount payable to the spouse under the pre-retirement
20 survivor annuity shall be equal to the monthly amount that
21 would be payable as a survivor annuity under the qualified
22 joint and survivor annuity described in subsection (b) if: (1)
23 in the case of a participant who dies on or after the date on
24 which the participant has met the eligibility requirements for
25 retirement, the participant had retired with an immediate
26 qualified joint and survivor annuity on the day before the

1 participant's date of death; or (2) in the case of a
2 participant who dies before the earliest date on which the
3 participant would have met the eligibility requirements for
4 retirement age, the participant had separated from service on
5 the date of death, survived to the earliest retirement age
6 based on service prior to his or her death, retired with an
7 immediate qualified joint and survivor annuity at the earliest
8 retirement age, and died on the day after the day on which the
9 participant would have attained the earliest retirement age.

10 (g) A married participant who has not retired may elect at
11 any time to waive the pre-retirement survivor annuity described
12 in subsection (f). Any such election shall require the consent
13 of the participant's eligible spouse in the manner described in
14 subsection (d). A waiver of the pre-retirement survivor annuity
15 shall increase the lump sum death benefit payable under
16 subsection (b) of Section 15-141. Prior to electing any waiver
17 of the pre-retirement survivor annuity, the participant shall
18 be provided with a written explanation of (1) the terms and
19 conditions of the pre-retirement survivor annuity and the death
20 benefits payable from the system both with and without the
21 pre-retirement survivor annuity, (2) the participant's right
22 to elect a waiver of the pre-retirement survivor annuity
23 coverage subject to his or her spouse's consent, and (3) the
24 participant's right to reinstate pre-retirement survivor
25 annuity coverage at any time by revoking a prior waiver of such
26 coverage.

1 (h) By filing a timely election with the system, a
2 participant who will be eligible to receive a retirement
3 annuity under this Section may waive the normal form of annuity
4 payment described in subsection (b), subject to obtaining the
5 consent of his or her eligible spouse, if applicable, and elect
6 to receive any one of the following optional forms of payment:

7 (1) Joint and Survivor Annuity Options: The
8 participant may elect to receive a reduced annuity payable
9 for his or her life and to have a lifetime survivorship
10 annuity in a monthly amount equal to 50%, 75%, or 100% (as
11 elected by the participant) of that reduced monthly amount,
12 to be paid after the participant's death to his or her
13 contingent annuitant, if the contingent annuitant is alive
14 at the time of the participant's death.

15 (2) Single-Life Annuity Option (optional for married
16 participants). The participant may elect to receive a
17 single-life annuity payable for his or her life only.

18 (3) Lump sum retirement benefit. The participant may
19 elect to receive a lump sum retirement benefit that is
20 equal to the amount of a refund payable under Section
21 15-154(a-2).

22 All joint and survivor annuity forms shall be in an amount that
23 is the actuarial equivalent of the single-life annuity.

24 For the purposes of this Section, the term "contingent
25 annuitant" means the beneficiary who is designated by a
26 participant at the time the participant elects a joint and

1 survivor annuity to receive the lifetime survivorship annuity
2 in the event the beneficiary survives the participant at the
3 participant's death.

4 (i) Under no circumstances may an option be elected,
5 changed, or revoked after the date the participant's retirement
6 annuity commences.

7 (j) An election made pursuant to subsection (h) shall
8 become inoperative if the participant or the contingent
9 annuitant dies before the date the participant's annuity
10 payments commence, or if the eligible spouse's consent is
11 required and not given.

12 (k) (Blank).

13 (l) The automatic annual increases described in subsection
14 (d) of Section 15-136 shall apply to retirement benefits under
15 the portable benefit package and the automatic annual increases
16 described in subsection (j) of Section 15-145 shall apply to
17 survivor benefits under the portable benefit package.

18 (Source: P.A. 96-586, eff. 8-18-09; 97-933, eff. 8-10-12;
19 97-968, eff. 8-16-12.)

20 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

21 Sec. 15-157. Employee Contributions.

22 (a) Each participating employee shall make contributions
23 towards the retirement benefits payable under the retirement
24 program applicable to the employee from each payment of
25 earnings applicable to employment under this system on and

1 after the date of becoming a participant as follows: Prior to
2 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
3 to August 31, 1955, 5%; from September 1, 1955 to August 31,
4 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
5 are to be considered as normal contributions for purposes of
6 this Article.

7 Each participant who is a police officer or firefighter
8 shall make normal contributions of 8% of each payment of
9 earnings applicable to employment as a police officer or
10 firefighter under this system on or after September 1, 1981,
11 unless he or she files with the board within 60 days after the
12 effective date of this amendatory Act of 1991 or 60 days after
13 the board receives notice that he or she is employed as a
14 police officer or firefighter, whichever is later, a written
15 notice waiving the retirement formula provided by Rule 4 of
16 Section 15-136. This waiver shall be irrevocable. If a
17 participant had met the conditions set forth in Section
18 15-132.1 prior to the effective date of this amendatory Act of
19 1991 but failed to make the additional normal contributions
20 required by this paragraph, he or she may elect to pay the
21 additional contributions plus compound interest at the
22 effective rate. If such payment is received by the board, the
23 service shall be considered as police officer service in
24 calculating the retirement annuity under Rule 4 of Section
25 15-136. While performing service described in clause (i) or
26 (ii) of Rule 4 of Section 15-136, a participating employee

1 shall be deemed to be employed as a firefighter for the purpose
2 of determining the rate of employee contributions under this
3 Section.

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

11 (c) In addition to the amounts described in subsections (a)
12 and (b) of this Section, each participating employee shall make
13 contributions of 1% of earnings applicable under this system on
14 and after August 1, 1959. The contributions made under this
15 subsection (c) shall be considered as survivor's insurance
16 contributions for purposes of this Article if the employee is
17 covered under the traditional benefit package, and such
18 contributions shall be considered as additional contributions
19 for purposes of this Article if the employee is participating
20 in the self-managed plan or has elected to participate in the
21 portable benefit package and has completed the applicable
22 one-year waiting period. Contributions in excess of \$80 during
23 any fiscal year beginning before August 31, 1969 and in excess
24 of \$120 during any fiscal year thereafter until September 1,
25 1971 shall be considered as additional contributions for
26 purposes of this Article.

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

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

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

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

24 (h) A Tier 3 participant shall not make contributions as
25 prescribed under subsections (a), (b), and (c) of this
26 subsection.

1 For purposes of the Tier 3 defined benefit plan, Tier 3
2 participants shall contribute at a rate equal to 5.35% of
3 earnings, but shall not make contributions on compensation that
4 exceeds the federal social security wage base in effect from
5 time to time. These contributions are to be considered as
6 normal contributions for purposes of this Article.

7 For purposes of the Tier 3 defined contribution plan, Tier
8 3 participants are also required to contribute as provided in
9 Section 15-158.5.

10 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
11 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
12 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

13 (40 ILCS 5/15-157.2 new)

14 Sec. 15-157.2. Additional Tier 1 participant
15 contributions. In addition to the contributions otherwise
16 required under this Section, each Tier 1 participant shall also
17 make the following contributions toward the retirement
18 benefits payable under the retirement program applicable to the
19 employee from each payment of earnings applicable to employment
20 under this system. Beginning on July 1, 2013, this contribution
21 shall be equal to 0.5% of earnings, and it shall be increased
22 by 0.5% of earnings on each July 1 thereafter until such
23 contribution equals 2.0% earnings. Once this contribution is
24 equal to 2.0% of earnings, the contribution under this Section
25 shall not be increased. Except as otherwise specified, these

1 contributions shall be considered as normal contributions for
2 the purposes of this Article. The contributions required by
3 this Section shall not be considered when determining the
4 participant's accumulated normal contributions under clause
5 (i) or the employer contribution under clause (ii) of Rule 2 of
6 Section 15-136.

7 (40 ILCS 5/15-158.2)

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

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

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

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

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

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

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

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

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

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

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

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

1 employee's account balances.

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

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

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

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

3 Tier 3 participants are not eligible to participate in the
4 self-managed plan under this Section.

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

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

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

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

22 The program shall provide for employer contributions to be
23 credited to each self-managed plan participant at a rate of
24 7.6% of the participating employee's salary, less the amount
25 used by the System to provide disability benefits for the
26 employee. The amounts so credited shall be paid into the

1 participant's self-managed plan accounts in a manner to be
2 prescribed by the System.

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

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

26 (i) Termination. The self-managed plan authorized under

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

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

21 A participant in the self-managed plan who receives a
22 distribution of his or her vested amounts from the self-managed
23 plan while not yet eligible for retirement under this Article
24 (and Article 20, if applicable) shall forfeit all service
25 credit and accrued rights in the System; if subsequently
26 re-employed, the participant shall be considered a new

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

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

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

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

24 (40 ILCS 5/15-158.5 new)

25 Sec. 15-158.5. Tier 3 defined contribution plan.

1 (a) Creation. The State Universities Retirement System
2 shall establish and administer a Tier 3 defined contribution
3 plan, which shall offer Tier 3 participants the opportunity to
4 accumulate assets for retirement through a combination of
5 employee and employer contributions that may be invested in
6 mutual funds, collective investment funds, investment funds
7 administered by the State Universities Retirement System, or
8 other investment products and used to purchase annuity
9 contracts, either fixed or variable or a combination thereof.
10 The plan must be qualified under the Internal Revenue Code of
11 1986.

12 (b) Administration. The State Universities Retirement
13 System shall be the plan sponsor for the defined contribution
14 plan and shall prepare a plan document and prescribe such rules
15 and procedures as are considered necessary or desirable for the
16 administration of the defined contribution plan. Consistent
17 with its fiduciary duty to the participants and beneficiaries
18 of the defined contribution plan, the Board of Trustees of the
19 System may delegate aspects of plan administration as it sees
20 fit to companies authorized to do business in this State, to
21 the employers, or to a combination of both.

22 (c) Participation. All Tier 3 participants shall
23 participate in the Tier 3 defined contribution plan. A Tier 3
24 participant who first becomes a participant under this Article
25 on or after July 1, 2015 shall begin participation in the Tier
26 3 defined contribution plan on the first day of employment.

1 (d) Contributions. The Tier 3 defined contribution plan
2 shall be funded by contributions from Tier 3 participants and
3 employer contributions as provided in this Section. For the
4 purposes of calculating these contributions, the earnings of a
5 Tier 3 participant that exceed the federal social security wage
6 base in effect from time to time but do not exceed the limit
7 imposed under Section 1-117 of this Code shall be included.

8 Each Tier 3 participant shall contribute to the System for
9 the purposes of the defined contribution plan under this
10 Section an amount equal to 2.65% of each payment of earnings.
11 This required contribution shall be made as an employer pick-up
12 under Section 414(h) of the Internal Revenue Code of 1986 or
13 any successor Section thereof. These amounts shall be remitted
14 to and treated as assets of the Tier 3 defined contribution
15 plan. In no event shall a Tier 3 participant have an option of
16 receiving these amounts in cash. Tier 3 participants may make
17 additional contributions to the defined contribution plan in
18 accordance with procedures prescribed by the System, to the
19 extent permitted under federal law and the rules prescribed by
20 the System.

21 Each employer of Tier 3 participants shall make monthly
22 contributions to the System for the purposes of the Tier 3
23 defined contribution plan equal to the rate of earnings that
24 the employer has chosen to contribute on behalf of its
25 employees who are Tier 3 participants, which shall be no less
26 than 1% of earnings as that term is used in this subsection. An

1 employer may agree to contribute more than the required 1%, but
2 must provide the same employer contribution rate for every Tier
3 3 participant in its employ that participates in this defined
4 contribution plan. Any increase in the amount agreed to by the
5 employer shall be certified to the System each year in a manner
6 prescribed by the System.

7 These employer contributions shall be credited to the
8 accounts of the employer's Tier 3 participants. The amounts so
9 credited shall be paid into the participant's defined
10 contribution plan accounts by the administrator of the plan in
11 a manner prescribed by the System.

12 The System shall not be obligated to remit the required
13 employer contributions to the plan administrator or to any of
14 the insurance and annuity companies, mutual fund companies,
15 banks, trust companies, financial institutions, or other
16 sponsors of any of the funding vehicles offered under the
17 defined contribution plan until it has received the required
18 employer contributions from the employer. In the event of a
19 deficiency in the amount of employer contributions required
20 under this Section, the System shall proceed with the
21 collection process prescribed under subsection (h).

22 (e) Vesting. A participant in the Tier 3 defined
23 contribution plan becomes vested in the employee contributions
24 credited to his or her accounts in the defined contribution
25 plan and associated investment earnings on becoming a
26 participant in the plan.

1 A participant in the Tier 3 defined contribution plan
2 becomes vested in the employer contributions and associated
3 investment earnings credited to his or her accounts in the
4 defined contribution plan as follows: upon attaining 2 years of
5 service credit, 20%; upon attaining 3 years of service credit,
6 40%; upon attaining 4 years of service credit, 60%; upon
7 attaining 5 years of service credit, 80%; and upon attaining 6
8 years of service credit, 100%.

9 (f) Benefit amounts. In designing the Tier 3 defined
10 contribution plan, the System shall determine and specify the
11 conditions under which a participant or other entity becomes
12 eligible to receive a benefit or other distribution from the
13 defined contribution plan.

14 Upon meeting the conditions for eligibility, a Tier 3
15 participant shall be entitled to a benefit that is based on the
16 account values attributable to (1) participant contributions
17 and any investment return thereon and (2) the vested portion of
18 employer contributions and any investment return thereon.

19 (g) Forfeiture. If a Tier 3 participant who is not fully
20 vested in employer contributions terminates employment under
21 this Article, the account values attributable to the unvested
22 employer contributions and any investment return thereon shall
23 be forfeited and held in escrow by the company investing those
24 contributions, to be used as directed by the System for future
25 allocations of employer contributions or for the restoration of
26 amounts previously forfeited by former Tier 3 participants who

1 again become participating employees. If a former Tier 3
2 participant again becomes a participating employee (or becomes
3 employed by a participating system under Article 20 of this
4 Code) and continues as such for at least 2 years, all forfeited
5 employer contributions and investment earnings thereon shall be
6 restored to his or her accounts, without interest.

7 (h) Enforcement. Any employer, other than the State, that
8 fails to transmit to the System contributions required of it
9 under this Section for more than 14 days after those
10 contributions are due is subject to the following enforcement
11 process:

12 After giving notice to the employer, the System shall
13 certify to the State Comptroller or the Illinois Community
14 College Board, whichever is applicable, the amounts of such
15 delinquent payments, and the State Comptroller or the Illinois
16 Community College Board, whichever is applicable, shall deduct
17 the amounts so certified or any part thereof from any State
18 funds to be remitted to the employer and shall pay the amount
19 so deducted to the System. If State funds from which such
20 deductions may be made are not available, the System may
21 proceed against the employer to recover the amounts of such
22 delinquent payments in the appropriate circuit court.

23 The System may provide for an audit of the records of an
24 employer, other than the State, as may be required to establish
25 the amounts of required contributions. The employer shall make
26 its records available to the System for the purpose of

1 conducting an audit. The cost of the audit shall be added to
2 the amount of the delinquent payments and may be recovered by
3 the System from the employer at the same time and in the same
4 manner as the delinquent payments are recovered.

5 (i) Termination. The defined contribution plan authorized
6 under this Section may be terminated by the System, subject to
7 the terms of any relevant contracts, and the System shall have
8 no obligation to reestablish the defined contribution plan
9 under this Section. This Section does not create a right to
10 continued participation in any Tier 3 defined contribution plan
11 established by the System under this Section.

12 If the Tier 3 defined contribution plan is terminated, the
13 participants shall have the right to transfer their account
14 balances into another qualified and appropriate retirement
15 plan, including a plan not established by the System, subject
16 to applicable laws. Termination of the Tier 3 defined
17 contribution plan does not affect a Tier 3 participant's
18 participation in the Tier 3 defined benefit plan.

19 (40 ILCS 5/15-158.6 new)

20 Sec. 15-158.6. Tier 3 service; election; defined benefit
21 plan.

22 (a) Service credit earned or purchased by a Tier 3
23 participant applies to the Tier 3 defined benefit plan and, for
24 vesting purposes only, to the Tier 3 defined contribution plan.
25 A Tier 3 participant may not purchase or receive service or

1 service credit applicable to any other retirement package
2 administered by the System under this Article for any period
3 during which the employee is a participant in the Tier 3
4 benefit package.

5 (b) An active participant, other than a Tier 1 participant
6 or a participant in the self-managed plan, who first becomes a
7 participant under this Article on or after January 1, 2011 but
8 before July 1, 2015 may irrevocably elect to participate in the
9 System as a Tier 3 participant. The deadline for making this
10 election shall be the later of January 1, 2015 or 60 days after
11 commencing or returning to service under this Article. The
12 election shall be effective on and after July 1, 2015.

13 In calculating the defined benefits for a Tier 3
14 participant who has made this election, benefits payable after
15 July 1, 2015 shall be determined under the Tier 3 benefit
16 package, notwithstanding that they may be based in part on
17 service credit accrued before that date. Making this election
18 does not entitle the participant to a refund of any portion of
19 employee contributions paid at the rates applicable to service
20 before July 1, 2015.

21 (c) The Tier 3 defined benefit plan consists of the
22 traditional benefit package as modified by Section 1-160, but
23 subject to the following additional modifications:

24 (1) Notwithstanding Section 1-160 of this Code, all
25 automatic annual increases in retirement annuity payable
26 under the Tier 3 benefit package shall be calculated at

1 one-half the annual unadjusted percentage increase (but
2 not less than zero) in the consumer price index-u for the
3 12 months ending with the September preceding each November
4 1, and shall be calculated as a percentage of the total
5 annuity payable at the time of the increase, including all
6 increases previously granted under this Article. A
7 retirement annuity payable under the Tier 3 retirement
8 package shall first be subject to annual increases on the
9 January 1 occurring on or next after attainment of age 67
10 or the January 1 occurring on or next after the fifth
11 anniversary of the annuity start date, whichever occurs
12 earlier.

13 For the purposes of this Section, "consumer price
14 index-u" means the index published by the Bureau of Labor
15 Statistics of the United States Department of Labor that
16 measures the average change in prices of goods and services
17 purchased by all urban consumers, United States city
18 average, all items, 1982-84 = 100, as determined by the
19 Public Pension Division of the Department of Insurance.

20 (2) Notwithstanding Section 1-160 of this Code, for the
21 purposes of determining contributions and benefits under
22 the defined benefit component of the Tier 3 retirement
23 package, the earnings of a Tier 3 participant shall not
24 exceed the federal social security wage base in effect from
25 time to time. However, the earnings of a Tier 3 participant
26 that exceed that wage base but do not exceed the limit

1 imposed under Section 1-117 of this Code shall be included
2 in calculating the contributions of the Tier 3 participant
3 and the employer to the Tier 3 defined contribution plan
4 under Section 15-158.5.

5 (3) Notwithstanding subsection (a) of Section 15-136
6 of this Article, the retirement annuity shall be 1.5% of
7 final rate of earnings for each year of service.

8 (d) A Tier 3 participant shall be entitled to the benefits
9 of Article 20 of this Code, but only with respect to the
10 defined benefit component of the Tier 3 retirement package. The
11 Tier 3 defined contribution plan, and the additional earnings
12 considered under that plan, shall not be taken into
13 consideration when calculating salary, proportional annuities,
14 or other benefits under Article 20 of this Code.

15 (40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

16 Sec. 15-159. Board created.

17 (a) A board of trustees constituted as provided in this
18 Section shall administer this System. The board shall be known
19 as the Board of Trustees of the State Universities Retirement
20 System.

21 (b) (Blank). ~~Until July 1, 1995, the Board of Trustees~~
22 ~~shall be constituted as follows:~~

23 ~~Two trustees shall be members of the Board of Trustees of~~
24 ~~the University of Illinois, one shall be a member of the Board~~
25 ~~of Trustees of Southern Illinois University, one shall be a~~

1 ~~member of the Board of Trustees of Chicago State University,~~
2 ~~one shall be a member of the Board of Trustees of Eastern~~
3 ~~Illinois University, one shall be a member of the Board of~~
4 ~~Trustees of Governors State University, one shall be a member~~
5 ~~of the Board of Trustees of Illinois State University, one~~
6 ~~shall be a member of the Board of Trustees of Northeastern~~
7 ~~Illinois University, one shall be a member of the Board of~~
8 ~~Trustees of Northern Illinois University, one shall be a member~~
9 ~~of the Board of Trustees of Western Illinois University, and~~
10 ~~one shall be a member of the Illinois Community College Board,~~
11 ~~selected in each case by their respective boards, and 2 shall~~
12 ~~be participants of the system appointed by the Governor for a 6~~
13 ~~year term with the first appointment made pursuant to this~~
14 ~~amendatory Act of 1984 to be effective September 1, 1985, and~~
15 ~~one shall be a participant appointed by the Illinois Community~~
16 ~~College Board for a 6 year term, and one shall be a participant~~
17 ~~appointed by the Board of Trustees of the University of~~
18 ~~Illinois for a 6 year term, and one shall be a participant or~~
19 ~~annuitant of the system who is a senior citizen age 60 or older~~
20 ~~appointed by the Governor for a 6 year term with the first~~
21 ~~appointment to be effective September 1, 1985.~~

22 ~~The terms of all trustees holding office under this~~
23 ~~subsection (b) on June 30, 1995 shall terminate at the end of~~
24 ~~that day and the Board shall thereafter be constituted as~~
25 ~~provided in subsection (c).~~

26 (c) (Blank). ~~Beginning July 1, 1995, the Board of Trustees~~

1 ~~shall be constituted as follows:~~

2 ~~The Board shall consist of 9 trustees appointed by the~~
3 ~~Governor. Two of the trustees, designated at the time of~~
4 ~~appointment, shall be participants of the System. Two of the~~
5 ~~trustees, designated at the time of appointment, shall be~~
6 ~~annuitants of the System who are receiving retirement annuities~~
7 ~~under this Article. The 5 remaining trustees may, but need not,~~
8 ~~be participants or annuitants of the System.~~

9 ~~The term of office of trustees appointed under this~~
10 ~~subsection (c) shall be 6 years, beginning on July 1. However,~~
11 ~~of the initial trustees appointed under this subsection (c), 3~~
12 ~~shall be appointed for terms of 2 years, 3 shall be appointed~~
13 ~~for terms of 4 years, and 3 shall be appointed for terms of 6~~
14 ~~years, to be designated by the Governor at the time of~~
15 ~~appointment.~~

16 ~~The terms of all trustees holding office under this~~
17 ~~subsection (c) on the effective date of this amendatory Act of~~
18 ~~the 96th General Assembly shall terminate on that effective~~
19 ~~date. The Governor shall make nominations for appointment under~~
20 ~~this Section within 60 days after the effective date of this~~
21 ~~amendatory Act of the 96th General Assembly. A trustee sitting~~
22 ~~on the board on the effective date of this amendatory Act of~~
23 ~~the 96th General Assembly may not hold over in office for more~~
24 ~~than 90 days after the effective date of this amendatory Act of~~
25 ~~the 96th General Assembly. Nothing in this Section shall~~
26 ~~prevent the Governor from making a temporary appointment or~~

1 ~~nominating a trustee holding office on the day before the~~
2 ~~effective date of this amendatory Act of the 96th General~~
3 ~~Assembly.~~

4 (d) Beginning on the 90th day after April 3, 2009 (the
5 effective date of Public Act 96-6) ~~this amendatory Act of the~~
6 ~~96th General Assembly~~, the Board of Trustees shall be
7 constituted as follows:

8 (1) The Chairperson of the Board of Higher Education,
9 who shall act as chairperson of this Board.

10 (2) Four trustees appointed by the Governor with the
11 advice and consent of the Senate who may not be members of
12 the system or hold an elective State office and who shall
13 serve for a term of 6 years, except that the terms of the
14 initial appointees under this subsection (d) shall be as
15 follows: 2 for a term of 3 years and 2 for a term of 6
16 years.

17 (3) Four active participants of the system to be
18 elected from the contributing membership of the system by
19 the contributing members, no more than 2 of which may be
20 from any of the University of Illinois campuses, who shall
21 serve for a term of 6 years, except that the terms of the
22 initial electees shall be as follows: 2 for a term of 3
23 years and 2 for a term of 6 years. Beginning with the
24 election of active participants next occurring after the
25 reduction in the number of elected active participant
26 positions on the Board under subsection (d-10), no more

1 than one elected active participant may be from any of the
2 University of Illinois campuses.

3 (4) Two annuitants of the system who have been
4 annuitants for at least one full year, to be elected from
5 and by the annuitants of the system, no more than one of
6 which may be from any of the University of Illinois
7 campuses, who shall serve for a term of 6 years, except
8 that the terms of the initial electees shall be as follows:
9 one for a term of 3 years and one for a term of 6 years.

10 For the purposes of this Section, the Governor may make a
11 nomination and the Senate may confirm the nominee in advance of
12 the commencement of the nominee's term of office.

13 (d-5) Beginning July 1, 2013, there shall be 2 additional
14 members of the Board of Trustees appointed by the Governor with
15 the advice and consent of the Senate, each of whom shall serve
16 for a term of 6 years, except that one of the initial
17 appointees under this subsection (d-5) shall be designated by
18 the Governor to serve for a term of 3 years. One of the
19 additional members shall have knowledge and experience
20 relating to community colleges in Illinois, and the other shall
21 have knowledge and experience relating to public universities
22 in Illinois.

23 (d-10) Upon the expiration of the terms of the 2 elected
24 active participant members of the Board whose terms expire in
25 2015, those seats shall no longer be filled by election, but
26 shall instead be filled by appointment by the Governor with the

1 advice and consent of the Senate. A person so appointed must be
2 an active participant from the contributing membership of the
3 System, and shall serve for a term of 6 years, but only so long
4 as he or she remains an active participant of the System. One
5 of these members shall be an active employee of a community
6 college employer, and the other shall be an active employee of
7 a public university employer.

8 (e) The ~~6~~ elected trustees shall be elected within 90 days
9 after April 3, 2009 (the effective date of Public Act 96-6)
10 ~~this amendatory Act of the 96th General Assembly~~ for a term
11 beginning on the 90th day after that ~~the~~ effective date ~~of this~~
12 ~~amendatory Act~~. Trustees shall be elected thereafter as terms
13 expire for a 6-year term beginning July 15 next following their
14 election, and such election shall be held on May 1, or on May 2
15 when May 1 falls on a Sunday. The board may establish rules for
16 the election of trustees to implement the provisions of Public
17 Act 96-6 ~~this amendatory Act of the 96th General Assembly~~ and
18 for future elections. Candidates for the participating trustee
19 shall be nominated by petitions in writing, signed by not less
20 than 400 participants with their addresses shown opposite their
21 names. Candidates for the annuitant trustee shall be nominated
22 by petitions in writing, signed by not less than 100 annuitants
23 with their addresses shown opposite their names. If there is
24 more than one qualified nominee for each elected trustee, then
25 the board shall conduct a secret ballot election by mail for
26 that trustee, in accordance with rules as established by the

1 board. If there is only one qualified person nominated by
2 petition for each elected trustee, then the election as
3 required by this Section shall not be conducted for that
4 trustee and the board shall declare such nominee duly elected.
5 A vacancy occurring in the elective membership of the board
6 shall be filled for the unexpired term by the elected trustees
7 serving on the board for the remainder of the term.

8 (f) A vacancy on the board of trustees caused by
9 resignation, death, expiration of term of office, or other
10 reason shall be filled by a qualified person appointed by the
11 Governor for the remainder of the unexpired term.

12 (g) Trustees (other than the trustees incumbent on June 30,
13 1995 or as provided in subsection (c) of this Section) shall
14 continue in office until their respective successors are
15 appointed and have qualified, except that a trustee appointed
16 to one of the participant positions shall be disqualified
17 immediately upon the termination of his or her status as a
18 participant and a trustee appointed to one of the annuitant
19 positions shall be disqualified immediately upon the
20 termination of his or her status as an annuitant receiving a
21 retirement annuity.

22 (h) Each trustee must take an oath of office before a
23 notary public of this State and shall qualify as a trustee upon
24 the presentation to the board of a certified copy of the oath.
25 The oath must state that the person will diligently and
26 honestly administer the affairs of the retirement system, and

1 will not knowingly violate or wilfully permit to be violated
2 any provisions of this Article.

3 Each trustee shall serve without compensation but shall be
4 reimbursed for expenses necessarily incurred in attending
5 board meetings and carrying out his or her duties as a trustee
6 or officer of the system.

7 ~~(i) This amendatory Act of 1995 is intended to supersede~~
8 ~~the changes made to this Section by Public Act 89-4.~~

9 (Source: P.A. 96-6, eff. 4-3-09; 96-1000, eff. 7-2-10.)

10 (40 ILCS 5/15-198)

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

13 (a) As used in this Section, "new benefit increase" means
14 an increase in the amount of any benefit provided under this
15 Article, or an expansion of the conditions of eligibility for
16 any benefit under this Article, that results from an amendment
17 to this Code that takes effect after the effective date of this
18 amendatory Act of the 94th General Assembly. "New benefit
19 increase", however does not include any changes to this Article
20 or to Article 1 or Article 20 of this Code made by this
21 amendatory Act of the 98th General Assembly.

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

1 the provisions of this Section.

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

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

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

1 by law.

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

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

13 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

14 Sec. 20-121. Calculation of proportional retirement
15 annuities. Upon retirement of the employee, a proportional
16 retirement annuity shall be computed by each participating
17 system in which pension credit has been established on the
18 basis of pension credits under each system. The computation
19 shall be in accordance with the formula or method prescribed by
20 each participating system which is in effect at the date of the
21 employee's latest withdrawal from service covered by any of the
22 systems in which he has pension credits which he elects to have
23 considered under this Article. However, the amount of any
24 retirement annuity payable under the self-managed plan
25 established under Section 15-158.2 of this Code depends solely

1 on the value of the participant's vested account balances and
2 is not subject to any proportional adjustment under this
3 Section. In the case of a participant in the Tier 3 benefit
4 package under Article 15 of this Code, only the benefits
5 provided under the Tier 3 defined benefit component shall be
6 considered for the purposes of this Article; the benefits
7 provided and the additional earnings considered under the Tier
8 3 defined contribution plan established under Section 15-158.5
9 shall be disregarded.

10 Combined pension credit under all retirement systems
11 subject to this Article shall be considered in determining
12 whether the minimum qualification has been met and the formula
13 or method of computation which shall be applied. If a system
14 has a step-rate formula for calculation of the retirement
15 annuity, pension credits covering previous service which have
16 been established under another system shall be considered in
17 determining which range or ranges of the step-rate formula are
18 to be applicable to the employee.

19 Interest on pension credit shall continue to accumulate in
20 accordance with the provisions of the law governing the
21 retirement system in which the same has been established during
22 the time an employee is in the service of another employer, on
23 the assumption such employee, for interest purposes for pension
24 credit, is continuing in the service covered by such retirement
25 system.

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

1 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

2 Sec. 20-123. Survivor's annuity. The provisions governing
3 a retirement annuity shall be applicable to a survivor's
4 annuity. Appropriate credits shall be established for
5 survivor's annuity purposes in those participating systems
6 which provide survivor's annuities, according to the same
7 conditions and subject to the same limitations and restrictions
8 herein prescribed for a retirement annuity. If a participating
9 system has no survivor's annuity benefit, or if the survivor's
10 annuity benefit under that system is waived, pension credit
11 established in that system shall not be considered in
12 determining eligibility for or the amount of the survivor's
13 annuity which may be payable by any other participating system.

14 For persons who participate in the self-managed plan
15 established under Section 15-158.2 or the portable benefit
16 package established under Section 15-136.4, pension credit
17 established under Article 15 may be considered in determining
18 eligibility for or the amount of the survivor's annuity that is
19 payable by any other participating system, but pension credit
20 established in any other system shall not result in any right
21 to a survivor's annuity under the Article 15 system.

22 In the case of a participant in the Tier 3 benefit package
23 under Article 15 of this Code, only the benefits provided under
24 the Tier 3 defined benefit component shall be considered for
25 the purposes of this Article; the benefits provided and the

1 additional earnings considered under the Tier 3 defined
2 contribution plan established under Section 15-158.5 shall be
3 disregarded.

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

5 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

6 Sec. 20-124. Maximum benefits.

7 (a) In no event shall the combined retirement or survivors
8 annuities exceed the highest annuity which would have been
9 payable by any participating system in which the employee has
10 pension credits, if all of his pension credits had been
11 validated in that system.

12 If the combined annuities should exceed the highest maximum
13 as determined in accordance with this Section, the respective
14 annuities shall be reduced proportionately according to the
15 ratio which the amount of each proportional annuity bears to
16 the aggregate of all such annuities.

17 (b) In the case of a participant in the self-managed plan
18 established under Section 15-158.2 of this Code to whom the
19 provisions of this Article apply:

20 (i) For purposes of calculating the combined
21 retirement annuity and the proportionate reduction, if
22 any, in a retirement annuity other than one payable under
23 the self-managed plan, the amount of the Article 15
24 retirement annuity shall be deemed to be the highest
25 annuity to which the annuitant would have been entitled if

1 he or she had participated in the traditional benefit
2 package as defined in Section 15-103.1 rather than the
3 self-managed plan.

4 (ii) For purposes of calculating the combined
5 survivor's annuity and the proportionate reduction, if
6 any, in a survivor's annuity other than one payable under
7 the self-managed plan, the amount of the Article 15
8 survivor's annuity shall be deemed to be the highest
9 survivor's annuity to which the survivor would have been
10 entitled if the deceased employee had participated in the
11 traditional benefit package as defined in Section 15-103.1
12 rather than the self-managed plan.

13 (iii) Benefits payable under the self-managed plan are
14 not subject to proportionate reduction under this Section.

15 (c) In the case of a participant in the Tier 3 benefit
16 package under Article 15 of this Code, only the benefits
17 provided under the Tier 3 defined benefit component shall be
18 considered for the purposes of this Article; the benefits
19 provided and the additional earnings considered under the Tier
20 3 defined contribution plan established under Section 15-158.5
21 shall be disregarded.

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

23 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

24 Sec. 20-125. Return to employment - suspension of benefits.
25 If a retired employee returns to employment which is covered by

1 a system from which he is receiving a proportional annuity
2 under this Article, his proportional annuity from all
3 participating systems shall be suspended during the period of
4 re-employment, except that this suspension does not apply to
5 any distributions payable under the self-managed plan
6 established under Section 15-158.2 or under the Tier 3 defined
7 contribution plan established under Section 15-158.5 of this
8 Code.

9 The provisions of the Article under which such employment
10 would be covered shall govern the determination of whether the
11 employee has returned to employment, and if applicable the
12 exemption of temporary employment or employment not exceeding a
13 specified duration or frequency, for all participating systems
14 from which the retired employee is receiving a proportional
15 annuity under this Article, notwithstanding any contrary
16 provisions in the other Articles governing such systems.

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

18 Section 90. The State Mandates Act is amended by adding
19 Section 8.37 as follows:

20 (30 ILCS 805/8.37 new)

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

1 Section 97. Severability. The provisions of this Act are
2 severable under Section 1.31 of the Statute on Statutes.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.

1		INDEX
2		Statutes amended in order of appearance
3	40 ILCS 5/1-160	
4	40 ILCS 5/15-103.4 new	
5	40 ILCS 5/15-107.1 new	
6	40 ILCS 5/15-107.2 new	
7	40 ILCS 5/15-111	from Ch. 108 1/2, par. 15-111
8	40 ILCS 5/15-125	from Ch. 108 1/2, par. 15-125
9	40 ILCS 5/15-134.5	
10	40 ILCS 5/15-136	from Ch. 108 1/2, par. 15-136
11	40 ILCS 5/15-136.4	
12	40 ILCS 5/15-157	from Ch. 108 1/2, par. 15-157
13	40 ILCS 5/15-157.2 new	
14	40 ILCS 5/15-158.2	
15	40 ILCS 5/15-158.5 new	
16	40 ILCS 5/15-158.6 new	
17	40 ILCS 5/15-159	from Ch. 108 1/2, par. 15-159
18	40 ILCS 5/15-198	
19	40 ILCS 5/20-121	from Ch. 108 1/2, par. 20-121
20	40 ILCS 5/20-123	from Ch. 108 1/2, par. 20-123
21	40 ILCS 5/20-124	from Ch. 108 1/2, par. 20-124
22	40 ILCS 5/20-125	from Ch. 108 1/2, par. 20-125
23	30 ILCS 805/8.37 new	