

AN ACT concerning public employee benefits.

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

Section 1. Legislative statement.

At the time of passage of this amendatory Act of the 98th General Assembly, Illinois has both atypically large debts and structural budgetary imbalances that will, unless addressed by the General Assembly, lead to even greater and rapidly growing debts and deficits. Already, Illinois has the lowest credit rating of any state, and it faces the prospect of future credit downgrades that will further increase the high cost of borrowing.

The State has taken significant action to address these fiscal troubles, including, but not limited to, increasing the income tax and reducing pension benefits for future employees. Further, the State has enacted a series of budgets over the last several fiscal years that resulted in deep cuts to important discretionary programs that are essential to the people of Illinois.

At the time of passage of this amendatory Act of the 98th General Assembly, the State's retirement systems have unfunded actuarially accrued liabilities of approximately \$100 billion. Meanwhile, the State's annual pension contribution has substantially increased in recent years, and will continue to

increase in coming years. The General Assembly recognizes that without significant pension reform, the unfunded liability and the State's pension contribution will continue to grow, and further burden the fiscal stability of both the State and its retirement systems.

This amendatory Act of the 98th General Assembly is intended to address the fiscal issues facing the State and its retirement systems in a manner that is feasible, consistent with the Illinois Constitution, and advantageous to both the taxpayers and employees impacted by these changes. Having considered other alternatives that would not involve changes to the retirement systems, the General Assembly has determined that the fiscal problems facing the State and its retirement systems cannot be solved without making some changes to the structure of the retirement systems. As a result, this amendatory Act requires more fiscal responsibility of the State, while minimizing the impact on current and retired State employees.

Going forward, the automatic annual increase in retirement annuity will be based on a participant's years of service to the State and inflation, which more accurately reflects changes in the cost of living. For participants who have yet to receive an annuity, a pensionable salary cap will be imposed; however, it will only impact future salary increases that exceed a cap. Those workers 45 years of age and younger will be required to work an additional 4 months for each year under 46, which

results in a minimal increase in retirement age given that the life expectancy for a 45 year old is 87 years of age. Current employees will receive a 1% reduction in required employee contributions. With these changes, the State can adopt an actuarially sound funding formula that will result in the pension systems achieving 100% funding no later than 2044. The State will also make additional contributions that will considerably aid in reducing the unfunded actuarially accrued liability.

The General Assembly finds that this amendatory Act of the 98th General Assembly will lead to fiscal stability for the State and its pension systems.

Section 3. The Illinois Public Labor Relations Act is amended by changing Sections 4 and 15 and adding Section 7.5 as follows:

(5 ILCS 315/4) (from Ch. 48, par. 1604)

Sec. 4. Management Rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees, examination techniques and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages, hours

and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except as provided in Section 7.5.

To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages, hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, except as provided in Section 7.5.

The chief judge of the judicial circuit that employs a public employee who is a court reporter, as defined in the Court Reporters Act, has the authority to hire, appoint, promote, evaluate, discipline, and discharge court reporters within that judicial circuit.

Nothing in this amendatory Act of the 94th General Assembly shall be construed to intrude upon the judicial functions of any court. This amendatory Act of the 94th General Assembly applies only to nonjudicial administrative matters relating to the collective bargaining rights of court reporters.

(Source: P.A. 94-98, eff. 7-1-05.)

(5 ILCS 315/7.5 new)

Sec. 7.5. Duty to bargain regarding pension amendments.

(a) Notwithstanding any provision of this Act, employers shall not be required to bargain over matters affected by the changes, the impact of changes, and the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or Article 1 of that Code as it applies to those Articles, made by this amendatory Act of the 98th General Assembly, or over any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, which are prohibited subjects of bargaining; nor shall the changes, the impact of changes, or the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, be subject to interest arbitration or any award issued pursuant to interest arbitration. The provisions of this Section shall not apply to an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly. However, any such contract or agreement that is subsequently modified, amended, or renewed shall be subject to the provisions of this Section. The provisions of this Section shall also not apply to the ability of an employer and employee representative to bargain collectively with regard to the pick up of employee

contributions pursuant to Section 14-133.1, 15-157.1, or 16-152.1 of the Illinois Pension Code.

(b) Nothing in this Section, however, shall be construed as otherwise limiting any of the obligations and requirements applicable to each employer under any of the provisions of this Act, including, but not limited to, the requirement to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except for the matters deemed prohibited subjects of bargaining under subsection (a) of this Section. Nothing in this Section shall further be construed as otherwise limiting any of the rights of employees or employee representatives under the provisions of this Act, except for matters deemed prohibited subjects of bargaining under subsection (a) of this Section.

(c) In case of any conflict between this Section and any other provisions of this Act or any other law, the provisions of this Section shall control.

(5 ILCS 315/15) (from Ch. 48, par. 1615)

Sec. 15. Act Takes Precedence.

(a) In case of any conflict between the provisions of this Act and any other law (other than Section 5 of the State Employees Group Insurance Act of 1971 and other than the changes made to the Illinois Pension Code by Public Act 96-889 and other than as provided in Section 7.5 ~~this amendatory Act~~

~~of the 96th General Assembly~~), executive order or administrative regulation relating to wages, hours and conditions of employment and employment relations, the provisions of this Act or any collective bargaining agreement negotiated thereunder shall prevail and control. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Sections 28 and 28a of the Metropolitan Transit Authority Act, Sections 2.15 through 2.19 of the Regional Transportation Authority Act. The provisions of this Act are subject to Section 7.5 of this Act and Section 5 of the State Employees Group Insurance Act of 1971. Nothing in this Act shall be construed to replace the necessity of complaints against a sworn peace officer, as defined in Section 2(a) of the Uniform Peace Officer Disciplinary Act, from having a complaint supported by a sworn affidavit.

(b) Except as provided in subsection (a) above, any collective bargaining contract between a public employer and a labor organization executed pursuant to this Act shall supersede any contrary statutes, charters, ordinances, rules or regulations relating to wages, hours and conditions of employment and employment relations adopted by the public employer or its agents. Any collective bargaining agreement entered into prior to the effective date of this Act shall remain in full force during its duration.

(c) It is the public policy of this State, pursuant to paragraphs (h) and (i) of Section 6 of Article VII of the

Illinois Constitution, that the provisions of this Act are the exclusive exercise by the State of powers and functions which might otherwise be exercised by home rule units. Such powers and functions may not be exercised concurrently, either directly or indirectly, by any unit of local government, including any home rule unit, except as otherwise authorized by this Act.

(Source: P.A. 95-331, eff. 8-21-07; 96-889, eff. 1-1-11.)

Section 5. The Governor's Office of Management and Budget Act is amended by changing Sections 7 and 8 as follows:

(20 ILCS 3005/7) (from Ch. 127, par. 417)

Sec. 7. All statements and estimates of expenditures submitted to the Office in connection with the preparation of a State budget, and any other estimates of expenditures, supporting requests for appropriations, shall be formulated according to the various functions and activities for which the respective department, office or institution of the State government (including the elective officers in the executive department and including the University of Illinois and the judicial department) is responsible. All such statements and estimates of expenditures relating to a particular function or activity shall be further formulated or subject to analysis in accordance with the following classification of objects:

(1) Personal services

- (2) State contribution for employee group insurance
- (3) Contractual services
- (4) Travel
- (5) Commodities
- (6) Equipment
- (7) Permanent improvements
- (8) Land
- (9) Electronic Data Processing
- (10) Telecommunication services
- (11) Operation of Automotive Equipment
- (12) Contingencies
- (13) Reserve
- (14) Interest
- (15) Awards and Grants
- (16) Debt Retirement
- (17) Non-cost Charges~~-~~
- (18) State retirement contribution for annual normal cost
- (19) State retirement contribution for unfunded accrued liability.

(Source: P.A. 93-25, eff. 6-20-03.)

(20 ILCS 3005/8) (from Ch. 127, par. 418)

Sec. 8. When used in connection with a State budget or expenditure or estimate, items (1) through (16) in the classification of objects stated in Section 7 shall have the meanings ascribed to those items in Sections 14 through 24.7,

respectively, of the State Finance Act. ~~"An Act in relation to State finance", approved June 10, 1919, as amended.~~

When used in connection with a State budget or expenditure or estimate, items (18) and (19) in the classification of objects stated in Section 7 shall have the meanings ascribed to those items in Sections 24.12 and 24.13, respectively, of the State Finance Act.

(Source: P.A. 82-325.)

Section 7. The State Finance Act is amended by changing Section 13 and by adding Sections 24.12 and 24.13 as follows:

(30 ILCS 105/13) (from Ch. 127, par. 149)

Sec. 13. The objects and purposes for which appropriations are made are classified and standardized by items as follows:

- (1) Personal services;
- (2) State contribution for employee group insurance;
- (3) Contractual services;
- (4) Travel;
- (5) Commodities;
- (6) Equipment;
- (7) Permanent improvements;
- (8) Land;
- (9) Electronic Data Processing;
- (10) Operation of automotive equipment;
- (11) Telecommunications services;

(12) Contingencies;

(13) Reserve;

(14) Interest;

(15) Awards and Grants;

(16) Debt Retirement;

(17) Non-Cost Charges;

(18) State retirement contribution for annual normal cost;

(19) State retirement contribution for unfunded accrued liability;

(20) ~~(18)~~ Purchase Contract for Real Estate.

When an appropriation is made to an officer, department, institution, board, commission or other agency, or to a private association or corporation, in one or more of the items above specified, such appropriation shall be construed in accordance with the definitions and limitations specified in this Act, unless the appropriation act otherwise provides.

An appropriation for a purpose other than one specified and defined in this Act may be made only as an additional, separate and distinct item, specifically stating the object and purpose thereof.

(Source: P.A. 84-263; 84-264.)

(30 ILCS 105/24.12 new)

Sec. 24.12. "State retirement contribution for annual normal cost" defined. The term "State retirement contribution for annual normal cost" means the portion of the total required

State contribution to a retirement system for a fiscal year that represents the State's portion of the System's projected normal cost for that fiscal year, as determined and certified by the board of trustees of the retirement system in conformance with the applicable provisions of the Illinois Pension Code.

(30 ILCS 105/24.13 new)

Sec. 24.13. "State retirement contribution for unfunded accrued liability" defined. The term "State retirement contribution for unfunded accrued liability" means the portion of the total required State contribution to a retirement system for a fiscal year that is not included in the State retirement contribution for annual normal cost.

Section 10. The Budget Stabilization Act is amended by changing Sections 20 and 25 as follows:

(30 ILCS 122/20)

Sec. 20. Pension Stabilization Fund.

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

(b) For each fiscal year through State fiscal year 2014, when the General Assembly's appropriations and transfers or

diversions as required by law from general funds do not exceed 99% of the estimated general funds revenues pursuant to subsection (a) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 0.5% of the estimated general funds revenues to the Pension Stabilization Fund.

(c) For each fiscal year through State fiscal year 2014, when the General Assembly's appropriations and transfers or diversions as required by law from general funds do not exceed 98% of the estimated general funds revenues pursuant to subsection (b) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 1.0% of the estimated general funds revenues to the Pension Stabilization Fund.

(c-5) In addition to any other amounts required to be transferred under this Section, in State fiscal year 2016 and each fiscal year thereafter through State fiscal year 2045, or when each of the designated retirement systems, as defined in Section 25, has achieved 100% funding, whichever occurs first, the State Comptroller shall order transferred and the State Treasurer shall transfer from the General Revenue Fund to the Pension Stabilization Fund an amount equal to 10% of (1) the sum of the amounts certified by the designated retirement systems under subsection (a-5) of Section 2-134, subsection (a-10) of Section 14-135.08, subsection (a-10) of Section 15-165, and subsection (a-10) of Section 16-158 of this Code

for that fiscal year minus (2) the sum of (i) the transfer required under subsection (c-10) of this Section for that fiscal year and (ii) the sum of the required State contributions certified by the retirement systems under subsection (a) of Section 2-134, subsection (a-5) of Section 14-135.08, subsection (a-5) of Section 15-165, and subsection (a-5) of Section 16-158 of this Code for that fiscal year. The transferred amount is intended to represent one-tenth of the annual savings to the State resulting from the enactment of this amendatory Act of the 98th General Assembly.

(c-10) In State fiscal year 2019, the State Comptroller shall order transferred and the State Treasurer shall transfer \$364,000,000 from the General Revenue Fund to the Pension Stabilization Fund. In State fiscal year 2020 and each fiscal year thereafter until terminated under subsection (c-15), the State Comptroller shall order transferred and the State Treasurer shall transfer \$1,000,000,000 from the General Revenue Fund to the Pension Stabilization Fund.

(c-15) The transfers made beginning in State fiscal year 2020 pursuant to subsection (c-10) of this Section shall terminate at the end of State fiscal year 2045 or when each of the designated retirement systems, as defined in Section 25, has achieved 100% funding, whichever occurs first.

(d) The Comptroller shall transfer 1/12 of the total amount to be transferred each fiscal year under this Section into the Pension Stabilization Fund on the first day of each month of

that fiscal year or as soon thereafter as possible; except that the final transfer of the fiscal year shall be made as soon as practical after the August 31 following the end of the fiscal year.

Until State fiscal year 2015, before ~~Before~~ the final transfer for a fiscal year is made, the Comptroller shall reconcile the estimated general funds revenues used in calculating the other transfers under this Section for that fiscal year with the actual general funds revenues for that fiscal year. The final transfer for the fiscal year shall be adjusted so that the total amount transferred under this Section for that fiscal year is equal to the percentage specified in subsection (b) or (c) of this Section, whichever is applicable, of the actual general funds revenues for that fiscal year. The actual general funds revenues for the fiscal year shall be calculated in a manner consistent with subsection (c) of Section 10 of this Act.

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

(30 ILCS 122/25)

Sec. 25. Transfers from the Pension Stabilization Fund.

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

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

(2) the Teachers' Retirement System of the State of

Illinois;

- (3) the State Universities Retirement System;
- (4) the Judges Retirement System of Illinois; and
- (5) the General Assembly Retirement System.

(b) As soon as may be practical after any money is deposited into the Pension Stabilization Fund, the State Comptroller shall apportion the deposited amount among the designated retirement systems and the State Comptroller and State Treasurer shall pay the apportioned amounts to the designated retirement systems. The amount deposited shall be apportioned among the designated retirement systems in the same proportion as their respective portions of the total actuarial reserve deficiency of the designated retirement systems, as most recently determined by the Governor's Office of Management and Budget. Amounts received by a designated retirement system under this Section shall be used for funding the unfunded liabilities of the retirement system. Payments under this Section are authorized by the continuing appropriation under Section 1.7 of the State Pension Funds Continuing Appropriation Act.

(c) At the request of the State Comptroller, the Governor's Office of Management and Budget shall determine the individual and total actuarial reserve deficiencies of the designated retirement systems. For this purpose, the Governor's Office of Management and Budget shall consider the latest available audit and actuarial reports of each of the retirement systems and the

relevant reports and statistics of the Public Pension Division of the Department of Insurance ~~Financial and Professional Regulation~~.

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

Payments to the designated retirement systems under this Section received after the effective date of this amendatory Act of the 98th General Assembly, and any investment earnings attributable to such payments, do not reduce and do not constitute payment of any portion of the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in the current fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in any future fiscal year, until the designated retirement system has reached the targeted funding ratio as prescribed by law for that retirement system. Such payments may be invested in the same manner as other assets of the designated retirement system and shall be used in the calculation of the system's funding ratio for the purposes of this Section and Section 20 of this Act. Payments under this Section may be used for any associated administrative costs.

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

Section 15. The Illinois Pension Code is amended by changing Sections 1-103.3, 2-108, 2-108.1, 2-119, 2-119.1, 2-124, 2-125, 2-126, 2-134, 2-162, 7-109, 7-114, 7-116, 7-139, 9-219, 9-220, 14-103.10, 14-104.3, 14-106, 14-107, 14-108, 14-110, 14-114, 14-115, 14-131, 14-132, 14-133, 14-135.08, 14-152.1, 15-106, 15-107, 15-111, 15-112, 15-113.4, 15-125, 15-135, 15-136, 15-155, 15-156, 15-157, 15-165, 15-198, 16-106, 16-112, 16-121, 16-127, 16-132, 16-133, 16-133.1, 16-133.2, 16-136.1, 16-152, 16-158, 16-203, 17-116, 17-134, 20-106, 20-121, 20-123, 20-124, and 20-125 and by adding Sections 2-105.1, 2-105.2, 2-126.5, 2-165, 2-166, 14-103.40, 14-133.5, 14-155, 14-156, 15-157.5, 15-200, 15-201, 16-106.4, 16-152.5, 16-158.2, 16-205, and 16-206 as follows:

(40 ILCS 5/1-103.3)

Sec. 1-103.3. Application of 1994 amendment; funding standard.

(a) The provisions of Public Act 88-593 ~~this amendatory Act of 1994~~ that change the method of calculating, certifying, and paying the required State contributions to the retirement systems established under Articles 2, 14, 15, 16, and 18 shall first apply to the State contributions required for State fiscal year 1996.

(b) (Blank) ~~The General Assembly declares that a funding ratio (the ratio of a retirement system's total assets to its total actuarial liabilities) of 90% is an appropriate goal for~~

~~State-funded retirement systems in Illinois, and it finds that a funding ratio of 90% is now the generally recognized norm throughout the nation for public employee retirement systems that are considered to be financially secure and funded in an appropriate and responsible manner.~~

(c) Every 5 years, beginning in 1999, the Commission on Government Forecasting and Accountability, in consultation with the affected retirement systems and the Governor's Office of Management and Budget (formerly Bureau of the Budget), shall consider and determine whether the funding goals ~~90% funding ratio~~ adopted in Articles 2, 14, 15, 16, and 18 of this Code ~~continue subsection (b) continues~~ to represent ~~an~~ appropriate funding goals ~~goal~~ for those ~~State-funded~~ retirement systems ~~in Illinois~~, and it shall report its findings and recommendations on this subject to the Governor and the General Assembly.

(Source: P.A. 93-1067, eff. 1-15-05.)

(40 ILCS 5/2-105.1 new)

Sec. 2-105.1. Tier 1 participant; Tier 2 participant.

"Tier 1 participant": A participant who first became a participant before January 1, 2011.

"Tier 2 participant": A participant who first became a participant on or after January 1, 2011.

(40 ILCS 5/2-105.2 new)

Sec. 2-105.2. Tier 1 retiree. "Tier 1 retiree" means a

former Tier 1 participant who has made the election to retire and has terminated service.

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

Sec. 2-108. Salary. "Salary": (1) For members of the General Assembly, the total compensation paid to the member by the State for one year of service, including the additional amounts, if any, paid to the member as an officer pursuant to Section 1 of "An Act in relation to the compensation and emoluments of the members of the General Assembly", approved December 6, 1907, as now or hereafter amended.

(2) For the State executive officers specified in Section 2-105, the total compensation paid to the member for one year of service.

(3) For members of the System who are participants under Section 2-117.1, or who are serving as Clerk or Assistant Clerk of the House of Representatives or Secretary or Assistant Secretary of the Senate, the total compensation paid to the member for one year of service, but not to exceed the salary of the highest salaried officer of the General Assembly.

However, in the event that federal law results in any participant receiving imputed income based on the value of group term life insurance provided by the State, such imputed income shall not be included in salary for the purposes of this Article.

Notwithstanding any other provision of this Code, the

annual salary of a Tier 1 participant for the purposes of this Code shall not exceed, for periods of service in a term of office beginning on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual limitation determined from time to time under subsection (b-5) of Section 1-160 of this Code or (ii) the annualized salary of the participant on the last day of that participant's last term of office beginning before that effective date.

(Source: P.A. 86-27; 86-273; 86-1028; 86-1488.)

(40 ILCS 5/2-108.1) (from Ch. 108 1/2, par. 2-108.1)

Sec. 2-108.1. Highest salary for annuity purposes.

(a) "Highest salary for annuity purposes" means whichever of the following is applicable to the participant:

For a participant who first becomes a participant of this System before August 10, 2009 (the effective date of Public Act 96-207):

(1) For a participant who is a member of the General Assembly on his or her last day of service: the highest salary that is prescribed by law, on the participant's last day of service, for a member of the General Assembly who is not an officer; plus, if the participant was elected or appointed to serve as an officer of the General Assembly for 2 or more years and has made contributions as required under subsection (d) of Section 2-126, the highest

additional amount of compensation prescribed by law, at the time of the participant's service as an officer, for members of the General Assembly who serve in that office.

(2) For a participant who holds one of the State executive offices specified in Section 2-105 on his or her last day of service: the highest salary prescribed by law for service in that office on the participant's last day of service.

(3) For a participant who is Clerk or Assistant Clerk of the House of Representatives or Secretary or Assistant Secretary of the Senate on his or her last day of service: the salary received for service in that capacity on the last day of service, but not to exceed the highest salary (including additional compensation for service as an officer) that is prescribed by law on the participant's last day of service for the highest paid officer of the General Assembly.

(4) For a participant who is a continuing participant under Section 2-117.1 on his or her last day of service: the salary received for service in that capacity on the last day of service, but not to exceed the highest salary (including additional compensation for service as an officer) that is prescribed by law on the participant's last day of service for the highest paid officer of the General Assembly.

For a participant who first becomes a participant of this

System on or after August 10, 2009 (the effective date of Public Act 96-207) and before January 1, 2011 (the effective date of Public Act 96-889), the average monthly salary obtained by dividing the total salary of the participant during the period of: (1) the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or (2) the total period of service, if less than 48 months, by the number of months of service in that period.

Except as otherwise provided below, for a Tier 2 ~~For a~~ participant who first becomes a participant of this System on or after January 1, 2011 (the effective date of Public Act 96-889), the average monthly salary obtained by dividing the total salary of the participant during the 96 consecutive months of service within the last 120 months of service in which the total compensation was the highest by the number of months of service in that period; however, for periods of service in a term of office beginning on or after January 1, 2011 and before the effective date of this amendatory Act of the 98th General Assembly, the highest salary for annuity purposes may not exceed \$106,800, except that that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1. "Consumer price index-u" means the index published by the Bureau of Labor Statistics of

the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the Board by November 1 of each year until there is no longer any such participant who is in service in a term of office that began before the effective date of this amendatory Act of the 98th General Assembly.

Notwithstanding any other provision of this Section, in determining the highest salary for annuity purposes of a Tier 2 participant who is in service in a term of office beginning on or after the effective date of this amendatory Act of the 98th General Assembly, the Tier 2 participant's salary for periods of service in a term of office beginning on or after that effective date shall not exceed the limitation on salary determined from time to time under subsection (b-5) of Section 1-160 of this Code.

(b) The earnings limitations of subsection (a) apply to earnings under any other participating system under the Retirement Systems Reciprocal Act that are considered in calculating a proportional annuity under this Article, except in the case of a person who first became a member of this System before August 22, 1994 and has not, on or after the effective date of this amendatory Act of the 97th General Assembly, irrevocably elected to have those limitations apply.

The limitations of subsection (a) shall apply, however, to earnings under any other participating system under the Retirement Systems Reciprocal Act that are considered in calculating the proportional annuity of a person who first became a member of this System before August 22, 1994 if, on or after the effective date of this amendatory Act of the 97th General Assembly, that member irrevocably elects to have those limitations apply.

(c) In calculating the subsection (a) earnings limitation to be applied to earnings under any other participating system under the Retirement Systems Reciprocal Act for the purpose of calculating a proportional annuity under this Article, the participant's last day of service shall be deemed to mean the last day of service in any participating system from which the person has applied for a proportional annuity under the Retirement Systems Reciprocal Act.

(Source: P.A. 96-207, eff. 8-10-09; 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11; 97-967, eff. 8-16-12.)

(40 ILCS 5/2-119) (from Ch. 108 1/2, par. 2-119)

Sec. 2-119. Retirement annuity - conditions for eligibility.

(a) A participant whose service as a member is terminated, regardless of age or cause, is entitled to a retirement annuity beginning on the date specified by the participant in a written application subject to the following conditions:

1. The date the annuity begins does not precede the date of final termination of service, or is not more than 30 days before the receipt of the application by the board in the case of annuities based on disability or one year before the receipt of the application in the case of annuities based on attained age;

2. The participant meets one of the following eligibility requirements:

For a participant who first becomes a participant of this System before January 1, 2011 (the effective date of Public Act 96-889):

(A) He or she has attained age 55 and has at least 8 years of service credit;

(B) He or she has attained age 62 and terminated service after July 1, 1971 with at least 4 years of service credit; or

(C) He or she has completed 8 years of service and has become permanently disabled and as a consequence, is unable to perform the duties of his or her office.

For a participant who first becomes a participant of this System on or after January 1, 2011 (the effective date of Public Act 96-889), he or she has attained age 67 and has at least 8 years of service credit.

(a-1) Notwithstanding subsection (a) of this Section, for a Tier 1 participant who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required

retirement age under subsection (a) is increased as follows, based on the Tier 1 participant's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (a) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 48 months.

(14) If he or she is at least age 33 but less than age 34 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (a-1) applies without regard to whether or not the Tier 1 participant

is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-5) A participant who first becomes a participant of this System on or after January 1, 2011 (the effective date of Public Act 96-889) who has attained age 62 and has at least 8 years of service credit may elect to receive the lower retirement annuity provided in paragraph (c) of Section 2-119.01 of this Code.

(b) A participant shall be considered permanently disabled only if: (1) disability occurs while in service and is of such a nature as to prevent him or her from reasonably performing the duties of his or her office at the time; and (2) the board has received a written certificate by at least 2 licensed physicians appointed by the board stating that the member is disabled and that the disability is likely to be permanent.

(Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11.)

(40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

Sec. 2-119.1. Automatic increase in retirement annuity.

(a) Except as otherwise provided in this Section, a A participant who retires after June 30, 1967, and who has not received an initial increase under this Section before the effective date of this amendatory Act of 1991, shall, in January or July next following the first anniversary of retirement, whichever occurs first, and in the same month of

each year thereafter, but in no event prior to age 60, have the amount of the originally granted retirement annuity increased as follows: for each year through 1971, 1 1/2%; for each year from 1972 through 1979, 2%; and for 1980 and each year thereafter, 3%. Annuitants who have received an initial increase under this subsection prior to the effective date of this amendatory Act of 1991 shall continue to receive their annual increases in the same month as the initial increase.

(a-1) Notwithstanding subsection (a), but subject to the provisions of subsection (a-2), for a Tier 1 retiree, all automatic increases payable under subsection (a) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (a-1) shall be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (a-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods

and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (a-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-2) Notwithstanding subsections (a) and (a-1), for an active or inactive Tier 1 participant who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than

age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (a-2) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) Beginning January 1, 1990, for eligible participants who remain in service after attaining 20 years of creditable service, the ~~3%~~ increases provided under subsection (a) shall begin to accrue on the January 1 next following the date upon which the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later, and shall continue to accrue while the participant remains in service; such increases shall become payable on January 1 or July 1, whichever occurs first, next following the first anniversary of retirement. For any person who has service credit in the System for the entire period from January 15, 1969 through December 31, 1992, regardless of the date of termination of service, the reference to age 55 in clause (1) of this subsection (b) shall be deemed to mean age 50. The increases accruing under this subsection (b) after the effective date of this amendatory Act of the 98th General Assembly shall accrue at the rate provided

in subsection (a-1).

This subsection (b) does not apply to any person who first becomes a member of the System after the effective date of this amendatory Act of the 93rd General Assembly.

(b-5) Notwithstanding any other provision of this Section Article, a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act 96-889) shall, in January or July next following the first anniversary of retirement, whichever occurs first, and in the same month of each year thereafter, but in no event prior to age 67, have the amount of the retirement annuity then being paid increased by an amount calculated as a percentage of the originally granted retirement annuity, equal to 3% or one-half of the annual unadjusted percentage increase (but not less than zero) in the Consumer Price Index for All Urban Consumers for the 12 months ending with the preceding September, as determined by the Public Pension Division of the Department of Insurance and reported to the System by November 1 of each year ~~under subsection (a) of Section 2-108.1,~~ whichever is less.

The changes made to this subsection (b-5) by this amendatory Act of the 98th General Assembly shall apply to increases provided under this subsection on or after the effective date of this amendatory Act without regard to whether service terminated before that effective date.

(c) The foregoing provisions relating to automatic increases are not applicable to a participant who retires

before having made contributions (at the rate prescribed in Section 2-126) for automatic increases for less than the equivalent of one full year. However, in order to be eligible for the automatic increases, such a participant may make arrangements to pay to the system the amount required to bring the total contributions for the automatic increase to the equivalent of one year's contributions based upon his or her last salary.

(d) A participant who terminated service prior to July 1, 1967, with at least 14 years of service is entitled to an increase in retirement annuity beginning January, 1976, and to additional increases in January of each year thereafter.

The initial increase shall be 1 1/2% of the originally granted retirement annuity multiplied by the number of full years that the annuitant was in receipt of such annuity prior to January 1, 1972, plus 2% of the originally granted retirement annuity for each year after that date. The subsequent annual increases shall be at the rate of 2% of the originally granted retirement annuity for each year through 1979 and at the rate of 3% for 1980 and thereafter. The increases provided under this subsection (d) on or after the effective date of this amendatory Act of the 98th General Assembly shall be at the rate provided in subsection (a-1), notwithstanding that service terminated before that effective date.

(e) Except as may be provided in subsection (b-5),

beginning ~~Beginning~~ January 1, 1990, all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including previous increases granted under this Article.

(Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11.)

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

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

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

(c) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient

to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through 2014 ~~2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is

\$4,157,000.

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section 2-134 and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of

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

Beginning in State fiscal year 2045, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total actuarial liabilities of the System.

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the

required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2014, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(d) For purposes of determining the required State contribution to the System, the value of the System's assets

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

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

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

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

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

Sec. 2-125. Obligations of State; funding guarantee.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses of administration and operation are obligations of the State to the extent specified in this Article.

(b) All income, interest and dividends derived from deposits and investments shall be credited to the account of the system in the State Treasury and used to pay benefits under

this Article.

(c) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 2-124 and the State fails to pay that voucher within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (c) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of

Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 2-124.

(d) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law, if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System

files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (d) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (d) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(e) Any payments and transfers required to be made by the State pursuant to subsection (c) or (d) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity.

Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

(Source: P.A. 83-1440.)

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

Sec. 2-126. Contributions by participants.

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

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

A participant who has no eligible survivor's annuity beneficiary may elect to cease making contributions for survivor's annuity under this subsection. A survivor's annuity shall not be payable upon the death of a person who has made this election, unless prior to that death the election has been

revoked and the amount of the contributions that would have been paid under this subsection in the absence of the election is paid to the System, together with interest at the rate of 4% per year from the date the contributions would have been made to the date of payment.

(c) Beginning July 1, 1967 and, in the case of Tier 1 participants, ending on June 30, 2014, each participant shall contribute 1% of salary towards the cost of automatic increase in annuity provided in Section 2-119.1. These contributions shall be made concurrently with contributions for retirement annuity purposes.

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

corresponding employer contributions, as calculated by the System.

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

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

(40 ILCS 5/2-126.5 new)

Sec. 2-126.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

(40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

Sec. 2-134. To certify required State contributions and submit vouchers.

(a) The Board shall certify to the Governor on or before December 15 of each year until December 15, 2011 the amount of the required State contribution to the System for the next fiscal year and shall specifically identify the System's projected State normal cost for that fiscal year. The certification shall include a copy of the actuarial

recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year.

On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions. On or before January 15, 2013 and every January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking

into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

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

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

(a-5) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every

January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (d) of Section

6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(c) The full amount of any annual appropriation for the System for State fiscal year 1995 shall be transferred and made available to the System at the beginning of that fiscal year at the request of the Board. Any excess funds remaining at the end of any fiscal year from appropriations shall be retained by the System as a general reserve to meet the System's accrued liabilities.

(Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 97-694, eff. 6-18-12.)

(40 ILCS 5/2-162)

Sec. 2-162. Application and expiration of new benefit increases.

(a) As used in this Section, "new benefit increase" means

an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after the effective date of this amendatory Act of the 94th General Assembly. "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article by this amendatory Act of the 98th General Assembly.

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

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

Every new benefit increase is contingent upon the General Assembly providing the additional funding required under this subsection. The Commission on Government Forecasting and Accountability shall analyze whether adequate additional funding has been provided for the new benefit increase and shall report its analysis to the Public Pension Division of the Department of Insurance ~~Financial and Professional Regulation~~. A new benefit increase created by a Public Act that does not include the additional funding required under this subsection

is null and void. If the Public Pension Division determines that the additional funding provided for a new benefit increase under this subsection is or has become inadequate, it may so certify to the Governor and the State Comptroller and, in the absence of corrective action by the General Assembly, the new benefit increase shall expire at the end of the fiscal year in which the certification is made.

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

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

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

Sec. 2-165. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 participants. The System shall determine the 5% cap by the number of active Tier 1 participants on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 participants who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 participant of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as Tier 1 participants in this System who do not participate in the defined contribution plan.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of compensation and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 participants in the defined benefit plan for that year, as determined by the System and expressed as a percentage of compensation, and shall be no lower than 3% of compensation. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for defined disability benefits. If it does, the System shall reduce the employee contributions credited to the participant's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments handled by the Illinois State Board of Investment as well as private sector investment options.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their

survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the participant's defined contribution plan account by an amount determined by the System to cover the cost of offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 participants of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible active Tier 1 participant may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution

plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 participant who is eligible to participate in the defined contribution plan. The System shall mail information describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan, including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the participant's defined benefits at retirement or earlier termination of service and the value of the participant's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 participants who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and

financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined contribution plan and the System's plans for informing eligible Tier 1 participants about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) The Illinois State Board of Investments shall be the plan sponsor for the defined contribution plan established under this Section.

(i) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost

is necessary to ensure cost neutrality.

(40 ILCS 5/2-166 new)

Sec. 2-166. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 participant in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to recover the amounts in the participant's defined contribution accounts.

(40 ILCS 5/7-109) (from Ch. 108 1/2, par. 7-109)

Sec. 7-109. Employee.

(1) "Employee" means any person who:

(a) 1. Receives earnings as payment for the performance of personal services or official duties out of the general fund of a municipality, or out of any special fund or funds controlled by a municipality, or by an instrumentality thereof, or a participating instrumentality, including, in counties, the fees or earnings of any county fee office; and

2. Under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee with a municipality, or any

instrumentality thereof, or a participating instrumentality, including aldermen, county supervisors and other persons (excepting those employed as independent contractors) who are paid compensation, fees, allowances or other emolument for official duties, and, in counties, the several county fee offices.

(b) Serves as a township treasurer appointed under the School Code, as heretofore or hereafter amended, and who receives for such services regular compensation as distinguished from per diem compensation, and any regular employee in the office of any township treasurer whether or not his earnings are paid from the income of the permanent township fund or from funds subject to distribution to the several school districts and parts of school districts as provided in the School Code, or from both such sources; or is the chief executive officer, chief educational officer, chief fiscal officer, or other employee of a Financial Oversight Panel established pursuant to Article 1H of the School Code, other than a superintendent or certified school business official, except that such person shall not be treated as an employee under this Section if that person has negotiated with the Financial Oversight Panel, in conjunction with the school district, a contractual agreement for exclusion from this Section.

(c) Holds an elective office in a municipality,

instrumentality thereof or participating instrumentality.

(2) "Employee" does not include persons who:

(a) Are eligible for inclusion under any of the following laws:

1. "An Act in relation to an Illinois State Teachers' Pension and Retirement Fund", approved May 27, 1915, as amended;

2. Articles 15 and 16 of this Code.

However, such persons shall be included as employees to the extent of earnings that are not eligible for inclusion under the foregoing laws for services not of an instructional nature of any kind.

However, any member of the armed forces who is employed as a teacher of subjects in the Reserve Officers Training Corps of any school and who is not certified under the law governing the certification of teachers shall be included as an employee.

(b) Are designated by the governing body of a municipality in which a pension fund is required by law to be established for policemen or firemen, respectively, as performing police or fire protection duties, except that when such persons are the heads of the police or fire department and are not eligible to be included within any such pension fund, they shall be included within this Article; provided, that such persons shall not be excluded to the extent of concurrent service and earnings not

designated as being for police or fire protection duties. However, (i) any head of a police department who was a participant under this Article immediately before October 1, 1977 and did not elect, under Section 3-109 of this Act, to participate in a police pension fund shall be an "employee", and (ii) any chief of police who elects to participate in this Fund under Section 3-109.1 of this Code, regardless of whether such person continues to be employed as chief of police or is employed in some other rank or capacity within the police department, shall be an employee under this Article for so long as such person is employed to perform police duties by a participating municipality and has not lawfully rescinded that election.

(c) After August 26, 2011 (the effective date of Public Act 97-609), are contributors to or eligible to contribute to a Taft-Hartley pension plan established on or before June 1, 2011 and are employees of a theatre, arena, or convention center that is located in a municipality located in a county with a population greater than 5,000,000, and to which the participating municipality is required to contribute as the person's employer based on earnings from the municipality. Nothing in this paragraph shall affect service credit or creditable service for any period of service prior to August 26, 2011, and this paragraph shall not apply to individuals who are participating in the Fund prior to August 26, 2011.

(d) Become an employee of any of the following participating instrumentalities on or after the effective date of this amendatory Act of the 98th General Assembly: the Illinois Municipal League; the Illinois Association of Park Districts; the Illinois Supervisors, County Commissioners and Superintendents of Highways Association; an association, or not-for-profit corporation, membership in which is authorized under Section 85-15 of the Township Code; the United Counties Council; or the Will County Governmental League.

(3) All persons, including, without limitation, public defenders and probation officers, who receive earnings from general or special funds of a county for performance of personal services or official duties within the territorial limits of the county, are employees of the county (unless excluded by subsection (2) of this Section) notwithstanding that they may be appointed by and are subject to the direction of a person or persons other than a county board or a county officer. It is hereby established that an employer-employee relationship under the usual common law rules exists between such employees and the county paying their salaries by reason of the fact that the county boards fix their rates of compensation, appropriate funds for payment of their earnings and otherwise exercise control over them. This finding and this amendatory Act shall apply to all such employees from the date of appointment whether such date is prior to or after the

effective date of this amendatory Act and is intended to clarify existing law pertaining to their status as participating employees in the Fund.

(Source: P.A. 97-429, eff. 8-16-11; 97-609, eff. 8-26-11; 97-813, eff. 7-13-12.)

(40 ILCS 5/7-114) (from Ch. 108 1/2, par. 7-114)

Sec. 7-114. Earnings. "Earnings":

(a) An amount to be determined by the board, equal to the sum of:

1. The total amount of money paid to an employee for personal services or official duties as an employee (except those employed as independent contractors) paid out of the general fund, or out of any special funds controlled by the municipality, or by any instrumentality thereof, or participating instrumentality, including compensation, fees, allowances, or other emolument paid for official duties (but not including automobile maintenance, travel expense, or reimbursements for expenditures incurred in the performance of duties or, in the case of a person who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, payments for unused sick or vacation time) and, for fee offices, the fees or earnings of the offices to the extent such fees are paid out of funds controlled by the municipality, or instrumentality or participating

instrumentality; and

2. The money value, as determined by rules prescribed by the governing body of the municipality, or instrumentality thereof, of any board, lodging, fuel, laundry, and other allowances provided an employee in lieu of money.

(b) For purposes of determining benefits payable under this fund payments to a person who is engaged in an independently established trade, occupation, profession or business and who is paid for his service on a basis other than a monthly or other regular salary, are not earnings.

(c) If a disabled participating employee is eligible to receive Workers' Compensation for an accidental injury and the participating municipality or instrumentality which employed the participating employee when injured continues to pay the participating employee regular salary or other compensation or pays the employee an amount in excess of the Workers' Compensation amount, then earnings shall be deemed to be the total payments, including an amount equal to the Workers' Compensation payments. These payments shall be subject to employee contributions and allocated as if paid to the participating employee when the regular payroll amounts would have been paid if the participating employee had continued working, and creditable service shall be awarded for this period.

(d) If an elected official who is a participating employee

becomes disabled but does not resign and is not removed from office, then earnings shall include all salary payments made for the remainder of that term of office and the official shall be awarded creditable service for the term of office.

(e) If a participating employee is paid pursuant to "An Act to provide for the continuation of compensation for law enforcement officers, correctional officers and firemen who suffer disabling injury in the line of duty", approved September 6, 1973, as amended, the payments shall be deemed earnings, and the participating employee shall be awarded creditable service for this period.

(f) Additional compensation received by a person while serving as a supervisor of assessments, assessor, deputy assessor or member of a board of review from the State of Illinois pursuant to Section 4-10 or 4-15 of the Property Tax Code shall not be earnings for purposes of this Article and shall not be included in the contribution formula or calculation of benefits for such person pursuant to this Article.

(Source: P.A. 87-740; 88-670, eff. 12-2-94.)

(40 ILCS 5/7-116) (from Ch. 108 1/2, par. 7-116)

Sec. 7-116. "Final rate of earnings":

(a) For retirement and survivor annuities, the monthly earnings obtained by dividing the total earnings received by the employee during the period of either (1) the 48 consecutive

months of service within the last 120 months of service in which his total earnings were the highest or (2) the employee's total period of service, by the number of months of service in such period.

(b) For death benefits, the higher of the rate determined under paragraph (a) of this Section or total earnings received in the last 12 months of service divided by twelve. If the deceased employee has less than 12 months of service, the monthly final rate shall be the monthly rate of pay the employee was receiving when he began service.

(c) For disability benefits, the total earnings of a participating employee in the last 12 calendar months of service prior to the date he becomes disabled divided by 12.

(d) In computing the final rate of earnings: (1) the earnings rate for all periods of prior service shall be considered equal to the average earnings rate for the last 3 calendar years of prior service for which creditable service is received under Section 7-139 or, if there is less than 3 years of creditable prior service, the average for the total prior service period for which creditable service is received under Section 7-139; (2) for out of state service and authorized leave, the earnings rate shall be the rate upon which service credits are granted; (3) periods of military leave shall not be considered; (4) the earnings rate for all periods of disability shall be considered equal to the rate of earnings upon which the employee's disability benefits are computed for such

periods; (5) the earnings to be considered for each of the final three months of the final earnings period for persons who first became participants before January 1, 2012 and the earnings to be considered for each of the final 24 months for participants who first become participants on or after January 1, 2012 shall not exceed 125% of the highest earnings of any other month in the final earnings period; ~~and~~ (6) the annual amount of final rate of earnings shall be the monthly amount multiplied by the number of months of service normally required by the position in a year; and (7) in the case of a person who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, payments for unused sick or vacation time shall not be considered.

(Source: P.A. 97-609, eff. 1-1-12.)

(40 ILCS 5/7-139) (from Ch. 108 1/2, par. 7-139)

Sec. 7-139. Credits and creditable service to employees.

(a) Each participating employee shall be granted credits and creditable service, for purposes of determining the amount of any annuity or benefit to which he or a beneficiary is entitled, as follows:

1. For prior service: Each participating employee who is an employee of a participating municipality or participating instrumentality on the effective date shall be granted creditable service, but no credits under paragraph 2 of this subsection (a), for periods of prior

service for which credit has not been received under any other pension fund or retirement system established under this Code, as follows:

If the effective date of participation for the participating municipality or participating instrumentality is on or before January 1, 1998, creditable service shall be granted for the entire period of prior service with that employer without any employee contribution.

If the effective date of participation for the participating municipality or participating instrumentality is after January 1, 1998, creditable service shall be granted for the last 20% of the period of prior service with that employer, but no more than 5 years, without any employee contribution. A participating employee may establish creditable service for the remainder of the period of prior service with that employer by making an application in writing, accompanied by payment of an employee contribution in an amount determined by the Fund, based on the employee contribution rates in effect at the time of application for the creditable service and the employee's salary rate on the effective date of participation for that employer, plus interest at the effective rate from the date of the prior service to the date of payment. Application for this creditable service may be made at any time while the employee is still in

service.

A municipality that (i) has at least 35 employees; (ii) is located in a county with at least 2,000,000 inhabitants; and (iii) maintains an independent defined benefit pension plan for the benefit of its eligible employees may restrict creditable service in whole or in part for periods of prior service with the employer if the governing body of the municipality adopts an irrevocable resolution to restrict that creditable service and files the resolution with the board before the municipality's effective date of participation.

Any person who has withdrawn from the service of a participating municipality or participating instrumentality prior to the effective date, who reenters the service of the same municipality or participating instrumentality after the effective date and becomes a participating employee is entitled to creditable service for prior service as otherwise provided in this subdivision (a)(1) only if he or she renders 2 years of service as a participating employee after the effective date. Application for such service must be made while in a participating status. The salary rate to be used in the calculation of the required employee contribution, if any, shall be the employee's salary rate at the time of first reentering service with the employer after the employer's effective date of participation.

2. For current service, each participating employee shall be credited with:

a. Additional credits of amounts equal to each payment of additional contributions received from him under Section 7-173, as of the date the corresponding payment of earnings is payable to him.

b. Normal credits of amounts equal to each payment of normal contributions received from him, as of the date the corresponding payment of earnings is payable to him, and normal contributions made for the purpose of establishing out-of-state service credits as permitted under the conditions set forth in paragraph 6 of this subsection (a).

c. Municipality credits in an amount equal to 1.4 times the normal credits, except those established by out-of-state service credits, as of the date of computation of any benefit if these credits would increase the benefit.

d. Survivor credits equal to each payment of survivor contributions received from the participating employee as of the date the corresponding payment of earnings is payable, and survivor contributions made for the purpose of establishing out-of-state service credits.

3. For periods of temporary and total and permanent disability benefits, each employee receiving disability

benefits shall be granted creditable service for the period during which disability benefits are payable. Normal and survivor credits, based upon the rate of earnings applied for disability benefits, shall also be granted if such credits would result in a higher benefit to any such employee or his beneficiary.

4. For authorized leave of absence without pay: A participating employee shall be granted credits and creditable service for periods of authorized leave of absence without pay under the following conditions:

a. An application for credits and creditable service is submitted to the board while the employee is in a status of active employment.

b. Not more than 12 complete months of creditable service for authorized leave of absence without pay shall be counted for purposes of determining any benefits payable under this Article.

c. Credits and creditable service shall be granted for leave of absence only if such leave is approved by the governing body of the municipality, including approval of the estimated cost thereof to the municipality as determined by the fund, and employee contributions, plus interest at the effective rate applicable for each year from the end of the period of leave to date of payment, have been paid to the fund in accordance with Section 7-173. The contributions shall

be computed upon the assumption earnings continued during the period of leave at the rate in effect when the leave began.

d. Benefits under the provisions of Sections 7-141, 7-146, 7-150 and 7-163 shall become payable to employees on authorized leave of absence, or their designated beneficiary, only if such leave of absence is creditable hereunder, and if the employee has at least one year of creditable service other than the service granted for leave of absence. Any employee contributions due may be deducted from any benefits payable.

e. No credits or creditable service shall be allowed for leave of absence without pay during any period of prior service.

5. For military service: The governing body of a municipality or participating instrumentality may elect to allow creditable service to participating employees who leave their employment to serve in the armed forces of the United States for all periods of such service, provided that the person returns to active employment within 90 days after completion of full time active duty, but no creditable service shall be allowed such person for any period that can be used in the computation of a pension or any other pay or benefit, other than pay for active duty, for service in any branch of the armed forces of the United

States. If necessary to the computation of any benefit, the board shall establish municipality credits for participating employees under this paragraph on the assumption that the employee received earnings at the rate received at the time he left the employment to enter the armed forces. A participating employee in the armed forces shall not be considered an employee during such period of service and no additional death and no disability benefits are payable for death or disability during such period.

Any participating employee who left his employment with a municipality or participating instrumentality to serve in the armed forces of the United States and who again became a participating employee within 90 days after completion of full time active duty by entering the service of a different municipality or participating instrumentality, which has elected to allow creditable service for periods of military service under the preceding paragraph, shall also be allowed creditable service for his period of military service on the same terms that would apply if he had been employed, before entering military service, by the municipality or instrumentality which employed him after he left the military service and the employer costs arising in relation to such grant of creditable service shall be charged to and paid by that municipality or instrumentality.

Notwithstanding the foregoing, any participating

employee shall be entitled to creditable service as required by any federal law relating to re-employment rights of persons who served in the United States Armed Services. Such creditable service shall be granted upon payment by the member of an amount equal to the employee contributions which would have been required had the employee continued in service at the same rate of earnings during the military leave period, plus interest at the effective rate.

5.1. In addition to any creditable service established under paragraph 5 of this subsection (a), creditable service may be granted for up to 48 months of service in the armed forces of the United States.

In order to receive creditable service for military service under this paragraph 5.1, a participating employee must (1) apply to the Fund in writing and provide evidence of the military service that is satisfactory to the Board; (2) obtain the written approval of the current employer; and (3) make contributions to the Fund equal to (i) the employee contributions that would have been required had the service been rendered as a member, plus (ii) an amount determined by the board to be equal to the employer's normal cost of the benefits accrued for that military service, plus (iii) interest on items (i) and (ii) from the date of first membership in the Fund to the date of payment. The required interest shall be calculated at the

regular interest rate.

The changes made to this paragraph 5.1 by Public Acts 95-483 and 95-486 apply only to participating employees in service on or after August 28, 2007 (the effective date of those Public Acts).

6. For out-of-state service: Creditable service shall be granted for service rendered to an out-of-state local governmental body under the following conditions: The employee had participated and has irrevocably forfeited all rights to benefits in the out-of-state public employees pension system; the governing body of his participating municipality or instrumentality authorizes the employee to establish such service; the employee has 2 years current service with this municipality or participating instrumentality; the employee makes a payment of contributions, which shall be computed at 8% (normal) plus 2% (survivor) times length of service purchased times the average rate of earnings for the first 2 years of service with the municipality or participating instrumentality whose governing body authorizes the service established plus interest at the effective rate on the date such credits are established, payable from the date the employee completes the required 2 years of current service to date of payment. In no case shall more than 120 months of creditable service be granted under this provision.

7. For retroactive service: Any employee who could have

but did not elect to become a participating employee, or who should have been a participant in the Municipal Public Utilities Annuity and Benefit Fund before that fund was superseded, may receive creditable service for the period of service not to exceed 50 months; however, a current or former elected or appointed official of a participating municipality may establish credit under this paragraph 7 for more than 50 months of service as an official of that municipality, if the excess over 50 months is approved by resolution of the governing body of the affected municipality filed with the Fund before January 1, 2002.

Any employee who is a participating employee on or after September 24, 1981 and who was excluded from participation by the age restrictions removed by Public Act 82-596 may receive creditable service for the period, on or after January 1, 1979, excluded by the age restriction and, in addition, if the governing body of the participating municipality or participating instrumentality elects to allow creditable service for all employees excluded by the age restriction prior to January 1, 1979, for service during the period prior to that date excluded by the age restriction. Any employee who was excluded from participation by the age restriction removed by Public Act 82-596 and who is not a participating employee on or after September 24, 1981 may receive creditable service for service after January 1, 1979. Creditable service under

this paragraph shall be granted upon payment of the employee contributions which would have been required had he participated, with interest at the effective rate for each year from the end of the period of service established to date of payment.

8. For accumulated unused sick leave: A participating employee who first becomes a participating employee before the effective date of this amendatory Act of the 98th General Assembly and who is applying for a retirement annuity shall be entitled to creditable service for that portion of the employee's accumulated unused sick leave for which payment is not received, as follows:

a. Sick leave days shall be limited to those accumulated under a sick leave plan established by a participating municipality or participating instrumentality which is available to all employees or a class of employees.

b. Except as provided in item b-1, only sick leave days accumulated with a participating municipality or participating instrumentality with which the employee was in service within 60 days of the effective date of his retirement annuity shall be credited; If the employee was in service with more than one employer during this period only the sick leave days with the employer with which the employee has the greatest number of unpaid sick leave days shall be considered.

b-1. If the employee was in the service of more than one employer as defined in item (2) of paragraph (a) of subsection (A) of Section 7-132, then the sick leave days from all such employers shall be credited, as long as the creditable service attributed to those sick leave days does not exceed the limitation in item f of this paragraph 8. In calculating the creditable service under this item b-1, the sick leave days from the last employer shall be considered first, then the remaining sick leave days shall be considered until there are no more days or the maximum creditable sick leave threshold under item f of this paragraph 8 has been reached.

c. The creditable service granted shall be considered solely for the purpose of computing the amount of the retirement annuity and shall not be used to establish any minimum service period required by any provision of the Illinois Pension Code, the effective date of the retirement annuity, or the final rate of earnings.

d. The creditable service shall be at the rate of 1/20 of a month for each full sick day, provided that no more than 12 months may be credited under this subdivision 8.

e. Employee contributions shall not be required for creditable service under this subdivision 8.

f. Each participating municipality and participating instrumentality with which an employee has service within 60 days of the effective date of his retirement annuity shall certify to the board the number of accumulated unpaid sick leave days credited to the employee at the time of termination of service.

9. For service transferred from another system: Credits and creditable service shall be granted for service under Article 4, 5, 8, 14, or 16 of this Act, to any active member of this Fund, and to any inactive member who has been a county sheriff, upon transfer of such credits pursuant to Section 4-108.3, 5-235, 8-226.7, 14-105.6, or 16-131.4, and payment by the member of the amount by which (1) the employer and employee contributions that would have been required if he had participated in this Fund as a sheriff's law enforcement employee during the period for which credit is being transferred, plus interest thereon at the effective rate for each year, compounded annually, from the date of termination of the service for which credit is being transferred to the date of payment, exceeds (2) the amount actually transferred to the Fund. Such transferred service shall be deemed to be service as a sheriff's law enforcement employee for the purposes of Section 7-142.1.

10. For service transferred from an Article 3 system under Section 3-110.8: Credits and creditable service shall be granted for service under Article 3 of this Act as

provided in Section 3-110.8, to any active member of this Fund upon transfer of such credits pursuant to Section 3-110.8. If the amount by which (1) the employer and employee contributions that would have been required if he had participated in this Fund during the period for which credit is being transferred, plus interest thereon at the effective rate for each year, compounded annually, from the date of termination of the service for which credit is being transferred to the date of payment, exceeds (2) the amount actually transferred to the Fund, then the amount of creditable service established under this paragraph 10 shall be reduced by a corresponding amount in accordance with the rules and procedures established under this paragraph 10.

The board shall establish by rule the manner of making the calculation required under this paragraph 10, taking into account the appropriate actuarial assumptions; the member's service, age, and salary history; the level of funding of the employer; and any other factors that the board determines to be relevant.

Until January 1, 2010, members who transferred service from an Article 3 system under the provisions of Public Act 94-356 may establish additional credit in this Fund, but only up to the amount of the service credit reduction in that transfer, as calculated under the actuarial assumptions. This credit may be established upon payment by

the member of an amount to be determined by the board, equal to (1) the amount that would have been contributed as employee and employer contributions had all the service been as an employee under this Article, plus interest thereon compounded annually from the date of service to the date of transfer, less (2) the total amount transferred from the Article 3 system, plus (3) interest on the difference at the effective rate for each year, compounded annually, from the date of the transfer to the date of payment. The additional service credit is allowed under this amendatory Act of the 95th General Assembly notwithstanding the provisions of Article 3 terminating all transferred credits on the date of transfer.

11. For service transferred from an Article 3 system under Section 3-110.3: Credits and creditable service shall be granted for service under Article 3 of this Act as provided in Section 3-110.3, to any active member of this Fund, upon transfer of such credits pursuant to Section 3-110.3. If the board determines that the amount transferred is less than the true cost to the Fund of allowing that creditable service to be established, then in order to establish that creditable service, the member must pay to the Fund an additional contribution equal to the difference, as determined by the board in accordance with the rules and procedures adopted under this paragraph. If the member does not make the full additional payment as

required by this paragraph prior to termination of his participation with that employer, then his or her creditable service shall be reduced by an amount equal to the difference between the amount transferred under Section 3-110.3, including any payments made by the member under this paragraph prior to termination, and the true cost to the Fund of allowing that creditable service to be established, as determined by the board in accordance with the rules and procedures adopted under this paragraph.

The board shall establish by rule the manner of making the calculation required under this paragraph 11, taking into account the appropriate actuarial assumptions; the member's service, age, and salary history, and any other factors that the board determines to be relevant.

(b) Creditable service - amount:

1. One month of creditable service shall be allowed for each month for which a participating employee made contributions as required under Section 7-173, or for which creditable service is otherwise granted hereunder. Not more than 1 month of service shall be credited and counted for 1 calendar month, and not more than 1 year of service shall be credited and counted for any calendar year. A calendar month means a nominal month beginning on the first day thereof, and a calendar year means a year beginning January 1 and ending December 31.

2. A seasonal employee shall be given 12 months of

creditable service if he renders the number of months of service normally required by the position in a 12-month period and he remains in service for the entire 12-month period. Otherwise a fractional year of service in the number of months of service rendered shall be credited.

3. An intermittent employee shall be given creditable service for only those months in which a contribution is made under Section 7-173.

(c) No application for correction of credits or creditable service shall be considered unless the board receives an application for correction while (1) the applicant is a participating employee and in active employment with a participating municipality or instrumentality, or (2) while the applicant is actively participating in a pension fund or retirement system which is a participating system under the Retirement Systems Reciprocal Act. A participating employee or other applicant shall not be entitled to credits or creditable service unless the required employee contributions are made in a lump sum or in installments made in accordance with board rule.

(d) Upon the granting of a retirement, surviving spouse or child annuity, a death benefit or a separation benefit, on account of any employee, all individual accumulated credits shall thereupon terminate. Upon the withdrawal of additional contributions, the credits applicable thereto shall thereupon terminate. Terminated credits shall not be applied to increase

the benefits any remaining employee would otherwise receive under this Article.

(Source: P.A. 97-415, eff. 8-16-11; 98-439, eff. 8-16-13.)

(40 ILCS 5/9-219) (from Ch. 108 1/2, par. 9-219)

Sec. 9-219. Computation of service.

(1) In computing the term of service of an employee prior to the effective date, the entire period beginning on the date he was first appointed and ending on the day before the effective date, except any intervening period during which he was separated by withdrawal from service, shall be counted for all purposes of this Article.

(2) In computing the term of service of any employee on or after the effective date, the following periods of time shall be counted as periods of service for age and service, widow's and child's annuity purposes:

(a) The time during which he performed the duties of his position.

(b) Vacations, leaves of absence with whole or part pay, and leaves of absence without pay not longer than 90 days.

(c) For an employee who is a member of a county police department or a correctional officer with the county department of corrections, approved leaves of absence without pay during which the employee serves as a full-time officer or employee of an employee association, the

membership of which consists of other participants in the Fund, provided that the employee contributes to the Fund (1) the amount that he would have contributed had he remained an active employee in the position he occupied at the time the leave of absence was granted, (2) an amount calculated by the Board representing employer contributions, and (3) regular interest thereon from the date of service to the date of payment. However, if the employee's application to establish credit under this subsection is received by the Fund on or after July 1, 2002 and before July 1, 2003, the amount representing employer contributions specified in item (2) shall be waived.

For a former member of a county police department who has received a refund under Section 9-164, periods during which the employee serves as head of an employee association, the membership of which consists of other police officers, provided that the employee contributes to the Fund (1) the amount that he would have contributed had he remained an active member of the county police department in the position he occupied at the time he left service, (2) an amount calculated by the Board representing employer contributions, and (3) regular interest thereon from the date of service to the date of payment. However, if the former member of the county police department retires on or after January 1, 1993 but no later than March 1, 1993, the amount representing employer contributions

specified in item (2) shall be waived.

For leaves of absence to which this item (c) applies and for other periods to which this item (c) applies, including those leaves of absence and other periods of service beginning before January 5, 2012 (the effective date of Public Act 97-651) ~~this amendatory Act of the 97th General Assembly~~, the employee or former member must continue to remain in sworn status, subject to the professional standards of the public employer or those terms established in statute.

(d) Any period of disability for which he received disability benefit or whole or part pay.

(e) For a person who first becomes an employee before the effective date of this amendatory Act of the 98th General Assembly, accumulated ~~Accumulated~~ vacation or other time for which an employee who retires on or after November 1, 1990 receives a lump sum payment at the time of retirement, provided that contributions were made to the fund at the time such lump sum payment was received. The service granted for the lump sum payment shall not change the employee's date of withdrawal for computing the effective date of the annuity.

(f) An employee who first becomes an employee before the effective date of this amendatory Act of the 98th General Assembly may receive service credit for annuity purposes for accumulated sick leave as of the date of the

employee's withdrawal from service, not to exceed a total of 180 days, provided that the amount of such accumulated sick leave is certified by the County Comptroller to the Board and the employee pays an amount equal to 8.5% (9% for members of the County Police Department who are eligible to receive an annuity under Section 9-128.1) of the amount that would have been paid had such accumulated sick leave been paid at the employee's final rate of salary. Such payment shall be made within 30 days after the date of withdrawal and prior to receipt of the first annuity check. The service credit granted for such accumulated sick leave shall not change the employee's date of withdrawal for the purpose of computing the effective date of the annuity.

(3) In computing the term of service of an employee on or after the effective date for ordinary disability benefit purposes, the following periods of time shall be counted as periods of service:

(a) Unless otherwise specified in Section 9-157, the time during which he performed the duties of his position.

(b) Paid vacations and leaves of absence with whole or part pay.

(c) Any period for which he received duty disability benefit.

(d) Any period of disability for which he received whole or part pay.

(4) For an employee who on January 1, 1958, was transferred

by Act of the 70th General Assembly from his position in a department of welfare of any city located in the county in which this Article is in force and effect to a similar position in a department of such county, service shall also be credited for ordinary disability benefit and child's annuity for such period of department of welfare service during which period he was a contributor to a statutory annuity and benefit fund in such city and for which purposes service credit would otherwise not be credited by virtue of such involuntary transfer.

(5) An employee described in subsection (e) of Section 9-108 shall receive credit for child's annuity and ordinary disability benefit for the period of time for which he was credited with service in the fund from which he was involuntarily separated through class or group transfer; provided, that no such credit shall be allowed to the extent that it results in a duplication of credits or benefits, and neither shall such credit be allowed to the extent that it was or may be forfeited by the application for and acceptance of a refund from the fund from which the employee was transferred.

(6) Overtime or extra service shall not be included in computing service. Not more than 1 year of service shall be allowed for service rendered during any calendar year.

(7) Unused sick or vacation time shall not be used to compute the service of an employee who first becomes an employee on or after the effective date of this amendatory Act of the 98th General Assembly.

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

(40 ILCS 5/9-220) (from Ch. 108 1/2, par. 9-220)

Sec. 9-220. Basis of service credit.

(a) In computing the period of service of any employee for annuity purposes under Section 9-134, the following provisions shall govern:

(1) All periods prior to the effective date shall be computed in accordance with the provisions governing the computation of such service.

(2) Service on or after the effective date shall include:

(i) The actual period of time the employee contributes or has contributed to the fund for service rendered to age 65 plus the actual period of time after age 65 for which the employee performs the duties of his position or performs such duties and is given a county contribution for age and service annuity or minimum annuity purposes.

(ii) Leaves of absence from duty, or vacation, for which an employee receives all or part of his salary.

(iii) For a person who first becomes an employee before the effective date of this amendatory Act of the 98th General Assembly, accumulated ~~Accumulated~~ vacation or other time for which an employee who retires on or after November 1, 1990 receives a lump

sum payment at the time of retirement, provided that contributions were made to the fund at the time such lump sum payment was received. The service granted for the lump sum payment shall not change the employee's date of withdrawal for computing the effective date of the annuity.

(iv) For a person who first becomes an employee before the effective date of this amendatory Act of the 98th General Assembly, accumulated ~~Accumulated~~ sick leave as of the date of the employee's withdrawal from service, not to exceed a total of 180 days, provided that the amount of such accumulated sick leave is certified by the County Comptroller to the Board and the employee pays an amount equal to 8.5% (9% for members of the County Police Department who are eligible to receive an annuity under Section 9-128.1) of the amount that would have been paid had such accumulated sick leave been paid at the employee's final rate of salary. Such payment shall be made within 30 days after the date of withdrawal and prior to receipt of the first annuity check. The service credit granted for such accumulated sick leave shall not change the employee's date of withdrawal for the purpose of computing the effective date of the annuity.

(v) Periods during which the employee has had contributions for annuity purposes made for him in

accordance with law while on military leave of absence during World War II.

(vi) Periods during which the employee receives a disability benefit under this Article.

(vii) For any person who first becomes a member on or after January 1, 2011, the actual period of time the employee contributes or has contributed to the fund for service rendered up to the limitation on salary in subsection (b-5) of Section 1-160 plus the actual period of time thereafter for which the employee performs the duties of his position and ceased contributing due to the salary limitation in subsection (b-5) of Section 1-160.

(3) The right to have certain periods of time considered as service as stated in paragraph (2) of Section 9-164 shall not apply for annuity purposes unless the refunds shall have been repaid in accordance with this Article.

(4) All service shall be computed in whole calendar months, and at least 15 days of service in any one calendar month shall constitute one calendar month of service, and 1 year of service shall be equal to the number of months, days or hours for which an appropriation was made in the annual appropriation ordinance for the position held by the employee.

(5) Unused sick or vacation time shall not be used to

compute the service of an employee who first becomes an employee on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) For all other annuity purposes of this Article the following schedule shall govern the computation of a year of service of an employee whose salary or wages is on the basis stated, and any fractional part of a year of service shall be determined according to said schedule:

Annual or Monthly Basis: Service during 4 months in any 1 calendar year;

Weekly Basis: Service during any 17 weeks of any 1 calendar year, and service during any week shall constitute a week of service;

Daily Basis: Service during 100 days in any 1 calendar year, and service during any day shall constitute a day of service;

Hourly Basis: Service during 800 hours in any 1 calendar year, and service during any hour shall constitute an hour of service.

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

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

(a) For periods of service prior to January 1, 1978, the full rate of salary or wages payable to an employee for personal services performed if he worked the full normal

working period for his position, subject to the following maximum amounts: (1) prior to July 1, 1951, \$400 per month or \$4,800 per year; (2) between July 1, 1951 and June 30, 1957 inclusive, \$625 per month or \$7,500 per year; (3) beginning July 1, 1957, no limitation.

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

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

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

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

(d) For periods of service after September 30, 1985, compensation also includes any remuneration for personal

services not included as "wages" under the Social Security Enabling Act, which is deducted for purposes of participation in a program established pursuant to Section 125 of the Internal Revenue Code or its successor laws.

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

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

(f) Notwithstanding the other provisions of this Section, for service on or after July 1, 2013, "compensation" does not include any stipend payable to an employee for service on a board or commission.

(g) Notwithstanding any other provision of this Section, for an employee who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, "compensation" does not include any payments or reimbursements for travel vouchers submitted more than 30 days

after the last day of travel for which the voucher is submitted.

(h) Notwithstanding any other provision of this Code, the annual compensation of a Tier 1 member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual limitation determined from time to time under subsection (b-5) of Section 1-160 of this Code, (ii) the annualized compensation of the Tier 1 member as of that effective date, or (iii) the annualized compensation of the Tier 1 member immediately preceding the expiration, renewal, or amendment of an employment contract or collective bargaining agreement in effect on that effective date.

(Source: P.A. 98-449, eff. 8-16-13.)

(40 ILCS 5/14-103.40 new)

Sec. 14-103.40. Tier 1 member. "Tier 1 member": A member of this System who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/14-104.3) (from Ch. 108 1/2, par. 14-104.3)

Sec. 14-104.3. Notwithstanding provisions contained in

Section 14-103.10, any person who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly and who at the time of retirement and after December 6, 1983 receives compensation in a lump sum for accumulated vacation, sickness, or personal business may receive service credit for such periods by making contributions within 90 days of withdrawal, based on the rate of compensation in effect immediately prior to retirement and the contribution rate then in effect. Any person who first becomes a member on or after the effective date of this amendatory Act of the 98th General Assembly and who receives compensation in a lump sum for accumulated vacation, sickness, or personal business may not receive service credit for such periods. Exercising the option provided in this Section shall not change a member's date of withdrawal or final average compensation for purposes of computing the amount or effective date of a retirement annuity. Any annuitant who establishes service credit as herein provided shall have his retirement annuity adjusted retroactively to the date of retirement.

(Source: P.A. 83-1362.)

(40 ILCS 5/14-106) (from Ch. 108 1/2, par. 14-106)

Sec. 14-106. Membership service credit.

(a) After January 1, 1944, all service of a member since he last became a member with respect to which contributions are made shall count as membership service; provided, that for

service on and after July 1, 1950, 12 months of service shall constitute a year of membership service, the completion of 15 days or more of service during any month shall constitute 1 month of membership service, 8 to 15 days shall constitute 1/2 month of membership service and less than 8 days shall constitute 1/4 month of membership service. The payroll record of each department shall constitute conclusive evidence of the record of service rendered by a member.

(b) For a member who is employed and paid on an academic-year basis rather than on a 12-month annual basis, employment for a full academic year shall constitute a full year of membership service, except that the member shall not receive more than one year of membership service credit (plus any additional service credit granted for unused sick leave) for service during any 12-month period. This subsection (b) applies to all such service for which the member has not begun to receive a retirement annuity before January 1, 2001.

(c) A person who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly shall be entitled to additional service credit, under rules prescribed by the Board, for accumulated unused sick leave credited to his account in the last Department on the date of withdrawal from service or for any period for which he would have been eligible to receive benefits under a sick pay plan authorized by law, if he had suffered a sickness or accident on the date of withdrawal from service. It shall be

the responsibility of the last Department to certify to the Board the length of time salary or benefits would have been paid to the member based upon the accumulated unused sick leave or the applicable sick pay plan if he had become entitled thereto because of sickness on the date that his status as an employee terminated. This period of service credit granted under this paragraph shall not be considered in determining the date the retirement annuity is to begin, or final average compensation.

(d) A person who first becomes a member on or after the effective date of this amendatory Act of the 98th General Assembly shall not be entitled to additional service credit for accumulated unused sick leave.

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

(40 ILCS 5/14-107) (from Ch. 108 1/2, par. 14-107)

Sec. 14-107. Retirement annuity - service and age - conditions.

(a) A member is entitled to a retirement annuity after having at least 8 years of creditable service.

(b) A member who has at least 35 years of creditable service may claim his or her retirement annuity at any age. A member having at least 8 years of creditable service but less than 35 may claim his or her retirement annuity upon or after attainment of age 60 or, beginning January 1, 2001, any lesser age which, when added to the number of years of his or her

creditable service, equals at least 85. A member upon or after attainment of age 55 having at least 25 years of creditable service (30 years if retirement is before January 1, 2001) may elect to receive the lower retirement annuity provided in paragraph (c) of Section 14-108 of this Code. For purposes of the rule of 85, portions of years shall be counted in whole months.

(c) Notwithstanding subsection (b) of this Section, for a Tier 1 member who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required retirement age under subsection (b) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (b) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under

subsection (b) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 48 months.

(14) If he or she is at least age 33 but less than age

34 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (b) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (c) applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(d) The allowance shall begin with the first full calendar month specified in the member's application therefor, the first day of which shall not be before the date of withdrawal as approved by the board. Regardless of the date of withdrawal, the allowance need not begin within one year of application therefor.

(Source: P.A. 91-927, eff. 12-14-00.)

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

Sec. 14-108. Amount of retirement annuity. A member who has contributed to the System for at least 12 months shall be entitled to a prior service annuity for each year of certified prior service credited to him, except that a member shall receive 1/3 of the prior service annuity for each year of

service for which contributions have been made and all of such annuity shall be payable after the member has made contributions for a period of 3 years. Proportionate amounts shall be payable for service of less than a full year after completion of at least 12 months.

The total period of service to be considered in establishing the measure of prior service annuity shall include service credited in the Teachers' Retirement System of the State of Illinois and the State Universities Retirement System for which contributions have been made by the member to such systems; provided that at least 1 year of the total period of 3 years prescribed for the allowance of a full measure of prior service annuity shall consist of membership service in this system for which credit has been granted.

(a) In the case of a member who retires on or after January 1, 1998 and is a noncovered employee, the retirement annuity for membership service and prior service shall be 2.2% of final average compensation for each year of service. Any service credit established as a covered employee shall be computed as stated in paragraph (b).

(b) In the case of a member who retires on or after January 1, 1998 and is a covered employee, the retirement annuity for membership service and prior service shall be computed as stated in paragraph (a) for all service credit established as a noncovered employee; for service credit established as a covered employee it shall be 1.67% of final average

compensation for each year of service.

(c) For a member retiring after attaining age 55 but before age 60 with at least 30 but less than 35 years of creditable service if retirement is before January 1, 2001, or with at least 25 but less than 30 years of creditable service if retirement is on or after January 1, 2001, the retirement annuity shall be reduced by 1/2 of 1% for each month that the member's age is under age 60 at the time of retirement. For members to whom subsection (c) of Section 14-107 applies, the references to age 55 and 60 in this subsection (c) are increased as provided in subsection (c) of Section 14-107.

(d) A retirement annuity shall not exceed 75% of final average compensation, subject to such extension as may result from the application of Section 14-114 or Section 14-115.

(e) The retirement annuity payable to any covered employee who is a member of the System and in service on January 1, 1969, or in service thereafter in 1969 as a result of legislation enacted by the Illinois General Assembly transferring the member to State employment from county employment in a county Department of Public Aid in counties of 3,000,000 or more population, under a plan of coordination with the Old Age, Survivors and Disability provisions thereof, if not fully insured for Old Age Insurance payments under the Federal Old Age, Survivors and Disability Insurance provisions at the date of acceptance of a retirement annuity, shall not be less than the amount for which the member would have been

eligible if coordination were not applicable.

(f) The retirement annuity payable to any covered employee who is a member of the System and in service on January 1, 1969, or in service thereafter in 1969 as a result of the legislation designated in the immediately preceding paragraph, if fully insured for Old Age Insurance payments under the Federal Social Security Act at the date of acceptance of a retirement annuity, shall not be less than an amount which when added to the Primary Insurance Benefit payable to the member upon attainment of age 65 under such Federal Act, will equal the annuity which would otherwise be payable if the coordinated plan of coverage were not applicable.

(g) In the case of a member who is a noncovered employee, the retirement annuity for membership service as a security employee of the Department of Corrections or security employee of the Department of Human Services shall be: if retirement occurs on or after January 1, 2001, 3% of final average compensation for each year of creditable service; or if retirement occurs before January 1, 2001, 1.9% of final average compensation for each of the first 10 years of service, 2.1% for each of the next 10 years of service, 2.25% for each year of service in excess of 20 but not exceeding 30, and 2.5% for each year in excess of 30; except that the annuity may be calculated under subsection (a) rather than this subsection (g) if the resulting annuity is greater.

(h) In the case of a member who is a covered employee, the

retirement annuity for membership service as a security employee of the Department of Corrections or security employee of the Department of Human Services shall be: if retirement occurs on or after January 1, 2001, 2.5% of final average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 1.67% of final average compensation for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30.

(i) For the purposes of this Section and Section 14-133 of this Act, the term "security employee of the Department of Corrections" and the term "security employee of the Department of Human Services" shall have the meanings ascribed to them in subsection (c) of Section 14-110.

(j) The retirement annuity computed pursuant to paragraphs (g) or (h) shall be applicable only to those security employees of the Department of Corrections and security employees of the Department of Human Services who have at least 20 years of membership service and who are not eligible for the alternative retirement annuity provided under Section 14-110. However, persons transferring to this System under Section 14-108.2 or 14-108.2c who have service credit under Article 16 of this Code may count such service toward establishing their eligibility under the 20-year service requirement of this subsection; but such service may be used only for establishing such

eligibility, and not for the purpose of increasing or calculating any benefit.

(k) (Blank).

(l) The changes to this Section made by this amendatory Act of 1997 (changing certain retirement annuity formulas from a stepped rate to a flat rate) apply to members who retire on or after January 1, 1998, without regard to whether employment terminated before the effective date of this amendatory Act of 1997. An annuity shall not be calculated in steps by using the new flat rate for some steps and the superseded stepped rate for other steps of the same type of service.

(Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01.)

(40 ILCS 5/14-110) (from Ch. 108 1/2, par. 14-110)

Sec. 14-110. Alternative retirement annuity.

(a) Any member who has withdrawn from service with not less than 20 years of eligible creditable service and has attained age 55, and any member who has withdrawn from service with not less than 25 years of eligible creditable service and has attained age 50, regardless of whether the attainment of either of the specified ages occurs while the member is still in service, shall be entitled to receive at the option of the member, in lieu of the regular or minimum retirement annuity, a retirement annuity computed as follows:

(i) for periods of service as a noncovered employee: if retirement occurs on or after January 1, 2001, 3% of final

average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 2 1/4% of final average compensation for each of the first 10 years of creditable service, 2 1/2% for each year above 10 years to and including 20 years of creditable service, and 2 3/4% for each year of creditable service above 20 years; and

(ii) for periods of eligible creditable service as a covered employee: if retirement occurs on or after January 1, 2001, 2.5% of final average compensation for each year of creditable service; if retirement occurs before January 1, 2001, 1.67% of final average compensation for each of the first 10 years of such service, 1.90% for each of the next 10 years of such service, 2.10% for each year of such service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30.

Such annuity shall be subject to a maximum of 75% of final average compensation if retirement occurs before January 1, 2001 or to a maximum of 80% of final average compensation if retirement occurs on or after January 1, 2001.

These rates shall not be applicable to any service performed by a member as a covered employee which is not eligible creditable service. Service as a covered employee which is not eligible creditable service shall be subject to the rates and provisions of Section 14-108.

(a-5) Notwithstanding subsection (a) of this Section, for a Tier 1 member who begins receiving a retirement annuity under

this Section on or after July 1, 2014, the required retirement age under subsection (a) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (a) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under

subsection (a) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 48 months.

(14) If he or she is at least age 33 but less than age 34 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (a-5)

applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) For the purpose of this Section, "eligible creditable service" means creditable service resulting from service in one or more of the following positions:

- (1) State policeman;
- (2) fire fighter in the fire protection service of a department;
- (3) air pilot;
- (4) special agent;
- (5) investigator for the Secretary of State;
- (6) conservation police officer;
- (7) investigator for the Department of Revenue or the Illinois Gaming Board;
- (8) security employee of the Department of Human Services;
- (9) Central Management Services security police officer;
- (10) security employee of the Department of Corrections or the Department of Juvenile Justice;
- (11) dangerous drugs investigator;
- (12) investigator for the Department of State Police;
- (13) investigator for the Office of the Attorney General;
- (14) controlled substance inspector;

(15) investigator for the Office of the State's Attorneys Appellate Prosecutor;

(16) Commerce Commission police officer;

(17) arson investigator;

(18) State highway maintenance worker.

A person employed in one of the positions specified in this subsection is entitled to eligible creditable service for service credit earned under this Article while undergoing the basic police training course approved by the Illinois Law Enforcement Training Standards Board, if completion of that training is required of persons serving in that position. For the purposes of this Code, service during the required basic police training course shall be deemed performance of the duties of the specified position, even though the person is not a sworn peace officer at the time of the training.

(c) For the purposes of this Section:

(1) The term "state policeman" includes any title or position in the Department of State Police that is held by an individual employed under the State Police Act.

(2) The term "fire fighter in the fire protection service of a department" includes all officers in such fire protection service including fire chiefs and assistant fire chiefs.

(3) The term "air pilot" includes any employee whose official job description on file in the Department of Central Management Services, or in the department by which

he is employed if that department is not covered by the Personnel Code, states that his principal duty is the operation of aircraft, and who possesses a pilot's license; however, the change in this definition made by this amendatory Act of 1983 shall not operate to exclude any noncovered employee who was an "air pilot" for the purposes of this Section on January 1, 1984.

(4) The term "special agent" means any person who by reason of employment by the Division of Narcotic Control, the Bureau of Investigation or, after July 1, 1977, the Division of Criminal Investigation, the Division of Internal Investigation, the Division of Operations, or any other Division or organizational entity in the Department of State Police is vested by law with duties to maintain public order, investigate violations of the criminal law of this State, enforce the laws of this State, make arrests and recover property. The term "special agent" includes any title or position in the Department of State Police that is held by an individual employed under the State Police Act.

(5) The term "investigator for the Secretary of State" means any person employed by the Office of the Secretary of State and vested with such investigative duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act.

A person who became employed as an investigator for the

Secretary of State between January 1, 1967 and December 31, 1975, and who has served as such until attainment of age 60, either continuously or with a single break in service of not more than 3 years duration, which break terminated before January 1, 1976, shall be entitled to have his retirement annuity calculated in accordance with subsection (a), notwithstanding that he has less than 20 years of credit for such service.

(6) The term "Conservation Police Officer" means any person employed by the Division of Law Enforcement of the Department of Natural Resources and vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(1)(1) of that Act. The term "Conservation Police Officer" includes the positions of Chief Conservation Police Administrator and Assistant Conservation Police Administrator.

(7) The term "investigator for the Department of Revenue" means any person employed by the Department of Revenue and vested with such investigative duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act.

The term "investigator for the Illinois Gaming Board" means any person employed as such by the Illinois Gaming Board and vested with such peace officer duties as render

the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(1)(1) of that Act.

(8) The term "security employee of the Department of Human Services" means any person employed by the Department of Human Services who (i) is employed at the Chester Mental Health Center and has daily contact with the residents thereof, (ii) is employed within a security unit at a facility operated by the Department and has daily contact with the residents of the security unit, (iii) is employed at a facility operated by the Department that includes a security unit and is regularly scheduled to work at least 50% of his or her working hours within that security unit, or (iv) is a mental health police officer. "Mental health police officer" means any person employed by the Department of Human Services in a position pertaining to the Department's mental health and developmental disabilities functions who is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act. "Security unit" means that portion of a facility that is devoted to the care, containment, and treatment of persons committed to the Department of Human Services as sexually violent persons, persons unfit to stand trial, or persons not guilty by reason of insanity. With respect to past

employment, references to the Department of Human Services include its predecessor, the Department of Mental Health and Developmental Disabilities.

The changes made to this subdivision (c)(8) by Public Act 92-14 apply to persons who retire on or after January 1, 2001, notwithstanding Section 1-103.1.

(9) "Central Management Services security police officer" means any person employed by the Department of Central Management Services who is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act.

(10) For a member who first became an employee under this Article before July 1, 2005, the term "security employee of the Department of Corrections or the Department of Juvenile Justice" means any employee of the Department of Corrections or the Department of Juvenile Justice or the former Department of Personnel, and any member or employee of the Prisoner Review Board, who has daily contact with inmates or youth by working within a correctional facility or Juvenile facility operated by the Department of Juvenile Justice or who is a parole officer or an employee who has direct contact with committed persons in the performance of his or her job duties. For a member who first becomes an employee under this Article on or after July 1, 2005, the term means an employee of the Department of Corrections or

the Department of Juvenile Justice who is any of the following: (i) officially headquartered at a correctional facility or Juvenile facility operated by the Department of Juvenile Justice, (ii) a parole officer, (iii) a member of the apprehension unit, (iv) a member of the intelligence unit, (v) a member of the sort team, or (vi) an investigator.

(11) The term "dangerous drugs investigator" means any person who is employed as such by the Department of Human Services.

(12) The term "investigator for the Department of State Police" means a person employed by the Department of State Police who is vested under Section 4 of the Narcotic Control Division Abolition Act with such law enforcement powers as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act.

(13) "Investigator for the Office of the Attorney General" means any person who is employed as such by the Office of the Attorney General and is vested with such investigative duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act. For the period before January 1, 1989, the term includes all persons who were employed as investigators by the Office of the Attorney General, without regard to social security

status.

(14) "Controlled substance inspector" means any person who is employed as such by the Department of Professional Regulation and is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and 218(1)(1) of that Act. The term "controlled substance inspector" includes the Program Executive of Enforcement and the Assistant Program Executive of Enforcement.

(15) The term "investigator for the Office of the State's Attorneys Appellate Prosecutor" means a person employed in that capacity on a full time basis under the authority of Section 7.06 of the State's Attorneys Appellate Prosecutor's Act.

(16) "Commerce Commission police officer" means any person employed by the Illinois Commerce Commission who is vested with such law enforcement duties as render him ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(1)(1) of that Act.

(17) "Arson investigator" means any person who is employed as such by the Office of the State Fire Marshal and is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A),

218(d)(8)(D), and 218(1)(1) of that Act. A person who was employed as an arson investigator on January 1, 1995 and is no longer in service but not yet receiving a retirement annuity may convert his or her creditable service for employment as an arson investigator into eligible creditable service by paying to the System the difference between the employee contributions actually paid for that service and the amounts that would have been contributed if the applicant were contributing at the rate applicable to persons with the same social security status earning eligible creditable service on the date of application.

(18) The term "State highway maintenance worker" means a person who is either of the following:

(i) A person employed on a full-time basis by the Illinois Department of Transportation in the position of highway maintainer, highway maintenance lead worker, highway maintenance lead/lead worker, heavy construction equipment operator, power shovel operator, or bridge mechanic; and whose principal responsibility is to perform, on the roadway, the actual maintenance necessary to keep the highways that form a part of the State highway system in serviceable condition for vehicular traffic.

(ii) A person employed on a full-time basis by the Illinois State Toll Highway Authority in the position of equipment operator/laborer H-4, equipment

operator/laborer H-6, welder H-4, welder H-6, mechanical/electrical H-4, mechanical/electrical H-6, water/sewer H-4, water/sewer H-6, sign maker/hanger H-4, sign maker/hanger H-6, roadway lighting H-4, roadway lighting H-6, structural H-4, structural H-6, painter H-4, or painter H-6; and whose principal responsibility is to perform, on the roadway, the actual maintenance necessary to keep the Authority's tollways in serviceable condition for vehicular traffic.

(d) A security employee of the Department of Corrections or the Department of Juvenile Justice, and a security employee of the Department of Human Services who is not a mental health police officer, shall not be eligible for the alternative retirement annuity provided by this Section unless he or she meets the following minimum age and service requirements at the time of retirement:

(i) 25 years of eligible creditable service and age 55;

or

(ii) beginning January 1, 1987, 25 years of eligible creditable service and age 54, or 24 years of eligible creditable service and age 55; or

(iii) beginning January 1, 1988, 25 years of eligible creditable service and age 53, or 23 years of eligible creditable service and age 55; or

(iv) beginning January 1, 1989, 25 years of eligible

creditable service and age 52, or 22 years of eligible creditable service and age 55; or

(v) beginning January 1, 1990, 25 years of eligible creditable service and age 51, or 21 years of eligible creditable service and age 55; or

(vi) beginning January 1, 1991, 25 years of eligible creditable service and age 50, or 20 years of eligible creditable service and age 55.

For members to whom subsection (a-5) of this Section applies, the references to age 50 and 55 in item (vi) of this subsection are increased as provided in subsection (a-5).

Persons who have service credit under Article 16 of this Code for service as a security employee of the Department of Corrections or the Department of Juvenile Justice, or the Department of Human Services in a position requiring certification as a teacher may count such service toward establishing their eligibility under the service requirements of this Section; but such service may be used only for establishing such eligibility, and not for the purpose of increasing or calculating any benefit.

(e) If a member enters military service while working in a position in which eligible creditable service may be earned, and returns to State service in the same or another such position, and fulfills in all other respects the conditions prescribed in this Article for credit for military service, such military service shall be credited as eligible creditable

service for the purposes of the retirement annuity prescribed in this Section.

(f) For purposes of calculating retirement annuities under this Section, periods of service rendered after December 31, 1968 and before October 1, 1975 as a covered employee in the position of special agent, conservation police officer, mental health police officer, or investigator for the Secretary of State, shall be deemed to have been service as a noncovered employee, provided that the employee pays to the System prior to retirement an amount equal to (1) the difference between the employee contributions that would have been required for such service as a noncovered employee, and the amount of employee contributions actually paid, plus (2) if payment is made after July 31, 1987, regular interest on the amount specified in item (1) from the date of service to the date of payment.

For purposes of calculating retirement annuities under this Section, periods of service rendered after December 31, 1968 and before January 1, 1982 as a covered employee in the position of investigator for the Department of Revenue shall be deemed to have been service as a noncovered employee, provided that the employee pays to the System prior to retirement an amount equal to (1) the difference between the employee contributions that would have been required for such service as a noncovered employee, and the amount of employee contributions actually paid, plus (2) if payment is made after January 1, 1990, regular interest on the amount specified in item (1) from

the date of service to the date of payment.

(g) A State policeman may elect, not later than January 1, 1990, to establish eligible creditable service for up to 10 years of his service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.5, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman may elect, not later than July 1, 1993, to establish eligible creditable service for up to 10 years of his service as a member of the County Police Department under Article 9, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 9-121.10 and the amounts that would have been contributed had those contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(h) Subject to the limitation in subsection (i), a State policeman or investigator for the Secretary of State may elect to establish eligible creditable service for up to 12 years of his service as a policeman under Article 5, by filing a written election with the Board on or before January 31, 1992, and paying to the System by January 31, 1994 an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 5-236, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 10 years of service as a sheriff's law enforcement employee under Article 7, by filing a written election with the Board on or before January 31, 1993, and paying to the System by January 31, 1994 an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 7-139.7, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from

the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, a member of the county police department under Article 9, or a police officer under Article 15 by filing a written election with the Board and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, 9-121.10, or 15-134.4 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), an investigator for the Office of the Attorney General, or an investigator for the Department of Revenue, may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, or a member of the county police department under Article 9 by filing a written election with the Board within 6 months

after August 25, 2009 (the effective date of Public Act 96-745) and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, or 9-121.10 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

Subject to the limitation in subsection (i), a State policeman, conservation police officer, investigator for the Office of the Attorney General, an investigator for the Department of Revenue, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 5 years of service as a person employed by a participating municipality to perform police duties, or law enforcement officer employed on a full-time basis by a forest preserve district under Article 7, a county corrections officer, or a court services officer under Article 9, by filing a written election with the Board within 6 months after August 25, 2009 (the effective date of Public Act 96-745) and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Sections 7-139.8 and 9-121.10 and the amounts that would have been contributed

had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

(i) The total amount of eligible creditable service established by any person under subsections (g), (h), (j), (k), and (l) of this Section shall not exceed 12 years.

(j) Subject to the limitation in subsection (i), an investigator for the Office of the State's Attorneys Appellate Prosecutor or a controlled substance inspector may elect to establish eligible creditable service for up to 10 years of his service as a policeman under Article 3 or a sheriff's law enforcement employee under Article 7, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (1) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6 or 7-139.8, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (2) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(k) Subject to the limitation in subsection (i) of this Section, an alternative formula employee may elect to establish eligible creditable service for periods spent as a full-time law enforcement officer or full-time corrections officer

employed by the federal government or by a state or local government located outside of Illinois, for which credit is not held in any other public employee pension fund or retirement system. To obtain this credit, the applicant must file a written application with the Board by March 31, 1998, accompanied by evidence of eligibility acceptable to the Board and payment of an amount to be determined by the Board, equal to (1) employee contributions for the credit being established, based upon the applicant's salary on the first day as an alternative formula employee after the employment for which credit is being established and the rates then applicable to alternative formula employees, plus (2) an amount determined by the Board to be the employer's normal cost of the benefits accrued for the credit being established, plus (3) regular interest on the amounts in items (1) and (2) from the first day as an alternative formula employee after the employment for which credit is being established to the date of payment.

(1) Subject to the limitation in subsection (i), a security employee of the Department of Corrections may elect, not later than July 1, 1998, to establish eligible creditable service for up to 10 years of his or her service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.5, and the amounts that would have been

contributed had such contributions been made at the rates applicable to security employees of the Department of Corrections, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(m) The amendatory changes to this Section made by this amendatory Act of the 94th General Assembly apply only to: (1) security employees of the Department of Juvenile Justice employed by the Department of Corrections before the effective date of this amendatory Act of the 94th General Assembly and transferred to the Department of Juvenile Justice by this amendatory Act of the 94th General Assembly; and (2) persons employed by the Department of Juvenile Justice on or after the effective date of this amendatory Act of the 94th General Assembly who are required by subsection (b) of Section 3-2.5-15 of the Unified Code of Corrections to have a bachelor's or advanced degree from an accredited college or university with a specialization in criminal justice, education, psychology, social work, or a closely related social science or, in the case of persons who provide vocational training, who are required to have adequate knowledge in the skill for which they are providing the vocational training.

(n) A person employed in a position under subsection (b) of this Section who has purchased service credit under subsection (j) of Section 14-104 or subsection (b) of Section 14-105 in any other capacity under this Article may convert up to 5 years

of that service credit into service credit covered under this Section by paying to the Fund an amount equal to (1) the additional employee contribution required under Section 14-133, plus (2) the additional employer contribution required under Section 14-131, plus (3) interest on items (1) and (2) at the actuarially assumed rate from the date of the service to the date of payment.

(Source: P.A. 95-530, eff. 8-28-07; 95-1036, eff. 2-17-09; 96-37, eff. 7-13-09; 96-745, eff. 8-25-09; 96-1000, eff. 7-2-10.)

(40 ILCS 5/14-114) (from Ch. 108 1/2, par. 14-114)

Sec. 14-114. Automatic increase in retirement annuity.

(a) This subsection (a) is subject to subsections (a-1) and (a-2) of this Section. Any person receiving a retirement annuity under this Article who retires having attained age 60, or who retires before age 60 having at least 35 years of creditable service, or who retires on or after January 1, 2001 at an age which, when added to the number of years of his or her creditable service, equals at least 85, shall, on January 1 next following the first full year of retirement, have the amount of the then fixed and payable monthly retirement annuity increased 3%. Any person receiving a retirement annuity under this Article who retires before attainment of age 60 and with less than (i) 35 years of creditable service if retirement is before January 1, 2001, or (ii) the number of years of

creditable service which, when added to the member's age, would equal 85, if retirement is on or after January 1, 2001, shall have the amount of the fixed and payable retirement annuity increased by 3% on the January 1 occurring on or next following (1) attainment of age 60, or (2) the first anniversary of retirement, whichever occurs later. However, for persons who receive the alternative retirement annuity under Section 14-110, references in this subsection (a) to attainment of age 60 shall be deemed to refer to attainment of age 55. For a person receiving early retirement incentives under Section 14-108.3 whose retirement annuity began after January 1, 1992 pursuant to an extension granted under subsection (e) of that Section, the first anniversary of retirement shall be deemed to be January 1, 1993. For a person who retires on or after June 28, 2001 and on or before October 1, 2001, and whose retirement annuity is calculated, in whole or in part, under Section 14-110 or subsection (g) or (h) of Section 14-108, the first anniversary of retirement shall be deemed to be January 1, 2002.

On each January 1 following the date of the initial increase under this subsection, the employee's monthly retirement annuity shall be increased by an additional 3%.

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

(a-1) Notwithstanding subsection (a), but subject to the provisions of subsection (a-2), all automatic increases payable under subsection (a) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$800 (\$1,000 for portions of the annuity based on service as a noncovered employee) multiplied by the number of years of creditable service upon which the annuity is based.

Beginning January 1, 2016, the \$800 (\$1,000 for portions of the annuity based on service as a noncovered employee) referred in item (2) of this subsection (a-1) shall be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (a-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (a-1) is applicable without regard to whether the person is in service on or after the effective date

of this amendatory Act of the 98th General Assembly.

(a-2) Notwithstanding subsections (a) and (a-1), for an active or inactive Tier 1 member who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (a-2) is applicable without regard to whether the person is in

service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) The provisions of subsection (a) of this Section shall be applicable to an employee only if the employee makes the additional contributions required after December 31, 1969 for the purpose of the automatic increases for not less than the equivalent of one full year. If an employee becomes an annuitant before his additional contributions equal one full year's contributions based on his salary at the date of retirement, the employee may pay the necessary balance of the contributions to the system, without interest, and be eligible for the increasing annuity authorized by this Section.

(c) The provisions of subsection (a) of this Section shall not be applicable to any annuitant who is on retirement on December 31, 1969, and thereafter returns to State service, unless the member has established at least one year of additional creditable service following reentry into service.

(d) In addition to other increases which may be provided by this Section, on January 1, 1981 any annuitant who was receiving a retirement annuity on or before January 1, 1971 shall have his retirement annuity then being paid increased \$1 per month for each year of creditable service. On January 1, 1982, any annuitant who began receiving a retirement annuity on or before January 1, 1977, shall have his retirement annuity then being paid increased \$1 per month for each year of creditable service.

On January 1, 1987, any annuitant who began receiving a retirement annuity on or before January 1, 1977, shall have the monthly retirement annuity increased by an amount equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(e) Every person who receives the alternative retirement annuity under Section 14-110 and who is eligible to receive the 3% increase under subsection (a) on January 1, 1986, shall also receive on that date a one-time increase in retirement annuity equal to the difference between (1) his actual retirement annuity on that date, including any increases received under subsection (a), and (2) the amount of retirement annuity he would have received on that date if the amendments to subsection (a) made by Public Act 84-162 had been in effect since the date of his retirement.

(Source: P.A. 91-927, eff. 12-14-00; 92-14, eff. 6-28-01; 92-651, eff. 7-11-02.)

(40 ILCS 5/14-115) (from Ch. 108 1/2, par. 14-115)

Sec. 14-115. Supplemental Annuity.

(a) Each annuitant, who retired at age 55 or over and after the completion of at least 15 years of creditable service, whose status as an employee terminated before January 1, 1970, is entitled to a monthly supplemental annuity effective January 1, 1970, or on January 1 nearest the annuitant's 65th birthday, whichever is later. Such supplemental annuity shall be 1-1/2%

of the monthly retirement annuity, multiplied by the number of full years which elapsed from the date of the member's latest retirement to the effective date of the supplemental annuity. This monthly supplemental annuity shall be increased on each January 1 thereafter during the lifetime of the annuitant by 1-1/2% of the monthly retirement annuity disregarding any supplemental annuity previously granted. Beginning January 1, 1972, the rate of increase in the supplemental annuity shall be 2%. Beginning January 1, 1979, the rate of increase in the supplemental annuity shall be 3%.

The supplemental annuity under this subsection is payable only if the annuitant pays to the System, in a single sum, an amount equal to 1% of his monthly final average compensation multiplied by the number of full years of creditable service.

(b) Any member who retired with less than 15 years of creditable service whose status as an employee terminated before January 1, 1970, shall be entitled to an increase of 3% of the original monthly retirement allowance, effective January 1, 1982, or on January 1 nearest the annuitant's 65th birthday, whichever is later. On each January 1 thereafter during the lifetime of the member, he shall be entitled to an additional increase of 3% of the original monthly retirement allowance. No qualifying contribution is required for the supplemental annuity under this subsection.

(c) Beginning January 1, 1990, all automatic annual increases payable under this Section shall be calculated as a

percentage of the total monthly amount of annuity payable at the time of the increase, including any supplemental annuity or other increase previously granted under this Article.

(d) Notwithstanding any other provision of this Section, all increases payable under this Section on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$800 (\$1,000 for portions of the annuity based on service as a noncovered employee) multiplied by the number of years of creditable service upon which the annuity is based.

Beginning January 1, 2016, the \$800 (\$1,000 for portions of the annuity based on service as a noncovered employee) referred in item (2) of this subsection (d) shall be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (d), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and

made available to the System by November 1 of each year.

This subsection (d) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(Source: P.A. 86-273.)

(40 ILCS 5/14-131)

Sec. 14-131. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with other employer contributions from trust, federal, and other funds, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

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

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

The Board shall also determine a State contribution rate for each fiscal year, expressed as a percentage of payroll,

based on the total required State contribution for that fiscal year (less the amount received by the System from appropriations under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act, if any, for the fiscal year ending on the June 30 immediately preceding the applicable November 15 certification deadline), the estimated payroll (including all forms of compensation) for personal services rendered by eligible employees, and the recommendations of the actuary.

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

(c) Contributions shall be made by the several departments for each pay period by warrants drawn by the State Comptroller against their respective funds or appropriations based upon vouchers stating the amount to be so contributed. These amounts shall be based on the full rate certified by the Board under Section 14-135.08 for that fiscal year. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final payroll from fiscal year 2004 appropriations, the several departments shall not make contributions for the remainder of fiscal year 2004 but shall

instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The several departments shall resume those contributions at the commencement of fiscal year 2005.

(c-1) Notwithstanding subsection (c) of this Section, for fiscal years 2010, 2012, 2013, and 2014 only, contributions by the several departments are not required to be made for General Revenue Funds payrolls processed by the Comptroller. Payrolls paid by the several departments from all other State funds must continue to be processed pursuant to subsection (c) of this Section.

(c-2) For State fiscal years 2010, 2012, 2013, and 2014 only, on or as soon as possible after the 15th day of each month, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the fiscal year General Revenue Fund contribution as certified by the System pursuant to Section 14-135.08 of the Illinois Pension Code.

(d) If an employee is paid from trust funds or federal funds, the department or other employer shall pay employer contributions from those funds to the System at the certified rate, unless the terms of the trust or the federal-State agreement preclude the use of the funds for that purpose, in which case the required employer contributions shall be paid by the State. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final

payroll from fiscal year 2004 appropriations, the department or other employer shall not pay contributions for the remainder of fiscal year 2004 but shall instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The department or other employer shall resume payment of contributions at the commencement of fiscal year 2005.

(e) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through 2014 ~~2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the

required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that (i) for State fiscal year 1998, for all purposes of this Code and any other law of this State, the certified percentage of the applicable employee payroll shall be 5.052% for employees earning eligible creditable service under Section 14-110 and 6.500% for all other employees, notwithstanding any contrary certification made under Section 14-135.08 before the effective date of this amendatory Act of 1997, and (ii) in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a): 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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

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

Notwithstanding any other provision of this Article, the total required State General Revenue Fund contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section 14-135.08 and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses

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

Beginning in State fiscal year 2045, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total actuarial liabilities of the System.

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for

fiscal year 2008 and each fiscal year thereafter through State fiscal year 2014, as calculated under this Section and certified under Section 14-135.08, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(f) After the submission of all payments for eligible employees from personal services line items in fiscal year 2004 have been made, the Comptroller shall provide to the System a

certification of the sum of all fiscal year 2004 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 93rd General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2004 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2004 through payments under this Section and under Section 6z-61 of the State Finance Act. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2004 Shortfall" for purposes of this Section, and the Fiscal Year 2004 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2004 Overpayment" for purposes of this Section, and the Fiscal Year 2004 Overpayment shall be repaid by the System to the Pension Contribution Fund as soon as practicable after the certification.

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

As of June 30, 2008, the actuarial value of the System's

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

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

(i) After the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in fiscal year 2010 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2010 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 96th General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2010 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2010 through payments under this Section. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2010 Shortfall" for purposes of this

Section, and the Fiscal Year 2010 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2010 Overpayment" for purposes of this Section, and the Fiscal Year 2010 Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(j) After the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in fiscal year 2011 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2011 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 96th General Assembly had not been enacted. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2011 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2011 through payments under this Section. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2011 Shortfall" for purposes of this Section, and the Fiscal Year 2011 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount

received, the difference shall be termed the "Fiscal Year 2011 Overpayment" for purposes of this Section, and the Fiscal Year 2011 Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(k) For fiscal years 2012 through 2014 only, after the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in the fiscal year have been made, the Comptroller shall provide to the System a certification of the sum of all expenditures in the fiscal year for personal services. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for the fiscal year in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System for the fiscal year. If the amount due is more than the amount received, the difference shall be termed the "Prior Fiscal Year Shortfall" for purposes of this Section, and the Prior Fiscal Year Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Prior Fiscal Year Overpayment" for purposes of this Section, and the Prior Fiscal Year Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(Source: P.A. 97-72, eff. 7-1-11; 97-732, eff. 6-30-12; 98-24,

eff. 6-19-13.)

(40 ILCS 5/14-132) (from Ch. 108 1/2, par. 14-132)

Sec. 14-132. Obligations of State; funding guarantee.

(a) The payment of the required department contributions, all allowances, annuities, benefits granted under this Article, and all expenses of administration of the system are obligations of the State of Illinois to the extent specified in this Article.

(b) All income of the system shall be credited to a separate account for this system in the State treasury and shall be used to pay allowances, annuities, benefits and administration expense.

(c) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 14-131 and the State fails to pay that voucher

within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (c) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 14-131.

(d) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law, if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the

required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (d) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (d) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(e) Any payments and transfers required to be made by the State pursuant to subsection (c) or (d) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity. Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

(Source: P.A. 80-841.)

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

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

(a) Except as provided in subsection (a-5), each ~~Each~~ participating employee shall make contributions to the System, based on the employee's compensation, as follows:

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

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

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

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

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

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

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

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

(a-5) Beginning July 1, 2014, in lieu of the contributions otherwise required under subsection (a), each Tier 1 member who is a participating employee shall make contributions to the System, based on his or her compensation, as follows:

(1) Covered employees, except as indicated below, 2.5% for retirement annuity, and 0.5% for a widow or survivors annuity;

(2) Noncovered employees, except as indicated below, 6% for retirement annuity and 1% for a widow or survivors annuity;

(3) Noncovered employees serving in a position in which "eligible creditable service" as defined in Section 14-110 may be earned, 10.5% for retirement annuity and 1% for a widow or survivors annuity;

(4) Covered employees serving in a position in which "eligible creditable service" as defined in Section 14-110 may be earned, 7% for retirement annuity and 0.5% for a widow or survivors annuity;

(5) Each security employee of the Department of Corrections or of the Department of Human Services who is a covered employee, 7% for retirement annuity and 0.5% for a widow or survivors annuity;

(6) Each security employee of the Department of

Corrections or of the Department of Human Services who is not a covered employee, 10.5% for retirement annuity and 1% for a widow or survivors annuity.

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

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

(40 ILCS 5/14-133.5 new)

Sec. 14-133.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

(40 ILCS 5/14-135.08) (from Ch. 108 1/2, par. 14-135.08)

Sec. 14-135.08. To certify required State contributions.

(a) To certify to the Governor and to each department, on or before November 15 of each year until November 15, 2011, the required rate for State contributions to the System for the next State fiscal year, as determined under subsection (b) of Section 14-131. The certification to the Governor under this subsection (a) shall include a copy of the actuarial

recommendations upon which the rate is based and shall specifically identify the System's projected State normal cost for that fiscal year.

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

(a-10) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the

amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

(b) The certifications under subsections (a) and (a-5) shall include an additional amount necessary to pay all

principal of and interest on those general obligation bonds due the next fiscal year authorized by Section 7.2(a) of the General Obligation Bond Act and issued to provide the proceeds deposited by the State with the System in July 2003, representing deposits other than amounts reserved under Section 7.2(c) of the General Obligation Bond Act. For State fiscal year 2005, the Board shall make a supplemental certification of the additional amount necessary to pay all principal of and interest on those general obligation bonds due in State fiscal years 2004 and 2005 authorized by Section 7.2(a) of the General Obligation Bond Act and issued to provide the proceeds deposited by the State with the System in July 2003, representing deposits other than amounts reserved under Section 7.2(c) of the General Obligation Bond Act, as soon as practical after the effective date of this amendatory Act of the 93rd General Assembly.

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

On or before July 1, 2005, the Board shall recalculate and recertify to the Governor and to each department the amount of the required State contribution to the System and the required

rates for State contributions to the System for State fiscal year 2006, taking into account the changes in required State contributions made by this amendatory Act of the 94th General Assembly.

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

(Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 97-694, eff. 6-18-12.)

(40 ILCS 5/14-152.1)

Sec. 14-152.1. Application and expiration of new benefit increases.

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after June 1, 2005 (the effective date of Public Act 94-4). "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article by Public Act 96-37 or by this amendatory Act of the 98th ~~96th~~ General Assembly.

(b) Notwithstanding any other provision of this Code or any

subsequent amendment to this Code, every new benefit increase is subject to this Section and shall be deemed to be granted only in conformance with and contingent upon compliance with the provisions of this Section.

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

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

(d) Every new benefit increase shall expire 5 years after its effective date or on such earlier date as may be specified

in the language enacting the new benefit increase or provided under subsection (c). This does not prevent the General Assembly from extending or re-creating a new benefit increase by law.

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

(Source: P.A. 96-37, eff. 7-13-09.)

(40 ILCS 5/14-155 new)

Sec. 14-155. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 members. The System shall determine the 5% cap by the number of active Tier 1 members on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for

payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 members who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 member of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as Tier 1 members in this System who do not participate in the defined contribution plan.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of compensation and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 members in the defined benefit plan for that year, as determined by the System and expressed as a percentage of compensation, and shall be no lower than 3% of compensation. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years

of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for the defined disability benefits available to other participants under this Article. If it does, the System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments handled by the Illinois State Board of Investment as well as private sector investment options.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of

offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 members of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible Tier 1 employee may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 member who is eligible to participate in the defined contribution plan. The System shall mail information describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to

other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan, including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the member's defined benefits at retirement or earlier termination of service and the value of the member's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 employees who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no

person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined contribution plan and the System's plans for informing eligible Tier 1 members about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) The Illinois State Board of Investments shall be the plan sponsor for the defined contribution plan established under this Section.

(i) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost is necessary to ensure cost neutrality.

(40 ILCS 5/14-156 new)

Sec. 14-156. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 member in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to

recover the amounts in the participant's defined contribution accounts.

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

Sec. 15-106. Employer. "Employer": The University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the State Board of Higher Education, the Illinois Mathematics and Science Academy, the University Civil Service Merit Board, the Board of Trustees of the State Universities Retirement System, the Illinois Community College Board, community college boards, any association of community college boards organized under Section 3-55 of the Public Community College Act, the Board of Examiners established under the Illinois Public Accounting Act, and, only during the period for which employer contributions required under Section 15-155 are paid, the following organizations: the alumni associations, the foundations and the athletic associations which are affiliated with the universities and colleges included in this Section as employers. An individual that begins employment after the effective date of this amendatory Act of the 98th General Assembly with an entity not defined as an employer in this Section shall not be deemed an employee for the purposes of this Article with respect to that employment and shall not

be eligible to participate in the System with respect to that employment; provided, however, that those individuals who are both employed and already participants in the System on the effective date of this amendatory Act of the 98th General Assembly shall be allowed to continue as participants in the System for the duration of that employment and continue to earn service credit.

Notwithstanding any provision of law to the contrary, an individual who begins employment with any of the following employers on or after the effective date of this amendatory Act of the 98th General Assembly shall not be deemed an employee and shall not be eligible to participate in the System with respect to that employment: any association of community college boards organized under Section 3-55 of the Public Community College Act, the Association of Illinois Middle-Grade Schools, the Illinois Association of School Administrators, the Illinois Association for Supervision and Curriculum Development, the Illinois Principals Association, the Illinois Association of School Business Officials, or the Illinois Special Olympics; provided, however, that those individuals who are both employed and already participants in the System on the effective date of this amendatory Act of the 98th General Assembly shall be allowed to continue as participants in the System for the duration of that employment and continue to earn service credit.

A department as defined in Section 14-103.04 is an employer

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

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

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

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

Sec. 15-107. Employee.

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

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

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

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

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

(3) is on a military leave of absence;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) In the case of doubt as to whether any person is an employee within the meaning of this Section, the decision of the Board shall be final.

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

Sec. 15-111. Earnings.

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

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

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

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

contributions under Section 15-157 on that transition pay. Employee contributions under item (ii) may be paid in a lump sum, by withholding from additional transition pay accruing before January 1, 2001, or in any other manner approved by the System. Upon payment of the employee contributions on transition pay, the corresponding employer contributions become an obligation of the State.

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

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

(c) Notwithstanding any other provision of this Code, the annual earnings of a Tier 1 member for the purposes of this

Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual limitation determined from time to time under subsection (b-5) of Section 1-160 of this Code, (ii) the annualized rate of earnings of the Tier 1 member as of that effective date, or (iii) the annualized rate of earnings of the Tier 1 member immediately preceding the expiration, renewal, or amendment of an employment contract or collective bargaining agreement in effect on that effective date.

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

(40 ILCS 5/15-112) (from Ch. 108 1/2, par. 15-112)

Sec. 15-112. Final rate of earnings. "Final rate of earnings":

(a) This subsection (a) applies only to a Tier 1 member.

For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, the average annual earnings during the 48 consecutive calendar month period ending with the last day of final termination of employment or the 4 consecutive academic years of service in which the employee's earnings were the highest, whichever is greater. For any other employee, the average annual earnings during the 4 consecutive academic years of service in which his or her earnings were the highest. For an employee with less than 48 months or 4 consecutive academic

years of service, the average earnings during his or her entire period of service. The earnings of an employee with more than 36 months of service prior to the date of becoming a participant are, for such period, considered equal to the average earnings during the last 36 months of such service.

(b) This subsection (b) applies to a Tier 2 member.

For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, the average annual earnings obtained by dividing by 8 the total earnings of the employee during the 96 consecutive months in which the total earnings were the highest within the last 120 months prior to termination.

For any other employee, the average annual earnings during the 8 consecutive academic years within the 10 years prior to termination in which the employee's earnings were the highest. For an employee with less than 96 consecutive months or 8 consecutive academic years of service, whichever is necessary, the average earnings during his or her entire period of service.

(c) For an employee on leave of absence with pay, or on leave of absence without pay who makes contributions during such leave, earnings are assumed to be equal to the basic compensation on the date the leave began.

(d) For an employee on disability leave, earnings are assumed to be equal to the basic compensation on the date disability occurs or the average earnings during the 24 months

immediately preceding the month in which disability occurs, whichever is greater.

(e) For a Tier 1 member who retires on or after the effective date of this amendatory Act of 1997 with at least 20 years of service as a firefighter or police officer under this Article, the final rate of earnings shall be the annual rate of earnings received by the participant on his or her last day as a firefighter or police officer under this Article, if that is greater than the final rate of earnings as calculated under the other provisions of this Section.

(f) If a Tier 1 member is an employee for at least 6 months during the academic year in which his or her employment is terminated, the annual final rate of earnings shall be 25% of the sum of (1) the annual basic compensation for that year, and (2) the amount earned during the 36 months immediately preceding that year, if this is greater than the final rate of earnings as calculated under the other provisions of this Section.

(g) In the determination of the final rate of earnings for an employee, that part of an employee's earnings for any academic year beginning after June 30, 1997, which exceeds the employee's earnings with that employer for the preceding year by more than 20 percent shall be excluded; in the event that an employee has more than one employer this limitation shall be calculated separately for the earnings with each employer. In making such calculation, only the basic compensation of

employees shall be considered, without regard to vacation or overtime or to contracts for summer employment.

(h) The following are not considered as earnings in determining final rate of earnings: (1) severance or separation pay, (2) retirement pay, (3) payment for unused sick leave, and (4) payments from an employer for the period used in determining final rate of earnings for any purpose other than (i) services rendered, (ii) leave of absence or vacation granted during that period, and (iii) vacation of up to 56 work days allowed upon termination of employment; except that, if the benefit has been collectively bargained between the employer and the recognized collective bargaining agent pursuant to the Illinois Educational Labor Relations Act, payment received during a period of up to 2 academic years for unused sick leave may be considered as earnings in accordance with the applicable collective bargaining agreement, subject to the 20% increase limitation of this Section, and if the person first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, payments for unused sick or vacation time shall not be considered as earnings. Any unused sick leave considered as earnings under this Section shall not be taken into account in calculating service credit under Section 15-113.4.

(i) Intermittent periods of service shall be considered as consecutive in determining final rate of earnings.

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

(40 ILCS 5/15-113.4) (from Ch. 108 1/2, par. 15-113.4)

Sec. 15-113.4. Service for unused sick leave. "Service for unused sick leave": A person who first becomes a participant before the effective date of this amendatory Act of the 98th General Assembly and who is an employee under this System or one of the other systems subject to Article 20 of this Code within 60 days immediately preceding the date on which his or her retirement annuity begins, is entitled to credit for service for that portion of unused sick leave earned in the course of employment with an employer and credited on the date of termination of employment by an employer for which payment is not received, in accordance with the following schedule: 30 through 90 full calendar days and 20 through 59 full work days of unused sick leave, 1/4 of a year of service; 91 through 180 full calendar days and 60 through 119 full work days, 1/2 of a year of service; 181 through 270 full calendar days and 120 through 179 full work days, 3/4 of a year of service; 271 through 360 full calendar days and 180 through 240 full work days, one year of service. Only uncompensated, unused sick leave earned in accordance with an employer's sick leave accrual policy generally applicable to employees or a class of employees shall be taken into account in calculating service credit under this Section. Any uncompensated, unused sick leave granted by an employer to facilitate the hiring, retirement, termination, or other special circumstances of an employee

shall not be taken into account in calculating service credit under this Section. If a participant transfers from one employer to another, the unused sick leave credited by the previous employer shall be considered in determining service to be credited under this Section, even if the participant terminated service prior to the effective date of P.A. 86-272 (August 23, 1989); if necessary, the retirement annuity shall be recalculated to reflect such sick leave credit. Each employer shall certify to the board the number of days of unused sick leave accrued to the participant's credit on the date that the participant's status as an employee terminated. This period of unused sick leave shall not be considered in determining the date the retirement annuity begins. A person who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly shall not receive service credit for unused sick leave.

(Source: P.A. 90-65, eff. 7-7-97; 90-511, eff. 8-22-97.)

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

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

(1) "Prescribed rate of interest": The rate of interest to be used in actuarial valuations and in development of actuarial tables as determined by the board on the basis of the probable average ~~effective~~ rate of interest on a long term basis, based on factors including the expected investment experience;

historical and expected fluctuations in the market value of investments; the desirability of minimizing volatility in the rate of investment earnings from year to year; and the provision of reserves for anticipated losses upon sales, redemptions, or other disposition of investments and for variations in interest experience.

(2) "Effective rate of interest": For a fiscal year concluding no later than June 30, 2014, the ~~The~~ interest rate for all or any part of a fiscal year that is determined by the board based on factors including the system's past and expected investment experience; historical and expected fluctuations in the market value of investments; the desirability of minimizing volatility in the effective rate of interest from year to year; and the provision of reserves for anticipated losses upon sales, redemptions, or other disposition of investments and for variations in interest experience; except that for the purpose of determining the accumulated normal contributions used in calculating retirement annuities under Rule 2 of Section 15-136, the effective rate of interest shall be determined by the State Comptroller rather than the board. For a fiscal year concluding no later than June 30, 2014, the ~~The~~ State Comptroller shall determine the effective rate of interest to be used for this purpose using the factors listed above, and shall certify to the board and the Commission on Government Forecasting and Accountability the rate to be used for this purpose for fiscal year 2006 as soon as possible after the

effective date of this amendatory Act of the 94th General Assembly, and for each fiscal year thereafter no later than the January 31 immediately preceding the start of that fiscal year.

For a fiscal year that begins on or after July 1, 2014, the effective rate of interest for a given fiscal year shall be equal to the interest rate of 30-year United States Treasury bonds as of the beginning of that given fiscal year, plus 75 basis points. This effective rate of interest shall not be used in determining the prescribed rate of interest as defined in paragraph (1) of this Section.

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

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

(40 ILCS 5/15-135) (from Ch. 108 1/2, par. 15-135)

Sec. 15-135. Retirement annuities - Conditions.

(a) This subsection (a) applies only to a Tier 1 member. A participant who retires in one of the following specified years with the specified amount of service is entitled to a retirement annuity at any age under the retirement program applicable to the participant:

35 years if retirement is in 1997 or before;

34 years if retirement is in 1998;

33 years if retirement is in 1999;

32 years if retirement is in 2000;

31 years if retirement is in 2001;

30 years if retirement is in 2002 or later.

A participant with 8 or more years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 55.

A participant with at least 5 but less than 8 years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 62.

A participant who has at least 25 years of service in this system as a police officer or firefighter is entitled to a retirement annuity on or after the attainment of age 50, if Rule 4 of Section 15-136 is applicable to the participant.

(a-3) Notwithstanding subsection (a) of this Section, for a Tier 1 member who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required retirement age under subsection (a) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (a) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44

on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 48 months.

(14) If he or she is at least age 33 but less than age 34 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (a-3) applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-5) A Tier 2 member is entitled to a retirement annuity upon written application if he or she has attained age 67 and has at least 10 years of service credit and is otherwise eligible under the requirements of this Article. A Tier 2 member who has attained age 62 and has at least 10 years of service credit and is otherwise eligible under the requirements of this Article may elect to receive the lower retirement annuity provided in subsection (b-5) of Section 15-136 of this Article.

(b) The annuity payment period shall begin on the date

specified by the participant or the recipient of a disability retirement annuity submitting a written application, which date shall not be prior to termination of employment or more than one year before the application is received by the board; however, if the participant is not an employee of an employer participating in this System or in a participating system as defined in Article 20 of this Code on April 1 of the calendar year next following the calendar year in which the participant attains age 70 1/2, the annuity payment period shall begin on that date regardless of whether an application has been filed.

(c) An annuity is not payable if the amount provided under Section 15-136 is less than \$10 per month.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12; 98-92, eff. 7-16-13.)

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

Sec. 15-136. Retirement annuities - Amount. The provisions of this Section 15-136 apply only to those participants who are participating in the traditional benefit package or the portable benefit package and do not apply to participants who are participating in the self-managed plan.

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

Rule 1: The retirement annuity shall be 1.67% of final rate

of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service.

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

(i) the normal annuity which can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014), by the accumulated normal contributions as of the date the annuity begins;

(ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and

(iii) the annuity that can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) from the entire contribution made by the participant under Section 15-113.3.

Notwithstanding any other provision of this Rule 2, a participant's retirement annuity calculated under this Rule 2 shall not be less than the retirement annuity that participant would have received under this Rule 2 had he or she retired during the fiscal year preceding the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

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

Rule 3: The retirement annuity of a participant who is employed at least one-half time during the period on which his or her final rate of earnings is based, shall be equal to the participant's years of service not to exceed 30, multiplied by (1) \$96 if the participant's final rate of earnings is less than \$3,500, (2) \$108 if the final rate of earnings is at least \$3,500 but less than \$4,500, (3) \$120 if the final rate of earnings is at least \$4,500 but less than \$5,500, (4) \$132 if the final rate of earnings is at least \$5,500 but less than \$6,500, (5) \$144 if the final rate of earnings is at least \$6,500 but less than \$7,500, (6) \$156 if the final rate of earnings is at least \$7,500 but less than \$8,500, (7) \$168 if the final rate of earnings is at least \$8,500 but less than \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or more, except that the annuity for those persons having made an election under Section 15-154(a-1) shall be calculated and payable under the portable retirement benefit program pursuant to the provisions of Section 15-136.4.

Rule 4: A participant who is at least age 50 and has 25 or more years of service as a police officer or firefighter, and a

participant who is age 55 or over and has at least 20 but less than 25 years of service as a police officer or firefighter, shall be entitled to a retirement annuity of 2 1/4% of the final rate of earnings for each of the first 10 years of service as a police officer or firefighter, 2 1/2% for each of the next 10 years of service as a police officer or firefighter, and 2 3/4% for each year of service as a police officer or firefighter in excess of 20. The retirement annuity for all other service shall be computed under Rule 1. A Tier 2 member is eligible for a retirement annuity calculated under Rule 4 only if that Tier 2 member meets the service requirements for that benefit calculation as prescribed under this Rule 4 in addition to the applicable age requirement under subsection (a-5) of Section 15-135.

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

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

(ii) in the case of an individual who was a participating employee employed in the fire department of the University of Illinois's Champaign-Urbana campus immediately prior to the elimination of that fire department and who immediately after the elimination of that fire department transferred to another job with the University of Illinois, service performed as an employee of the University of Illinois in a position other than police

officer or firefighter, from the date of that transfer until the employee's next termination of service with the University of Illinois.

(b) For a Tier 1 member, the retirement annuity provided under Rules 1 and 3 above shall be reduced by 1/2 of 1% for each month the participant is under age 60 at the time of retirement. However, this reduction shall not apply in the following cases:

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

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

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

(b-5) The retirement annuity of a Tier 2 member who is retiring after attaining age 62 with at least 10 years of service credit shall be reduced by 1/2 of 1% for each full month that the member's age is under age 67.

(c) The maximum retirement annuity provided under Rules 1,

2, 4, and 5 shall be the lesser of (1) the annual limit of benefits as specified in Section 415 of the Internal Revenue Code of 1986, as such Section may be amended from time to time and as such benefit limits shall be adjusted by the Commissioner of Internal Revenue, and (2) 80% of final rate of earnings.

(d) This subsection (d) is subject to subsections (d-1) and (d-2). A Tier 1 member whose status as an employee terminates after August 14, 1969 shall receive automatic increases in his or her retirement annuity as follows:

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

The annuitant shall receive an increase in his or her monthly retirement annuity on each January 1 thereafter during

the annuitant's life of 3% of the monthly annuity provided under Rule 1, Rule 2, Rule 3, or Rule 4 contained in this Section. The change made under this subsection by P.A. 81-970 is effective January 1, 1980 and applies to each annuitant whose status as an employee terminates before or after that date.

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

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

(d-1) Notwithstanding subsection (d), but subject to the provisions of subsection (d-2), all automatic increases payable under subsection (d) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase subject to this subsection, the amount of that increase shall be prorated if less than one year has elapsed since retirement.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (d-1) shall be increased on each January

1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (d-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (d-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(d-2) Notwithstanding subsections (d) and (d-1), for an active or inactive Tier 1 member who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the automatic annual increase payable under subsection (d) the second January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the automatic annual increase payable under subsection (d) the second, fourth, and sixth January

following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the automatic annual increase payable under subsection (d) the second, fourth, sixth, and eighth January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act;

(4) the automatic annual increase payable under subsection (d) the second, fourth, sixth, eighth, and tenth January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is less than age 44 on the effective date of this amendatory Act.

(d-5) A retirement annuity of a Tier 2 member shall receive annual increases on the January 1 occurring either on or after the attainment of age 67 or the first anniversary of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted

percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

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

(f) A participant is entitled to such additional annuity as may be provided on an actuarially equivalent basis, by any accumulated additional contributions to his or her credit. However, the additional contributions made by the participant toward the automatic increases in annuity provided under this

Section shall not be taken into account in determining the amount of such additional annuity.

(g) If, (1) by law, a function of a governmental unit, as defined by Section 20-107 of this Code, is transferred in whole or in part to an employer, and (2) a participant transfers employment from such governmental unit to such employer within 6 months after the transfer of the function, and (3) the sum of (A) the annuity payable to the participant under Rule 1, 2, or 3 of this Section (B) all proportional annuities payable to the participant by all other retirement systems covered by Article 20, and (C) the initial primary insurance amount to which the participant is entitled under the Social Security Act, is less than the retirement annuity which would have been payable if all of the participant's pension credits validated under Section 20-109 had been validated under this system, a supplemental annuity equal to the difference in such amounts shall be payable to the participant.

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

(i) On January 1, 1987, any annuitant whose retirement

annuity began on or before January 1, 1977, shall have the monthly retirement annuity increased by an amount equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(j) For participants to whom subsection (a-3) of Section 15-135 applies, the references to age 50, 55, and 62 in this Section are increased as provided in subsection (a-3) of Section 15-135.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12; 98-92, eff. 7-16-13.)

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

Sec. 15-155. Employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with the other employer contributions from trust, federal, and other funds, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

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

(a-1) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of the State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through 2014 ~~2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

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

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

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

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

Notwithstanding any other provision of this Article, the

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

Beginning in State fiscal year 2045, the minimum contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total liabilities of the System.

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

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

funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2014, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003

for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

(b-1) The City of Urbana and the City of Champaign shall each make employer contributions to this System for their respective firefighter employees who participate in this System pursuant to subsection (h) of Section 15-107. The rate of contributions to be made by those municipalities shall be determined annually by the Board on the basis of the actuarial assumptions adopted by the Board and the recommendations of the actuary, and shall be expressed as a percentage of salary for

each such employee. The Board shall certify the rate to the affected municipalities as soon as may be practical. The employer contributions required under this subsection shall be remitted by the municipality to the System at the same time and in the same manner as employee contributions.

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

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

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

(f) Normal costs under this Section means liability for

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

(g) If the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 6%, the participant's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. The System may require the employer to provide any pertinent information or documentation.

Whenever it determines that a payment is or may be required under this subsection (g), the System shall calculate the amount of the payment and bill the employer for that amount.

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

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

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

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

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

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

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

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

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

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

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

employer.

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

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

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

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

(l) For purposes of determining the required State

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

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

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

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

(40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

Sec. 15-156. Obligations of State; funding guarantees.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses in connection with the administration and operation thereof are obligations of the State of Illinois to the extent specified in this Article. The accumulated employee normal, additional and survivors insurance contributions credited to the accounts of active and inactive participants shall not be used to pay the

State's share of the obligations.

(b) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 15-155 and the State fails to pay that voucher within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (b) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of

Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 15-155.

(c) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law, if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System

files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (c) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (c) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(d) Any payments and transfers required to be made by the State pursuant to subsection (b) or (c) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity.

Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

(Source: P.A. 83-1440.)

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

Sec. 15-157. Employee Contributions.

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

Except as provided in subsection (a-5), each ~~Each~~ participant who is a police officer or firefighter shall make normal contributions of 8% of each payment of earnings applicable to employment as a police officer or firefighter under this system on or after September 1, 1981, unless he or

she files with the board within 60 days after the effective date of this amendatory Act of 1991 or 60 days after the board receives notice that he or she is employed as a police officer or firefighter, whichever is later, a written notice waiving the retirement formula provided by Rule 4 of Section 15-136. This waiver shall be irrevocable. If a participant had met the conditions set forth in Section 15-132.1 prior to the effective date of this amendatory Act of 1991 but failed to make the additional normal contributions required by this paragraph, he or she may elect to pay the additional contributions plus compound interest at the effective rate. If such payment is received by the board, the service shall be considered as police officer service in calculating the retirement annuity under Rule 4 of Section 15-136. While performing service described in clause (i) or (ii) of Rule 4 of Section 15-136, a participating employee shall be deemed to be employed as a firefighter for the purpose of determining the rate of employee contributions under this Section.

(a-5) Beginning July 1, 2014, in lieu of the contribution otherwise required under subsection (a), each Tier 1 member, other than a Tier 1 member who is a police officer or firefighter, shall contribute 6% of earnings toward the retirement benefits payable under the retirement programs applicable to the employee from each payment of earnings applicable to employment under this system.

Beginning July 1, 2014, in lieu of the contribution

otherwise required under subsection (a), each Tier 1 member who is a police officer or firefighter shall contribute 7.5% of each payment of earnings applicable to employment as a police officer or firefighter under this system, unless he or she has filed a waiver with the board pursuant to subsection (a).

The contributions required under this subsection (a-5) are to be considered normal contributions for the purposes of this Article.

(b) Starting September 1, 1969 and, in the case of Tier 1 members, ending on June 30, 2014, each participating employee shall make additional contributions of 1/2 of 1% of earnings to finance a portion of the cost of the annual increases in retirement annuity provided under Section 15-136, except that with respect to participants in the self-managed plan this additional contribution shall be used to finance the benefits obtained under that retirement program.

(c) In addition to the amounts described in subsections (a) and (b) of this Section, each participating employee shall make contributions of 1% of earnings applicable under this system on and after August 1, 1959. The contributions made under this subsection (c) shall be considered as survivor's insurance contributions for purposes of this Article if the employee is covered under the traditional benefit package, and such contributions shall be considered as additional contributions for purposes of this Article if the employee is participating in the self-managed plan or has elected to participate in the

portable benefit package and has completed the applicable one-year waiting period. Contributions in excess of \$80 during any fiscal year beginning before August 31, 1969 and in excess of \$120 during any fiscal year thereafter until September 1, 1971 shall be considered as additional contributions for purposes of this Article.

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

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

(f) Notwithstanding the foregoing, a participating employee shall not be required to make contributions under this Section after the date upon which continuance of such contributions would otherwise cause his or her retirement annuity to exceed the maximum retirement annuity as specified

in clause (1) of subsection (c) of Section 15-136.

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

(h) A Tier 2 member shall not make contributions on earnings that exceed the limitation as prescribed under subsection (b) of Section 15-111 of this Article.

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

(40 ILCS 5/15-157.5 new)

Sec. 15-157.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year until November 15, 2011 the appropriation required from State funds for the purposes of this System for the following fiscal year. The certification under this subsection (a) shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year.

On or before May 1, 2004, the Board shall recalculate and

recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

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

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

(a-5) On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial

assumptions that the Board must consider before finalizing its certification of the required State contributions. On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The Board's certification must note, in a written response to the State Actuary, any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-10) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial

assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

(b) The Board shall certify to the State Comptroller or employer, as the case may be, from time to time, by its chairperson and secretary, with its seal attached, the amounts payable to the System from the various funds.

(c) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration

the transfer to the System under subsection (b) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(d) So long as the payments received are the full amount lawfully vouchered under this Section, payments received by the System under this Section shall be applied first toward the employer contribution to the self-managed plan established under Section 15-158.2. Payments shall be applied second toward the employer's portion of the normal costs of the System, as defined in subsection (f) of Section 15-155. The balance shall be applied toward the unfunded actuarial liabilities of the System.

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to

fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).

(Source: P.A. 97-694, eff. 6-18-12; 98-92, eff. 7-16-13.)

(40 ILCS 5/15-198)

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

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

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

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

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

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

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

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

(40 ILCS 5/15-200 new)

Sec. 15-200. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 members. The System shall determine the 5% cap by the number of active Tier 1 members on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 members

who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 member of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan. An active Tier 1 member who elects to cease accruing benefits in his or her defined benefit plan shall be prohibited from purchasing service credit on or after the date of his or her election. A Tier 1 member making the irrevocable election provided under this Section shall not receive interest accruals to his or her Rule 2 benefit on or after the date of his or her election.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as other participants under this Article as determined by the System.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of earnings and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 members in the defined benefit plan for that year, as determined by the System and expressed as a percentage of earnings, and shall

be no lower than 3% of earnings. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for the defined disability benefits available to other participants under this Article. If it does, the System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments handled by the System as well as private sector investment options.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 members of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible Tier 1 employee may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 member who is eligible to participate in the defined contribution plan. The System shall mail information

describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan, including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the member's defined benefits at retirement or earlier termination of service and the value of the member's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 employees who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the

98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined contribution plan and the System's plans for informing eligible Tier 1 members about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) If an active Tier 1 member has not made an election under Section 15-134.5 of this Code, then the plan prescribed under this Section shall not apply to that Tier 1 member and that Tier 1 member shall remain eligible to make the election prescribed under Section 15-134.5.

(i) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost is necessary to ensure cost neutrality.

(40 ILCS 5/15-201 new)

Sec. 15-201. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes

inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 member participating in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to recover the amounts in the participant's defined contribution accounts.

(40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

Sec. 16-106. Teacher. "Teacher": The following individuals, provided that, for employment prior to July 1, 1990, they are employed on a full-time basis, or if not full-time, on a permanent and continuous basis in a position in which services are expected to be rendered for at least one school term:

(1) Any educational, administrative, professional or other staff employed in the public common schools included within this system in a position requiring certification under the law governing the certification of teachers;

(2) Any educational, administrative, professional or other staff employed in any facility of the Department of Children and Family Services or the Department of Human Services, in a position requiring certification under the law governing the certification of teachers, and any person who (i) works in such a position for the Department of Corrections, (ii) was a member of this System on May 31,

1987, and (iii) did not elect to become a member of the State Employees' Retirement System pursuant to Section 14-108.2 of this Code; except that "teacher" does not include any person who (A) becomes a security employee of the Department of Human Services, as defined in Section 14-110, after June 28, 2001 (the effective date of Public Act 92-14), or (B) becomes a member of the State Employees' Retirement System pursuant to Section 14-108.2c of this Code;

(3) Any regional superintendent of schools, assistant regional superintendent of schools, State Superintendent of Education; any person employed by the State Board of Education as an executive; any executive of the boards engaged in the service of public common school education in school districts covered under this system of which the State Superintendent of Education is an ex-officio member;

(4) Any employee of a school board association operating in compliance with Article 23 of the School Code who is certificated under the law governing the certification of teachers, provided that he or she becomes such an employee before the effective date of this amendatory Act of the 98th General Assembly;

(5) Any person employed by the retirement system who:

(i) was an employee of and a participant in the system on August 17, 2001 (the effective date of Public Act 92-416), or

(ii) becomes an employee of the system on or after August 17, 2001;

(6) Any educational, administrative, professional or other staff employed by and under the supervision and control of a regional superintendent of schools, provided such employment position requires the person to be certificated under the law governing the certification of teachers and is in an educational program serving 2 or more districts in accordance with a joint agreement authorized by the School Code or by federal legislation;

(7) Any educational, administrative, professional or other staff employed in an educational program serving 2 or more school districts in accordance with a joint agreement authorized by the School Code or by federal legislation and in a position requiring certification under the laws governing the certification of teachers;

(8) Any officer or employee of a statewide teacher organization or officer of a national teacher organization who is certified under the law governing certification of teachers, provided: (i) the individual had previously established creditable service under this Article, (ii) the individual files with the system an irrevocable election to become a member before the effective date of this amendatory Act of the 97th General Assembly, (iii) the individual does not receive credit for such service under any other Article of this Code, and (iv) the individual

first became an officer or employee of the teacher organization and becomes a member before the effective date of this amendatory Act of the 97th General Assembly;

(9) Any educational, administrative, professional, or other staff employed in a charter school operating in compliance with the Charter Schools Law who is certificated under the law governing the certification of teachers;

(10) Any person employed, on the effective date of this amendatory Act of the 94th General Assembly, by the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code who is required by the Macon-Piatt Regional Office of Education to hold a teaching certificate, provided that the Macon-Piatt Regional Office of Education makes an election, within 6 months after the effective date of this amendatory Act of the 94th General Assembly, to have the person participate in the system. Any service established prior to the effective date of this amendatory Act of the 94th General Assembly for service as an employee of the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code shall be considered service as a teacher if employee and employer contributions have been received by the system and the system has not refunded those contributions.

An annuitant receiving a retirement annuity under this Article or under Article 17 of this Code who is employed by a board of education or other employer as permitted under Section 16-118 or 16-150.1 is not a "teacher" for purposes of this Article. A person who has received a single-sum retirement benefit under Section 16-136.4 of this Article is not a "teacher" for purposes of this Article.

(Source: P.A. 97-651, eff. 1-5-12; 98-463, eff. 8-16-13.)

(40 ILCS 5/16-106.4 new)

Sec. 16-106.4. Tier 1 member. "Tier 1 member": A member under this Article who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/16-112) (from Ch. 108 1/2, par. 16-112)

Sec. 16-112. Regular interest.

"Regular interest":

(a) For computations based upon prior service credits, interest at the following rates compounded annually: For periods prior to July 1, 1947, 4% per year; for periods from July 1, 1947 through June 30, 1971, 3% per year; for periods from July 1, 1971 through June 30, 1977 at the rate of 4% per year; for periods from July 1, 1977 through June 30, 1981, 5%

per year; for periods after June 30, 1981 through June 30, 2014, 6% per year.

(b) For computations based upon membership service credits, interest at the following rates, compounded annually: For periods prior to July 1, 1971, 3% per year; for periods from July 1, 1971 through June 30, 1977, 4% per year; for periods from July 1, 1977 through June 30, 1981, 5% per year; for periods after June 30, 1981 through June 30, 2014, 6% per year.

(c) For a fiscal year that begins on or after July 1, 2014, for all computations, the interest rate of 30-year United States Treasury bonds on July 1 of that given fiscal year, plus 75 basis points.

(Source: P.A. 83-1440.)

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

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

In the case of a person who first becomes a member on or after the effective date of this amendatory Act of the 98th General Assembly, "salary" shall not include any payment for unused sick or vacation time.

Notwithstanding any other provision of this Code, the annual salary of a Tier 1 member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual limitation determined from time to time under subsection (b-5) of Section 1-160 of this Code, (ii) the annualized salary of the Tier 1 member on that effective date, or (iii) the annualized salary of the Tier 1 member immediately preceding the expiration, renewal, or amendment of an employment contract or collective bargaining agreement in effect on that effective date.

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

(40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

Sec. 16-127. Computation of creditable service.

(a) Each member shall receive regular credit for all service as a teacher from the date membership begins, for which satisfactory evidence is supplied and all contributions have been paid.

(b) The following periods of service shall earn optional credit and each member shall receive credit for all such service for which satisfactory evidence is supplied and all contributions have been paid as of the date specified:

(1) Prior service as a teacher.

(2) Service in a capacity essentially similar or equivalent to that of a teacher, in the public common

schools in school districts in this State not included within the provisions of this System, or of any other State, territory, dependency or possession of the United States, or in schools operated by or under the auspices of the United States, or under the auspices of any agency or department of any other State, and service during any period of professional speech correction or special education experience for a public agency within this State or any other State, territory, dependency or possession of the United States, and service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety, for a period not exceeding the lesser of 2/5 of the total creditable service of the member or 10 years. The maximum service of 10 years which is allowable under this paragraph shall be reduced by the service credit which is validated by other retirement systems under paragraph (i) of Section 15-113 and paragraph 1 of Section 17-133. Credit granted under this paragraph may not be used in determination of a retirement annuity or disability benefits unless the member has at least 5 years of creditable service earned subsequent to this employment with one or more of the following systems: Teachers' Retirement System of the State of Illinois, State Universities Retirement System, and the Public School Teachers' Pension and Retirement Fund of Chicago. Whenever such service credit exceeds the maximum allowed for all

purposes of this Article, the first service rendered in point of time shall be considered. The changes to this subdivision (b)(2) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

(3) Any periods immediately following teaching service, under this System or under Article 17, (or immediately following service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety) spent in active service with the military forces of the United States; periods spent in educational programs that prepare for return to teaching sponsored by the federal government following such active military service; if a teacher returns to teaching service within one calendar year after discharge or after the completion of the educational program, a further period, not exceeding one calendar year, between time spent in military service or in such educational programs and the return to employment as a teacher under this System; and a period of up to 2 years of active military service not immediately following employment as a teacher.

The changes to this Section and Section 16-128 relating to military service made by P.A. 87-794 shall apply not

only to persons who on or after its effective date are in service as a teacher under the System, but also to persons whose status as a teacher terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the System received written notification of the annuitant's intent to purchase the credit, if payment of all the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under P.A. 87-794 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

Credit for military service shall be determined as follows: if entry occurs during the months of July, August, or September and the member was a teacher at the end of the immediately preceding school term, credit shall be granted from July 1 of the year in which he or she entered service;

if entry occurs during the school term and the teacher was in teaching service at the beginning of the school term, credit shall be granted from July 1 of such year. In all other cases where credit for military service is allowed, credit shall be granted from the date of entry into the service.

The total period of military service for which credit is granted shall not exceed 5 years for any member unless the service: (A) is validated before July 1, 1964, and (B) does not extend beyond July 1, 1963. Credit for military service shall be granted under this Section only if not more than 5 years of the military service for which credit is granted under this Section is used by the member to qualify for a military retirement allotment from any branch of the armed forces of the United States. The changes to this subdivision (b) (3) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

(4) Any periods served as a member of the General Assembly.

(5) (i) Any periods for which a teacher, as defined in Section 16-106, is granted a leave of absence, provided he or she returns to teaching service creditable under this

System or the State Universities Retirement System following the leave; (ii) periods during which a teacher is involuntarily laid off from teaching, provided he or she returns to teaching following the lay-off; (iii) periods prior to July 1, 1983 during which a teacher ceased covered employment due to pregnancy, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the pregnancy and submits evidence satisfactory to the Board documenting that the employment ceased due to pregnancy; and (iv) periods prior to July 1, 1983 during which a teacher ceased covered employment for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the adoption and submits evidence satisfactory to the Board documenting that the employment ceased for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age. However, total credit under this paragraph (5) may not exceed 3 years.

Any qualified member or annuitant may apply for credit under item (iii) or (iv) of this paragraph (5) without regard to whether service was terminated before the effective date of this amendatory Act of 1997. In the case

of an annuitant who establishes credit under item (iii) or (iv), the annuity shall be recalculated to include the additional service credit. The increase in annuity shall take effect on the date the System receives written notification of the annuitant's intent to purchase the credit, if the required evidence is submitted and the required contribution paid within 60 days of that notification, otherwise on the first annuity payment date following the System's receipt of the required evidence and contribution. The increase in an annuity recalculated under this provision shall be included in the calculation of automatic annual increases in the annuity accruing after the effective date of the recalculation.

Optional credit may be purchased under this subsection (b) (5) for periods during which a teacher has been granted a leave of absence pursuant to Section 24-13 of the School Code. A teacher whose service under this Article terminated prior to the effective date of P.A. 86-1488 shall be eligible to purchase such optional credit. If a teacher who purchases this optional credit is already receiving a retirement annuity under this Article, the annuity shall be recalculated as if the annuitant had applied for the leave of absence credit at the time of retirement. The difference between the entitled annuity and the actual annuity shall be credited to the purchase of the optional credit. The remainder of the purchase cost of the optional credit shall

be paid on or before April 1, 1992.

The change in this paragraph made by Public Act 86-273 shall be applicable to teachers who retire after June 1, 1989, as well as to teachers who are in service on that date.

(6) For a person who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly, any ~~Any~~ days of unused and uncompensated accumulated sick leave earned by a teacher. The service credit granted under this paragraph shall be the ratio of the number of unused and uncompensated accumulated sick leave days to 170 days, subject to a maximum of 2 years of service credit. Prior to the member's retirement, each former employer shall certify to the System the number of unused and uncompensated accumulated sick leave days credited to the member at the time of termination of service. The period of unused sick leave shall not be considered in determining the effective date of retirement. A member is not required to make contributions in order to obtain service credit for unused sick leave.

Credit for sick leave shall, at retirement, be granted by the System for any retiring regional or assistant regional superintendent of schools who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly at the rate of 6 days per year of creditable service or portion thereof established while

serving as such superintendent or assistant superintendent.

(7) Periods prior to February 1, 1987 served as an employee of the Illinois Mathematics and Science Academy for which credit has not been terminated under Section 15-113.9 of this Code.

(8) Service as a substitute teacher for work performed prior to July 1, 1990.

(9) Service as a part-time teacher for work performed prior to July 1, 1990.

(10) Up to 2 years of employment with Southern Illinois University - Carbondale from September 1, 1959 to August 31, 1961, or with Governors State University from September 1, 1972 to August 31, 1974, for which the teacher has no credit under Article 15. To receive credit under this item (10), a teacher must apply in writing to the Board and pay the required contributions before May 1, 1993 and have at least 12 years of service credit under this Article.

(b-1) A member may establish optional credit for up to 2 years of service as a teacher or administrator employed by a private school recognized by the Illinois State Board of Education, provided that the teacher (i) was certified under the law governing the certification of teachers at the time the service was rendered, (ii) applies in writing on or after August 1, 2009 and on or before August 1, 2012, (iii) supplies satisfactory evidence of the employment, (iv) completes at

least 10 years of contributing service as a teacher as defined in Section 16-106, and (v) pays the contribution required in subsection (d-5) of Section 16-128. The member may apply for credit under this subsection and pay the required contribution before completing the 10 years of contributing service required under item (iv), but the credit may not be used until the item (iv) contributing service requirement has been met.

(c) The service credits specified in this Section shall be granted only if: (1) such service credits are not used for credit in any other statutory tax-supported public employee retirement system other than the federal Social Security program; and (2) the member makes the required contributions as specified in Section 16-128. Except as provided in subsection (b-1) of this Section, the service credit shall be effective as of the date the required contributions are completed.

Any service credits granted under this Section shall terminate upon cessation of membership for any cause.

Credit may not be granted under this Section covering any period for which an age retirement or disability retirement allowance has been paid.

(Source: P.A. 96-546, eff. 8-17-09.)

(40 ILCS 5/16-132) (from Ch. 108 1/2, par. 16-132)

Sec. 16-132. Retirement annuity eligibility.

(a) A member who has at least 20 years of creditable service is entitled to a retirement annuity upon or after

attainment of age 55. A member who has at least 10 but less than 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 60. A member who has at least 5 but less than 10 years of creditable service is entitled to a retirement annuity upon or after attainment of age 62. A member who (i) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (ii) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, and (iii) retires on or after January 1, 2001 is entitled to a retirement annuity upon or after attainment of an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

A member who is eligible to receive a retirement annuity of at least 74.6% of final average salary and will attain age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

(b) Notwithstanding subsection (a) of this Section, for a Tier 1 member who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required retirement age under subsection (a) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (a) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under

subsection (a) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 48 months.

(14) If he or she is at least age 33 but less than age 34 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (b) applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(c) A member meeting the above eligibility conditions is entitled to a retirement annuity upon written application to the board setting forth the date the member wishes the retirement annuity to commence. However, the effective date of the retirement annuity shall be no earlier than the day following the last day of creditable service, regardless of the date of official termination of employment.

(d) To be eligible for a retirement annuity, a member shall not be employed as a teacher in the schools included under this System or under Article 17, except (i) as provided in Section 16-118 or 16-150.1, (ii) if the member is disabled (in which event, eligibility for salary must cease), or (iii) if the System is required by federal law to commence payment due to the member's age; the changes to this sentence made by Public Act 93-320 ~~this amendatory Act of the 93rd General Assembly~~ apply without regard to whether the member terminated employment before or after its effective date.

(Source: P.A. 93-320, eff. 7-23-03.)

(40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

Sec. 16-133. Retirement annuity; amount.

(a) The amount of the retirement annuity shall be (i) in the case of a person who first became a teacher under this Article before July 1, 2005, the larger of the amounts determined under paragraphs (A) and (B) below, or (ii) in the case of a person who first becomes a teacher under this Article

on or after July 1, 2005, the amount determined under the applicable provisions of paragraph (B):

(A) An amount consisting of the sum of the following:

(1) An amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the member's accumulated contributions at the time of retirement; and

(2) The sum of (i) the amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the member's accumulated contributions representing service prior to July 1, 1947, and (ii) the amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the amount obtained by multiplying 1.4 times the member's accumulated contributions covering service subsequent to June 30, 1947; and

(3) If there is prior service, 2 times the amount that would have been determined under subparagraph (2) of paragraph (A) above on account of contributions which would have been made during the period of prior

service creditable to the member had the System been in operation and had the member made contributions at the contribution rate in effect prior to July 1, 1947.

Notwithstanding any other provision of this paragraph (A), a teacher's retirement annuity calculated under this paragraph (A) shall not be less than the retirement annuity that teacher would have received under this paragraph (A) had he or she retired during the fiscal year preceding the effective date of this amendatory Act of the 98th General Assembly.

This paragraph (A) does not apply to a person who first becomes a teacher under this Article on or after July 1, 2005.

(B) An amount consisting of the greater of the following:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 16-129.1: 1.67% of final average salary for each of the first 10 years of creditable service, 1.90% of final average salary for each year in excess of 10 but not exceeding 20, 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30; and

For creditable service earned on or after July 1, 1998 by a member who has at least 24 years of creditable service on July 1, 1998 and who does not

elect to augment service under Section 16-129.1: 2.2% of final average salary for each year of creditable service earned on or after July 1, 1998 but before the member reaches a total of 30 years of creditable service and 2.3% of final average salary for each year of creditable service earned on or after July 1, 1998 and after the member reaches a total of 30 years of creditable service; and

For all other creditable service: 2.2% of final average salary for each year of creditable service; or

(2) 1.5% of final average salary for each year of creditable service plus the sum \$7.50 for each of the first 20 years of creditable service.

The amount of the retirement annuity determined under this paragraph (B) shall be reduced by 1/2 of 1% for each month that the member is less than age 60 at the time the retirement annuity begins. However, this reduction shall not apply (i) if the member has at least 35 years of creditable service, or (ii) if the member retires on account of disability under Section 16-149.2 of this Article with at least 20 years of creditable service, or (iii) if the member (1) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (2) has earned at least 5 years of contributing creditable service as an

employee of a department as defined in Section 14-103.04, (3) retires on or after January 1, 2001, and (4) retires having attained an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

(b) For purposes of this Section, final average salary shall be the average salary for the highest 4 consecutive years within the last 10 years of creditable service as determined under rules of the board. The minimum final average salary shall be considered to be \$2,400 per year.

In the determination of final average salary for members other than elected officials and their appointees when such appointees are allowed by statute, that part of a member's salary for any year beginning after June 30, 1979 which exceeds the member's annual full-time salary rate with the same employer for the preceding year by more than 20% shall be excluded. The exclusion shall not apply in any year in which the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

(c) In determining the amount of the retirement annuity under paragraph (B) of this Section, a fractional year shall be granted proportional credit.

(d) The retirement annuity determined under paragraph (B)

of this Section shall be available only to members who render teaching service after July 1, 1947 for which member contributions are required, and to annuitants who re-enter under the provisions of Section 16-150.

(e) The maximum retirement annuity provided under paragraph (B) of this Section shall be 75% of final average salary.

(f) A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of final average salary if the member is qualified to receive a retirement annuity equal to at least 74.6% of final average salary under this Article or as proportional annuities under Article 20 of this Code.

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

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

(a) This subsection (a) is subject to subsections (a-1) and (a-2). Each member with creditable service and retiring on or after August 26, 1969 is entitled to the automatic annual increases in annuity provided under this Section while receiving a retirement annuity or disability retirement annuity from the system.

An annuitant shall first be entitled to an initial increase under this Section on the January 1 next following the first anniversary of retirement, or January 1 of the year next

following attainment of age 61, whichever is later. At such time, the system shall pay an initial increase determined as follows:

(1) 1.5% of the originally granted retirement annuity or disability retirement annuity multiplied by the number of years elapsed, if any, from the date of retirement until January 1, 1972, plus

(2) 2% of the originally granted annuity multiplied by the number of years elapsed, if any, from the date of retirement or January 1, 1972, whichever is later, until January 1, 1978, plus

(3) 3% of the originally granted annuity multiplied by the number of years elapsed from the date of retirement or January 1, 1978, whichever is later, until the effective date of the initial increase.

However, the initial annual increase calculated under this Section for the recipient of a disability retirement annuity granted under Section 16-149.2 shall be reduced by an amount equal to the total of all increases in that annuity received under Section 16-149.5 (but not exceeding 100% of the amount of the initial increase otherwise provided under this Section).

Following the initial increase, automatic annual increases in annuity shall be payable on each January 1 thereafter during the lifetime of the annuitant, determined as a percentage of the originally granted retirement annuity or disability retirement annuity for increases granted prior to January 1,

1990, and calculated as a percentage of the total amount of annuity, including previous increases under this Section, for increases granted on or after January 1, 1990, as follows: 1.5% for periods prior to January 1, 1972, 2% for periods after December 31, 1971 and prior to January 1, 1978, and 3% for periods after December 31, 1977.

(a-1) Notwithstanding subsection (a), but subject to the provisions of subsection (a-2), all automatic increases payable under subsection (a) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase under subsection (a) that is subject to this subsection:

(i) if more than one year has elapsed from the date of retirement to the effective date of the initial increase under this Section, the applicable percentage shall be the sum of the percentages for each such elapsed year; and

(ii) in the case of a disability retirement annuity granted under Section 16-149.2, the initial increase shall be subject to the reduction provided in subsection (a) for increases previously received under Section 16-149.5.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (a-1) shall be increased on each January

1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (a-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (a-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-2) Notwithstanding subsections (a) and (a-1), for an active or inactive Tier 1 member who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the

increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (a-2) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) The automatic annual increases in annuity provided under this Section shall not be applicable unless a member has made contributions toward such increases for a period equivalent to one full year of creditable service. If a member contributes for service performed after August 26, 1969 but the member becomes an annuitant before such contributions amount to one full year's contributions based on the salary at the date of retirement, he or she may pay the necessary balance of the contributions to the system and be eligible for the automatic annual increases in annuity provided under this Section.

(c) Each member shall make contributions toward the cost of the automatic annual increases in annuity as provided under Section 16-152.

(d) An annuitant receiving a retirement annuity or disability retirement annuity on July 1, 1969, who subsequently re-enters service as a teacher is eligible for the automatic annual increases in annuity provided under this Section if he or she renders at least one year of creditable service following the latest re-entry.

(e) In addition to the automatic annual increases in annuity provided under this Section, an annuitant who meets the service requirements of this Section and whose retirement annuity or disability retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the annuity then being paid of one dollar per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity or disability retirement annuity began on or before January 1, 1977 shall receive an increase in the annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(Source: P.A. 91-927, eff. 12-14-00.)

(40 ILCS 5/16-133.2) (from Ch. 108 1/2, par. 16-133.2)

Sec. 16-133.2. Early retirement without discount.

(a) A member retiring after June 1, 1980 and on or before June 30, 2005 (or as provided in subsection (b) of this Section), and applying for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, may elect at the time of application for a retirement annuity, to make a one time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of the election shall also obligate the last employer to make a one time non-refundable contribution to the System. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

The one time member and employer contributions shall be a percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's

salary with the same employer which exceeds the annual salary rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 7% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. If a member is at least age 55 and has at least 34 years of creditable service, no member or employer contribution for the early retirement option shall be required. The employer contribution shall be at the rate of 20% for each year the member is under age 60.

Upon receipt of the application and election, the System shall determine the one time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The provisions of this subsection (a) providing for the avoidance of the reduction in retirement annuity shall not be applicable until the member's contribution, if any, has been received by the System; however, the date such contributions are received shall not be considered in determining the effective date of retirement.

The number of members working for a single employer who may retire under this subsection or subsection (b) in any year may be limited at the option of the employer to a specified percentage of those eligible, not less than 30%, with the right

to participate to be allocated among those applying on the basis of seniority in the service of the employer.

(b) The provisions of subsection (a) of this Section shall remain in effect for a member retiring after June 30, 2005 and on or before July 1, 2007, provided that the member satisfies both of the following requirements:

(1) the member notified his or her employer of intent to retire under this Article on or before the effective date of this amendatory Act of the 94th General Assembly under the terms of a contract or collective bargaining agreement entered into, amended, or renewed with the employer on or before the effective date of this amendatory Act of the 94th General Assembly; and

(2) the effective date of the member's retirement is on or before July 1, 2007.

The member's employer must give evidence of the member's notification by providing to the System:

(i) a copy of the member's notification to the employer or the record of that notification;

(ii) an affidavit signed by the member and the employer, verifying the notification; and

(iii) any additional documentation that the System may require.

(c) Except as otherwise provided in subsection (b), and subject to the provisions of Section 16-176, a member retiring on or after July 1, 2005 and on or before June 30, 2013 (or

January 1, 2014 in the case of a member who has filed a notice of intent to retire with his or her employer on or before June 30, 2013 and attains age 55 during the period July 1, 2013 through December 31, 2013), and applying for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, and whose last day of teaching is on or before June 30, 2013, may elect at the time of application for a retirement annuity, to make a one-time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of the election shall also obligate the last employer to make a one-time nonrefundable contribution to the System. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

The one-time member and employer contributions shall be a percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's salary with the same employer which exceeds the annual salary

rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 11.5% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. The employer contribution shall be at the rate of 23.5% for each year the member is under age 60.

Upon receipt of the application and election, the System shall determine the one-time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The avoidance of the reduction in retirement annuity provided under this subsection (c) is not applicable until the member's contribution, if any, has been received by the System; however, the date that contribution is received shall not be considered in determining the effective date of retirement.

The number of members working for a single employer who may retire under this subsection (c) in any year may be limited at the option of the employer to a specified percentage of those eligible, not less than 10%, with the right to participate to be allocated among those applying on the basis of seniority in the service of the employer.

For persons not qualifying for the early retirement without discount option under this subsection (c), the option is extended for 3 years under subsection (d), but subject to the

changes in eligibility, conditions, and required contributions provided in that subsection.

(d) A member who is not eligible for the early retirement without discount option under subsection (c) may qualify for the early retirement without discount option under this subsection (d) if the member (1) retires on or after July 1, 2013 and before July 1, 2016, (2) applies for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, and (3) receives a certification of eligibility under this subsection from the member's last employer. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

A qualifying member may elect at the time of application for a retirement annuity to make a one-time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of this election shall also obligate the last employer to make a one-time nonrefundable contribution to the System.

The one-time member and employer contributions shall be a

percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's salary with the same employer which exceeds the annual salary rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 14.4% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. The employer contribution shall be at the rate of 29.3% for each year the member is under age 60.

Upon receipt of the application, election, and certification of eligibility, the System shall determine the one-time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The avoidance of the reduction in retirement annuity provided under this subsection (d) is not applicable until the member's contribution has been received by the System; however, the date that contribution is received shall not be considered in determining the effective date of retirement.

Eligibility to retire under this subsection (d) shall require the approval of the member's last employer under this Article, granted in accordance with criteria adopted by that

employer with the mutual consent of the bargaining agent of a majority of the members employed by that employer. If the employer grants its approval for a member to retire under this subsection (d), the employer shall submit a certification of eligibility for the member in a manner prescribed by the System.

The early retirement without discount option under this subsection (d) terminates on July 1, 2016.

For participants to whom subsection (b) of Section 16-132 applies, the references to age 60 in this subsection are increased as provided in subsection (b) of Section 16-132.

(Source: P.A. 98-42, eff. 6-28-13.)

(40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

Sec. 16-136.1. Annual increase for certain annuitants. (a) Any annuitant receiving a retirement annuity on June 30, 1969 and any member retiring after June 30, 1969 shall be eligible for the annual increases provided under this Section provided the annuitant is ineligible for the automatic annual increase in annuity provided under Section 16-133.1, and provided further that (1) retirement occurred at age 55 or over and was based on 5 or more years of creditable service or (2) if retirement occurred prior to age 55, the retirement annuity was based on 20 or more years of creditable service.

(b) This subsection (b) is subject to subsections (b-1) and (b-2). An annuitant entitled to increases under this Section

shall be entitled to the initial increase as of the later of: (1) January 1 following attainment of age 65, (2) January 1 following the first anniversary of retirement, or (3) the first day of the month following receipt of the required qualifying contribution from the annuitant. The initial monthly increase shall be computed on the basis of the period elapsed between the later of the date of last retirement or attainment of age 50 and the date of qualification for the initial increase, at the rate of 1 1/2% of the original monthly retirement annuity per year for periods prior to September 1, 1971, and at the rate of 2% per year for periods between September 1, 1971 and September 1, 1978, and at the rate of 3% per year for periods thereafter.

An annuitant who has received an initial increase under this Section, shall be entitled, on each January 1 following the granting of the initial increase, to an increase of 3% of the original monthly retirement annuity for increases granted prior to January 1, 1990, and equal to 3% of the total annuity, including previous increases under this Section, for increases granted on or after January 1, 1990. The original monthly retirement annuity for computations under this subsection (b) shall be considered to be \$83.34 for any annuitant entitled to benefits under Section 16-134. The minimum original disability retirement annuity for computations under this subsection (b) shall be considered to be \$33.34 per month for any annuitant retired on account of disability.

(b-1) Notwithstanding subsection (b), but subject to the provisions of subsection (b-2), all automatic increases payable under subsection (b) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase under subsection (b) that is subject to this subsection, if more than one year has elapsed from the date of retirement to the effective date of the initial increase under this Section, the applicable percentage shall be the sum of the percentages for each such elapsed year.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (b-1) shall be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (b-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and

made available to the System by November 1 of each year.

This subsection (b-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b-2) Notwithstanding subsections (b) and (b-1), for an active or inactive Tier 1 member who is subject to this Section and has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at

the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (b-2) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(c) An annuitant who otherwise qualifies for annual increases under this Section must make a one-time payment of 1% of the monthly final average salary for each full year of the creditable service forming the basis of the retirement annuity or, if the retirement annuity was not computed using final average salary, 1% of the original monthly retirement annuity for each full year of service forming the basis of the retirement annuity.

(d) In addition to other increases which may be provided by this Section, regardless of creditable service, annuitants not meeting the service requirements of Section 16-133.1 and whose retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service forming the basis of the retirement allowance. On January 1, 1982, annuitants whose retirement annuity began on or before January 1, 1977, shall receive an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity

began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(Source: P.A. 86-273.)

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

Sec. 16-152. Contributions by members.

(a) Except as provided in subsection (a-5), each ~~Each~~ member shall make contributions for membership service to this System as follows:

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

(2) Effective July 1, 1969 and, in the case of Tier 1 members, ending on June 30, 2014, contributions of 1/2 of 1% of salary toward the cost of the automatic annual increase in retirement annuity provided under Section 16-133.1.

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

(4) Effective July 1, 2005, contributions of 0.40% of salary toward the cost of the early retirement without

discount option provided under Section 16-133.2. This contribution shall cease upon termination of the early retirement without discount option as provided in Section 16-133.2.

(a-5) Beginning July 1, 2014, in lieu of the contribution otherwise required under paragraph (1) of subsection (a), each Tier 1 member shall contribute 7% of salary towards the cost of the retirement annuity. Contributions made pursuant to this subsection (a-5) shall be deemed "normal contributions".

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

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

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

(e) A member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall not be refunded if the member has elected early

retirement without discount under Section 16-133.2 and has begun to receive a retirement annuity under this Article calculated in accordance with that election. Otherwise, a member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall be refunded according to whichever one of the following circumstances occurs first:

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

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

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

(4) The contributions shall be refunded to the member, without interest, if the early retirement without discount option provided under subsection (d) of Section 16-133.2 is terminated. In that event, the System shall provide to the member, within 120 days after the option is terminated, an application for a refund of those contributions.

(Source: P.A. 98-42, eff. 6-28-13; 98-92, eff. 7-16-13; revised

7-23-13.)

(40 ILCS 5/16-152.5 new)

Sec. 16-152.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

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

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

(a) The State shall make contributions to the System by means of appropriations from the Common School Fund and other State funds of amounts which, together with other employer contributions, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

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

(a-1) Annually, on or before November 15 through ~~until~~ November 15, 2011, the Board shall certify to the Governor the

amount of the required State contribution for the coming fiscal year. The certification under this subsection (a-1) shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year.~~

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

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

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

(a-5) On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System

for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions.

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-10) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the

best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

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

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the

Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (a) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

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

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

(b-3) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each

fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through 2014 ~~2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is \$2,089,268,000 and shall be made from the proceeds of bonds

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

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

Beginning in State fiscal year 2045, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total actuarial liabilities of the System.

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

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2014, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service

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

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

If members are paid from special trust or federal funds which are administered by the employing unit, whether school district or other unit, the employing unit shall pay to the System from such funds the full accruing retirement costs based upon that service, as determined by the System. Employer contributions, based on salary paid to members from federal

funds, may be forwarded by the distributing agency of the State of Illinois to the System prior to allocation, in an amount determined in accordance with guidelines established by such agency and the System.

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

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

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

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

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

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

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

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

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

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

(f) If the amount of a teacher's salary for any school year used to determine final average salary exceeds the member's annual full-time salary rate with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. If a teacher's salary for the 2005-2006 school year is used to determine final average salary under this subsection (f), then

the changes made to this subsection (f) by Public Act 94-1057 shall apply in calculating whether the increase in his or her salary is in excess of 6%. For the purposes of this Section, change in employment under Section 10-21.12 of the School Code on or after June 1, 2005 shall constitute a change in employer. The System may require the employer to provide any pertinent information or documentation. The changes made to this subsection (f) by this amendatory Act of the 94th General Assembly apply without regard to whether the teacher was in service on or after its effective date.

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

The employer contributions required under this subsection

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

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

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

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

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases resulting from overload work, including summer school, when the school district has certified to the System, and the System has approved the certification, that (i) the overload work is for

the sole purpose of classroom instruction in excess of the standard number of classes for a full-time teacher in a school district during a school year and (ii) the salary increases are equal to or less than the rate of pay for classroom instruction computed on the teacher's current salary and work schedule.

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

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

(h) When assessing payment for any amount due under

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

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

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

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

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

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

(j) For purposes of determining the required State contribution to the System, the value of the System's assets

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

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

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

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

(40 ILCS 5/16-158.2 new)

Sec. 16-158.2. Obligations of State; funding guarantee.

(a) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board

to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 16-158 and the State fails to pay that voucher within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (a) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 16-158.

(b) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law,

if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (b) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits

the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (b) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(c) Any payments and transfers required to be made by the State pursuant to subsection (a) or (b) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity. Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

Sec. 16-203. Application and expiration of new benefit increases.

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after June 1, 2005 (the effective date of Public Act 94-4). "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article by Public Act 95-910 or by this amendatory Act of the 98th ~~95th~~ General Assembly.

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

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

Every new benefit increase is contingent upon the General Assembly providing the additional funding required under this subsection. The Commission on Government Forecasting and Accountability shall analyze whether adequate additional funding has been provided for the new benefit increase and shall report its analysis to the Public Pension Division of the

Department of Insurance ~~Financial and Professional Regulation~~.

A new benefit increase created by a Public Act that does not include the additional funding required under this subsection is null and void. If the Public Pension Division determines that the additional funding provided for a new benefit increase under this subsection is or has become inadequate, it may so certify to the Governor and the State Comptroller and, in the absence of corrective action by the General Assembly, the new benefit increase shall expire at the end of the fiscal year in which the certification is made.

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

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

(Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

(40 ILCS 5/16-205 new)

Sec. 16-205. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 members. The System shall determine the 5% cap by the number of active Tier 1 members on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 members who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 member of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan. An active Tier 1 member who elects to cease accruing benefits in his or her defined benefit plan shall be prohibited from

purchasing service credit on or after the date of his or her election. A Tier 1 member making the irrevocable election provided under this Section shall not receive interest accruals to his or her benefit under paragraph (A) of subsection (a) of Section 16-133 on or after the date of his or her election.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as Tier 1 members in this System who do not participate in the defined contribution plan.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of salary and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 members in the defined benefit plan for that year, as determined by the System and expressed as a percentage of salary, and shall be no lower than 0% of salary. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for the defined

disability benefits available to other participants under this Article. If it does, the System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments in a fund created by the System and managed in accordance with legal and fiduciary standards, as well as investment options otherwise available.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 members of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in

the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible Tier 1 employee may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 member who is eligible to participate in the defined contribution plan. The System shall mail information describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan,

including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the member's defined benefits at retirement or earlier termination of service and the value of the member's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 employees who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined

contribution plan and the System's plans for informing eligible Tier 1 members about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost is necessary to ensure cost neutrality.

(40 ILCS 5/16-206 new)

Sec. 16-206. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 member in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to recover the amounts in the participant's defined contribution accounts.

(40 ILCS 5/17-116) (from Ch. 108 1/2, par. 17-116)

Sec. 17-116. Service retirement pension.

(a) Each teacher having 20 years of service upon attainment of age 55, or who thereafter attains age 55 shall be entitled to a service retirement pension upon or after attainment of age

55; and each teacher in service on or after July 1, 1971, with 5 or more but less than 20 years of service shall be entitled to receive a service retirement pension upon or after attainment of age 62.

(b) The service retirement pension for a teacher who retires on or after June 25, 1971, at age 60 or over, shall be calculated as follows:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 17-119.1: 1.67% for each of the first 10 years of service; 1.90% for each of the next 10 years of service; 2.10% for each year of service in excess of 20 but not exceeding 30; and 2.30% for each year of service in excess of 30, based upon average salary as herein defined.

(2) For creditable service earned on or after July 1, 1998 by a member who has at least 30 years of creditable service on July 1, 1998 and who does not elect to augment service under Section 17-119.1: 2.3% of average salary for each year of creditable service earned on or after July 1, 1998.

(3) For all other creditable service: 2.2% of average salary for each year of creditable service.

(c) When computing such service retirement pensions, the following conditions shall apply:

1. Average salary shall consist of the average annual rate of salary for the 4 consecutive years of validated

service within the last 10 years of service when such average annual rate was highest. In the determination of average salary for retirement allowance purposes, for members who commenced employment after August 31, 1979, that part of the salary for any year shall be excluded which exceeds the annual full-time salary rate for the preceding year by more than 20%. In the case of a member who commenced employment before August 31, 1979 and who receives salary during any year after September 1, 1983 which exceeds the annual full time salary rate for the preceding year by more than 20%, an Employer and other employers of eligible contributors as defined in Section 17-106 shall pay to the Fund an amount equal to the present value of the additional service retirement pension resulting from such excess salary. The present value of the additional service retirement pension shall be computed by the Board on the basis of actuarial tables adopted by the Board. If a member elects to receive a pension from this Fund provided by Section 20-121, his salary under the State Universities Retirement System and the Teachers' Retirement System of the State of Illinois shall be considered in determining such average salary. Amounts paid after the effective date of this amendatory Act of 1991 for unused vacation time earned after that effective date shall not under any circumstances be included in the calculation of average salary or the annual rate of salary

for the purposes of this Article.

2. Proportionate credit shall be given for validated service of less than one year.

3. For retirement at age 60 or over the pension shall be payable at the full rate.

4. For separation from service below age 60 to a minimum age of 55, the pension shall be discounted at the rate of 1/2 of one per cent for each month that the age of the contributor is less than 60, but a teacher may elect to defer the effective date of pension in order to eliminate or reduce this discount. This discount shall not be applicable to any participant who has at least 34 years of service or a retirement pension of at least 74.6% of average salary on the date the retirement annuity begins.

5. No additional pension shall be granted for service exceeding 45 years. Beginning June 26, 1971 no pension shall exceed the greater of \$1,500 per month or 75% of average salary as herein defined.

6. Service retirement pensions shall begin on the effective date of resignation, retirement, the day following the close of the payroll period for which service credit was validated, or the time the person resigning or retiring attains age 55, or on a date elected by the teacher, whichever shall be latest.

7. A member who is eligible to receive a retirement pension of at least 74.6% of average salary and will attain

age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

8. A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of average salary if the member is qualified to receive a retirement pension equal to at least 74.6% of average salary under this Article or as proportional annuities under Article 20 of this Code.

9. In the case of a person who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, payments for unused sick or vacation time shall not be used in the calculation of average salary.

(Source: P.A. 90-566, eff. 1-2-98; 90-582, eff. 5-27-98.)

(40 ILCS 5/17-134) (from Ch. 108 1/2, par. 17-134)

Sec. 17-134. Contributions for leaves of absence; military service; computing service. In computing service for pension purposes the following periods of service shall stand in lieu of a like number of years of teaching service upon payment therefor in the manner hereinafter provided: (a) time spent on a leave of absence granted by the employer; (b) service with teacher or labor organizations based upon special leaves of absence therefor granted by an Employer; (c) a maximum of 5 years spent in the military service of the United States, of

which up to 2 years may have been served outside the pension period; (d) unused sick days at termination of service to a maximum of 244 days; (e) time lost due to layoff and curtailment of the school term from June 6 through June 21, 1976; and (f) time spent after June 30, 1982 as a member of the Board of Education, if required to resign from an administrative or teaching position in order to qualify as a member of the Board of Education.

(1) For time spent on or after September 6, 1948 on sabbatical leaves of absence or sick leaves, for which salaries are paid, an Employer shall make payroll deductions at the applicable rates in effect during such periods.

(2) For time spent on a leave of absence granted by the employer for which no salaries are paid, teachers desiring credit therefor shall pay the required contributions at the rates in effect during such periods as though they were in teaching service. If an Employer pays salary for vacations which occur during a teacher's sick leave or maternity or paternity leave without salary, vacation pay for which the teacher would have qualified while in active service shall be considered part of the teacher's total salary for pension purposes. No more than 36 months of leave credit may be allowed any person during the entire term of service. Sabbatical leave credit shall be limited to the time the person on leave without salary under an Employer's

rules is allowed to engage in an activity for which he receives salary or compensation.

(3) For time spent prior to September 6, 1948, on sabbatical leaves of absence or sick leaves for which salaries were paid, teachers desiring service credit therefor shall pay the required contributions at the maximum applicable rates in effect during such periods.

(4) For service with teacher or labor organizations authorized by special leaves of absence, for which no payroll deductions are made by an Employer, teachers desiring service credit therefor shall contribute to the Fund upon the basis of the actual salary received from such organizations at the percentage rates in effect during such periods for certified positions with such Employer. To the extent the actual salary exceeds the regular salary, which shall be defined as the salary rate, as calculated by the Board, in effect for the teacher's regular position in teaching service on September 1, 1983 or on the effective date of the leave with the organization, whichever is later, the organization shall pay to the Fund the employer's normal cost as set by the Board on the increment. Notwithstanding any other provision of this subdivision (4), teachers are only eligible for credit for service under this subdivision (4) if the special leave of absence begins before January 5, 2012 (the effective date of Public Act 97-651) ~~this amendatory Act of the 97th~~

~~General Assembly.~~

(5) For time spent in the military service, teachers entitled to and desiring credit therefor shall contribute the amount required for each year of service or fraction thereof at the rates in force (a) at the date of appointment, or (b) on return to teaching service as a regularly certified teacher, as the case may be; provided such rates shall not be less than \$450 per year of service. These conditions shall apply unless an Employer elects to and does pay into the Fund the amount which would have been due from such person had he been employed as a teacher during such time. In the case of credit for military service not during the pension period, the teacher must also pay to the Fund an amount determined by the Board to be equal to the employer's normal cost of the benefits accrued from such service, plus interest thereon at 5% per year, compounded annually, from the date of appointment to the date of payment.

The changes to this Section made by Public Act 87-795 shall apply not only to persons who on or after its effective date are in service under the Fund, but also to persons whose status as a teacher terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who

has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the Fund received written notification of the annuitant's intent to purchase the credit, if payment of all the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under this amendatory Act of 1991 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

The total credit for military service shall not exceed 5 years, except that any teacher who on July 1, 1963, had validated credit for more than 5 years of military service shall be entitled to the total amount of such credit.

(6) For persons who first become teachers before the effective date of this amendatory Act of the 98th General Assembly, a ~~A~~ maximum of 244 unused sick days credited to his account by an Employer on the date of termination of employment. Members, upon verification of unused sick days, may add this service time to total creditable service.

(7) In all cases where time spent on leave is

creditable and no payroll deductions therefor are made by an Employer, persons desiring service credit shall make the required contributions directly to the Fund.

(8) For time lost without pay due to layoff and curtailment of the school term from June 6 through June 21, 1976, as provided in item (e) of the first paragraph of this Section, persons who were contributors on the days immediately preceding such layoff shall receive credit upon paying to the Fund a contribution based on the rates of compensation and employee contributions in effect at the time of such layoff, together with an additional amount equal to 12.2% of the compensation computed for such period of layoff, plus interest on the entire amount at 5% per annum from January 1, 1978 to the date of payment. If such contribution is paid, salary for pension purposes for any year in which such a layoff occurred shall include the compensation recognized for purposes of computing that contribution.

(9) For time spent after June 30, 1982, as a nonsalaried member of the Board of Education, if required to resign from an administrative or teaching position in order to qualify as a member of the Board of Education, an administrator or teacher desiring credit therefor shall pay the required contributions at the rates and salaries in effect during such periods as though the member were in service.

Effective September 1, 1974, the interest charged for validation of service described in paragraphs (2) through (5) of this Section shall be compounded annually at a rate of 5% commencing one year after the termination of the leave or return to service.

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

(40 ILCS 5/20-106) (from Ch. 108 1/2, par. 20-106)

Sec. 20-106. Final average salary.

(a) "Final average salary": The average (or other) salary which is considered by a participating system in determining the amount of the retirement annuity or survivor's annuity.

(b) Earnings credits under all participating systems shall be considered by each system in determining final average salary, but subject to the limitations imposed by this amendatory Act of the 98th General Assembly for a participant in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code. In calculating a proportional retirement or survivor's annuity based on these earnings credits, the participating system shall apply any limitations on earnings for annuity purposes that are imposed by the Article governing the system.

(Source: P.A. 88-593, eff. 8-22-94.)

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

Sec. 20-121. Calculation of proportional retirement

annuities.

(a) Upon retirement of the employee, a proportional retirement annuity shall be computed by each participating system in which pension credit has been established on the basis of pension credits under each system. The computation shall be in accordance with the formula or method prescribed by each participating system which is in effect at the date of the employee's latest withdrawal from service covered by any of the systems in which he has pension credits which he elects to have considered under this Article. However, the amount of any retirement annuity payable under the self-managed plan established under Section 15-158.2 of this Code or under the defined contribution plan established under Article 2, 14, 15, or 16 of this Code depends solely on the value of the participant's vested account balances and is not subject to any proportional adjustment under this Section.

(a-5) For persons who participate in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply, the pension credits established under the defined contribution plan may be considered in determining eligibility for or the amount of the defined benefit retirement annuity that is payable by any other participating system.

(b) Combined pension credit under all retirement systems subject to this Article shall be considered in determining whether the minimum qualification has been met and the formula

or method of computation which shall be applied, except as may be otherwise provided with respect to vesting in State or employer contributions in a defined contribution plan. If a system has a step-rate formula for calculation of the retirement annuity, pension credits covering previous service which have been established under another system shall be considered in determining which range or ranges of the step-rate formula are to be applicable to the employee.

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

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

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

Sec. 20-123. Survivor's annuity. The provisions governing a retirement annuity shall be applicable to a survivor's annuity. Appropriate credits shall be established for survivor's annuity purposes in those participating systems which provide survivor's annuities, according to the same conditions and subject to the same limitations and restrictions herein prescribed for a retirement annuity. If a participating system has no survivor's annuity benefit, or if the survivor's

annuity benefit under that system is waived, pension credit established in that system shall not be considered in determining eligibility for or the amount of the survivor's annuity which may be payable by any other participating system.

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

For persons who participate in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply, the pension credits established under the defined contribution plan may be considered in determining eligibility for or the amount of the defined benefit survivor's annuity that is payable by any other participating system, but pension credits established in any other system shall not result in any right to or increase in the value of a survivor's annuity under the defined contribution plan, which depends solely on the options chosen and the value of the participant's vested account balances and is not subject to any proportional adjustment under this Section.

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

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

Sec. 20-124. Maximum benefits.

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

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

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

(i) For purposes of calculating the combined retirement annuity and the proportionate reduction, if any, in a retirement annuity other than one payable under the self-managed plan, the amount of the Article 15 retirement annuity shall be deemed to be the highest annuity to which the annuitant would have been entitled if he or she had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

(ii) For purposes of calculating the combined

survivor's annuity and the proportionate reduction, if any, in a survivor's annuity other than one payable under the self-managed plan, the amount of the Article 15 survivor's annuity shall be deemed to be the highest survivor's annuity to which the survivor would have been entitled if the deceased employee had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

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

(c) In the case of a participant in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply:

(i) For purposes of calculating the combined retirement annuity and the proportionate reduction, if any, in a defined benefit retirement annuity, any benefit payable under the defined contribution plan shall not be considered.

(ii) For purposes of calculating the combined survivor's annuity and the proportionate reduction, if any, in a defined benefit survivor's annuity, any benefit payable under the defined contribution plan shall not be considered.

(iii) Benefits payable under a defined contribution plan established under Article 2, 14, 15, or 16 of this Code are not subject to proportionate reduction under this

Section.

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

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

Sec. 20-125. Return to employment - suspension of benefits. If a retired employee returns to employment which is covered by a system from which he is receiving a proportional annuity under this Article, his proportional annuity from all participating systems shall be suspended during the period of re-employment, except that this suspension does not apply to any distributions payable under the self-managed plan established under Section 15-158.2 or under a defined contribution plan established under Article 2, 14, 15, or 16 of this Code.

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

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

Section 20. The Illinois Educational Labor Relations Act is amended by changing Sections 4 and 17 and by adding Section

10.5 as follows:

(115 ILCS 5/4) (from Ch. 48, par. 1704)

Sec. 4. Employer rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except as provided in Section 10.5. To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages, hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, except as provided in Section 10.5.

(Source: P.A. 83-1014.)

(115 ILCS 5/10.5 new)

Sec. 10.5. Duty to bargain regarding pension amendments.

(a) Notwithstanding any provision of this Act, employers shall not be required to bargain over matters affected by the changes, the impact of changes, and the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or Article 1 of that Code as it applies to those Articles, made by this amendatory Act of the 98th General Assembly, or over any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, which are prohibited subjects of bargaining; nor shall the changes, the impact of changes, or the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, be subject to interest arbitration or any award issued pursuant to interest arbitration. The provisions of this Section shall not apply to an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly. However, any such contract or agreement that is subsequently modified, amended, or renewed shall be subject to the provisions of this Section. The provisions of this Section shall also not apply to the ability of an employer and employee representative to bargain collectively with regard to the pick up of employee

contributions pursuant to Section 14-133.1, 15-157.1, or 16-152.1 of the Illinois Pension Code.

(b) Nothing in this Section, however, shall be construed as otherwise limiting any of the obligations and requirements applicable to each employer under any of the provisions of this Act, including, but not limited to, the requirement to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except for the matters deemed prohibited subjects of bargaining under subsection (a) of this Section. Nothing in this Section shall further be construed as otherwise limiting any of the rights of employees or employee representatives under the provisions of this Act, except for matters deemed prohibited subjects of bargaining under subsection (a) of this Section.

(c) In case of any conflict between this Section and any other provisions of this Act or any other law, the provisions of this Section shall control.

(115 ILCS 5/17) (from Ch. 48, par. 1717)

Sec. 17. Effect on other laws. Except as provided in Section 10.5, in ~~in~~ case of any conflict between the provisions of this Act and any other law, executive order or administrative regulation, the provisions of this Act shall prevail and control. Except as provided in Section 10.5, ~~nothing~~ Nothing in this Act shall be construed to replace or

diminish the rights of employees established by Section 36d of "An Act to create the State Universities Civil Service System", approved May 11, 1905, as amended or modified.

(Source: P.A. 83-1014.)

Section 95. The State Mandates Act is amended by adding Section 8.37 as follows:

(30 ILCS 805/8.37 new)

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

Section 97. Severability and inseverability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes, except that the changes made to Sections 20 and 25 of the Budget Stabilization Act and to subsections (a), (a-1), (a-2), (b), and (d) of Section 2-119.1, subsections (d), (d-1), and (d-2) of Section 15-136, subsection (a-10) of Section 16-158, and Sections 2-124, 2-125, 2-126, 2-134, 2-165, 14-114, 14-115, 14-131, 14-132, 14-133, 14-135.08, 14-155, 15-155, 15-156, 15-157, 15-165, 15-200, 16-133.1, 16-136.1, 16-152, 16-158, 16-158.2, 16-205, 20-106, 20-121, 20-123, 20-124, and 20-125 of the Illinois Pension Code are mutually dependent and inseverable from one another but are severable

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from any other provision of this Act.