



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB0436

by Rep. Jeanne M Ives

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. With respect to the 5 State-funded Retirement Systems: requires each System to prepare and implement a Tier 3 plan by July 1, 2018 that aggregates State and employee contributions in individual participant accounts which are used for payouts after retirement. Provides that a Tier 1 or Tier 2 participant may irrevocably elect to participate in the Tier 3 plan instead of the defined benefit plan and may also elect to terminate all participation in the defined benefit plan and to have a specified amount credited to his or her account under the Tier 3 plan. Makes related changes in the State Employees Group Insurance Act of 1971. In the Downstate Teachers, State Employees, and State Universities Articles, authorizes a person to elect not to participate or to terminate participation in those Systems. In the General Assembly and Judges Articles, authorizes a participant to terminate his or her participation in the System. In the Illinois Municipal Retirement Fund (IMRF), State Employees, State Universities, and Downstate Teachers Articles, for participants who first become participants on or after the effective date, prohibits (i) payments for unused sick or vacation time from being used to calculate pensionable salary and (ii) unused sick or vacation time from being used to establish service credit. In the Downstate Teachers Article, prohibits an employer from making employee contributions on behalf of an employee, except for the sole purpose of allowing an employee to make pre-tax contributions. Amends the Illinois Educational Labor Relations Act to prohibit collective bargaining over that prohibition. Effective immediately.

LRB100 05378 RPS 15389 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

1 AN ACT concerning public employee benefits.

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

4 Section 5. The State Employees Group Insurance Act of 1971
5 is amended by changing Sections 3 and 10 as follows:

6 (5 ILCS 375/3) (from Ch. 127, par. 523)

7 Sec. 3. Definitions. Unless the context otherwise
8 requires, the following words and phrases as used in this Act
9 shall have the following meanings. The Department may define
10 these and other words and phrases separately for the purpose of
11 implementing specific programs providing benefits under this
12 Act.

13 (a) "Administrative service organization" means any
14 person, firm or corporation experienced in the handling of
15 claims which is fully qualified, financially sound and capable
16 of meeting the service requirements of a contract of
17 administration executed with the Department.

18 (b) "Annuitant" means (1) an employee who retires, or has
19 retired, on or after January 1, 1966 on an immediate annuity
20 under the provisions of Article ~~Articles~~ 2 (including an
21 employee who, in lieu of receiving an annuity under that
22 Article, has retired under the Tier 3 plan established under
23 Section 2-165.5 of that Article), 14 (including an employee who

1 has elected to receive an alternative retirement cancellation
2 payment under Section 14-108.5 of the Illinois Pension Code in
3 lieu of an annuity or an employee who, in lieu of receiving an
4 annuity under that Article, has retired under the Tier 3 plan
5 established under Section 14-155.5 of that Article), or 15
6 (including an employee who has retired under the optional
7 retirement program established under Section 15-158.2 or the
8 Tier 3 plan established under Section 15-155.5 of the Illinois
9 Pension Code), paragraphs (2), (3), or (5) of Section 16-106
10 (including an employee who, in lieu of receiving an annuity
11 under that Article, has retired under the Tier 3 plan
12 established under Section 16-205.5 of the Illinois Pension
13 Code), or Article 18 (including an employee who, in lieu of
14 receiving an annuity under that Article, has retired under the
15 Tier 3 plan established under Section 18-121.5 of that Article)
16 of the Illinois Pension Code; (2) any person who was receiving
17 group insurance coverage under this Act as of March 31, 1978 by
18 reason of his status as an annuitant, even though the annuity
19 in relation to which such coverage was provided is a
20 proportional annuity based on less than the minimum period of
21 service required for a retirement annuity in the system
22 involved; (3) any person not otherwise covered by this Act who
23 has retired as a participating member under Article 2 of the
24 Illinois Pension Code but is ineligible for the retirement
25 annuity under Section 2-119 of the Illinois Pension Code; (4)
26 the spouse of any person who is receiving a retirement annuity

1 under Article 18 of the Illinois Pension Code and who is
2 covered under a group health insurance program sponsored by a
3 governmental employer other than the State of Illinois and who
4 has irrevocably elected to waive his or her coverage under this
5 Act and to have his or her spouse considered as the "annuitant"
6 under this Act and not as a "dependent"; or (5) an employee who
7 retires, or has retired, from a qualified position, as
8 determined according to rules promulgated by the Director,
9 under a qualified local government, a qualified rehabilitation
10 facility, a qualified domestic violence shelter or service, or
11 a qualified child advocacy center. (For definition of "retired
12 employee", see (p) post).

13 (b-5) (Blank).

14 (b-6) (Blank).

15 (b-7) (Blank).

16 (c) "Carrier" means (1) an insurance company, a corporation
17 organized under the Limited Health Service Organization Act or
18 the Voluntary Health Services Plan Act, a partnership, or other
19 nongovernmental organization, which is authorized to do group
20 life or group health insurance business in Illinois, or (2) the
21 State of Illinois as a self-insurer.

22 (d) "Compensation" means salary or wages payable on a
23 regular payroll by the State Treasurer on a warrant of the
24 State Comptroller out of any State, trust or federal fund, or
25 by the Governor of the State through a disbursing officer of
26 the State out of a trust or out of federal funds, or by any

1 Department out of State, trust, federal or other funds held by
2 the State Treasurer or the Department, to any person for
3 personal services currently performed, and ordinary or
4 accidental disability benefits under Articles 2, 14, 15
5 (including ordinary or accidental disability benefits under
6 the optional retirement program established under Section
7 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or
8 Article 18 of the Illinois Pension Code, for disability
9 incurred after January 1, 1966, or benefits payable under the
10 Workers' Compensation or Occupational Diseases Act or benefits
11 payable under a sick pay plan established in accordance with
12 Section 36 of the State Finance Act. "Compensation" also means
13 salary or wages paid to an employee of any qualified local
14 government, qualified rehabilitation facility, qualified
15 domestic violence shelter or service, or qualified child
16 advocacy center.

17 (e) "Commission" means the State Employees Group Insurance
18 Advisory Commission authorized by this Act. Commencing July 1,
19 1984, "Commission" as used in this Act means the Commission on
20 Government Forecasting and Accountability as established by
21 the Legislative Commission Reorganization Act of 1984.

22 (f) "Contributory", when referred to as contributory
23 coverage, shall mean optional coverages or benefits elected by
24 the member toward the cost of which such member makes
25 contribution, or which are funded in whole or in part through
26 the acceptance of a reduction in earnings or the foregoing of

1 an increase in earnings by an employee, as distinguished from
2 noncontributory coverage or benefits which are paid entirely by
3 the State of Illinois without reduction of the member's salary.

4 (g) "Department" means any department, institution, board,
5 commission, officer, court or any agency of the State
6 government receiving appropriations and having power to
7 certify payrolls to the Comptroller authorizing payments of
8 salary and wages against such appropriations as are made by the
9 General Assembly from any State fund, or against trust funds
10 held by the State Treasurer and includes boards of trustees of
11 the retirement systems created by Articles 2, 14, 15, 16 and 18
12 of the Illinois Pension Code. "Department" also includes the
13 Illinois Comprehensive Health Insurance Board, the Board of
14 Examiners established under the Illinois Public Accounting
15 Act, and the Illinois Finance Authority.

16 (h) "Dependent", when the term is used in the context of
17 the health and life plan, means a member's spouse and any child
18 (1) from birth to age 26 including an adopted child, a child
19 who lives with the member from the time of the filing of a
20 petition for adoption until entry of an order of adoption, a
21 stepchild or adjudicated child, or a child who lives with the
22 member if such member is a court appointed guardian of the
23 child or (2) age 19 or over who has a mental or physical
24 disability from a cause originating prior to the age of 19 (age
25 26 if enrolled as an adult child dependent). For the health
26 plan only, the term "dependent" also includes (1) any person

1 enrolled prior to the effective date of this Section who is
2 dependent upon the member to the extent that the member may
3 claim such person as a dependent for income tax deduction
4 purposes and (2) any person who has received after June 30,
5 2000 an organ transplant and who is financially dependent upon
6 the member and eligible to be claimed as a dependent for income
7 tax purposes. A member requesting to cover any dependent must
8 provide documentation as requested by the Department of Central
9 Management Services and file with the Department any and all
10 forms required by the Department.

11 (i) "Director" means the Director of the Illinois
12 Department of Central Management Services.

13 (j) "Eligibility period" means the period of time a member
14 has to elect enrollment in programs or to select benefits
15 without regard to age, sex or health.

16 (k) "Employee" means and includes each officer or employee
17 in the service of a department who (1) receives his
18 compensation for service rendered to the department on a
19 warrant issued pursuant to a payroll certified by a department
20 or on a warrant or check issued and drawn by a department upon
21 a trust, federal or other fund or on a warrant issued pursuant
22 to a payroll certified by an elected or duly appointed officer
23 of the State or who receives payment of the performance of
24 personal services on a warrant issued pursuant to a payroll
25 certified by a Department and drawn by the Comptroller upon the
26 State Treasurer against appropriations made by the General

1 Assembly from any fund or against trust funds held by the State
2 Treasurer, and (2) is employed full-time or part-time in a
3 position normally requiring actual performance of duty during
4 not less than 1/2 of a normal work period, as established by
5 the Director in cooperation with each department, except that
6 persons elected by popular vote will be considered employees
7 during the entire term for which they are elected regardless of
8 hours devoted to the service of the State, and (3) except that
9 "employee" does not include any person who is not eligible by
10 reason of such person's employment to participate in one of the
11 State retirement systems under Articles 2, 14, 15 (either the
12 regular Article 15 system or the optional retirement program
13 established under Section 15-158.2) or 18, or under paragraph
14 (2), (3), or (5) of Section 16-106, of the Illinois Pension
15 Code, but such term does include persons who are employed
16 during the 6 month qualifying period under Article 14 of the
17 Illinois Pension Code. Such term also includes any person who
18 (1) after January 1, 1966, is receiving ordinary or accidental
19 disability benefits under Articles 2, 14, 15 (including
20 ordinary or accidental disability benefits under the optional
21 retirement program established under Section 15-158.2),
22 paragraphs (2), (3), or (5) of Section 16-106, or Article 18 of
23 the Illinois Pension Code, for disability incurred after
24 January 1, 1966, (2) receives total permanent or total
25 temporary disability under the Workers' Compensation Act or
26 Occupational Disease Act as a result of injuries sustained or

1 illness contracted in the course of employment with the State
2 of Illinois, or (3) is not otherwise covered under this Act and
3 has retired as a participating member under Article 2 of the
4 Illinois Pension Code but is ineligible for the retirement
5 annuity under Section 2-119 of the Illinois Pension Code.
6 However, a person who satisfies the criteria of the foregoing
7 definition of "employee" except that such person is made
8 ineligible to participate in the State Universities Retirement
9 System by clause (4) of subsection (a) of Section 15-107 of the
10 Illinois Pension Code is also an "employee" for the purposes of
11 this Act. "Employee" also includes any person receiving or
12 eligible for benefits under a sick pay plan established in
13 accordance with Section 36 of the State Finance Act. "Employee"
14 also includes (i) each officer or employee in the service of a
15 qualified local government, including persons appointed as
16 trustees of sanitary districts regardless of hours devoted to
17 the service of the sanitary district, (ii) each employee in the
18 service of a qualified rehabilitation facility, (iii) each
19 full-time employee in the service of a qualified domestic
20 violence shelter or service, and (iv) each full-time employee
21 in the service of a qualified child advocacy center, as
22 determined according to rules promulgated by the Director.

23 (1) "Member" means an employee, annuitant, retired
24 employee or survivor. In the case of an annuitant or retired
25 employee who first becomes an annuitant or retired employee on
26 or after the effective date of this amendatory Act of the 97th

1 General Assembly, the individual must meet the minimum vesting
2 requirements of the applicable retirement system in order to be
3 eligible for group insurance benefits under that system. In the
4 case of a survivor who first becomes a survivor on or after the
5 effective date of this amendatory Act of the 97th General
6 Assembly, the deceased employee, annuitant, or retired
7 employee upon whom the annuity is based must have been eligible
8 to participate in the group insurance system under the
9 applicable retirement system in order for the survivor to be
10 eligible for group insurance benefits under that system.

11 (m) "Optional coverages or benefits" means those coverages
12 or benefits available to the member on his or her voluntary
13 election, and at his or her own expense.

14 (n) "Program" means the group life insurance, health
15 benefits and other employee benefits designed and contracted
16 for by the Director under this Act.

17 (o) "Health plan" means a health benefits program offered
18 by the State of Illinois for persons eligible for the plan.

19 (p) "Retired employee" means any person who would be an
20 annuitant as that term is defined herein but for the fact that
21 such person retired prior to January 1, 1966. Such term also
22 includes any person formerly employed by the University of
23 Illinois in the Cooperative Extension Service who would be an
24 annuitant but for the fact that such person was made ineligible
25 to participate in the State Universities Retirement System by
26 clause (4) of subsection (a) of Section 15-107 of the Illinois

1 Pension Code.

2 (q) "Survivor" means a person receiving an annuity as a
3 survivor of an employee or of an annuitant. "Survivor" also
4 includes: (1) the surviving dependent of a person who satisfies
5 the definition of "employee" except that such person is made
6 ineligible to participate in the State Universities Retirement
7 System by clause (4) of subsection (a) of Section 15-107 of the
8 Illinois Pension Code; (2) the surviving dependent of any
9 person formerly employed by the University of Illinois in the
10 Cooperative Extension Service who would be an annuitant except
11 for the fact that such person was made ineligible to
12 participate in the State Universities Retirement System by
13 clause (4) of subsection (a) of Section 15-107 of the Illinois
14 Pension Code; and (3) the surviving dependent of a person who
15 was an annuitant under this Act by virtue of receiving an
16 alternative retirement cancellation payment under Section
17 14-108.5 of the Illinois Pension Code.

18 (q-2) "SERS" means the State Employees' Retirement System
19 of Illinois, created under Article 14 of the Illinois Pension
20 Code.

21 (q-3) "SURS" means the State Universities Retirement
22 System, created under Article 15 of the Illinois Pension Code.

23 (q-4) "TRS" means the Teachers' Retirement System of the
24 State of Illinois, created under Article 16 of the Illinois
25 Pension Code.

26 (q-5) (Blank).

1 (q-6) (Blank).

2 (q-7) (Blank).

3 (r) "Medical services" means the services provided within
4 the scope of their licenses by practitioners in all categories
5 licensed under the Medical Practice Act of 1987.

6 (s) "Unit of local government" means any county,
7 municipality, township, school district (including a
8 combination of school districts under the Intergovernmental
9 Cooperation Act), special district or other unit, designated as
10 a unit of local government by law, which exercises limited
11 governmental powers or powers in respect to limited
12 governmental subjects, any not-for-profit association with a
13 membership that primarily includes townships and township
14 officials, that has duties that include provision of research
15 service, dissemination of information, and other acts for the
16 purpose of improving township government, and that is funded
17 wholly or partly in accordance with Section 85-15 of the
18 Township Code; any not-for-profit corporation or association,
19 with a membership consisting primarily of municipalities, that
20 operates its own utility system, and provides research,
21 training, dissemination of information, or other acts to
22 promote cooperation between and among municipalities that
23 provide utility services and for the advancement of the goals
24 and purposes of its membership; the Southern Illinois
25 Collegiate Common Market, which is a consortium of higher
26 education institutions in Southern Illinois; the Illinois

1 Association of Park Districts; and any hospital provider that
2 is owned by a county that has 100 or fewer hospital beds and
3 has not already joined the program. "Qualified local
4 government" means a unit of local government approved by the
5 Director and participating in a program created under
6 subsection (i) of Section 10 of this Act.

7 (t) "Qualified rehabilitation facility" means any
8 not-for-profit organization that is accredited by the
9 Commission on Accreditation of Rehabilitation Facilities or
10 certified by the Department of Human Services (as successor to
11 the Department of Mental Health and Developmental
12 Disabilities) to provide services to persons with disabilities
13 and which receives funds from the State of Illinois for
14 providing those services, approved by the Director and
15 participating in a program created under subsection (j) of
16 Section 10 of this Act.

17 (u) "Qualified domestic violence shelter or service" means
18 any Illinois domestic violence shelter or service and its
19 administrative offices funded by the Department of Human
20 Services (as successor to the Illinois Department of Public
21 Aid), approved by the Director and participating in a program
22 created under subsection (k) of Section 10.

23 (v) "TRS benefit recipient" means a person who:

24 (1) is not a "member" as defined in this Section; and

25 (2) is receiving a monthly benefit or retirement
26 annuity under Article 16 of the Illinois Pension Code; and

1 (3) either (i) has at least 8 years of creditable
2 service under Article 16 of the Illinois Pension Code, or
3 (ii) was enrolled in the health insurance program offered
4 under that Article on January 1, 1996, or (iii) is the
5 survivor of a benefit recipient who had at least 8 years of
6 creditable service under Article 16 of the Illinois Pension
7 Code or was enrolled in the health insurance program
8 offered under that Article on the effective date of this
9 amendatory Act of 1995, or (iv) is a recipient or survivor
10 of a recipient of a disability benefit under Article 16 of
11 the Illinois Pension Code.

12 (w) "TRS dependent beneficiary" means a person who:

13 (1) is not a "member" or "dependent" as defined in this
14 Section; and

15 (2) is a TRS benefit recipient's: (A) spouse, (B)
16 dependent parent who is receiving at least half of his or
17 her support from the TRS benefit recipient, or (C) natural,
18 step, adjudicated, or adopted child who is (i) under age
19 26, (ii) was, on January 1, 1996, participating as a
20 dependent beneficiary in the health insurance program
21 offered under Article 16 of the Illinois Pension Code, or
22 (iii) age 19 or over who has a mental or physical
23 disability from a cause originating prior to the age of 19
24 (age 26 if enrolled as an adult child).

25 "TRS dependent beneficiary" does not include, as indicated
26 under paragraph (2) of this subsection (w), a dependent of the

1 survivor of a TRS benefit recipient who first becomes a
2 dependent of a survivor of a TRS benefit recipient on or after
3 the effective date of this amendatory Act of the 97th General
4 Assembly unless that dependent would have been eligible for
5 coverage as a dependent of the deceased TRS benefit recipient
6 upon whom the survivor benefit is based.

7 (x) "Military leave" refers to individuals in basic
8 training for reserves, special/advanced training, annual
9 training, emergency call up, activation by the President of the
10 United States, or any other training or duty in service to the
11 United States Armed Forces.

12 (y) (Blank).

13 (z) "Community college benefit recipient" means a person
14 who:

15 (1) is not a "member" as defined in this Section; and

16 (2) is receiving a monthly survivor's annuity or
17 retirement annuity under Article 15 of the Illinois Pension
18 Code; and

19 (3) either (i) was a full-time employee of a community
20 college district or an association of community college
21 boards created under the Public Community College Act
22 (other than an employee whose last employer under Article
23 15 of the Illinois Pension Code was a community college
24 district subject to Article VII of the Public Community
25 College Act) and was eligible to participate in a group
26 health benefit plan as an employee during the time of

1 employment with a community college district (other than a
2 community college district subject to Article VII of the
3 Public Community College Act) or an association of
4 community college boards, or (ii) is the survivor of a
5 person described in item (i).

6 (aa) "Community college dependent beneficiary" means a
7 person who:

8 (1) is not a "member" or "dependent" as defined in this
9 Section; and

10 (2) is a community college benefit recipient's: (A)
11 spouse, (B) dependent parent who is receiving at least half
12 of his or her support from the community college benefit
13 recipient, or (C) natural, step, adjudicated, or adopted
14 child who is (i) under age 26, or (ii) age 19 or over and
15 has a mental or physical disability from a cause
16 originating prior to the age of 19 (age 26 if enrolled as
17 an adult child).

18 "Community college dependent beneficiary" does not
19 include, as indicated under paragraph (2) of this subsection
20 (aa), a dependent of the survivor of a community college
21 benefit recipient who first becomes a dependent of a survivor
22 of a community college benefit recipient on or after the
23 effective date of this amendatory Act of the 97th General
24 Assembly unless that dependent would have been eligible for
25 coverage as a dependent of the deceased community college
26 benefit recipient upon whom the survivor annuity is based.

1 (bb) "Qualified child advocacy center" means any Illinois
2 child advocacy center and its administrative offices funded by
3 the Department of Children and Family Services, as defined by
4 the Children's Advocacy Center Act (55 ILCS 80/), approved by
5 the Director and participating in a program created under
6 subsection (n) of Section 10.

7 (Source: P.A. 98-488, eff. 8-16-13; 99-143, eff. 7-27-15.)

8 (5 ILCS 375/10) (from Ch. 127, par. 530)

9 Sec. 10. Contributions by the State and members.

10 (a) The State shall pay the cost of basic non-contributory
11 group life insurance and, subject to member paid contributions
12 set by the Department or required by this Section and except as
13 provided in this Section, the basic program of group health
14 benefits on each eligible member, except a member, not
15 otherwise covered by this Act, who has retired as a
16 participating member under Article 2 of the Illinois Pension
17 Code but is ineligible for the retirement annuity under Section
18 2-119 of the Illinois Pension Code, and part of each eligible
19 member's and retired member's premiums for health insurance
20 coverage for enrolled dependents as provided by Section 9. The
21 State shall pay the cost of the basic program of group health
22 benefits only after benefits are reduced by the amount of
23 benefits covered by Medicare for all members and dependents who
24 are eligible for benefits under Social Security or the Railroad
25 Retirement system or who had sufficient Medicare-covered

1 government employment, except that such reduction in benefits
2 shall apply only to those members and dependents who (1) first
3 become eligible for such Medicare coverage on or after July 1,
4 1992; or (2) are Medicare-eligible members or dependents of a
5 local government unit which began participation in the program
6 on or after July 1, 1992; or (3) remain eligible for, but no
7 longer receive Medicare coverage which they had been receiving
8 on or after July 1, 1992. The Department may determine the
9 aggregate level of the State's contribution on the basis of
10 actual cost of medical services adjusted for age, sex or
11 geographic or other demographic characteristics which affect
12 the costs of such programs.

13 The cost of participation in the basic program of group
14 health benefits for the dependent or survivor of a living or
15 deceased retired employee who was formerly employed by the
16 University of Illinois in the Cooperative Extension Service and
17 would be an annuitant but for the fact that he or she was made
18 ineligible to participate in the State Universities Retirement
19 System by clause (4) of subsection (a) of Section 15-107 of the
20 Illinois Pension Code shall not be greater than the cost of
21 participation that would otherwise apply to that dependent or
22 survivor if he or she were the dependent or survivor of an
23 annuitant under the State Universities Retirement System.

24 (a-1) (Blank).

25 (a-2) (Blank).

26 (a-3) (Blank).

1 (a-4) (Blank).

2 (a-5) (Blank).

3 (a-6) (Blank).

4 (a-7) (Blank).

5 (a-8) Any annuitant, survivor, or retired employee may
6 waive or terminate coverage in the program of group health
7 benefits. Any such annuitant, survivor, or retired employee who
8 has waived or terminated coverage may enroll or re-enroll in
9 the program of group health benefits only during the annual
10 benefit choice period, as determined by the Director; except
11 that in the event of termination of coverage due to nonpayment
12 of premiums, the annuitant, survivor, or retired employee may
13 not re-enroll in the program.

14 (a-8.5) Beginning on the effective date of this amendatory
15 Act of the 97th General Assembly, the Director of Central
16 Management Services shall, on an annual basis, determine the
17 amount that the State shall contribute toward the basic program
18 of group health benefits on behalf of annuitants (including
19 individuals who (i) participated in the General Assembly
20 Retirement System, the State Employees' Retirement System of
21 Illinois, the State Universities Retirement System, the
22 Teachers' Retirement System of the State of Illinois, or the
23 Judges Retirement System of Illinois and (ii) qualify as
24 annuitants under subsection (b) of Section 3 of this Act),
25 survivors (including individuals who (i) receive an annuity as
26 a survivor of an individual who participated in the General

1 Assembly Retirement System, the State Employees' Retirement
2 System of Illinois, the State Universities Retirement System,
3 the Teachers' Retirement System of the State of Illinois, or
4 the Judges Retirement System of Illinois and (ii) qualify as
5 survivors under subsection (q) of Section 3 of this Act), and
6 retired employees (as defined in subsection (p) of Section 3 of
7 this Act). The remainder of the cost of coverage for each
8 annuitant, survivor, or retired employee, as determined by the
9 Director of Central Management Services, shall be the
10 responsibility of that annuitant, survivor, or retired
11 employee.

12 Contributions required of annuitants, survivors, and
13 retired employees shall be the same for all retirement systems
14 and shall also be based on whether an individual has made an
15 election under Section 15-135.1 of the Illinois Pension Code.
16 Contributions may be based on annuitants', survivors', or
17 retired employees' Medicare eligibility, but may not be based
18 on Social Security eligibility.

19 (a-9) No later than May 1 of each calendar year, the
20 Director of Central Management Services shall certify in
21 writing to the Executive Secretary of the State Employees'
22 Retirement System of Illinois the amounts of the Medicare
23 supplement health care premiums and the amounts of the health
24 care premiums for all other retirees who are not Medicare
25 eligible.

26 A separate calculation of the premiums based upon the

1 actual cost of each health care plan shall be so certified.

2 The Director of Central Management Services shall provide
3 to the Executive Secretary of the State Employees' Retirement
4 System of Illinois such information, statistics, and other data
5 as he or she may require to review the premium amounts
6 certified by the Director of Central Management Services.

7 The Department of Central Management Services, or any
8 successor agency designated to procure healthcare contracts
9 pursuant to this Act, is authorized to establish funds,
10 separate accounts provided by any bank or banks as defined by
11 the Illinois Banking Act, or separate accounts provided by any
12 savings and loan association or associations as defined by the
13 Illinois Savings and Loan Act of 1985 to be held by the
14 Director, outside the State treasury, for the purpose of
15 receiving the transfer of moneys from the Local Government
16 Health Insurance Reserve Fund. The Department may promulgate
17 rules further defining the methodology for the transfers. Any
18 interest earned by moneys in the funds or accounts shall inure
19 to the Local Government Health Insurance Reserve Fund. The
20 transferred moneys, and interest accrued thereon, shall be used
21 exclusively for transfers to administrative service
22 organizations or their financial institutions for payments of
23 claims to claimants and providers under the self-insurance
24 health plan. The transferred moneys, and interest accrued
25 thereon, shall not be used for any other purpose including, but
26 not limited to, reimbursement of administration fees due the

1 administrative service organization pursuant to its contract
2 or contracts with the Department.

3 (a-10) For purposes of determining State contributions
4 under this Section, service established under a Tier 3 plan
5 under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code
6 shall be included in determining an employee's creditable
7 service. Any credit terminated as part of a transfer of
8 contributions to a Tier 3 plan under Article 2, 14, 15, 16, or
9 18 of the Illinois Pension Code shall also be included in
10 determining an employee's creditable service.

11 (b) State employees who become eligible for this program on
12 or after January 1, 1980 in positions normally requiring actual
13 performance of duty not less than 1/2 of a normal work period
14 but not equal to that of a normal work period, shall be given
15 the option of participating in the available program. If the
16 employee elects coverage, the State shall contribute on behalf
17 of such employee to the cost of the employee's benefit and any
18 applicable dependent supplement, that sum which bears the same
19 percentage as that percentage of time the employee regularly
20 works when compared to normal work period.

21 (c) The basic non-contributory coverage from the basic
22 program of group health benefits shall be continued for each
23 employee not in pay status or on active service by reason of
24 (1) leave of absence due to illness or injury, (2) authorized
25 educational leave of absence or sabbatical leave, or (3)
26 military leave. This coverage shall continue until expiration

1 of authorized leave and return to active service, but not to
2 exceed 24 months for leaves under item (1) or (2). This
3 24-month limitation and the requirement of returning to active
4 service shall not apply to persons receiving ordinary or
5 accidental disability benefits or retirement benefits through
6 the appropriate State retirement system or benefits under the
7 Workers' Compensation or Occupational Disease Act.

8 (d) The basic group life insurance coverage shall continue,
9 with full State contribution, where such person is (1) absent
10 from active service by reason of disability arising from any
11 cause other than self-inflicted, (2) on authorized educational
12 leave of absence or sabbatical leave, or (3) on military leave.

13 (e) Where the person is in non-pay status for a period in
14 excess of 30 days or on leave of absence, other than by reason
15 of disability, educational or sabbatical leave, or military
16 leave, such person may continue coverage only by making
17 personal payment equal to the amount normally contributed by
18 the State on such person's behalf. Such payments and coverage
19 may be continued: (1) until such time as the person returns to
20 a status eligible for coverage at State expense, but not to
21 exceed 24 months or (2) until such person's employment or
22 annuitant status with the State is terminated (exclusive of any
23 additional service imposed pursuant to law).

24 (f) The Department shall establish by rule the extent to
25 which other employee benefits will continue for persons in
26 non-pay status or who are not in active service.

1 (g) The State shall not pay the cost of the basic
2 non-contributory group life insurance, program of health
3 benefits and other employee benefits for members who are
4 survivors as defined by paragraphs (1) and (2) of subsection
5 (q) of Section 3 of this Act. The costs of benefits for these
6 survivors shall be paid by the survivors or by the University
7 of Illinois Cooperative Extension Service, or any combination
8 thereof. However, the State shall pay the amount of the
9 reduction in the cost of participation, if any, resulting from
10 the amendment to subsection (a) made by this amendatory Act of
11 the 91st General Assembly.

12 (h) Those persons occupying positions with any department
13 as a result of emergency appointments pursuant to Section 8b.8
14 of the Personnel Code who are not considered employees under
15 this Act shall be given the option of participating in the
16 programs of group life insurance, health benefits and other
17 employee benefits. Such persons electing coverage may
18 participate only by making payment equal to the amount normally
19 contributed by the State for similarly situated employees. Such
20 amounts shall be determined by the Director. Such payments and
21 coverage may be continued until such time as the person becomes
22 an employee pursuant to this Act or such person's appointment
23 is terminated.

24 (i) Any unit of local government within the State of
25 Illinois may apply to the Director to have its employees,
26 annuitants, and their dependents provided group health

1 coverage under this Act on a non-insured basis. To participate,
2 a unit of local government must agree to enroll all of its
3 employees, who may select coverage under either the State group
4 health benefits plan or a health maintenance organization that
5 has contracted with the State to be available as a health care
6 provider for employees as defined in this Act. A unit of local
7 government must remit the entire cost of providing coverage
8 under the State group health benefits plan or, for coverage
9 under a health maintenance organization, an amount determined
10 by the Director based on an analysis of the sex, age,
11 geographic location, or other relevant demographic variables
12 for its employees, except that the unit of local government
13 shall not be required to enroll those of its employees who are
14 covered spouses or dependents under this plan or another group
15 policy or plan providing health benefits as long as (1) an
16 appropriate official from the unit of local government attests
17 that each employee not enrolled is a covered spouse or
18 dependent under this plan or another group policy or plan, and
19 (2) at least 50% of the employees are enrolled and the unit of
20 local government remits the entire cost of providing coverage
21 to those employees, except that a participating school district
22 must have enrolled at least 50% of its full-time employees who
23 have not waived coverage under the district's group health plan
24 by participating in a component of the district's cafeteria
25 plan. A participating school district is not required to enroll
26 a full-time employee who has waived coverage under the

1 district's health plan, provided that an appropriate official
2 from the participating school district attests that the
3 full-time employee has waived coverage by participating in a
4 component of the district's cafeteria plan. For the purposes of
5 this subsection, "participating school district" includes a
6 unit of local government whose primary purpose is education as
7 defined by the Department's rules.

8 Employees of a participating unit of local government who
9 are not enrolled due to coverage under another group health
10 policy or plan may enroll in the event of a qualifying change
11 in status, special enrollment, special circumstance as defined
12 by the Director, or during the annual Benefit Choice Period. A
13 participating unit of local government may also elect to cover
14 its annuitants. Dependent coverage shall be offered on an
15 optional basis, with the costs paid by the unit of local
16 government, its employees, or some combination of the two as
17 determined by the unit of local government. The unit of local
18 government shall be responsible for timely collection and
19 transmission of dependent premiums.

20 The Director shall annually determine monthly rates of
21 payment, subject to the following constraints:

22 (1) In the first year of coverage, the rates shall be
23 equal to the amount normally charged to State employees for
24 elected optional coverages or for enrolled dependents
25 coverages or other contributory coverages, or contributed
26 by the State for basic insurance coverages on behalf of its

1 employees, adjusted for differences between State
2 employees and employees of the local government in age,
3 sex, geographic location or other relevant demographic
4 variables, plus an amount sufficient to pay for the
5 additional administrative costs of providing coverage to
6 employees of the unit of local government and their
7 dependents.

8 (2) In subsequent years, a further adjustment shall be
9 made to reflect the actual prior years' claims experience
10 of the employees of the unit of local government.

11 In the case of coverage of local government employees under
12 a health maintenance organization, the Director shall annually
13 determine for each participating unit of local government the
14 maximum monthly amount the unit may contribute toward that
15 coverage, based on an analysis of (i) the age, sex, geographic
16 location, and other relevant demographic variables of the
17 unit's employees and (ii) the cost to cover those employees
18 under the State group health benefits plan. The Director may
19 similarly determine the maximum monthly amount each unit of
20 local government may contribute toward coverage of its
21 employees' dependents under a health maintenance organization.

22 Monthly payments by the unit of local government or its
23 employees for group health benefits plan or health maintenance
24 organization coverage shall be deposited in the Local
25 Government Health Insurance Reserve Fund.

26 The Local Government Health Insurance Reserve Fund is

1 hereby created as a nonappropriated trust fund to be held
2 outside the State Treasury, with the State Treasurer as
3 custodian. The Local Government Health Insurance Reserve Fund
4 shall be a continuing fund not subject to fiscal year
5 limitations. The Local Government Health Insurance Reserve
6 Fund is not subject to administrative charges or charge-backs,
7 including but not limited to those authorized under Section 8h
8 of the State Finance Act. All revenues arising from the
9 administration of the health benefits program established
10 under this Section shall be deposited into the Local Government
11 Health Insurance Reserve Fund. Any interest earned on moneys in
12 the Local Government Health Insurance Reserve Fund shall be
13 deposited into the Fund. All expenditures from this Fund shall
14 be used for payments for health care benefits for local
15 government and rehabilitation facility employees, annuitants,
16 and dependents, and to reimburse the Department or its
17 administrative service organization for all expenses incurred
18 in the administration of benefits. No other State funds may be
19 used for these purposes.

20 A local government employer's participation or desire to
21 participate in a program created under this subsection shall
22 not limit that employer's duty to bargain with the
23 representative of any collective bargaining unit of its
24 employees.

25 (j) Any rehabilitation facility within the State of
26 Illinois may apply to the Director to have its employees,

1 annuitants, and their eligible dependents provided group
2 health coverage under this Act on a non-insured basis. To
3 participate, a rehabilitation facility must agree to enroll all
4 of its employees and remit the entire cost of providing such
5 coverage for its employees, except that the rehabilitation
6 facility shall not be required to enroll those of its employees
7 who are covered spouses or dependents under this plan or
8 another group policy or plan providing health benefits as long
9 as (1) an appropriate official from the rehabilitation facility
10 attests that each employee not enrolled is a covered spouse or
11 dependent under this plan or another group policy or plan, and
12 (2) at least 50% of the employees are enrolled and the
13 rehabilitation facility remits the entire cost of providing
14 coverage to those employees. Employees of a participating
15 rehabilitation facility who are not enrolled due to coverage
16 under another group health policy or plan may enroll in the
17 event of a qualifying change in status, special enrollment,
18 special circumstance as defined by the Director, or during the
19 annual Benefit Choice Period. A participating rehabilitation
20 facility may also elect to cover its annuitants. Dependent
21 coverage shall be offered on an optional basis, with the costs
22 paid by the rehabilitation facility, its employees, or some
23 combination of the 2 as determined by the rehabilitation
24 facility. The rehabilitation facility shall be responsible for
25 timely collection and transmission of dependent premiums.

26 The Director shall annually determine quarterly rates of

1 payment, subject to the following constraints:

2 (1) In the first year of coverage, the rates shall be
3 equal to the amount normally charged to State employees for
4 elected optional coverages or for enrolled dependents
5 coverages or other contributory coverages on behalf of its
6 employees, adjusted for differences between State
7 employees and employees of the rehabilitation facility in
8 age, sex, geographic location or other relevant
9 demographic variables, plus an amount sufficient to pay for
10 the additional administrative costs of providing coverage
11 to employees of the rehabilitation facility and their
12 dependents.

13 (2) In subsequent years, a further adjustment shall be
14 made to reflect the actual prior years' claims experience
15 of the employees of the rehabilitation facility.

16 Monthly payments by the rehabilitation facility or its
17 employees for group health benefits shall be deposited in the
18 Local Government Health Insurance Reserve Fund.

19 (k) Any domestic violence shelter or service within the
20 State of Illinois may apply to the Director to have its
21 employees, annuitants, and their dependents provided group
22 health coverage under this Act on a non-insured basis. To
23 participate, a domestic violence shelter or service must agree
24 to enroll all of its employees and pay the entire cost of
25 providing such coverage for its employees. The domestic
26 violence shelter shall not be required to enroll those of its

1 employees who are covered spouses or dependents under this plan
2 or another group policy or plan providing health benefits as
3 long as (1) an appropriate official from the domestic violence
4 shelter attests that each employee not enrolled is a covered
5 spouse or dependent under this plan or another group policy or
6 plan and (2) at least 50% of the employees are enrolled and the
7 domestic violence shelter remits the entire cost of providing
8 coverage to those employees. Employees of a participating
9 domestic violence shelter who are not enrolled due to coverage
10 under another group health policy or plan may enroll in the
11 event of a qualifying change in status, special enrollment, or
12 special circumstance as defined by the Director or during the
13 annual Benefit Choice Period. A participating domestic
14 violence shelter may also elect to cover its annuitants.
15 Dependent coverage shall be offered on an optional basis, with
16 employees, or some combination of the 2 as determined by the
17 domestic violence shelter or service. The domestic violence
18 shelter or service shall be responsible for timely collection
19 and transmission of dependent premiums.

20 The Director shall annually determine rates of payment,
21 subject to the following constraints:

22 (1) In the first year of coverage, the rates shall be
23 equal to the amount normally charged to State employees for
24 elected optional coverages or for enrolled dependents
25 coverages or other contributory coverages on behalf of its
26 employees, adjusted for differences between State

1 employees and employees of the domestic violence shelter or
2 service in age, sex, geographic location or other relevant
3 demographic variables, plus an amount sufficient to pay for
4 the additional administrative costs of providing coverage
5 to employees of the domestic violence shelter or service
6 and their dependents.

7 (2) In subsequent years, a further adjustment shall be
8 made to reflect the actual prior years' claims experience
9 of the employees of the domestic violence shelter or
10 service.

11 Monthly payments by the domestic violence shelter or
12 service or its employees for group health insurance shall be
13 deposited in the Local Government Health Insurance Reserve
14 Fund.

15 (1) A public community college or entity organized pursuant
16 to the Public Community College Act may apply to the Director
17 initially to have only annuitants not covered prior to July 1,
18 1992 by the district's health plan provided health coverage
19 under this Act on a non-insured basis. The community college
20 must execute a 2-year contract to participate in the Local
21 Government Health Plan. Any annuitant may enroll in the event
22 of a qualifying change in status, special enrollment, special
23 circumstance as defined by the Director, or during the annual
24 Benefit Choice Period.

25 The Director shall annually determine monthly rates of
26 payment subject to the following constraints: for those

1 community colleges with annuitants only enrolled, first year
2 rates shall be equal to the average cost to cover claims for a
3 State member adjusted for demographics, Medicare
4 participation, and other factors; and in the second year, a
5 further adjustment of rates shall be made to reflect the actual
6 first year's claims experience of the covered annuitants.

7 (l-5) The provisions of subsection (l) become inoperative
8 on July 1, 1999.

9 (m) The Director shall adopt any rules deemed necessary for
10 implementation of this amendatory Act of 1989 (Public Act
11 86-978).

12 (n) Any child advocacy center within the State of Illinois
13 may apply to the Director to have its employees, annuitants,
14 and their dependents provided group health coverage under this
15 Act on a non-insured basis. To participate, a child advocacy
16 center must agree to enroll all of its employees and pay the
17 entire cost of providing coverage for its employees. The child
18 advocacy center shall not be required to enroll those of its
19 employees who are covered spouses or dependents under this plan
20 or another group policy or plan providing health benefits as
21 long as (1) an appropriate official from the child advocacy
22 center attests that each employee not enrolled is a covered
23 spouse or dependent under this plan or another group policy or
24 plan and (2) at least 50% of the employees are enrolled and the
25 child advocacy center remits the entire cost of providing
26 coverage to those employees. Employees of a participating child

1 advocacy center who are not enrolled due to coverage under
2 another group health policy or plan may enroll in the event of
3 a qualifying change in status, special enrollment, or special
4 circumstance as defined by the Director or during the annual
5 Benefit Choice Period. A participating child advocacy center
6 may also elect to cover its annuitants. Dependent coverage
7 shall be offered on an optional basis, with the costs paid by
8 the child advocacy center, its employees, or some combination
9 of the 2 as determined by the child advocacy center. The child
10 advocacy center shall be responsible for timely collection and
11 transmission of dependent premiums.

12 The Director shall annually determine rates of payment,
13 subject to the following constraints:

14 (1) In the first year of coverage, the rates shall be
15 equal to the amount normally charged to State employees for
16 elected optional coverages or for enrolled dependents
17 coverages or other contributory coverages on behalf of its
18 employees, adjusted for differences between State
19 employees and employees of the child advocacy center in
20 age, sex, geographic location, or other relevant
21 demographic variables, plus an amount sufficient to pay for
22 the additional administrative costs of providing coverage
23 to employees of the child advocacy center and their
24 dependents.

25 (2) In subsequent years, a further adjustment shall be
26 made to reflect the actual prior years' claims experience

1 of the employees of the child advocacy center.

2 Monthly payments by the child advocacy center or its
3 employees for group health insurance shall be deposited into
4 the Local Government Health Insurance Reserve Fund.

5 (Source: P.A. 97-695, eff. 7-1-12; 98-488, eff. 8-16-13.)

6 Section 10. The Illinois Pension Code is amended by
7 changing Sections 1-160, 2-117, 2-162, 7-114, 7-116, 7-139,
8 14-103.05, 14-103.10, 14-104.3, 14-106, 14-152.1, 15-108.1,
9 15-108.2, 15-112, 15-113.4, 15-134, 15-198, 16-123, 16-127,
10 16-217, 16-152.1, 16-203, 18-120, 18-124, 18-125, 18-125.1,
11 18-127, 18-128.01, 18-133, 18-169, 20-121, 20-123, 20-124, and
12 20-125 and by adding Sections 2-105.3, 2-165.5, 14-103.41,
13 14-103.42, 14-103.43, 14-155.5, 15-108.3, 15-200.5, 16-106.40,
14 16-106.41, 16-106.42, 16-205.5, 18-110.1, 18-110.2, 18-110.3,
15 and 18-121.5 as follows:

16 (40 ILCS 5/1-160)

17 (Text of Section WITHOUT the changes made by P.A. 98-641,
18 which has been held unconstitutional)

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

20 (a) The provisions of this Section apply to a person who,
21 on or after January 1, 2011, first becomes a member or a
22 participant under any reciprocal retirement system or pension
23 fund established under this Code, other than a retirement
24 system or pension fund established under Article 2, 3, 4, 5, 6,

1 15 or 18 of this Code, notwithstanding any other provision of
2 this Code to the contrary, but do not apply to any self-managed
3 plan established under this Code, to any person with respect to
4 service as a sheriff's law enforcement employee under Article
5 7, or to any participant of the retirement plan established
6 under Section 22-101. Notwithstanding anything to the contrary
7 in this Section, for purposes of this Section, a person who
8 participated in a retirement system under Article 15 prior to
9 January 1, 2011 shall be deemed a person who first became a
10 member or participant prior to January 1, 2011 under any
11 retirement system or pension fund subject to this Section. The
12 changes made to this Section by Public Act 98-596 ~~this~~
13 ~~amendatory Act of the 98th General Assembly~~ are a clarification
14 of existing law and are intended to be retroactive to January
15 1, 2011 (the effective date of Public Act 96-889),
16 notwithstanding the provisions of Section 1-103.1 of this Code.

17 The provisions of this Section do not apply to service
18 under a Tier 3 plan established under Article 2, 14, 15, 16, or
19 18 of this Code.

20 (b) "Final average salary" means the average monthly (or
21 annual) salary obtained by dividing the total salary or
22 earnings calculated under the Article applicable to the member
23 or participant during the 96 consecutive months (or 8
24 consecutive years) of service within the last 120 months (or 10
25 years) of service in which the total salary or earnings
26 calculated under the applicable Article was the highest by the

1 number of months (or years) of service in that period. For the
2 purposes of a person who first becomes a member or participant
3 of any retirement system or pension fund to which this Section
4 applies on or after January 1, 2011, in this Code, "final
5 average salary" shall be substituted for the following:

6 (1) In Article 7 (except for service as sheriff's law
7 enforcement employees), "final rate of earnings".

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

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

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

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

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

17 (b-5) Beginning on January 1, 2011, for all purposes under
18 this Code (including without limitation the calculation of
19 benefits and employee contributions), the annual earnings,
20 salary, or wages (based on the plan year) of a member or
21 participant to whom this Section applies shall not exceed
22 \$106,800; however, that amount shall annually thereafter be
23 increased by the lesser of (i) 3% of that amount, including all
24 previous adjustments, or (ii) one-half the annual unadjusted
25 percentage increase (but not less than zero) in the consumer
26 price index-u for the 12 months ending with the September

1 preceding each November 1, including all previous adjustments.

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

11 (c) A member or participant is entitled to a retirement
12 annuity upon written application if he or she has attained age
13 67 (beginning January 1, 2015, age 65 with respect to service
14 under Article 12 of this Code that is subject to this Section)
15 and has at least 10 years of service credit and is otherwise
16 eligible under the requirements of the applicable Article.

17 A member or participant who has attained age 62 (beginning
18 January 1, 2015, age 60 with respect to service under Article
19 12 of this Code that is subject to this Section) and has at
20 least 10 years of service credit and is otherwise eligible
21 under the requirements of the applicable Article may elect to
22 receive the lower retirement annuity provided in subsection (d)
23 of this Section.

24 (d) The retirement annuity of a member or participant who
25 is retiring after attaining age 62 (beginning January 1, 2015,
26 age 60 with respect to service under Article 12 of this Code

1 that is subject to this Section) with at least 10 years of
2 service credit shall be reduced by one-half of 1% for each full
3 month that the member's age is under age 67 (beginning January
4 1, 2015, age 65 with respect to service under Article 12 of
5 this Code that is subject to this Section).

6 (e) Any retirement annuity or supplemental annuity shall be
7 subject to annual increases on the January 1 occurring either
8 on or after the attainment of age 67 (beginning January 1,
9 2015, age 65 with respect to service under Article 12 of this
10 Code that is subject to this Section) or the first anniversary
11 of the annuity start date, whichever is later. Each annual
12 increase shall be calculated at 3% or one-half the annual
13 unadjusted percentage increase (but not less than zero) in the
14 consumer price index-u for the 12 months ending with the
15 September preceding each November 1, whichever is less, of the
16 originally granted retirement annuity. If the annual
17 unadjusted percentage change in the consumer price index-u for
18 the 12 months ending with the September preceding each November
19 1 is zero or there is a decrease, then the annuity shall not be
20 increased.

21 (f) The initial survivor's or widow's annuity of an
22 otherwise eligible survivor or widow of a retired member or
23 participant who first became a member or participant on or
24 after January 1, 2011 shall be in the amount of 66 2/3% of the
25 retired member's or participant's retirement annuity at the
26 date of death. In the case of the death of a member or

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

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

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

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

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

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

16 (i) (Blank).

17 (j) In the case of a conflict between the provisions of
18 this Section and any other provision of this Code, the
19 provisions of this Section shall control.

20 (Source: P.A. 97-609, eff. 1-1-12; 98-92, eff. 7-16-13; 98-596,
21 eff. 11-19-13; 98-622, eff. 6-1-14; revised 3-24-16.)

22 (40 ILCS 5/2-105.3 new)

23 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier
24 3 participant.

25 "Tier 1 participant": A participant who first became a

1 participant before January 1, 2011.

2 In the case of a Tier 1 participant who elects to
3 participate in the Tier 3 plan under Section 2-165.5 of this
4 Code, that participant shall be deemed a Tier 1 participant
5 only with respect to service performed or established before
6 the effective date of that election.

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

9 In the case of a Tier 2 participant who elects to
10 participate in the Tier 3 plan under Section 2-165.5 of this
11 Code, that Tier 2 member shall be deemed a Tier 2 member only
12 with respect to service performed or established before the
13 effective date of that election.

14 "Tier 3 participant": A Tier 1 or Tier 2 participant who
15 elects to participate in the Tier 3 plan under Section 2-165.5
16 of this Code, but only with respect to service performed on or
17 after the effective date of that election.

18 (40 ILCS 5/2-117) (from Ch. 108 1/2, par. 2-117)

19 Sec. 2-117. Participants - Election not to participate.

20 (a) Except as provided in subsection (c), every ~~Every~~
21 person who was a member on November 1, 1947, or in military
22 service on such date, is subject to the provisions of this
23 system beginning upon such date, unless prior to such date he
24 or she filed with the board a written notice of election not to
25 participate.

1 Every person who becomes a member after November 1, 1947,
2 and who is then not a participant becomes a participant
3 beginning upon the date of becoming a member unless, within 24
4 months from that date, he or she has filed with the board a
5 written notice of election not to participate.

6 (b) A member who has filed notice of an election not to
7 participate (and a former member who has not yet begun to
8 receive a retirement annuity under this Article) may become a
9 participant with respect to the period for which the member
10 elected not to participate upon filing with the board, before
11 April 1, 1993, a written rescission of the election not to
12 participate. Upon contributing an amount equal to the
13 contributions he or she would have made as a participant from
14 November 1, 1947, or the date of becoming a member, whichever
15 is later, to the date of becoming a participant, with interest
16 at the rate of 4% per annum until the contributions are paid,
17 the participant shall receive credit for service as a member
18 prior to the date of the rescission, both before and after
19 November 1, 1947. The required contributions shall be made
20 before commencement of the retirement annuity; otherwise no
21 credit for service prior to the date of participation shall be
22 granted.

23 (c) Notwithstanding any other provision of this Article, an
24 active participant may terminate his or her participation in
25 this System (including active participation in the Tier 3 plan,
26 if applicable) by notifying the System in writing. An active

1 participant terminating participation in this System under
2 this subsection shall be entitled to a refund of his or her
3 contributions (other than contributions to the Tier 3 plan
4 under Section 2-165.5) minus the benefits received prior to the
5 termination of participation.

6 (Source: P.A. 86-273; 87-1265.)

7 (40 ILCS 5/2-162)

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

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

12 (a) As used in this Section, "new benefit increase" means
13 an increase in the amount of any benefit provided under this
14 Article, or an expansion of the conditions of eligibility for
15 any benefit under this Article, that results from an amendment
16 to this Code that takes effect after the effective date of this
17 amendatory Act of the 94th General Assembly. "New benefit
18 increase", however, does not include any benefit increase
19 resulting from the changes made to this Article by this
20 amendatory Act of the 100th General Assembly.

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

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

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

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

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

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

12 (40 ILCS 5/2-165.5 new)

13 Sec. 2-165.5. Tier 3 plan.

14 (a) By July 1, 2018, the System shall prepare and implement
15 a Tier 3 plan. The Tier 3 plan developed under this Section
16 shall be a plan that aggregates State and employee
17 contributions in individual participant accounts which, after
18 meeting any other requirements, are used for payouts after
19 retirement in accordance with this Section and any other
20 applicable laws.

21 As used in this Section, "defined benefit plan" means the
22 retirement plan available under this Article to Tier 1 or Tier
23 2 participants who have not made the election authorized under
24 this Section.

25 (1) A participant in the Tier 3 plan shall pay employee

1 contributions at a rate determined by the participant, but
2 not less than 3% of salary and not more than a percentage
3 of salary determined by the Board in accordance with the
4 requirements of State and federal law.

5 (2) State contributions shall be paid into the accounts
6 of all participants in the Tier 3 plan at a uniform rate,
7 expressed as a percentage of salary and determined for each
8 year. This rate shall be no higher than 7.6% of salary and
9 shall be no lower than 3% of salary. The State shall adjust
10 this rate annually.

11 (3) The Tier 3 plan shall require 5 years of
12 participation in the Tier 3 plan before vesting in State
13 contributions. If the participant fails to vest in them,
14 the State contributions, and the earnings thereon, shall be
15 forfeited.

16 (4) The Tier 3 plan shall provide a variety of options
17 for investments. These options shall include investments
18 handled by the Illinois State Board of Investment as well
19 as private sector investment options.

20 (5) The Tier 3 plan shall provide a variety of options
21 for payouts to participants in the Tier 3 plan who are no
22 longer active in the System and their survivors.

23 (6) To the extent authorized under federal law and as
24 authorized by the System, the plan shall allow former
25 participants in the plan to transfer or roll over employee
26 and vested State contributions, and the earnings thereon,

1 from the Tier 3 plan into other qualified retirement plans.

2 (7) The System shall reduce the employee contributions
3 credited to the participant's Tier 3 plan account by an
4 amount determined by the System to cover the cost of
5 offering these benefits and any applicable administrative
6 fees.

7 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
8 participant of this System may elect, in writing, to cease
9 accruing benefits in the defined benefit plan and begin
10 accruing benefits for future service in the Tier 3 plan. The
11 election to participate in the Tier 3 plan is voluntary and
12 irrevocable.

13 (1) Service credit under the Tier 3 plan may be used
14 for determining retirement eligibility under the defined
15 benefit plan.

16 (2) The System shall make a good faith effort to
17 contact all active Tier 1 and Tier 2 participants who are
18 eligible to participate in the Tier 3 plan. The System
19 shall mail information describing the option to join the
20 Tier 3 plan to each of these employees to his or her last
21 known address on file with the System. If the employee is
22 not responsive to other means of contact, it is sufficient
23 for the System to publish the details of the option on its
24 website.

25 (3) Upon request for further information describing
26 the option, the System shall provide employees with

1 information from the System before exercising the option to
2 join the plan, including information on the impact to their
3 benefits and service. The individual consultation shall
4 include projections of the participant's defined benefits
5 at retirement or earlier termination of service and the
6 value of the participant's account at retirement or earlier
7 termination of service. The System shall not provide advice
8 or counseling with respect to whether the employee should
9 exercise the option. The System shall inform Tier 1 and
10 Tier 2 participants who are eligible to participate in the
11 Tier 3 plan that they may also wish to obtain information
12 and counsel relating to their option from any other
13 available source, including but not limited to private
14 counsel and financial advisors.

15 (b-5) A Tier 1 or Tier 2 participant who elects to
16 participate in the Tier 3 plan may irrevocably elect to
17 terminate all participation in the defined benefit plan. Upon
18 that election, the System shall transfer to the participant's
19 individual account an amount equal to the amount of
20 contribution refund that the participant would be eligible to
21 receive if the member terminated employment on that date and
22 elected a refund of contributions, including the prescribed
23 rate of interest for the respective years. The System shall
24 make the transfer as a tax free transfer in accordance with
25 Internal Revenue Service guidelines, for purposes of funding
26 the amount credited to the participant's individual account.

1 (c) In no event shall the System, its staff, its authorized
2 representatives, or the Board be liable for any information
3 given to an employee under this Section. The System may
4 coordinate with the Illinois Department of Central Management
5 Services and other retirement systems administering a Tier 3
6 plan in accordance with this amendatory Act of the 100th
7 General Assembly to provide information concerning the impact
8 of the Tier 3 plan set forth in this Section.

9 (d) Notwithstanding any other provision of this Section, no
10 person shall begin participating in the Tier 3 plan until it
11 has attained qualified plan status and received all necessary
12 approvals from the U.S. Internal Revenue Service.

13 (e) The System shall report on its progress under this
14 Section, including the available details of the Tier 3 plan and
15 the System's plans for informing eligible Tier 1 and Tier 2
16 participants about the plan, to the Governor and the General
17 Assembly on or before January 15, 2018.

18 (f) The Illinois State Board of Investment shall be the
19 plan sponsor for the Tier 3 plan established under this
20 Section.

21 (g) The intent of this amendatory Act of the 100th General
22 Assembly is to ensure that the State's normal cost of
23 participation in the Tier 3 plan is similar, and if possible
24 equal, to the State's normal cost of participation in the
25 defined benefit plan, unless a lower State's normal cost is
26 necessary to ensure cost neutrality.

1 (40 ILCS 5/7-114) (from Ch. 108 1/2, par. 7-114)
2 (Text of Section WITHOUT the changes made by P.A. 98-599,
3 which has been held unconstitutional)

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

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

7 1. The total amount of money paid to an employee for
8 personal services or official duties as an employee (except
9 those employed as independent contractors) paid out of the
10 general fund, or out of any special funds controlled by the
11 municipality, or by any instrumentality thereof, or
12 participating instrumentality, including compensation,
13 fees, allowances, or other emolument paid for official
14 duties (but not including automobile maintenance, travel
15 expense, or reimbursements for expenditures incurred in
16 the performance of duties or, in the case of a person who
17 first becomes a participant on or after the effective date
18 of this amendatory Act of the 100th General Assembly,
19 payments for unused sick or vacation time) and, for fee
20 offices, the fees or earnings of the offices to the extent
21 such fees are paid out of funds controlled by the
22 municipality, or instrumentality or participating
23 instrumentality; and

24 2. The money value, as determined by rules prescribed
25 by the governing body of the municipality, or

1 instrumentality thereof, of any board, lodging, fuel,
2 laundry, and other allowances provided an employee in lieu
3 of money.

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

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

23 (d) If an elected official who is a participating employee
24 becomes disabled but does not resign and is not removed from
25 office, then earnings shall include all salary payments made
26 for the remainder of that term of office and the official shall

1 be awarded creditable service for the term of office.

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

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

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

18 (40 ILCS 5/7-116) (from Ch. 108 1/2, par. 7-116)

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

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

22 (a) For retirement and survivor annuities, the monthly
23 earnings obtained by dividing the total earnings received by
24 the employee during the period of either (1) the 48 consecutive
25 months of service within the last 120 months of service in

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

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

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

13 (d) In computing the final rate of earnings: (1) the
14 earnings rate for all periods of prior service shall be
15 considered equal to the average earnings rate for the last 3
16 calendar years of prior service for which creditable service is
17 received under Section 7-139 or, if there is less than 3 years
18 of creditable prior service, the average for the total prior
19 service period for which creditable service is received under
20 Section 7-139; (2) for out of state service and authorized
21 leave, the earnings rate shall be the rate upon which service
22 credits are granted; (3) periods of military leave shall not be
23 considered; (4) the earnings rate for all periods of disability
24 shall be considered equal to the rate of earnings upon which
25 the employee's disability benefits are computed for such
26 periods; (5) the earnings to be considered for each of the

1 final three months of the final earnings period for persons who
2 first became participants before January 1, 2012 and the
3 earnings to be considered for each of the final 24 months for
4 participants who first become participants on or after January
5 1, 2012 shall not exceed 125% of the highest earnings of any
6 other month in the final earnings period; ~~and~~ (6) the annual
7 amount of final rate of earnings shall be the monthly amount
8 multiplied by the number of months of service normally required
9 by the position in a year; and (7) in the case of a person who
10 first becomes a participant on or after the effective date of
11 this amendatory Act of the 100th General Assembly, payments for
12 unused sick or vacation time shall not be considered.

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

14 (40 ILCS 5/7-139) (from Ch. 108 1/2, par. 7-139)

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

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

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

22 1. For prior service: Each participating employee who
23 is an employee of a participating municipality or
24 participating instrumentality on the effective date shall
25 be granted creditable service, but no credits under

1 paragraph 2 of this subsection (a), for periods of prior
2 service for which credit has not been received under any
3 other pension fund or retirement system established under
4 this Code, as follows:

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

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

1 may be made at any time while the employee is still in
2 service.

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

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

1 effective date of participation.

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

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

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

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

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

26 3. For periods of temporary and total and permanent

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

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

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

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

19 c. Credits and creditable service shall be granted
20 for leave of absence only if such leave is approved by
21 the governing body of the municipality, including
22 approval of the estimated cost thereof to the
23 municipality as determined by the fund, and employee
24 contributions, plus interest at the effective rate
25 applicable for each year from the end of the period of
26 leave to date of payment, have been paid to the fund in

1 accordance with Section 7-173. The contributions shall
2 be computed upon the assumption earnings continued
3 during the period of leave at the rate in effect when
4 the leave began.

5 d. Benefits under the provisions of Sections
6 7-141, 7-146, 7-150 and 7-163 shall become payable to
7 employees on authorized leave of absence, or their
8 designated beneficiary, only if such leave of absence
9 is creditable hereunder, and if the employee has at
10 least one year of creditable service other than the
11 service granted for leave of absence. Any employee
12 contributions due may be deducted from any benefits
13 payable.

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

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

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

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

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

11 5.1. In addition to any creditable service established
12 under paragraph 5 of this subsection (a), creditable
13 service may be granted for up to 48 months of service in
14 the armed forces of the United States.

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

1 payment. The required interest shall be calculated at the
2 regular interest rate.

3 The changes made to this paragraph 5.1 by Public Acts
4 95-483 and 95-486 apply only to participating employees in
5 service on or after August 28, 2007 (the effective date of
6 those Public Acts).

7 6. For out-of-state service: Creditable service shall
8 be granted for service rendered to an out-of-state local
9 governmental body under the following conditions: The
10 employee had participated and has irrevocably forfeited
11 all rights to benefits in the out-of-state public employees
12 pension system; the governing body of his participating
13 municipality or instrumentality authorizes the employee to
14 establish such service; the employee has 2 years current
15 service with this municipality or participating
16 instrumentality; the employee makes a payment of
17 contributions, which shall be computed at 8% (normal) plus
18 2% (survivor) times length of service purchased times the
19 average rate of earnings for the first 2 years of service
20 with the municipality or participating instrumentality
21 whose governing body authorizes the service established
22 plus interest at the effective rate on the date such
23 credits are established, payable from the date the employee
24 completes the required 2 years of current service to date
25 of payment. In no case shall more than 120 months of
26 creditable service be granted under this provision.

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

13 Any employee who is a participating employee on or
14 after September 24, 1981 and who was excluded from
15 participation by the age restrictions removed by Public Act
16 82-596 may receive creditable service for the period, on or
17 after January 1, 1979, excluded by the age restriction and,
18 in addition, if the governing body of the participating
19 municipality or participating instrumentality elects to
20 allow creditable service for all employees excluded by the
21 age restriction prior to January 1, 1979, for service
22 during the period prior to that date excluded by the age
23 restriction. Any employee who was excluded from
24 participation by the age restriction removed by Public Act
25 82-596 and who is not a participating employee on or after
26 September 24, 1981 may receive creditable service for

1 service after January 1, 1979. Creditable service under
2 this paragraph shall be granted upon payment of the
3 employee contributions which would have been required had
4 he participated, with interest at the effective rate for
5 each year from the end of the period of service established
6 to date of payment.

7 8. For accumulated unused sick leave: A participating
8 employee who first becomes a participating employee before
9 the effective date of this amendatory Act of the 100th
10 General Assembly and who is applying for a retirement
11 annuity shall be entitled to creditable service for that
12 portion of the employee's accumulated unused sick leave for
13 which payment is not received, as follows:

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

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

1 number of unpaid sick leave days shall be considered.

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

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

22 d. The creditable service shall be at the rate of
23 1/20 of a month for each full sick day, provided that
24 no more than 12 months may be credited under this
25 subdivision 8.

26 e. Employee contributions shall not be required

1 for creditable service under this subdivision 8.

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

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

25 10. (Blank).

26 11. For service transferred from an Article 3 system

1 under Section 3-110.3: Credits and creditable service
2 shall be granted for service under Article 3 of this Act as
3 provided in Section 3-110.3, to any active member of this
4 Fund, upon transfer of such credits pursuant to Section
5 3-110.3. If the board determines that the amount
6 transferred is less than the true cost to the Fund of
7 allowing that creditable service to be established, then in
8 order to establish that creditable service, the member must
9 pay to the Fund an additional contribution equal to the
10 difference, as determined by the board in accordance with
11 the rules and procedures adopted under this paragraph. If
12 the member does not make the full additional payment as
13 required by this paragraph prior to termination of his
14 participation with that employer, then his or her
15 creditable service shall be reduced by an amount equal to
16 the difference between the amount transferred under
17 Section 3-110.3, including any payments made by the member
18 under this paragraph prior to termination, and the true
19 cost to the Fund of allowing that creditable service to be
20 established, as determined by the board in accordance with
21 the rules and procedures adopted under this paragraph.

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

1 12. For omitted service: Any employee who was employed
2 by a participating employer in a position that required
3 participation, but who was not enrolled in the Fund, may
4 establish such credits under the following conditions:

5 a. Application for such credits is received by the
6 Board while the employee is an active participant of
7 the Fund or a reciprocal retirement system.

8 b. Eligibility for participation and earnings are
9 verified by the Authorized Agent of the participating
10 employer for which the service was rendered.

11 Creditable service under this paragraph shall be
12 granted upon payment of the employee contributions that
13 would have been required had he participated, which shall
14 be calculated by the Fund using the member contribution
15 rate in effect during the period that the service was
16 rendered.

17 (b) Creditable service - amount:

18 1. One month of creditable service shall be allowed for
19 each month for which a participating employee made
20 contributions as required under Section 7-173, or for which
21 creditable service is otherwise granted hereunder. Not
22 more than 1 month of service shall be credited and counted
23 for 1 calendar month, and not more than 1 year of service
24 shall be credited and counted for any calendar year. A
25 calendar month means a nominal month beginning on the first
26 day thereof, and a calendar year means a year beginning

1 January 1 and ending December 31.

2 2. A seasonal employee shall be given 12 months of
3 creditable service if he renders the number of months of
4 service normally required by the position in a 12-month
5 period and he remains in service for the entire 12-month
6 period. Otherwise a fractional year of service in the
7 number of months of service rendered shall be credited.

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

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

23 (d) Upon the granting of a retirement, surviving spouse or
24 child annuity, a death benefit or a separation benefit, on
25 account of any employee, all individual accumulated credits
26 shall thereupon terminate. Upon the withdrawal of additional

1 contributions, the credits applicable thereto shall thereupon
2 terminate. Terminated credits shall not be applied to increase
3 the benefits any remaining employee would otherwise receive
4 under this Article.

5 (Source: P.A. 97-415, eff. 8-16-11; 98-439, eff. 8-16-13;
6 98-932, eff. 8-15-14.)

7 (40 ILCS 5/14-103.05) (from Ch. 108 1/2, par. 14-103.05)
8 Sec. 14-103.05. Employee.

9 (a) Except as provided in subsection (d), any ~~Any~~ person
10 employed by a Department who receives salary for personal
11 services rendered to the Department on a warrant issued
12 pursuant to a payroll voucher certified by a Department and
13 drawn by the State Comptroller upon the State Treasurer,
14 including an elected official described in subparagraph (d) of
15 Section 14-104, shall become an employee for purpose of
16 membership in the Retirement System on the first day of such
17 employment.

18 A person entering service on or after January 1, 1972 and
19 prior to January 1, 1984 shall become a member as a condition
20 of employment and shall begin making contributions as of the
21 first day of employment.

22 A person entering service on or after January 1, 1984
23 shall, upon completion of 6 months of continuous service which
24 is not interrupted by a break of more than 2 months, become a
25 member as a condition of employment. Contributions shall begin

1 the first of the month after completion of the qualifying
2 period.

3 A person employed by the Chicago Metropolitan Agency for
4 Planning on the effective date of this amendatory Act of the
5 95th General Assembly who was a member of this System as an
6 employee of the Chicago Area Transportation Study and makes an
7 election under Section 14-104.13 to participate in this System
8 for his or her employment with the Chicago Metropolitan Agency
9 for Planning.

10 The qualifying period of 6 months of service is not
11 applicable to: (1) a person who has been granted credit for
12 service in a position covered by the State Universities
13 Retirement System, the Teachers' Retirement System of the State
14 of Illinois, the General Assembly Retirement System, or the
15 Judges Retirement System of Illinois unless that service has
16 been forfeited under the laws of those systems; (2) a person
17 entering service on or after July 1, 1991 in a noncovered
18 position; (3) a person to whom Section 14-108.2a or 14-108.2b
19 applies; or (4) a person to whom subsection (a-5) of this
20 Section applies.

21 (a-5) Except as provided in subsection (d), a ~~A~~ person
22 entering service on or after December 1, 2010 and before the
23 effective date of this amendatory Act of the 100th General
24 Assembly shall become a member as a condition of employment and
25 shall begin making contributions as of the first day of
26 employment. A person serving in the qualifying period on

1 December 1, 2010 will become a member on December 1, 2010 and
2 shall begin making contributions as of December 1, 2010.

3 (b) The term "employee" does not include the following:

4 (1) members of the State Legislature, and persons
5 electing to become members of the General Assembly
6 Retirement System pursuant to Section 2-105;

7 (2) incumbents of offices normally filled by vote of
8 the people;

9 (3) except as otherwise provided in this Section, any
10 person appointed by the Governor with the advice and
11 consent of the Senate unless that person elects to
12 participate in this system;

13 (3.1) any person serving as a commissioner of an ethics
14 commission created under the State Officials and Employees
15 Ethics Act unless that person elects to participate in this
16 system with respect to that service as a commissioner;

17 (3.2) any person serving as a part-time employee in any
18 of the following positions: Legislative Inspector General,
19 Special Legislative Inspector General, employee of the
20 Office of the Legislative Inspector General, Executive
21 Director of the Legislative Ethics Commission, or staff of
22 the Legislative Ethics Commission, regardless of whether
23 he or she is in active service on or after July 8, 2004
24 (the effective date of Public Act 93-685), unless that
25 person elects to participate in this System with respect to
26 that service; in this item (3.2), a "part-time employee" is

1 a person who is not required to work at least 35 hours per
2 week;

3 (3.3) any person who has made an election under Section
4 1-123 and who is serving either as legal counsel in the
5 Office of the Governor or as Chief Deputy Attorney General;

6 (4) except as provided in Section 14-108.2 or
7 14-108.2c, any person who is covered or eligible to be
8 covered by the Teachers' Retirement System of the State of
9 Illinois, the State Universities Retirement System, or the
10 Judges Retirement System of Illinois;

11 (5) an employee of a municipality or any other
12 political subdivision of the State;

13 (6) any person who becomes an employee after June 30,
14 1979 as a public service employment program participant
15 under the Federal Comprehensive Employment and Training
16 Act and whose wages or fringe benefits are paid in whole or
17 in part by funds provided under such Act;

18 (7) enrollees of the Illinois Young Adult Conservation
19 Corps program, administered by the Department of Natural
20 Resources, authorized grantee pursuant to Title VIII of the
21 "Comprehensive Employment and Training Act of 1973", 29 USC
22 993, as now or hereafter amended;

23 (8) enrollees and temporary staff of programs
24 administered by the Department of Natural Resources under
25 the Youth Conservation Corps Act of 1970;

26 (9) any person who is a member of any professional

1 licensing or disciplinary board created under an Act
2 administered by the Department of Professional Regulation
3 or a successor agency or created or re-created after the
4 effective date of this amendatory Act of 1997, and who
5 receives per diem compensation rather than a salary,
6 notwithstanding that such per diem compensation is paid by
7 warrant issued pursuant to a payroll voucher; such persons
8 have never been included in the membership of this System,
9 and this amendatory Act of 1987 (P.A. 84-1472) is not
10 intended to effect any change in the status of such
11 persons;

12 (10) any person who is a member of the Illinois Health
13 Care Cost Containment Council, and receives per diem
14 compensation rather than a salary, notwithstanding that
15 such per diem compensation is paid by warrant issued
16 pursuant to a payroll voucher; such persons have never been
17 included in the membership of this System, and this
18 amendatory Act of 1987 is not intended to effect any change
19 in the status of such persons;

20 (11) any person who is a member of the Oil and Gas
21 Board created by Section 1.2 of the Illinois Oil and Gas
22 Act, and receives per diem compensation rather than a
23 salary, notwithstanding that such per diem compensation is
24 paid by warrant issued pursuant to a payroll voucher;

25 (12) a person employed by the State Board of Higher
26 Education in a position with the Illinois Century Network

1 as of June 30, 2004, who remains continuously employed
2 after that date by the Department of Central Management
3 Services in a position with the Illinois Century Network
4 and participates in the Article 15 system with respect to
5 that employment;

6 (13) any person who first becomes a member of the Civil
7 Service Commission on or after January 1, 2012;

8 (14) any person, other than the Director of Employment
9 Security, who first becomes a member of the Board of Review
10 of the Department of Employment Security on or after
11 January 1, 2012;

12 (15) any person who first becomes a member of the Civil
13 Service Commission on or after January 1, 2012;

14 (16) any person who first becomes a member of the
15 Illinois Liquor Control Commission on or after January 1,
16 2012;

17 (17) any person who first becomes a member of the
18 Secretary of State Merit Commission on or after January 1,
19 2012;

20 (18) any person who first becomes a member of the Human
21 Rights Commission on or after January 1, 2012;

22 (19) any person who first becomes a member of the State
23 Mining Board on or after January 1, 2012;

24 (20) any person who first becomes a member of the
25 Property Tax Appeal Board on or after January 1, 2012;

26 (21) any person who first becomes a member of the

1 Illinois Racing Board on or after January 1, 2012;

2 (22) any person who first becomes a member of the
3 Department of State Police Merit Board on or after January
4 1, 2012;

5 (23) any person who first becomes a member of the
6 Illinois State Toll Highway Authority on or after January
7 1, 2012; or

8 (24) any person who first becomes a member of the
9 Illinois State Board of Elections on or after January 1,
10 2012.

11 (c) An individual who represents or is employed as an
12 officer or employee of a statewide labor organization that
13 represents members of this System may participate in the System
14 and shall be deemed an employee, provided that (1) the
15 individual has previously earned creditable service under this
16 Article, (2) the individual files with the System an
17 irrevocable election to become a participant within 6 months
18 after the effective date of this amendatory Act of the 94th
19 General Assembly, and (3) the individual does not receive
20 credit for that employment under any other provisions of this
21 Code. An employee under this subsection (c) is responsible for
22 paying to the System both (i) employee contributions based on
23 the actual compensation received for service with the labor
24 organization and (ii) employer contributions based on the
25 percentage of payroll certified by the board; all or any part
26 of these contributions may be paid on the employee's behalf or

1 picked up for tax purposes (if authorized under federal law) by
2 the labor organization.

3 A person who is an employee as defined in this subsection
4 (c) may establish service credit for similar employment prior
5 to becoming an employee under this subsection by paying to the
6 System for that employment the contributions specified in this
7 subsection, plus interest at the effective rate from the date
8 of service to the date of payment. However, credit shall not be
9 granted under this subsection (c) for any such prior employment
10 for which the applicant received credit under any other
11 provision of this Code or during which the applicant was on a
12 leave of absence.

13 (d) Notwithstanding any other provision of this Article,
14 beginning on the effective date of this amendatory Act of the
15 100th General Assembly, a person is not required, as a
16 condition of employment or otherwise, to participate in this
17 System. An active employee may terminate his or her
18 participation in this System (including active participation
19 in the Tier 3 plan, if applicable) by notifying the System in
20 writing. An active employee terminating participation in this
21 System under this subsection shall be entitled to a refund of
22 his or her contributions (other than contributions to the Tier
23 3 plan under Section 14-155.5) minus the benefits received
24 prior to the termination of participation.

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

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

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

4 Sec. 14-103.10. Compensation.

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

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

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

23 (1) for vacation,

24 (2) for accumulated unused sick leave,

25 (3) upon discharge or dismissal,

26 (4) for approved holidays.

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

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

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

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

25 (f) Notwithstanding the other provisions of this Section,
26 for service on or after July 1, 2013, "compensation" does not

1 include any stipend payable to an employee for service on a
2 board or commission.

3 (g) Notwithstanding any other provision of this Section,
4 for an employee who first becomes a participant on or after the
5 effective date of this amendatory Act of the 100th General
6 Assembly, "compensation" does not include any payments or
7 reimbursements for travel vouchers submitted more than 30 days
8 after the last day of travel for which the voucher is
9 submitted.

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

11 (40 ILCS 5/14-103.41 new)

12 Sec. 14-103.41. Tier 1 member. "Tier 1 member": A member of
13 this System who first became a member or participant before
14 January 1, 2011 under any reciprocal retirement system or
15 pension fund established under this Code other than a
16 retirement system or pension fund established under Article 2,
17 3, 4, 5, 6, or 18 of this Code.

18 In the case of a Tier 1 member who elects to participate in
19 the Tier 3 plan under Section 14-155.5 of this Code, that Tier
20 1 member shall be deemed a Tier 1 member only with respect to
21 service performed or established before the effective date of
22 that election.

23 (40 ILCS 5/14-103.42 new)

24 Sec. 14-103.42. Tier 2 member. "Tier 2 member": A member of

1 this System who first becomes a member under this Article on or
2 after January 1, 2011 and who is not a Tier 1 member.

3 In the case of a Tier 2 member who elects to participate in
4 the Tier 3 plan under Section 14-155.5 of this Code, that Tier
5 2 member shall be deemed a Tier 2 member only with respect to
6 service performed or established before the effective date of
7 that election.

8 (40 ILCS 5/14-103.43 new)

9 Sec. 14-103.43. Tier 3 member. "Tier 3 member": A Tier 1 or
10 Tier 2 member who elects to participate in the Tier 3 plan
11 under Section 14-155.5 of this Code, but only with respect to
12 service performed on or after the effective date of that
13 election.

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

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

17 Sec. 14-104.3. Notwithstanding provisions contained in
18 Section 14-103.10, any person who first becomes a member before
19 the effective date of this amendatory Act of the 100th General
20 Assembly and who at the time of retirement and after December
21 6, 1983 receives compensation in a lump sum for accumulated
22 vacation, sickness, or personal business may receive service
23 credit for such periods by making contributions within 90 days
24 of withdrawal, based on the rate of compensation in effect

1 immediately prior to retirement and the contribution rate then
2 in effect. Any person who first becomes a member on or after
3 the effective date of this amendatory Act of the 100th General
4 Assembly and who receives compensation in a lump sum for
5 accumulated vacation, sickness, or personal business may not
6 receive service credit for such periods. Exercising the option
7 provided in this Section shall not change a member's date of
8 withdrawal or final average compensation for purposes of
9 computing the amount or effective date of a retirement annuity.
10 Any annuitant who establishes service credit as herein provided
11 shall have his retirement annuity adjusted retroactively to the
12 date of retirement.

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

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

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

17 Sec. 14-106. Membership service credit.

18 (a) After January 1, 1944, all service of a member since he
19 last became a member with respect to which contributions are
20 made shall count as membership service; provided, that for
21 service on and after July 1, 1950, 12 months of service shall
22 constitute a year of membership service, the completion of 15
23 days or more of service during any month shall constitute 1
24 month of membership service, 8 to 15 days shall constitute 1/2
25 month of membership service and less than 8 days shall

1 constitute 1/4 month of membership service. The payroll record
2 of each department shall constitute conclusive evidence of the
3 record of service rendered by a member.

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

13 (c) A person who first becomes a member before the
14 effective date of this amendatory Act of the 100th General
15 Assembly shall be entitled to additional service credit, under
16 rules prescribed by the Board, for accumulated unused sick
17 leave credited to his account in the last Department on the
18 date of withdrawal from service or for any period for which he
19 would have been eligible to receive benefits under a sick pay
20 plan authorized by law, if he had suffered a sickness or
21 accident on the date of withdrawal from service. It shall be
22 the responsibility of the last Department to certify to the
23 Board the length of time salary or benefits would have been
24 paid to the member based upon the accumulated unused sick leave
25 or the applicable sick pay plan if he had become entitled
26 thereto because of sickness on the date that his status as an

1 employee terminated. This period of service credit granted
2 under this paragraph shall not be considered in determining the
3 date the retirement annuity is to begin, or final average
4 compensation.

5 (d) A person who first becomes a member on or after the
6 effective date of this amendatory Act of the 100th General
7 Assembly shall not be entitled to additional service credit for
8 accumulated unused sick leave.

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

10 (40 ILCS 5/14-152.1)

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

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

15 (a) As used in this Section, "new benefit increase" means
16 an increase in the amount of any benefit provided under this
17 Article, or an expansion of the conditions of eligibility for
18 any benefit under this Article, that results from an amendment
19 to this Code that takes effect after June 1, 2005 (the
20 effective date of Public Act 94-4). "New benefit increase",
21 however, does not include any benefit increase resulting from
22 the changes made to this Article by Public Act 96-37 or this
23 amendatory Act of the 100th General Assembly ~~this amendatory~~
24 ~~Act of the 96th General Assembly.~~

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

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

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

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

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

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

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

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

16 (40 ILCS 5/14-155.5 new)

17 Sec. 14-155.5. Tier 3 plan.

18 (a) By July 1, 2018, the System shall prepare and implement
19 a Tier 3 plan. The Tier 3 plan developed under this Section
20 shall be a plan that aggregates State and employee
21 contributions in individual participant accounts which, after
22 meeting any other requirements, are used for payouts after
23 retirement in accordance with this Section and any other
24 applicable laws.

25 As used in this Section, "defined benefit plan" means the

1 retirement plan available under this Article to Tier 1 or Tier
2 2 members who have not made the election authorized under this
3 Section.

4 (1) A participant in the Tier 3 plan shall pay employee
5 contributions at a rate determined by the participant, but
6 not less than 3% of compensation and not more than a
7 percentage of compensation determined by the board in
8 accordance with the requirements of State and federal law.

9 (2) State contributions shall be paid into the accounts
10 of all participants in the Tier 3 plan at a uniform rate,
11 expressed as a percentage of compensation and determined
12 for each year. This rate shall be no higher than 7.6% of
13 compensation and shall be no lower than 3% of compensation.
14 The State shall adjust this rate annually.

15 (3) The Tier 3 plan shall require 5 years of
16 participation in the Tier 3 plan before vesting in State
17 contributions. If the participant fails to vest in them,
18 the State contributions, and the earnings thereon, shall be
19 forfeited.

20 (4) The Tier 3 plan may provide for participants in the
21 plan to be eligible for the defined disability benefits
22 available to other participants under this Article. If it
23 does, the System shall reduce the employee contributions
24 credited to the member's Tier 3 plan account by an amount
25 determined by the System to cover the cost of offering such
26 benefits.

1 (5) The Tier 3 plan shall provide a variety of options
2 for investments. These options shall include investments
3 handled by the Illinois State Board of Investment as well
4 as private sector investment options.

5 (6) The Tier 3 plan shall provide a variety of options
6 for payouts to participants in the Tier 3 plan who are no
7 longer active in the System and their survivors.

8 (7) To the extent authorized under federal law and as
9 authorized by the System, the plan shall allow former
10 participants in the plan to transfer or roll over employee
11 and vested State contributions, and the earnings thereon,
12 from the Tier 3 plan into other qualified retirement plans.

13 (8) The System shall reduce the employee contributions
14 credited to the member's Tier 3 plan account by an amount
15 determined by the System to cover the cost of offering
16 these benefits and any applicable administrative fees.

17 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
18 member of this System may elect, in writing, to cease accruing
19 benefits in the defined benefit plan and begin accruing
20 benefits for future service in the Tier 3 plan. The election to
21 participate in the Tier 3 plan is voluntary and irrevocable.

22 (1) Service credit under the Tier 3 plan may be used
23 for determining retirement eligibility under the defined
24 benefit plan.

25 (2) The System shall make a good faith effort to
26 contact all active Tier 1 and Tier 2 members who are

1 eligible to participate in the Tier 3 plan. The System
2 shall mail information describing the option to join the
3 Tier 3 plan to each of these employees to his or her last
4 known address on file with the System. If the employee is
5 not responsive to other means of contact, it is sufficient
6 for the System to publish the details of the option on its
7 website.

8 (3) Upon request for further information describing
9 the option, the System shall provide employees with
10 information from the System before exercising the option to
11 join the plan, including information on the impact to their
12 benefits and service. The individual consultation shall
13 include projections of the member's defined benefits at
14 retirement or earlier termination of service and the value
15 of the member's account at retirement or earlier
16 termination of service. The System shall not provide advice
17 or counseling with respect to whether the employee should
18 exercise the option. The System shall inform Tier 1 and
19 Tier 2 members who are eligible to participate in the Tier
20 3 plan that they may also wish to obtain information and
21 counsel relating to their option from any other available
22 source, including but not limited to labor organizations,
23 private counsel, and financial advisors.

24 (b-5) A Tier 1 or Tier 2 member who elects to participate
25 in the Tier 3 plan may irrevocably elect to terminate all
26 participation in the defined benefit plan. Upon that election,

1 the System shall transfer to the member's individual account an
2 amount equal to the amount of contribution refund that the
3 member would be eligible to receive if the member terminated
4 employment on that date and elected a refund of contributions,
5 including regular interest for the respective years. The System
6 shall make the transfer as a tax free transfer in accordance
7 with Internal Revenue Service guidelines, for purposes of
8 funding the amount credited to the member's individual account.

9 (c) In no event shall the System, its staff, its authorized
10 representatives, or the Board be liable for any information
11 given to an employee under this Section. The System may
12 coordinate with the Illinois Department of Central Management
13 Services and other retirement systems administering a Tier 3
14 plan in accordance with this amendatory Act of the 100th
15 General Assembly to provide information concerning the impact
16 of the Tier 3 plan set forth in this Section.

17 (d) Notwithstanding any other provision of this Section, no
18 person shall begin participating in the Tier 3 plan until it
19 has attained qualified plan status and received all necessary
20 approvals from the U.S. Internal Revenue Service.

21 (e) The System shall report on its progress under this
22 Section, including the available details of the Tier 3 plan and
23 the System's plans for informing eligible Tier 1 and Tier 2
24 members about the plan, to the Governor and the General
25 Assembly on or before January 15, 2018.

26 (f) The Illinois State Board of Investment shall be the

1 plan sponsor for the Tier 3 plan established under this
2 Section.

3 (g) The intent of this amendatory Act of the 100th General
4 Assembly is to ensure that the State's normal cost of
5 participation in the Tier 3 plan is similar, and if possible
6 equal, to the State's normal cost of participation in the
7 defined benefit plan, unless a lower State's normal cost is
8 necessary to ensure cost neutrality.

9 (40 ILCS 5/15-108.1)

10 Sec. 15-108.1. Tier 1 member. "Tier 1 member": A
11 participant or an annuitant of a retirement annuity under this
12 Article, other than a participant in the self-managed plan
13 under Section 15-158.2, who first became a participant or
14 member before January 1, 2011 under any reciprocal retirement
15 system or pension fund established under this Code, other than
16 a retirement system or pension fund established under Articles
17 2, 3, 4, 5, 6, or 18 of this Code. "Tier 1 member" includes a
18 person who first became a participant under this System before
19 January 1, 2011 and who accepts a refund and is subsequently
20 reemployed by an employer on or after January 1, 2011.

21 In the case of a Tier 1 member who elects to participate in
22 the Tier 3 plan under Section 15-200.5 of this Code, that Tier
23 1 member shall be deemed a Tier 1 member only with respect to
24 service performed or established before the effective date of
25 that election.

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

2 (40 ILCS 5/15-108.2)

3 Sec. 15-108.2. Tier 2 member. "Tier 2 member": A person who
4 first becomes a participant under this Article on or after
5 January 1, 2011, other than a person in the self-managed plan
6 established under Section 15-158.2, unless the person is
7 otherwise a Tier 1 member. The changes made to this Section by
8 this amendatory Act of the 98th General Assembly are a
9 correction of existing law and are intended to be retroactive
10 to the effective date of Public Act 96-889, notwithstanding the
11 provisions of Section 1-103.1 of this Code.

12 In the case of a Tier 2 member who elects to participate in
13 the Tier 3 plan under Section 15-200.5 of this Code, that Tier
14 2 member shall be deemed a Tier 2 member only with respect to
15 service performed or established before the effective date of
16 that election.

17 (Source: P.A. 98-92, eff. 7-16-13; 98-596, eff. 11-19-13.)

18 (40 ILCS 5/15-108.3 new)

19 Sec. 15-108.3. Tier 3 member. "Tier 3 member": A Tier 1 or
20 Tier 2 member who elects to participate in the Tier 3 plan
21 under Section 15-200.5 of this Code, but only with respect to
22 service performed on or after the effective date of that
23 election.

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

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

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

5 For an employee who is paid on an hourly basis or who
6 receives an annual salary in installments during 12 months of
7 each academic year, the average annual earnings during the 48
8 consecutive calendar month period ending with the last day of
9 final termination of employment or the 4 consecutive academic
10 years of service in which the employee's earnings were the
11 highest, whichever is greater. For any other employee, the
12 average annual earnings during the 4 consecutive academic years
13 of service in which his or her earnings were the highest. For
14 an employee with less than 48 months or 4 consecutive academic
15 years of service, the average earnings during his or her entire
16 period of service. The earnings of an employee with more than
17 36 months of service under item (a) of Section 15-113.1 prior
18 to the date of becoming a participant are, for such period,
19 considered equal to the average earnings during the last 36
20 months of such service.

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

22 For an employee who is paid on an hourly basis or who
23 receives an annual salary in installments during 12 months of
24 each academic year, the average annual earnings obtained by
25 dividing by 8 the total earnings of the employee during the 96
26 consecutive months in which the total earnings were the highest

1 within the last 120 months prior to termination.

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

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

13 (d) For an employee on disability leave, earnings are
14 assumed to be equal to the basic compensation on the date
15 disability occurs or the average earnings during the 24 months
16 immediately preceding the month in which disability occurs,
17 whichever is greater.

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

26 (f) If a Tier 1 member is an employee for at least 6 months

1 during the academic year in which his or her employment is
2 terminated, the annual final rate of earnings shall be 25% of
3 the sum of (1) the annual basic compensation for that year, and
4 (2) the amount earned during the 36 months immediately
5 preceding that year, if this is greater than the final rate of
6 earnings as calculated under the other provisions of this
7 Section.

8 (g) In the determination of the final rate of earnings for
9 an employee, that part of an employee's earnings for any
10 academic year beginning after June 30, 1997, which exceeds the
11 employee's earnings with that employer for the preceding year
12 by more than 20 percent shall be excluded; in the event that an
13 employee has more than one employer this limitation shall be
14 calculated separately for the earnings with each employer. In
15 making such calculation, only the basic compensation of
16 employees shall be considered, without regard to vacation or
17 overtime or to contracts for summer employment.

18 (h) The following are not considered as earnings in
19 determining final rate of earnings: (1) severance or separation
20 pay, (2) retirement pay, (3) payment for unused sick leave, and
21 (4) payments from an employer for the period used in
22 determining final rate of earnings for any purpose other than
23 (i) services rendered, (ii) leave of absence or vacation
24 granted during that period, and (iii) vacation of up to 56 work
25 days allowed upon termination of employment; except that, if
26 the benefit has been collectively bargained between the

1 employer and the recognized collective bargaining agent
2 pursuant to the Illinois Educational Labor Relations Act,
3 payment received during a period of up to 2 academic years for
4 unused sick leave may be considered as earnings in accordance
5 with the applicable collective bargaining agreement, subject
6 to the 20% increase limitation of this Section, and if the
7 person first becomes a participant on or after the effective
8 date of this amendatory Act of the 100th General Assembly,
9 payments for unused sick or vacation time shall not be
10 considered as earnings. Any unused sick leave considered as
11 earnings under this Section shall not be taken into account in
12 calculating service credit under Section 15-113.4.

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

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

16 (40 ILCS 5/15-113.4) (from Ch. 108 1/2, par. 15-113.4)

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

19 Sec. 15-113.4. Service for unused sick leave. "Service for
20 unused sick leave": A person who first becomes a participant
21 before the effective date of this amendatory Act of the 100th
22 General Assembly and who is an employee under this System or
23 one of the other systems subject to Article 20 of this Code
24 within 60 days immediately preceding the date on which his or
25 her retirement annuity begins, is entitled to credit for

1 service for that portion of unused sick leave earned in the
2 course of employment with an employer and credited on the date
3 of termination of employment by an employer for which payment
4 is not received, in accordance with the following schedule: 30
5 through 90 full calendar days and 20 through 59 full work days
6 of unused sick leave, 1/4 of a year of service; 91 through 180
7 full calendar days and 60 through 119 full work days, 1/2 of a
8 year of service; 181 through 270 full calendar days and 120
9 through 179 full work days, 3/4 of a year of service; 271
10 through 360 full calendar days and 180 through 240 full work
11 days, one year of service. Only uncompensated, unused sick
12 leave earned in accordance with an employer's sick leave
13 accrual policy generally applicable to employees or a class of
14 employees shall be taken into account in calculating service
15 credit under this Section. Any uncompensated, unused sick leave
16 granted by an employer to facilitate the hiring, retirement,
17 termination, or other special circumstances of an employee
18 shall not be taken into account in calculating service credit
19 under this Section. If a participant transfers from one
20 employer to another, the unused sick leave credited by the
21 previous employer shall be considered in determining service to
22 be credited under this Section, even if the participant
23 terminated service prior to the effective date of P.A. 86-272
24 (August 23, 1989); if necessary, the retirement annuity shall
25 be recalculated to reflect such sick leave credit. Each
26 employer shall certify to the board the number of days of

1 unused sick leave accrued to the participant's credit on the
2 date that the participant's status as an employee terminated.
3 This period of unused sick leave shall not be considered in
4 determining the date the retirement annuity begins. A person
5 who first becomes a participant on or after the effective date
6 of this amendatory Act of the 100th General Assembly shall not
7 receive service credit for unused sick leave.

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

9 (40 ILCS 5/15-134) (from Ch. 108 1/2, par. 15-134)

10 Sec. 15-134. Participant.

11 (a) Except as provided in subsection (a-5), each ~~Each~~
12 person shall, as a condition of employment, become a
13 participant and be subject to this Article on the date that he
14 or she becomes an employee, makes an election to participate
15 in, or otherwise becomes a participant in one of the retirement
16 programs offered under this Article, whichever date is later.

17 An employee who becomes a participant shall continue to be
18 a participant until he or she becomes an annuitant, dies or
19 accepts a refund of contributions.

20 (a-5) Notwithstanding any other provision of this Article,
21 beginning on the effective date of this amendatory Act of the
22 100th General Assembly, a person is not required, as a
23 condition of employment or otherwise, to participate in this
24 System. An active employee may terminate his or her
25 participation in this System (including active participation

1 in the Tier 3 plan, if applicable) by notifying the System in
2 writing. An active employee terminating participation in this
3 System under this subsection shall be entitled to a refund of
4 his or her contributions (other than contributions to the
5 self-managed plan under Section 15-158.2 or the Tier 3 plan
6 under Section 15-200.5) minus the benefits received prior to
7 the termination of participation.

8 (b) A person employed concurrently by 2 or more employers
9 is eligible to participate in the system on compensation
10 received from all employers.

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

12 (40 ILCS 5/15-198)

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

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

17 (a) As used in this Section, "new benefit increase" means
18 an increase in the amount of any benefit provided under this
19 Article, or an expansion of the conditions of eligibility for
20 any benefit under this Article, that results from an amendment
21 to this Code that takes effect after the effective date of this
22 amendatory Act of the 94th General Assembly. "New benefit
23 increase", however, does not include any benefit increase
24 resulting from the changes made by this amendatory Act of the
25 100th General Assembly.

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

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

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

26 (d) Every new benefit increase shall expire 5 years after

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

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

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

17 (40 ILCS 5/15-200.5 new)

18 Sec. 15-200.5. Tier 3 plan.

19 (a) By July 1, 2018, the System shall prepare and implement
20 a Tier 3 plan. The Tier 3 plan developed under this Section
21 shall be a plan that aggregates State and employee
22 contributions in individual participant accounts which, after
23 meeting any other requirements, are used for payouts after
24 retirement in accordance with this Section and any other
25 applicable laws.

1 As used in this Section, "defined benefit plan" means the
2 traditional benefit package or the portable benefit package
3 available under this Article to Tier 1 or Tier 2 members who
4 have not made the election authorized under this Section and do
5 not participate in the self-managed plan under Section
6 15-158.2.

7 (1) A participant in the Tier 3 plan shall pay employee
8 contributions at a rate determined by the participant, but
9 not less than 3% of earnings and not more than a percentage
10 of earnings determined by the Board in accordance with the
11 requirements of State and federal law.

12 (2) State contributions shall be paid into the accounts
13 of all participants in the Tier 3 plan at a uniform rate,
14 expressed as a percentage of earnings and determined for
15 each year. This rate shall be no higher than 7.6% of
16 earnings and shall be no lower than 3% of earnings. The
17 State shall adjust this rate annually.

18 (3) The Tier 3 plan shall require 5 years of
19 participation in the Tier 3 plan before vesting in State
20 contributions. If the participant fails to vest in them,
21 the State contributions, and the earnings thereon, shall be
22 forfeited.

23 (4) The Tier 3 plan may provide for participants in the
24 plan to be eligible for the defined disability benefits
25 available to other participants under this Article. If it
26 does, the System shall reduce the employee contributions

1 credited to the member's Tier 3 plan account by an amount
2 determined by the System to cover the cost of offering such
3 benefits.

4 (5) The Tier 3 plan shall provide a variety of options
5 for investments. These options shall include investments
6 handled by the System as well as private sector investment
7 options.

8 (6) The Tier 3 plan shall provide a variety of options
9 for payouts to participants in the Tier 3 plan who are no
10 longer active in the System and their survivors.

11 (7) To the extent authorized under federal law and as
12 authorized by the System, the plan shall allow former
13 participants in the plan to transfer or roll over employee
14 and vested State contributions, and the earnings thereon,
15 from the Tier 3 plan into other qualified retirement plans.

16 (8) The System shall reduce the employee contributions
17 credited to the member's Tier 3 plan account by an amount
18 determined by the System to cover the cost of offering
19 these benefits and any applicable administrative fees.

20 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
21 member of this System may elect, in writing, to cease accruing
22 benefits in the defined benefit plan and begin accruing
23 benefits for future service in the Tier 3 plan. An active Tier
24 1 or Tier 2 member who elects to cease accruing benefits in his
25 or her defined benefit plan shall be prohibited from purchasing
26 service credit on or after the date of his or her election. A

1 Tier 1 or Tier 2 member who elects to participate in the Tier 3
2 plan shall not receive interest accruals to his or her Rule 2
3 benefit on or after the date of his or her election. The
4 election to participate in the Tier 3 plan is voluntary and
5 irrevocable.

6 (1) Service credit under the Tier 3 plan may be used
7 for determining retirement eligibility under the defined
8 benefit plan.

9 (2) The System shall make a good faith effort to
10 contact all active Tier 1 and Tier 2 members who are
11 eligible to participate in the Tier 3 plan. The System
12 shall mail information describing the option to join the
13 Tier 3 plan to each of these employees to his or her last
14 known address on file with the System. If the employee is
15 not responsive to other means of contact, it is sufficient
16 for the System to publish the details of the option on its
17 website.

18 (3) Upon request for further information describing
19 the option, the System shall provide employees with
20 information from the System before exercising the option to
21 join the plan, including information on the impact to their
22 benefits and service. The individual consultation shall
23 include projections of the member's defined benefits at
24 retirement or earlier termination of service and the value
25 of the member's account at retirement or earlier
26 termination of service. The System shall not provide advice

1 or counseling with respect to whether the employee should
2 exercise the option. The System shall inform Tier 1 and
3 Tier 2 members who are eligible to participate in the Tier
4 3 plan that they may also wish to obtain information and
5 counsel relating to their option from any other available
6 source, including but not limited to labor organizations,
7 private counsel, and financial advisors.

8 (b-5) A Tier 1 or Tier 2 member who elects to participate
9 in the Tier 3 plan may irrevocably elect to terminate all
10 participation in the defined benefit plan. Upon that election,
11 the System shall transfer to the member's individual account an
12 amount equal to the amount of contribution refund that the
13 member would be eligible to receive if the member terminated
14 employment on that date and elected a refund of contributions,
15 including interest at the effective rate for the respective
16 years. The System shall make the transfer as a tax free
17 transfer in accordance with Internal Revenue Service
18 guidelines, for purposes of funding the amount credited to the
19 member's individual account.

20 (c) In no event shall the System, its staff, its authorized
21 representatives, or the Board be liable for any information
22 given to an employee under this Section. The System may
23 coordinate with the Illinois Department of Central Management
24 Services and other retirement systems administering a Tier 3
25 plan in accordance with this amendatory Act of the 100th
26 General Assembly to provide information concerning the impact

1 of the Tier 3 plan set forth in this Section.

2 (d) Notwithstanding any other provision of this Section, no
3 person shall begin participating in the Tier 3 plan until it
4 has attained qualified plan status and received all necessary
5 approvals from the U.S. Internal Revenue Service.

6 (e) The System shall report on its progress under this
7 Section, including the available details of the Tier 3 plan and
8 the System's plans for informing eligible Tier 1 and Tier 2
9 members about the plan, to the Governor and the General
10 Assembly on or before January 15, 2018.

11 (f) The intent of this amendatory Act of the 100th General
12 Assembly is to ensure that the State's normal cost of
13 participation in the Tier 3 plan is similar, and if possible
14 equal, to the State's normal cost of participation in the
15 defined benefit plan, unless a lower State's normal cost is
16 necessary to ensure cost neutrality.

17 (40 ILCS 5/16-106.40 new)

18 Sec. 16-106.40. Tier 1 member. "Tier 1 member": A member
19 under this Article who first became a member or participant
20 before January 1, 2011 under any reciprocal retirement system
21 or pension fund established under this Code other than a
22 retirement system or pension fund established under Article 2,
23 3, 4, 5, 6, or 18 of this Code.

24 In the case of a Tier 1 member who elects to participate in
25 the Tier 3 plan under Section 16-205.5 of this Code, that Tier

1 1 member shall be deemed a Tier 1 member only with respect to
2 service performed or established before the effective date of
3 that election.

4 (40 ILCS 5/16-106.41 new)

5 Sec. 16-106.41. Tier 2 member. "Tier 2 member": A member of
6 the System who first becomes a member under this Article on or
7 after January 1, 2011 and who is not a Tier 1 member.

8 In the case of a Tier 2 member who elects to participate in
9 the Tier 3 plan under Section 16-205.5 of this Code, the Tier 2
10 member shall be deemed a Tier 2 member only with respect to
11 service performed or established before the effective date of
12 that election.

13 (40 ILCS 5/16-106.42 new)

14 Sec. 16-106.42. Tier 3 member. "Tier 3 member": A Tier 1 or
15 Tier 2 member who elects to participate in the Tier 3 plan
16 under Section 16-205.5 of this Code, but only with respect to
17 service performed on or after the effective date of that
18 election.

19 (40 ILCS 5/16-123) (from Ch. 108 1/2, par. 16-123)

20 Sec. 16-123. Membership of System.

21 (a) Except as provided in subsection (c), the ~~The~~
22 membership of this System shall be composed of all teachers
23 employed after June 30, 1939 who become members as a condition

1 of employment on the date they become teachers. Membership
2 shall continue until the date a member becomes an annuitant,
3 dies, accepts a single-sum retirement benefit, accepts a
4 refund, or forfeits the rights to a refund.

5 (b) This Article does not apply to any person first
6 employed after June 30, 1979 as a public service employment
7 program participant under the Federal Comprehensive Employment
8 and Training Act and whose wages or fringe benefits are paid in
9 whole or in part by funds provided under such Act.

10 (c) Notwithstanding any other provision of this Article,
11 beginning on the effective date of this amendatory Act of the
12 100th General Assembly, a person is not required, as a
13 condition of employment or otherwise, to participate in this
14 System. An active teacher may terminate his or her membership
15 in this System (including active participation in the Tier 3
16 plan, if applicable) by notifying the System in writing. An
17 active teacher terminating his or her membership in this System
18 under this subsection shall be entitled to a refund of his or
19 her contributions (other than contributions to the Tier 3 plan
20 under Section 16-205.5) minus the benefits received prior to
21 the termination of membership.

22 (Source: P.A. 87-11.)

23 (40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

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

1 Sec. 16-127. Computation of creditable service.

2 (a) Each member shall receive regular credit for all
3 service as a teacher from the date membership begins, for which
4 satisfactory evidence is supplied and all contributions have
5 been paid.

6 (b) The following periods of service shall earn optional
7 credit and each member shall receive credit for all such
8 service for which satisfactory evidence is supplied and all
9 contributions have been paid as of the date specified:

10 (1) Prior service as a teacher.

11 (2) Service in a capacity essentially similar or
12 equivalent to that of a teacher, in the public common
13 schools in school districts in this State not included
14 within the provisions of this System, or of any other
15 State, territory, dependency or possession of the United
16 States, or in schools operated by or under the auspices of
17 the United States, or under the auspices of any agency or
18 department of any other State, and service during any
19 period of professional speech correction or special
20 education experience for a public agency within this State
21 or any other State, territory, dependency or possession of
22 the United States, and service prior to February 1, 1951 as
23 a recreation worker for the Illinois Department of Public
24 Safety, for a period not exceeding the lesser of 2/5 of the
25 total creditable service of the member or 10 years. The
26 maximum service of 10 years which is allowable under this

1 paragraph shall be reduced by the service credit which is
2 validated by other retirement systems under paragraph (i)
3 of Section 15-113 and paragraph 1 of Section 17-133. Credit
4 granted under this paragraph may not be used in
5 determination of a retirement annuity or disability
6 benefits unless the member has at least 5 years of
7 creditable service earned subsequent to this employment
8 with one or more of the following systems: Teachers'
9 Retirement System of the State of Illinois, State
10 Universities Retirement System, and the Public School
11 Teachers' Pension and Retirement Fund of Chicago. Whenever
12 such service credit exceeds the maximum allowed for all
13 purposes of this Article, the first service rendered in
14 point of time shall be considered. The changes to this
15 subdivision (b) (2) made by Public Act 86-272 shall apply
16 not only to persons who on or after its effective date
17 (August 23, 1989) are in service as a teacher under the
18 System, but also to persons whose status as such a teacher
19 terminated prior to such effective date, whether or not
20 such person is an annuitant on that date.

21 (3) Any periods immediately following teaching
22 service, under this System or under Article 17, (or
23 immediately following service prior to February 1, 1951 as
24 a recreation worker for the Illinois Department of Public
25 Safety) spent in active service with the military forces of
26 the United States; periods spent in educational programs

1 that prepare for return to teaching sponsored by the
2 federal government following such active military service;
3 if a teacher returns to teaching service within one
4 calendar year after discharge or after the completion of
5 the educational program, a further period, not exceeding
6 one calendar year, between time spent in military service
7 or in such educational programs and the return to
8 employment as a teacher under this System; and a period of
9 up to 2 years of active military service not immediately
10 following employment as a teacher.

11 The changes to this Section and Section 16-128 relating
12 to military service made by P.A. 87-794 shall apply not
13 only to persons who on or after its effective date are in
14 service as a teacher under the System, but also to persons
15 whose status as a teacher terminated prior to that date,
16 whether or not the person is an annuitant on that date. In
17 the case of an annuitant who applies for credit allowable
18 under this Section for a period of military service that
19 did not immediately follow employment, and who has made the
20 required contributions for such credit, the annuity shall
21 be recalculated to include the additional service credit,
22 with the increase taking effect on the date the System
23 received written notification of the annuitant's intent to
24 purchase the credit, if payment of all the required
25 contributions is made within 60 days of such notice, or
26 else on the first annuity payment date following the date

1 of payment of the required contributions. In calculating
2 the automatic annual increase for an annuity that has been
3 recalculated under this Section, the increase attributable
4 to the additional service allowable under P.A. 87-794 shall
5 be included in the calculation of automatic annual
6 increases accruing after the effective date of the
7 recalculation.

8 Credit for military service shall be determined as
9 follows: if entry occurs during the months of July, August,
10 or September and the member was a teacher at the end of the
11 immediately preceding school term, credit shall be granted
12 from July 1 of the year in which he or she entered service;
13 if entry occurs during the school term and the teacher was
14 in teaching service at the beginning of the school term,
15 credit shall be granted from July 1 of such year. In all
16 other cases where credit for military service is allowed,
17 credit shall be granted from the date of entry into the
18 service.

19 The total period of military service for which credit
20 is granted shall not exceed 5 years for any member unless
21 the service: (A) is validated before July 1, 1964, and (B)
22 does not extend beyond July 1, 1963. Credit for military
23 service shall be granted under this Section only if not
24 more than 5 years of the military service for which credit
25 is granted under this Section is used by the member to
26 qualify for a military retirement allotment from any branch

1 of the armed forces of the United States. The changes to
2 this subdivision (b)(3) made by Public Act 86-272 shall
3 apply not only to persons who on or after its effective
4 date (August 23, 1989) are in service as a teacher under
5 the System, but also to persons whose status as such a
6 teacher terminated prior to such effective date, whether or
7 not such person is an annuitant on that date.

8 (4) Any periods served as a member of the General
9 Assembly.

10 (5) (i) Any periods for which a teacher, as defined in
11 Section 16-106, is granted a leave of absence, provided he
12 or she returns to teaching service creditable under this
13 System or the State Universities Retirement System
14 following the leave; (ii) periods during which a teacher is
15 involuntarily laid off from teaching, provided he or she
16 returns to teaching following the lay-off; (iii) periods
17 prior to July 1, 1983 during which a teacher ceased covered
18 employment due to pregnancy, provided that the teacher
19 returned to teaching service creditable under this System
20 or the State Universities Retirement System following the
21 pregnancy and submits evidence satisfactory to the Board
22 documenting that the employment ceased due to pregnancy;
23 and (iv) periods prior to July 1, 1983 during which a
24 teacher ceased covered employment for the purpose of
25 adopting an infant under 3 years of age or caring for a
26 newly adopted infant under 3 years of age, provided that

1 the teacher returned to teaching service creditable under
2 this System or the State Universities Retirement System
3 following the adoption and submits evidence satisfactory
4 to the Board documenting that the employment ceased for the
5 purpose of adopting an infant under 3 years of age or
6 caring for a newly adopted infant under 3 years of age.
7 However, total credit under this paragraph (5) may not
8 exceed 3 years.

9 Any qualified member or annuitant may apply for credit
10 under item (iii) or (iv) of this paragraph (5) without
11 regard to whether service was terminated before the
12 effective date of this amendatory Act of 1997. In the case
13 of an annuitant who establishes credit under item (iii) or
14 (iv), the annuity shall be recalculated to include the
15 additional service credit. The increase in annuity shall
16 take effect on the date the System receives written
17 notification of the annuitant's intent to purchase the
18 credit, if the required evidence is submitted and the
19 required contribution paid within 60 days of that
20 notification, otherwise on the first annuity payment date
21 following the System's receipt of the required evidence and
22 contribution. The increase in an annuity recalculated
23 under this provision shall be included in the calculation
24 of automatic annual increases in the annuity accruing after
25 the effective date of the recalculation.

26 Optional credit may be purchased under this subsection

1 (b) (5) for periods during which a teacher has been granted
2 a leave of absence pursuant to Section 24-13 of the School
3 Code. A teacher whose service under this Article terminated
4 prior to the effective date of P.A. 86-1488 shall be
5 eligible to purchase such optional credit. If a teacher who
6 purchases this optional credit is already receiving a
7 retirement annuity under this Article, the annuity shall be
8 recalculated as if the annuitant had applied for the leave
9 of absence credit at the time of retirement. The difference
10 between the entitled annuity and the actual annuity shall
11 be credited to the purchase of the optional credit. The
12 remainder of the purchase cost of the optional credit shall
13 be paid on or before April 1, 1992.

14 The change in this paragraph made by Public Act 86-273
15 shall be applicable to teachers who retire after June 1,
16 1989, as well as to teachers who are in service on that
17 date.

18 (6) For a person who first becomes a member before the
19 effective date of this amendatory Act of the 100th General
20 Assembly, any ~~Any~~ days of unused and uncompensated
21 accumulated sick leave earned by a teacher. The service
22 credit granted under this paragraph shall be the ratio of
23 the number of unused and uncompensated accumulated sick
24 leave days to 170 days, subject to a maximum of 2 years of
25 service credit. Prior to the member's retirement, each
26 former employer shall certify to the System the number of

1 unused and uncompensated accumulated sick leave days
2 credited to the member at the time of termination of
3 service. The period of unused sick leave shall not be
4 considered in determining the effective date of
5 retirement. A member is not required to make contributions
6 in order to obtain service credit for unused sick leave.

7 Credit for sick leave shall, at retirement, be granted
8 by the System for any retiring regional or assistant
9 regional superintendent of schools who first becomes a
10 member before the effective date of this amendatory Act of
11 the 100th General Assembly at the rate of 6 days per year
12 of creditable service or portion thereof established while
13 serving as such superintendent or assistant
14 superintendent.

15 (7) Periods prior to February 1, 1987 served as an
16 employee of the Illinois Mathematics and Science Academy
17 for which credit has not been terminated under Section
18 15-113.9 of this Code.

19 (8) Service as a substitute teacher for work performed
20 prior to July 1, 1990.

21 (9) Service as a part-time teacher for work performed
22 prior to July 1, 1990.

23 (10) Up to 2 years of employment with Southern Illinois
24 University - Carbondale from September 1, 1959 to August
25 31, 1961, or with Governors State University from September
26 1, 1972 to August 31, 1974, for which the teacher has no

1 credit under Article 15. To receive credit under this item
2 (10), a teacher must apply in writing to the Board and pay
3 the required contributions before May 1, 1993 and have at
4 least 12 years of service credit under this Article.

5 (b-1) A member may establish optional credit for up to 2
6 years of service as a teacher or administrator employed by a
7 private school recognized by the Illinois State Board of
8 Education, provided that the teacher (i) was certified under
9 the law governing the certification of teachers at the time the
10 service was rendered, (ii) applies in writing on or after
11 August 1, 2009 and on or before August 1, 2012, (iii) supplies
12 satisfactory evidence of the employment, (iv) completes at
13 least 10 years of contributing service as a teacher as defined
14 in Section 16-106, and (v) pays the contribution required in
15 subsection (d-5) of Section 16-128. The member may apply for
16 credit under this subsection and pay the required contribution
17 before completing the 10 years of contributing service required
18 under item (iv), but the credit may not be used until the item
19 (iv) contributing service requirement has been met.

20 (c) The service credits specified in this Section shall be
21 granted only if: (1) such service credits are not used for
22 credit in any other statutory tax-supported public employee
23 retirement system other than the federal Social Security
24 program; and (2) the member makes the required contributions as
25 specified in Section 16-128. Except as provided in subsection
26 (b-1) of this Section, the service credit shall be effective as

1 of the date the required contributions are completed.

2 Any service credits granted under this Section shall
3 terminate upon cessation of membership for any cause.

4 Credit may not be granted under this Section covering any
5 period for which an age retirement or disability retirement
6 allowance has been paid.

7 (Source: P.A. 96-546, eff. 8-17-09.)

8 (40 ILCS 5/16-152.1) (from Ch. 108 1/2, par. 16-152.1)

9 Sec. 16-152.1. Pickup of contributions.

10 (a) Each employer may pick up the member contributions
11 required under Section 16-152 for all salary earned after
12 December 31, 1981. If an employer decides not to pick up the
13 member contributions, the amount that would have been picked up
14 shall continue to be deducted from salary. If contributions are
15 picked up, they shall be treated as employer contributions in
16 determining tax treatment under the United States Internal
17 Revenue Code. The employer shall pay these member contributions
18 from the same source of funds which is used in paying salary to
19 the member. The employer may pick up these contributions by a
20 reduction in the cash salary of the member or by an offset
21 against a future salary increase or by a combination of a
22 reduction in salary and offset against a future salary
23 increase. If member contributions are picked up, they shall be
24 treated for all purposes of this Article 16 in the same manner
25 as member contributions made prior to the date the pick up

1 began.

2 (b) The State Board of Education shall pick up the
3 contributions of regional superintendents required under
4 Section 16-152 for all salary earned for the 1982 calendar year
5 and thereafter.

6 (c) Effective July 1, 1983, each employer shall pick up the
7 member contributions required under Section 16-152 for all
8 salary earned after such date. Contributions so picked up shall
9 be treated as employer contributions in determining tax
10 treatment under the United States Internal Revenue Code. The
11 employer shall pay these member contributions from the same
12 source of funds which is used in paying salary to the member.
13 The employer may pick up these contributions by a reduction in
14 the cash salary of the member or by an offset against a future
15 salary increase or by a combination of a reduction in salary
16 and offset against a future salary increase. Member
17 contributions so picked up shall be treated for all purposes of
18 this Article 16 in the same manner as member contributions made
19 prior to the date the pick up began.

20 (d) Subject to the requirements of federal law and the
21 rules of the board, beginning July 1, 1998 a member who is
22 employed on a full-time basis may elect to have the employer
23 pick up optional contributions that the member has elected to
24 pay to the System, and the contributions so picked up shall be
25 treated as employer contributions for the purposes of
26 determining federal tax treatment. The election to have

1 optional contributions picked up is irrevocable. At the time of
2 making the election, the member shall execute a binding,
3 irrevocable payroll deduction authorization. Upon receiving
4 notice of the election, the employer shall pick up the
5 contributions by a reduction in the cash salary of the member
6 and shall pay the contributions from the same source of funds
7 that is used to pay earnings to the member.

8 (e) Beginning on the effective date of this amendatory Act
9 of the 100th General Assembly, no employer shall pay employee
10 contributions on behalf of an employee, except for the sole
11 purpose of allowing the employee to make pre-tax contributions
12 as provided in this Section. The provisions of this subsection
13 (e) do not apply to an employment contract or collective
14 bargaining agreement that is in effect on the effective date of
15 this amendatory Act of the 100th General Assembly. However, any
16 such contract or agreement that is subsequently modified,
17 amended, or renewed shall be subject to the provisions of this
18 subsection (e).

19 (Source: P.A. 90-448, eff. 8-16-97.)

20 (40 ILCS 5/16-203)

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

23 Sec. 16-203. Application and expiration of new benefit
24 increases.

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

1 an increase in the amount of any benefit provided under this
2 Article, or an expansion of the conditions of eligibility for
3 any benefit under this Article, that results from an amendment
4 to this Code that takes effect after June 1, 2005 (the
5 effective date of Public Act 94-4). "New benefit increase",
6 however, does not include any benefit increase resulting from
7 the changes made to this Article by Public Act 95-910 or this
8 amendatory Act of the 100th General Assembly ~~this amendatory~~
9 ~~Act of the 95th General Assembly~~.

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

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

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

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

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

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

25 (Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

1 (40 ILCS 5/16-205.5 new)

2 Sec. 16-205.5. Tier 3 plan.

3 (a) By July 1, 2018, the System shall prepare and implement
4 a Tier 3 plan. The Tier 3 plan developed under this Section
5 shall be a plan that aggregates State and employee
6 contributions in individual participant accounts which, after
7 meeting any other requirements, are used for payouts after
8 retirement in accordance with this Section and any other
9 applicable laws.

10 As used in this Section, "defined benefit plan" means the
11 retirement plan available under this Article to Tier 1 or Tier
12 2 members who have not made the election authorized under this
13 Section.

14 (1) A participant in the Tier 3 plan shall pay employee
15 contributions at a rate determined by the participant, but
16 not less than 3% of salary and not more than a percentage
17 of salary determined by the Board in accordance with the
18 requirements of State and federal law.

19 (2) State contributions shall be paid into the accounts
20 of all participants in the Tier 3 plan at a uniform rate,
21 expressed as a percentage of salary and determined for each
22 year. This rate shall be no higher than 7.6% of salary and
23 shall be no lower than 3% of salary. The State shall adjust
24 this rate annually.

25 (3) The Tier 3 plan shall require 5 years of
26 participation in the Tier 3 plan before vesting in State

1 contributions. If the participant fails to vest in them,
2 the State contributions, and the earnings thereon, shall be
3 forfeited.

4 (4) The Tier 3 plan may provide for participants in the
5 plan to be eligible for the defined disability benefits
6 available to other participants under this Article. If it
7 does, the System shall reduce the employee contributions
8 credited to the member's Tier 3 plan account by an amount
9 determined by the System to cover the cost of offering such
10 benefits.

11 (5) The Tier 3 plan shall provide a variety of options
12 for investments. These options shall include investments
13 in a fund created by the System and managed in accordance
14 with legal and fiduciary standards, as well as investment
15 options otherwise available.

16 (6) The Tier 3 plan shall provide a variety of options
17 for payouts to participants in the Tier 3 plan who are no
18 longer active in the System and their survivors.

19 (7) To the extent authorized under federal law and as
20 authorized by the System, the plan shall allow former
21 participants in the plan to transfer or roll over employee
22 and vested State contributions, and the earnings thereon,
23 from the Tier 3 plan into other qualified retirement plans.

24 (8) The System shall reduce the employee contributions
25 credited to the member's Tier 3 plan account by an amount
26 determined by the System to cover the cost of offering

1 these benefits and any applicable administrative fees.

2 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
3 member of this System may elect, in writing, to cease accruing
4 benefits in the defined benefit plan and begin accruing
5 benefits for future service in the Tier 3 plan. An active Tier
6 1 or Tier 2 member who elects to cease accruing benefits in his
7 or her defined benefit plan shall be prohibited from purchasing
8 service credit on or after the date of his or her election. A
9 Tier 1 or Tier 2 member making the irrevocable election
10 provided under this subsection shall not receive interest
11 accruals to his or her benefit under paragraph (A) of
12 subsection (a) of Section 16-133 of this Code on or after the
13 date of his or her election. The election to participate in the
14 Tier 3 plan is voluntary and irrevocable.

15 (1) Service credit under the Tier 3 plan may be used
16 for determining retirement eligibility under the defined
17 benefit plan.

18 (2) The System shall make a good faith effort to
19 contact all active Tier 1 and Tier 2 members who are
20 eligible to participate in the Tier 3 plan. The System
21 shall mail information describing the option to join the
22 Tier 3 plan to each of these employees to his or her last
23 known address on file with the System. If the employee is
24 not responsive to other means of contact, it is sufficient
25 for the System to publish the details of the option on its
26 website.

1 (3) Upon request for further information describing
2 the option, the System shall provide employees with
3 information from the System before exercising the option to
4 join the plan, including information on the impact to their
5 benefits and service. The individual consultation shall
6 include projections of the member's defined benefits at
7 retirement or earlier termination of service and the value
8 of the member's account at retirement or earlier
9 termination of service. The System shall not provide advice
10 or counseling with respect to whether the employee should
11 exercise the option. The System shall inform Tier 1 and
12 Tier 2 members who are eligible to participate in the Tier
13 3 plan that they may also wish to obtain information and
14 counsel relating to their option from any other available
15 source, including but not limited to labor organizations,
16 private counsel, and financial advisors.

17 (b-5) A Tier 1 or Tier 2 member who elects to participate
18 in the Tier 3 plan may irrevocably elect to terminate all
19 participation in the defined benefit plan. Upon that election,
20 the System shall transfer to the member's individual account an
21 amount equal to the amount of contribution refund that the
22 member would be eligible to receive if the member terminated
23 employment on that date and elected a refund of contributions,
24 including regular interest for the respective years. The System
25 shall make the transfer as a tax free transfer in accordance
26 with Internal Revenue Service guidelines, for purposes of

1 funding the amount credited to the member's individual account.

2 (c) In no event shall the System, its staff, its authorized
3 representatives, or the Board be liable for any information
4 given to an employee under this Section. The System may
5 coordinate with the Illinois Department of Central Management
6 Services and other retirement systems administering a Tier 3
7 plan in accordance with this amendatory Act of the 100th
8 General Assembly to provide information concerning the impact
9 of the Tier 3 plan set forth in this Section.

10 (d) Notwithstanding any other provision of this Section, no
11 person shall begin participating in the Tier 3 plan until it
12 has attained qualified plan status and received all necessary
13 approvals from the U.S. Internal Revenue Service.

14 (e) The System shall report on its progress under this
15 Section, including the available details of the Tier 3 plan and
16 the System's plans for informing eligible Tier 1 and Tier 2
17 members about the plan, to the Governor and the General
18 Assembly on or before January 15, 2018.

19 (f) The intent of this amendatory Act of the 100th General
20 Assembly is to ensure that the State's normal cost of
21 participation in the Tier 3 plan is similar, and if possible
22 equal, to the State's normal cost of participation in the
23 defined benefit plan, unless a lower State's normal cost is
24 necessary to ensure cost neutrality.

1 Sec. 18-110.1. Tier 1 participant. "Tier 1 participant": A
2 participant who first became a participant of this System
3 before January 1, 2011.

4 In the case of a Tier 1 participant who elects to
5 participate in the Tier 3 plan under Section 18-121.5 of this
6 Code, that Tier 1 participant shall be deemed a Tier 1
7 participant only with respect to service performed or
8 established before the effective date of that election.

9 (40 ILCS 5/18-110.2 new)

10 Sec. 18-110.2. Tier 2 participant. "Tier 2 participant": A
11 participant who first becomes a participant of this System on
12 or after January 1, 2011.

13 In the case of a Tier 2 participant who elects to
14 participate in the Tier 3 plan under Section 18-121.5 of this
15 Code, that Tier 2 participant shall be deemed a Tier 2
16 participant only with respect to service performed or
17 established before the effective date of that election.

18 (40 ILCS 5/18-110.3 new)

19 Sec. 18-110.3. Tier 3 participant. "Tier 3 participant": A
20 Tier 1 or Tier 2 participant who elects to participate in the
21 Tier 3 plan under Section 18-121.5 of this Code, but only with
22 respect to service performed on or after the effective date of
23 that election.

1 (40 ILCS 5/18-120) (from Ch. 108 1/2, par. 18-120)

2 Sec. 18-120. Employee participation.

3 (a) Except as provided in subsection (b), an ~~An~~ eligible
4 judge who is not a participant shall become a participant
5 beginning on the date he or she becomes an eligible judge,
6 unless the judge files with the board a written notice of
7 election not to participate within 30 days of the date of being
8 notified of the option.

9 A person electing not to participate shall thereafter be
10 ineligible to become a participant unless the election is
11 revoked as provided in Section 18-121.

12 (b) Notwithstanding any other provision of this Article, an
13 active participant may terminate his or her participation in
14 this System (including active participation in the Tier 3 plan,
15 if applicable) by notifying the System in writing. An active
16 participant terminating participation in this System under
17 this subsection shall be entitled to a refund of his or her
18 contributions (other than contributions to the Tier 3 plan
19 under Section 18-121.5) minus the benefits received prior to
20 the termination of participation.

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

22 (40 ILCS 5/18-121.5 new)

23 Sec. 18-121.5. Tier 3 plan.

24 (a) By July 1, 2018, the System shall prepare and implement
25 a Tier 3 plan. The Tier 3 plan developed under this Section

1 shall be a plan that aggregates State and employee
2 contributions in individual participant accounts which, after
3 meeting any other requirements, are used for payouts after
4 retirement in accordance with this Section and any other
5 applicable laws.

6 As used in this Section, "defined benefit plan" means the
7 retirement plan available under this Article to Tier 1 or Tier
8 2 participants who have not made the election authorized under
9 this Section.

10 (1) A participant in the Tier 3 plan shall pay employee
11 contributions at a rate determined by the participant, but
12 not less than 3% of salary and not more than a percentage
13 of salary determined by the Board in accordance with the
14 requirements of State and federal law.

15 (2) State contributions shall be paid into the accounts
16 of all participants in the Tier 3 plan at a uniform rate,
17 expressed as a percentage of salary and determined for each
18 year. This rate shall be no higher than 7.6% of salary and
19 shall be no lower than 3% of salary. The State shall adjust
20 this rate annually.

21 (3) The Tier 3 plan shall require 5 years of
22 participation in the Tier 3 plan before vesting in State
23 contributions. If the participant fails to vest in them,
24 the State contributions, and the earnings thereon, shall be
25 forfeited.

26 (4) The Tier 3 plan may provide for participants in the

1 plan to be eligible for defined disability benefits. If it
2 does, the System shall reduce the employee contributions
3 credited to the participant's Tier 3 plan account by an
4 amount determined by the System to cover the cost of
5 offering such benefits.

6 (5) The Tier 3 plan shall provide a variety of options
7 for investments. These options shall include investments
8 handled by the Illinois State Board of Investment as well
9 as private sector investment options.

10 (6) The Tier 3 plan shall provide a variety of options
11 for payouts to participants in the Tier 3 plan who are no
12 longer active in the System and their survivors.

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

18 (8) The System shall reduce the employee contributions
19 credited to the participant's Tier 3 plan account by an
20 amount determined by the System to cover the cost of
21 offering these benefits and any applicable administrative
22 fees.

23 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
24 participant of this System may elect, in writing, to cease
25 accruing benefits in the defined benefit plan and begin
26 accruing benefits for future service in the Tier 3 plan. The

1 election to participate in the Tier 3 plan is voluntary and
2 irrevocable.

3 (1) Service credit under the Tier 3 plan may be used
4 for determining retirement eligibility under the defined
5 benefit plan.

6 (2) The System shall make a good faith effort to
7 contact all active Tier 1 and Tier 2 participants who are
8 eligible to participate in the Tier 3 plan. The System
9 shall mail information describing the option to join the
10 Tier 3 plan to each of these employees to his or her last
11 known address on file with the System. If the employee is
12 not responsive to other means of contact, it is sufficient
13 for the System to publish the details of the option on its
14 website.

15 (3) Upon request for further information describing
16 the option, the System shall provide employees with
17 information from the System before exercising the option to
18 join the plan, including information on the impact to their
19 benefits and service. The individual consultation shall
20 include projections of the participant's defined benefits
21 at retirement or earlier termination of service and the
22 value of the participant's account at retirement or earlier
23 termination of service. The System shall not provide advice
24 or counseling with respect to whether the employee should
25 exercise the option. The System shall inform Tier 1 and
26 Tier 2 participants who are eligible to participate in the

1 Tier 3 plan that they may also wish to obtain information
2 and counsel relating to their option from any other
3 available source, including but not limited to private
4 counsel and financial advisors.

5 (b-5) A Tier 1 or Tier 2 participant who elects to
6 participate in the Tier 3 plan may irrevocably elect to
7 terminate all participation in the defined benefit plan. Upon
8 that election, the System shall transfer to the participant's
9 individual account an amount equal to the amount of
10 contribution refund that the participant would be eligible to
11 receive if the participant terminated employment on that date
12 and elected a refund of contributions, including interest at
13 the prescribed rate of interest for the respective years. The
14 System shall make the transfer as a tax free transfer in
15 accordance with Internal Revenue Service guidelines, for
16 purposes of funding the amount credited to the participant's
17 individual account.

18 (c) In no event shall the System, its staff, its authorized
19 representatives, or the Board be liable for any information
20 given to an employee under this Section. The System may
21 coordinate with the Illinois Department of Central Management
22 Services and other retirement systems administering a Tier 3
23 plan in accordance with this amendatory Act of the 100th
24 General Assembly to provide information concerning the impact
25 of the Tier 3 plan set forth in this Section.

26 (d) Notwithstanding any other provision of this Section, no

1 person shall begin participating in the Tier 3 plan until it
2 has attained qualified plan status and received all necessary
3 approvals from the U.S. Internal Revenue Service.

4 (e) The System shall report on its progress under this
5 Section, including the available details of the Tier 3 plan and
6 the System's plans for informing eligible Tier 1 and Tier 2
7 participants about the plan, to the Governor and the General
8 Assembly on or before January 15, 2018.

9 (f) The Illinois State Board of Investment shall be the
10 plan sponsor for the Tier 3 plan established under this
11 Section.

12 (g) The intent of this amendatory Act of the 100th General
13 Assembly is to ensure that the State's normal cost of
14 participation in the Tier 3 plan is similar, and if possible
15 equal, to the State's normal cost of participation in the
16 defined benefit plan, unless a lower State's normal cost is
17 necessary to ensure cost neutrality.

18 (40 ILCS 5/18-124) (from Ch. 108 1/2, par. 18-124)

19 Sec. 18-124. Retirement annuities - conditions for
20 eligibility.

21 (a) This subsection (a) applies to a Tier 1 participant ~~who~~
22 ~~first serves as a judge before the effective date of this~~
23 ~~amendatory Act of the 96th General Assembly.~~

24 A participant whose employment as a judge is terminated,
25 regardless of age or cause is entitled to a retirement annuity

1 beginning on the date specified in a written application
2 subject to the following:

3 (1) the date the annuity begins is subsequent to the
4 date of final termination of employment, or the date 30
5 days prior to the receipt of the application by the board
6 for annuities based on disability, or one year before the
7 receipt of the application by the board for annuities based
8 on attained age;

9 (2) the participant is at least age 55, or has become
10 permanently disabled and as a consequence is unable to
11 perform the duties of his or her office;

12 (3) the participant has at least 10 years of service
13 credit except that a participant terminating service after
14 June 30 1975, with at least 6 years of service credit,
15 shall be entitled to a retirement annuity at age 62 or
16 over;

17 (4) the participant is not receiving or entitled to
18 receive, at the date of retirement, any salary from an
19 employer for service currently performed.

20 (b) This subsection (b) applies to a Tier 2 participant ~~who~~
21 ~~first serves as a judge on or after the effective date of this~~
22 ~~amendatory Act of the 96th General Assembly.~~

23 A participant who has at least 8 years of creditable
24 service is entitled to a retirement annuity when he or she has
25 attained age 67.

26 A member who has attained age 62 and has at least 8 years

1 of service credit may elect to receive the lower retirement
2 annuity provided in subsection (d) of Section 18-125 of this
3 Code.

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

5 (40 ILCS 5/18-125) (from Ch. 108 1/2, par. 18-125)

6 Sec. 18-125. Retirement annuity amount.

7 (a) The annual retirement annuity for a participant who
8 terminated service as a judge prior to July 1, 1971 shall be
9 based on the law in effect at the time of termination of
10 service.

11 (b) Except as provided in subsection (b-5), effective July
12 1, 1971, the retirement annuity for any participant in service
13 on or after such date shall be 3 1/2% of final average salary,
14 as defined in this Section, for each of the first 10 years of
15 service, and 5% of such final average salary for each year of
16 service in ~~on~~ excess of 10.

17 For purposes of this Section, final average salary for a
18 Tier 1 participant who first serves as a judge before August
19 10, 2009 (the effective date of Public Act 96-207) shall be:

20 (1) the average salary for the last 4 years of credited
21 service as a judge for a participant who terminates service
22 before July 1, 1975.

23 (2) for a participant who terminates service after June
24 30, 1975 and before July 1, 1982, the salary on the last
25 day of employment as a judge.

1 (3) for any participant who terminates service after
2 June 30, 1982 and before January 1, 1990, the average
3 salary for the final year of service as a judge.

4 (4) for a participant who terminates service on or
5 after January 1, 1990 but before July 14, 1995 (the
6 effective date of Public Act 89-136) ~~this amendatory Act of~~
7 ~~1995~~, the salary on the last day of employment as a judge.

8 (5) for a participant who terminates service on or
9 after July 14, 1995 (the effective date of Public Act
10 89-136) ~~this amendatory Act of 1995~~, the salary on the last
11 day of employment as a judge, or the highest salary
12 received by the participant for employment as a judge in a
13 position held by the participant for at least 4 consecutive
14 years, whichever is greater.

15 However, in the case of a participant who elects to
16 discontinue contributions as provided in subdivision (a)(2) of
17 Section 18-133, the time of such election shall be considered
18 the last day of employment in the determination of final
19 average salary under this subsection.

20 For a Tier 1 participant who first serves as a judge on or
21 after August 10, 2009 (the effective date of Public Act 96-207)
22 ~~and before January 1, 2011 (the effective date of Public Act~~
23 ~~96-889)~~, final average salary shall be the average monthly
24 salary obtained by dividing the total salary of the participant
25 during the period of: (1) the 48 consecutive months of service
26 within the last 120 months of service in which the total

1 compensation was the highest, or (2) the total period of
2 service, if less than 48 months, by the number of months of
3 service in that period.

4 The maximum retirement annuity for any participant shall be
5 85% of final average salary.

6 (b-5) Notwithstanding any other provision of this Article,
7 for a Tier 2 participant ~~who first serves as a judge on or~~
8 ~~after January 1, 2011 (the effective date of Public Act~~
9 ~~96-889)~~, the annual retirement annuity is 3% of the
10 participant's final average salary for each year of service.
11 The maximum retirement annuity payable shall be 60% of the
12 participant's final average salary.

13 For a Tier 2 participant ~~who first serves as a judge on or~~
14 ~~after January 1, 2011 (the effective date of Public Act~~
15 ~~96-889)~~, final average salary shall be the average monthly
16 salary obtained by dividing the total salary of the judge
17 during the 96 consecutive months of service within the last 120
18 months of service in which the total salary was the highest by
19 the number of months of service in that period; however,
20 beginning January 1, 2011, the annual salary may not exceed
21 \$106,800, except that that amount shall annually thereafter be
22 increased by the lesser of (i) 3% of that amount, including all
23 previous adjustments, or (ii) the annual unadjusted percentage
24 increase (but not less than zero) in the consumer price index-u
25 for the 12 months ending with the September preceding each
26 November 1. "Consumer price index-u" means the index published

1 by the Bureau of Labor Statistics of the United States
2 Department of Labor that measures the average change in prices
3 of goods and services purchased by all urban consumers, United
4 States city average, all items, 1982-84 = 100. The new amount
5 resulting from each annual adjustment shall be determined by
6 the Public Pension Division of the Department of Insurance and
7 made available to the Board by November 1st of each year.

8 (c) The retirement annuity for a participant who retires
9 prior to age 60 with less than 28 years of service in the
10 System shall be reduced 1/2 of 1% for each month that the
11 participant's age is under 60 years at the time the annuity
12 commences. However, for a participant who retires on or after
13 December 10, 1999 (the effective date of Public Act 91-653)
14 ~~this amendatory Act of the 91st General Assembly~~, the
15 percentage reduction in retirement annuity imposed under this
16 subsection shall be reduced by 5/12 of 1% for every month of
17 service in this System in excess of 20 years, and therefore a
18 participant with at least 26 years of service in this System
19 may retire at age 55 without any reduction in annuity.

20 The reduction in retirement annuity imposed by this
21 subsection shall not apply in the case of retirement on account
22 of disability.

23 (d) Notwithstanding any other provision of this Article,
24 for a Tier 2 participant ~~who first serves as a judge on or~~
25 ~~after January 1, 2011 (the effective date of Public Act 96-889)~~
26 ~~and~~ who is retiring after attaining age 62, the retirement

1 annuity shall be reduced by 1/2 of 1% for each month that the
2 participant's age is under age 67 at the time the annuity
3 commences.

4 (Source: P.A. 96-207, eff. 8-10-09; 96-889, eff. 1-1-11;
5 96-1000, eff. 7-2-10; 96-1490, eff. 1-1-11; revised 9-9-16.)

6 (40 ILCS 5/18-125.1) (from Ch. 108 1/2, par. 18-125.1)

7 Sec. 18-125.1. Automatic increase in retirement annuity. A
8 participant who retires from service after June 30, 1969,
9 shall, in January of the year next following the year in which
10 the first anniversary of retirement occurs, and in January of
11 each year thereafter, have the amount of his or her originally
12 granted retirement annuity increased as follows: for each year
13 up to and including 1971, 1 1/2%; for each year from 1972
14 through 1979 inclusive, 2%; and for 1980 and each year
15 thereafter, 3%.

16 Notwithstanding any other provision of this Article, a
17 retirement annuity for a Tier 2 participant ~~who first serves as~~
18 ~~a judge on or after January 1, 2011 (the effective date of~~
19 ~~Public Act 96-889)~~ shall be increased in January of the year
20 next following the year in which the first anniversary of
21 retirement occurs, but in no event prior to age 67, and in
22 January of each year thereafter, by an amount equal to 3% or
23 the annual percentage increase in the consumer price index-u as
24 determined by the Public Pension Division of the Department of
25 Insurance under subsection (b-5) of Section 18-125, whichever

1 is less, of the retirement annuity then being paid.

2 This Section is not applicable to a participant who retires
3 before he or she has made contributions at the rate prescribed
4 in Section 18-133 for automatic increases for not less than the
5 equivalent of one full year, unless such a participant arranges
6 to pay the system the amount required to bring the total
7 contributions for the automatic increase to the equivalent of
8 one year's contribution based upon his or her last year's
9 salary.

10 This Section is applicable to all participants (other than
11 Tier 3 participants who do not have any service credit as a
12 Tier 1 or Tier 2 participant) in service after June 30, 1969
13 unless a participant has elected, prior to September 1, 1969,
14 in a written direction filed with the board not to be subject
15 to the provisions of this Section. Any participant in service
16 on or after July 1, 1992 shall have the option of electing
17 prior to April 1, 1993, in a written direction filed with the
18 board, to be covered by the provisions of the 1969 amendatory
19 Act. Such participant shall be required to make the aforesaid
20 additional contributions with compound interest at 4% per
21 annum.

22 Any participant who has become eligible to receive the
23 maximum rate of annuity and who resumes service as a judge
24 after receiving a retirement annuity under this Article shall
25 have the amount of his or her retirement annuity increased by
26 3% of the originally granted annuity amount for each year of

1 such resumed service, beginning in January of the year next
2 following the date of such resumed service, upon subsequent
3 termination of such resumed service.

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

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

9 (40 ILCS 5/18-127) (from Ch. 108 1/2, par. 18-127)

10 Sec. 18-127. Retirement annuity - suspension on
11 reemployment.

12 (a) A participant receiving a retirement annuity who is
13 regularly employed for compensation by an employer other than a
14 county, in any capacity, shall have his or her retirement
15 annuity payments suspended during such employment. Upon
16 termination of such employment, retirement annuity payments at
17 the previous rate shall be resumed.

18 If such a participant resumes service as a judge, he or she
19 shall receive credit for any additional service. Upon
20 subsequent retirement, his or her retirement annuity shall be
21 the amount previously granted, plus the amount earned by the
22 additional judicial service under the provisions in effect
23 during the period of such additional service. However, if the
24 participant was receiving the maximum rate of annuity at the
25 time of re-employment, he or she may elect, in a written

1 direction filed with the board, not to receive any additional
2 service credit during the period of re-employment. In such
3 case, contributions shall not be required during the period of
4 re-employment. Any such election shall be irrevocable.

5 (b) Beginning January 1, 1991, any participant receiving a
6 retirement annuity who accepts temporary employment from an
7 employer other than a county for a period not exceeding 75
8 working days in any calendar year shall not be deemed to be
9 regularly employed for compensation or to have resumed service
10 as a judge for the purposes of this Article. A day shall be
11 considered a working day if the annuitant performs on it any of
12 his duties under the temporary employment agreement.

13 (c) Except as provided in subsection (a), beginning January
14 1, 1993, retirement annuities shall not be subject to
15 suspension upon resumption of employment for an employer, and
16 any retirement annuity that is then so suspended shall be
17 reinstated on that date.

18 (d) The changes made in this Section by this amendatory Act
19 of 1993 shall apply to judges no longer in service on its
20 effective date, as well as to judges serving on or after that
21 date.

22 (e) A participant receiving a retirement annuity under this
23 Article who serves as a part-time employee in any of the
24 following positions: Legislative Inspector General, Special
25 Legislative Inspector General, employee of the Office of the
26 Legislative Inspector General, Executive Director of the

1 Legislative Ethics Commission, or staff of the Legislative
2 Ethics Commission, but has not elected to participate in the
3 Article 14 System with respect to that service, shall not be
4 deemed to be regularly employed for compensation by an employer
5 other than a county, nor to have resumed service as a judge, on
6 the basis of that service, and the retirement annuity payments
7 and other benefits of that person under this Code shall not be
8 suspended, diminished, or otherwise impaired solely as a
9 consequence of that service. This subsection (e) applies
10 without regard to whether the person is in service as a judge
11 under this Article on or after the effective date of this
12 amendatory Act of the 93rd General Assembly. In this
13 subsection, a "part-time employee" is a person who is not
14 required to work at least 35 hours per week.

15 (f) A participant receiving a retirement annuity under this
16 Article who has made an election under Section 1-123 and who is
17 serving either as legal counsel in the Office of the Governor
18 or as Chief Deputy Attorney General shall not be deemed to be
19 regularly employed for compensation by an employer other than a
20 county, nor to have resumed service as a judge, on the basis of
21 that service, and the retirement annuity payments and other
22 benefits of that person under this Code shall not be suspended,
23 diminished, or otherwise impaired solely as a consequence of
24 that service. This subsection (f) applies without regard to
25 whether the person is in service as a judge under this Article
26 on or after the effective date of this amendatory Act of the

1 93rd General Assembly.

2 (g) Notwithstanding any other provision of this Article, if
3 a Tier 2 participant ~~person who first becomes a participant~~
4 ~~under this System on or after January 1, 2011 (the effective~~
5 ~~date of this amendatory Act of the 96th General Assembly)~~ is
6 receiving a retirement annuity under this Article and becomes a
7 member or participant under this Article or any other Article
8 of this Code and is employed on a full-time basis, then the
9 person's retirement annuity under this System shall be
10 suspended during that employment. Upon termination of that
11 employment, the person's retirement annuity shall resume and,
12 if appropriate, be recalculated under the applicable
13 provisions of this Article.

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

15 (40 ILCS 5/18-128.01) (from Ch. 108 1/2, par. 18-128.01)
16 Sec. 18-128.01. Amount of survivor's annuity.

17 (a) Upon the death of an annuitant, his or her surviving
18 spouse shall be entitled to a survivor's annuity of 66 2/3% of
19 the annuity the annuitant was receiving immediately prior to
20 his or her death, inclusive of annual increases in the
21 retirement annuity to the date of death.

22 (b) Upon the death of an active participant, his or her
23 surviving spouse shall receive a survivor's annuity of 66 2/3%
24 of the annuity earned by the participant as of the date of his
25 or her death, determined without regard to whether the

1 participant had attained age 60 as of that time, or 7 1/2% of
2 the last salary of the decedent, whichever is greater.

3 (c) Upon the death of a participant who had terminated
4 service with at least 10 years of service, his or her surviving
5 spouse shall be entitled to a survivor's annuity of 66 2/3% of
6 the annuity earned by the deceased participant at the date of
7 death.

8 (d) Upon the death of an annuitant, active participant, or
9 participant who had terminated service with at least 10 years
10 of service, each surviving child under the age of 18 or
11 disabled as defined in Section 18-128 shall be entitled to a
12 child's annuity in an amount equal to 5% of the decedent's
13 final salary, not to exceed in total for all such children the
14 greater of 20% of the decedent's last salary or 66 2/3% of the
15 annuity received or earned by the decedent as provided under
16 subsections (a) and (b) of this Section. This child's annuity
17 shall be paid whether or not a survivor's annuity was elected
18 under Section 18-123.

19 (e) The changes made in the survivor's annuity provisions
20 by Public Act 82-306 shall apply to the survivors of a deceased
21 participant or annuitant whose death occurs on or after August
22 21, 1981.

23 (f) Beginning January 1, 1990, every survivor's annuity
24 shall be increased (1) on each January 1 occurring on or after
25 the commencement of the annuity if the deceased member died
26 while receiving a retirement annuity, or (2) in other cases, on

1 each January 1 occurring on or after the first anniversary of
2 the commencement of the annuity, by an amount equal to 3% of
3 the current amount of the annuity, including any previous
4 increases under this Article. Such increases shall apply
5 without regard to whether the deceased member was in service on
6 or after the effective date of this amendatory Act of 1991, but
7 shall not accrue for any period prior to January 1, 1990.

8 (g) Notwithstanding any other provision of this Article,
9 the initial survivor's annuity for a survivor of a Tier 2
10 participant ~~who first serves as a judge after January 1, 2011~~
11 ~~(the effective date of Public Act 96-889)~~ shall be in the
12 amount of 66 2/3% of the annuity received or earned by the
13 decedent, and shall be increased (1) on each January 1
14 occurring on or after the commencement of the annuity if the
15 deceased participant died while receiving a retirement
16 annuity, or (2) in other cases, on each January 1 occurring on
17 or after the first anniversary of the commencement of the
18 annuity, but in no event prior to age 67, by an amount equal to
19 3% or the annual unadjusted percentage increase in the consumer
20 price index-u as determined by the Public Pension Division of
21 the Department of Insurance under subsection (b-5) of Section
22 18-125, whichever is less, of the survivor's annuity then being
23 paid.

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

25 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

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

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

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

26 (3) A participant who (i) has attained age 60, (ii)

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

26 (b) Beginning July 1, 1969, each participant is required to

1 contribute 1% of each payment of salary towards the automatic
2 increase in annuity provided in Section 18-125.1. However, such
3 contributions need not be made by any participant who has
4 elected prior to September 15, 1969, not to be subject to the
5 automatic increase in annuity provisions.

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

12 (d) Notwithstanding any other provision of this Article,
13 the required contributions for a Tier 2 participant ~~who first~~
14 ~~becomes a participant on or after January 1, 2011~~ shall not
15 exceed the contributions that would be due under this Article
16 if that participant's highest salary for annuity purposes were
17 \$106,800, plus any increase in that amount under Section
18 18-125.

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

20 (40 ILCS 5/18-169)

21 Sec. 18-169. Application and expiration of new benefit
22 increases.

23 (a) As used in this Section, "new benefit increase" means
24 an increase in the amount of any benefit provided under this
25 Article, or an expansion of the conditions of eligibility for

1 any benefit under this Article, that results from an amendment
2 to this Code that takes effect after the effective date of this
3 amendatory Act of the 94th General Assembly. "New benefit
4 increase", however, does not include any benefit increase
5 resulting from the changes made by this amendatory Act of the
6 100th General Assembly.

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

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

16 Every new benefit increase is contingent upon the General
17 Assembly providing the additional funding required under this
18 subsection. The Commission on Government Forecasting and
19 Accountability shall analyze whether adequate additional
20 funding has been provided for the new benefit increase and
21 shall report its analysis to the Public Pension Division of the
22 Department of Financial and Professional Regulation. A new
23 benefit increase created by a Public Act that does not include
24 the additional funding required under this subsection is null
25 and void. If the Public Pension Division determines that the
26 additional funding provided for a new benefit increase under

1 this subsection is or has become inadequate, it may so certify
2 to the Governor and the State Comptroller and, in the absence
3 of corrective action by the General Assembly, the new benefit
4 increase shall expire at the end of the fiscal year in which
5 the certification is made.

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

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

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

23 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

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

1 Sec. 20-121. Calculation of proportional retirement
2 annuities.

3 (a) Upon retirement of the employee, a proportional
4 retirement annuity shall be computed by each participating
5 system in which pension credit has been established on the
6 basis of pension credits under each system. The computation
7 shall be in accordance with the formula or method prescribed by
8 each participating system which is in effect at the date of the
9 employee's latest withdrawal from service covered by any of the
10 systems in which he has pension credits which he elects to have
11 considered under this Article. However, the amount of any
12 retirement annuity payable under the self-managed plan
13 established under Section 15-158.2 of this Code depends solely
14 on the value of the participant's vested account balances and
15 is not subject to any proportional adjustment under this
16 Section.

17 (a-5) For persons who participate in a Tier 3 plan
18 established under Article 2, 14, 15, 16, or 18 of this Code to
19 whom the provisions of this Article apply, the pension credits
20 established under the Tier 3 plan may be considered in
21 determining eligibility for or the amount of the defined
22 benefit retirement annuity that is payable by any other
23 participating system.

24 (b) Combined pension credit under all retirement systems
25 subject to this Article shall be considered in determining
26 whether the minimum qualification has been met and the formula

1 or method of computation which shall be applied, except as may
2 be otherwise provided with respect to vesting in State or
3 employer contributions in a Tier 3 plan. If a system has a
4 step-rate formula for calculation of the retirement annuity,
5 pension credits covering previous service which have been
6 established under another system shall be considered in
7 determining which range or ranges of the step-rate formula are
8 to be applicable to the employee.

9 (c) Interest on pension credit shall continue to accumulate
10 in accordance with the provisions of the law governing the
11 retirement system in which the same has been established during
12 the time an employee is in the service of another employer, on
13 the assumption such employee, for interest purposes for pension
14 credit, is continuing in the service covered by such retirement
15 system.

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

17 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

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

20 Sec. 20-123. Survivor's annuity. The provisions governing
21 a retirement annuity shall be applicable to a survivor's
22 annuity. Appropriate credits shall be established for
23 survivor's annuity purposes in those participating systems
24 which provide survivor's annuities, according to the same
25 conditions and subject to the same limitations and restrictions

1 herein prescribed for a retirement annuity. If a participating
2 system has no survivor's annuity benefit, or if the survivor's
3 annuity benefit under that system is waived, pension credit
4 established in that system shall not be considered in
5 determining eligibility for or the amount of the survivor's
6 annuity which may be payable by any other participating system.

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

15 For persons who participate in a Tier 3 plan established
16 under Article 2, 14, 15, 16, or 18 of this Code to whom the
17 provisions of this Article apply, the pension credits
18 established under the Tier 3 plan may be considered in
19 determining eligibility for or the amount of the defined
20 benefit survivor's annuity that is payable by any other
21 participating system, but pension credits established in any
22 other system shall not result in any right to or increase in
23 the value of a survivor's annuity under the Tier 3 plan, which
24 depends solely on the options chosen and the value of the
25 participant's vested account balances and is not subject to any
26 proportional adjustment under this Section.

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

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

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

5 Sec. 20-124. Maximum benefits.

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

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

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

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

1 package as defined in Section 15-103.1 rather than the
2 self-managed plan.

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

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

14 (c) In the case of a participant in a Tier 3 plan
15 established under Article 2, 14, 15, 16, or 18 of this Code to
16 whom the provisions of this Article apply:

17 (i) For purposes of calculating the combined
18 retirement annuity and the proportionate reduction, if
19 any, in a defined benefit retirement annuity, any benefit
20 payable under the Tier 3 plan shall not be considered.

21 (ii) For purposes of calculating the combined
22 survivor's annuity and the proportionate reduction, if
23 any, in a defined benefit survivor's annuity, any benefit
24 payable under the Tier 3 plan shall not be considered.

25 (iii) Benefits payable under a Tier 3 plan established
26 under Article 2, 14, 15, 16, or 18 of this Code are not

1 subject to proportionate reduction under this Section.

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

3 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

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

6 Sec. 20-125. Return to employment - suspension of benefits.

7 If a retired employee returns to employment which is covered by
8 a system from which he is receiving a proportional annuity
9 under this Article, his proportional annuity from all
10 participating systems shall be suspended during the period of
11 re-employment, except that this suspension does not apply to
12 any distributions payable under the self-managed plan
13 established under Section 15-158.2 of this Code or under a Tier
14 3 plan established under Article 2, 14, 15, 16, or 18 of this
15 Code.

16 The provisions of the Article under which such employment
17 would be covered shall govern the determination of whether the
18 employee has returned to employment, and if applicable the
19 exemption of temporary employment or employment not exceeding a
20 specified duration or frequency, for all participating systems
21 from which the retired employee is receiving a proportional
22 annuity under this Article, notwithstanding any contrary
23 provisions in the other Articles governing such systems.

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

1 (40 ILCS 5/2-165 rep.)

2 (40 ILCS 5/2-166 rep.)

3 (40 ILCS 5/14-155 rep.)

4 (40 ILCS 5/14-156 rep.)

5 (40 ILCS 5/15-200 rep.)

6 (40 ILCS 5/15-201 rep.)

7 (40 ILCS 5/16-205 rep.)

8 (40 ILCS 5/16-206 rep.)

9 Section 15. The Illinois Pension Code is amended by
10 repealing Sections 2-165, 2-166, 14-155, 14-156, 15-200,
11 15-201, 16-205, and 16-206.

12 Section 20. The Illinois Educational Labor Relations Act is
13 amended by changing Sections 4 and 17 and by adding Section
14 10.6 as follows:

15 (115 ILCS 5/4) (from Ch. 48, par. 1704)

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

18 Sec. 4. Employer rights. Employers shall not be required to
19 bargain over matters of inherent managerial policy, which shall
20 include such areas of discretion or policy as the functions of
21 the employer, standards of services, its overall budget, the
22 organizational structure and selection of new employees and
23 direction of employees. Employers, however, shall be required
24 to bargain collectively with regard to policy matters directly

1 affecting wages, hours and terms and conditions of employment
2 as well as the impact thereon upon request by employee
3 representatives, except as provided in Section 10.6. To
4 preserve the rights of employers and exclusive representatives
5 which have established collective bargaining relationships or
6 negotiated collective bargaining agreements prior to the
7 effective date of this Act, employers shall be required to
8 bargain collectively with regard to any matter concerning
9 wages, hours or conditions of employment about which they have
10 bargained for and agreed to in a collective bargaining
11 agreement prior to the effective date of this Act, except as
12 provided in Section 10.6.

13 (Source: P.A. 83-1014.)

14 (115 ILCS 5/10.6 new)

15 Sec. 10.6. Bargaining regarding pension contributions on
16 behalf of employees; prohibited.

17 (a) Notwithstanding any other provision of this Act,
18 beginning on the effective date of this amendatory Act of the
19 100th General Assembly, employers shall not bargain over
20 matters prohibited by subsection (e) of Section 16-152.1 of the
21 Illinois Pension Code, which concerns employers paying pension
22 contributions on behalf of employees.

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

1 (115 ILCS 5/17) (from Ch. 48, par. 1717)

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

4 Sec. 17. Effect on other laws. Except as provided in
5 Section 10.6, in ~~in~~ case of any conflict between the provisions
6 of this Act and any other law, executive order or
7 administrative regulation, the provisions of this Act shall
8 prevail and control. Nothing in this Act shall be construed to
9 replace or diminish the rights of employees established by
10 Section 36d of "An Act to create the State Universities Civil
11 Service System", approved May 11, 1905, as amended or modified.
12 (Source: P.A. 83-1014.)

13 Section 99. Effective date. This Act takes effect upon
14 becoming law.

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4 5 ILCS 375/10 from Ch. 127, par. 530
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6 40 ILCS 5/2-105.3 new
7 40 ILCS 5/2-117 from Ch. 108 1/2, par. 2-117
8 40 ILCS 5/2-162
9 40 ILCS 5/2-165.5 new
10 40 ILCS 5/7-114 from Ch. 108 1/2, par. 7-114
11 40 ILCS 5/7-116 from Ch. 108 1/2, par. 7-116
12 40 ILCS 5/7-139 from Ch. 108 1/2, par. 7-139
13 40 ILCS 5/14-103.05 from Ch. 108 1/2, par. 14-103.05
14 40 ILCS 5/14-103.10 from Ch. 108 1/2, par. 14-103.10
15 40 ILCS 5/14-103.41 new
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17 40 ILCS 5/14-103.43 new
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