



Rep. Michael J. Madigan

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1 AMENDMENT TO SENATE BILL 1673

2 AMENDMENT NO. _____. Amend Senate Bill 1673, AS AMENDED,
3 by replacing everything after the enacting clause with the
4 following:

5 "Section 5. The Illinois Public Labor Relations Act is
6 amended by changing Sections 4 and 15 as follows:

7 (5 ILCS 315/4) (from Ch. 48, par. 1604)

8 Sec. 4. Management Rights. Employers shall not be required
9 to bargain over matters of inherent managerial policy, which
10 shall include such areas of discretion or policy as the
11 functions of the employer, standards of services, its overall
12 budget, the organizational structure and selection of new
13 employees, examination techniques and direction of employees.
14 Employers, however, shall be required to bargain collectively
15 with regard to policy matters directly affecting wages (but
16 subject to any applicable restrictions in Section 14-106.5,

1 15-134.6, or 16-131.7 of the Illinois Pension Code), hours and
2 terms and conditions of employment as well as the impact
3 thereon upon request by employee representatives, but
4 excluding the changes, the impact of changes, and the
5 implementation of the changes set forth in this amendatory Act
6 of the 97th General Assembly.

7 To preserve the rights of employers and exclusive
8 representatives which have established collective bargaining
9 relationships or negotiated collective bargaining agreements
10 prior to the effective date of this Act, employers shall be
11 required to bargain collectively with regard to any matter
12 concerning wages (but subject to any applicable restrictions in
13 Section 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension
14 Code), hours or conditions of employment about which they have
15 bargained for and agreed to in a collective bargaining
16 agreement prior to the effective date of this Act, but
17 excluding the changes, the impact of changes, and the
18 implementation of the changes set forth in this amendatory Act
19 of the 97th General Assembly.

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

25 Nothing in this amendatory Act of the 94th General Assembly
26 shall be construed to intrude upon the judicial functions of

1 any court. This amendatory Act of the 94th General Assembly
2 applies only to nonjudicial administrative matters relating to
3 the collective bargaining rights of court reporters.

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

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

6 Sec. 15. Act Takes Precedence.

7 (a) In case of any conflict between the provisions of this
8 Act and any other law (other than Section 5 of the State
9 Employees Group Insurance Act of 1971 and other than the
10 changes made to the Illinois Pension Code by Public Act 96-889
11 and the changes, impact of changes, and the implementation of
12 the changes made to the Illinois Pension Code and the State
13 Employees Group Insurance Act of 1971 by this amendatory Act of
14 the 97th ~~96th~~ General Assembly), executive order or
15 administrative regulation relating to wages, hours and
16 conditions of employment and employment relations, the
17 provisions of this Act or any collective bargaining agreement
18 negotiated thereunder shall prevail and control. Nothing in
19 this Act shall be construed to replace or diminish the rights
20 of employees established by Sections 28 and 28a of the
21 Metropolitan Transit Authority Act, Sections 2.15 through 2.19
22 of the Regional Transportation Authority Act. The provisions of
23 this Act are subject to the changes made by this amendatory Act
24 of the 97th General Assembly, including Sections 14-106.5,
25 15-134.6, and 16-131.7 of the Illinois Pension Code, and

1 Section 5 of the State Employees Group Insurance Act of 1971.
2 Nothing in this Act shall be construed to replace the necessity
3 of complaints against a sworn peace officer, as defined in
4 Section 2(a) of the Uniform Peace Officer Disciplinary Act,
5 from having a complaint supported by a sworn affidavit.

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

15 (c) It is the public policy of this State, pursuant to
16 paragraphs (h) and (i) of Section 6 of Article VII of the
17 Illinois Constitution, that the provisions of this Act are the
18 exclusive exercise by the State of powers and functions which
19 might otherwise be exercised by home rule units. Such powers
20 and functions may not be exercised concurrently, either
21 directly or indirectly, by any unit of local government,
22 including any home rule unit, except as otherwise authorized by
23 this Act.

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

25 Section 10. The State Employees Group Insurance Act of 1971

1 is amended by changing Sections 6.9 and 6.10 and by adding
2 Sections 6.10A and 6.16 as follows:

3 (5 ILCS 375/6.9)

4 Sec. 6.9. Health benefits for community college benefit
5 recipients and community college dependent beneficiaries.

6 (a) Purpose. It is the purpose of this amendatory Act of
7 1997 to establish a uniform program of health benefits for
8 community college benefit recipients and their dependent
9 beneficiaries under the administration of the Department of
10 Central Management Services.

11 (b) Creation of program. Beginning July 1, 1999, the
12 Department of Central Management Services shall be responsible
13 for administering a program of health benefits for community
14 college benefit recipients and community college dependent
15 beneficiaries under this Section. The State Universities
16 Retirement System and the boards of trustees of the various
17 community college districts shall cooperate with the
18 Department in this endeavor.

19 (c) Eligibility. All community college benefit recipients
20 and community college dependent beneficiaries shall be
21 eligible to participate in the program established under this
22 Section, without any interruption or delay in coverage or
23 limitation as to pre-existing medical conditions. Eligibility
24 to participate shall be determined by the State Universities
25 Retirement System. Eligibility information shall be

1 communicated to the Department of Central Management Services
2 in a format acceptable to the Department.

3 (d) Coverage. The health benefit coverage provided under
4 this Section shall be a program of health, dental, and vision
5 benefits.

6 The program of health benefits under this Section may
7 include any or all of the benefit limitations, including but
8 not limited to a reduction in benefits based on eligibility for
9 federal medicare benefits, that are provided under subsection
10 (a) of Section 6 of this Act for other health benefit programs
11 under this Act.

12 (e) Insurance rates and premiums. The Director shall
13 determine the insurance rates and premiums for community
14 college benefit recipients and community college dependent
15 beneficiaries. Rates and premiums may be based in part on age
16 and eligibility for federal Medicare coverage. The Director
17 shall also determine premiums that will allow for the
18 establishment of an actuarially sound reserve for this program.

19 The cost of health benefits under the program shall be paid
20 as follows:

21 (1) For a community college benefit recipient, costs
22 shall be an amount equal to the difference between the
23 projected costs of health benefits under the program and
24 projected contributions from community college districts,
25 active contributors, and other income of the program. Other
26 income of the program shall exclude contributions made by

1 the State to retire unpaid claims of the program up to 75%
2 ~~of the total insurance rate shall be paid from the~~
3 ~~Community College Health Insurance Security Fund.~~

4 (2) The balance of the rate of insurance, including the
5 entire premium for any coverage for community college
6 dependent beneficiaries that has been elected, shall be
7 paid by deductions authorized by the community college
8 benefit recipient to be withheld from his or her monthly
9 annuity or benefit payment from the State Universities
10 Retirement System; except that (i) if the balance of the
11 cost of coverage exceeds the amount of the monthly annuity
12 or benefit payment, the difference shall be paid directly
13 to the State Universities Retirement System by the
14 community college benefit recipient, and (ii) all or part
15 of the balance of the cost of coverage may, at the option
16 of the board of trustees of the community college district,
17 be paid to the State Universities Retirement System by the
18 board of the community college district from which the
19 community college benefit recipient retired. The State
20 Universities Retirement System shall promptly deposit all
21 moneys withheld by or paid to it under this subdivision
22 (e)(2) into the Community College Health Insurance
23 Security Fund. These moneys shall not be considered assets
24 of the State Universities Retirement System.

25 (f) Financing. All revenues arising from the
26 administration of the health benefit program established under

1 this Section shall be deposited into the Community College
2 Health Insurance Security Fund, which is hereby created as a
3 nonappropriated trust fund to be held outside the State
4 Treasury, with the State Treasurer as custodian. Any interest
5 earned on moneys in the Community College Health Insurance
6 Security Fund shall be deposited into the Fund.

7 Moneys in the Community College Health Insurance Security
8 Fund shall be used only to pay the costs of the health benefit
9 program established under this Section, including associated
10 administrative costs and the establishment of a program
11 reserve. Beginning January 1, 1999, the Department of Central
12 Management Services may make expenditures from the Community
13 College Health Insurance Security Fund for those costs.

14 (g) Contract for benefits. The Director shall by contract,
15 self-insurance, or otherwise make available the program of
16 health benefits for community college benefit recipients and
17 their community college dependent beneficiaries that is
18 provided for in this Section. The contract or other arrangement
19 for the provision of these health benefits shall be on terms
20 deemed by the Director to be in the best interest of the State
21 of Illinois and the community college benefit recipients based
22 on, but not limited to, such criteria as administrative cost,
23 service capabilities of the carrier or other contractor, and
24 the costs of the benefits.

25 (h) Continuation of program. It is the intention of the
26 General Assembly that the program of health benefits provided

1 under this Section be maintained on an ongoing, affordable
2 basis. The program of health benefits provided under this
3 Section may be amended by the State and is not intended to be a
4 pension or retirement benefit subject to protection under
5 Article XIII, Section 5 of the Illinois Constitution.

6 (i) Other health benefit plans. A health benefit plan
7 provided by a community college district (other than a
8 community college district subject to Article VII of the Public
9 Community College Act) under the terms of a collective
10 bargaining agreement in effect on or prior to the effective
11 date of this amendatory Act of 1997 shall continue in force
12 according to the terms of that agreement, unless otherwise
13 mutually agreed by the parties to that agreement and the
14 affected retiree. A community college benefit recipient or
15 community college dependent beneficiary whose coverage under
16 such a plan expires shall be eligible to begin participating in
17 the program established under this Section without any
18 interruption or delay in coverage or limitation as to
19 pre-existing medical conditions.

20 This Act does not prohibit any community college district
21 from offering additional health benefits for its retirees or
22 their dependents or survivors.

23 (Source: P.A. 90-497, eff. 8-18-97; 90-655, eff. 7-30-98.)

24 (5 ILCS 375/6.10)

25 Sec. 6.10. Contributions to the Community College Health

1 Insurance Security Fund.

2 (a) Beginning January 1, 1999, every active contributor of
3 the State Universities Retirement System (established under
4 Article 15 of the Illinois Pension Code) who (1) is a full-time
5 employee of a community college district (other than a
6 community college district subject to Article VII of the Public
7 Community College Act) or an association of community college
8 boards and (2) is not an employee as defined in Section 3 of
9 this Act shall make contributions toward the cost of community
10 college annuitant and survivor health benefits at the rate of
11 0.50% of salary. Beginning July 1, 2012 and until July 1, 2013,
12 the contribution rate under this subsection (a) shall be 1.25%
13 of salary. Beginning July 1, 2013, the contribution rate under
14 this subsection (a) shall be a percentage of salary determined
15 by the Department of Central Management Services, or its
16 successor, by rule, which in each fiscal year shall not exceed
17 108% of the percentage of salary actually required to be
18 contributed in the previous fiscal year. However, the required
19 contribution rate determined by the Department or its successor
20 under this subsection (a) shall equal the required contribution
21 rate determined by the Department or its successor under
22 subsection (b) of this Section.

23 These contributions shall be deducted by the employer and
24 paid to the State Universities Retirement System as service
25 agent for the Department of Central Management Services. The
26 System may use the same processes for collecting the

1 contributions required by this subsection that it uses to
2 collect the contributions received from those employees under
3 Section 15-157 of the Illinois Pension Code. An employer may
4 agree to pick up or pay the contributions required under this
5 subsection on behalf of the employee; such contributions shall
6 be deemed to have been paid by the employee.

7 The State Universities Retirement System shall promptly
8 deposit all moneys collected under this subsection (a) into the
9 Community College Health Insurance Security Fund created in
10 Section 6.9 of this Act. The moneys collected under this
11 Section shall be used only for the purposes authorized in
12 Section 6.9 of this Act and shall not be considered to be
13 assets of the State Universities Retirement System.
14 Contributions made under this Section are not transferable to
15 other pension funds or retirement systems and are not
16 refundable upon termination of service.

17 (b) Beginning January 1, 1999, every community college
18 district (other than a community college district subject to
19 Article VII of the Public Community College Act) or association
20 of community college boards that is an employer under the State
21 Universities Retirement System shall contribute toward the
22 cost of the community college health benefits provided under
23 Section 6.9 of this Act an amount equal to 0.50% of the salary
24 paid to its full-time employees who participate in the State
25 Universities Retirement System and are not members as defined
26 in Section 3 of this Act. Beginning July 1, 2012 and until July

1 1, 2013, the contribution rate under this subsection (b) shall
2 be 1.25% of salary. Beginning July 1, 2013, the contribution
3 rate under this subsection (b) shall be a percentage of salary
4 determined by the Department of Central Management Services, or
5 its successor, by rule, which in each fiscal year shall not
6 exceed 108% of the percentage of salary actually required to be
7 contributed in the previous fiscal year. However, the required
8 contribution rate determined by the Department or its successor
9 under this subsection (b) shall equal the required contribution
10 rate determined by the Department or its successor under
11 subsection (a) of this Section.

12 These contributions shall be paid by the employer to the
13 State Universities Retirement System as service agent for the
14 Department of Central Management Services. The System may use
15 the same processes for collecting the contributions required by
16 this subsection that it uses to collect the contributions
17 received from those employers under Section 15-155 of the
18 Illinois Pension Code.

19 The State Universities Retirement System shall promptly
20 deposit all moneys collected under this subsection (b) into the
21 Community College Health Insurance Security Fund created in
22 Section 6.9 of this Act. The moneys collected under this
23 Section shall be used only for the purposes authorized in
24 Section 6.9 of this Act and shall not be considered to be
25 assets of the State Universities Retirement System.
26 Contributions made under this Section are not transferable to

1 other pension funds or retirement systems and are not
2 refundable upon termination of service.

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

25 (c) On or before November 15 of each year but not after
26 November 15, 2011, the Board of Trustees of the State

1 Universities Retirement System shall certify to the Governor,
2 the Director of Central Management Services, and the State
3 Comptroller its estimate of the total amount of contributions
4 to be paid under subsection (a) of this Section for the next
5 fiscal year. Beginning in fiscal year 2008, the amount
6 certified shall be decreased or increased each year by the
7 amount that the actual active employee contributions either
8 fell short of or exceeded the estimate used by the Board in
9 making the certification for the previous fiscal year. The
10 State Universities Retirement System shall calculate the
11 amount of actual active employee contributions in fiscal years
12 1999 through 2005. Based upon this calculation, the fiscal year
13 2008 certification shall include an amount equal to the
14 cumulative amount that the actual active employee
15 contributions either fell short of or exceeded the estimate
16 used by the Board in making the certification for those fiscal
17 years. The certification shall include a detailed explanation
18 of the methods and information that the Board relied upon in
19 preparing its estimate. As soon as possible after the effective
20 date of this Section, the Board shall submit its estimate for
21 fiscal year 1999.

22 (d) Beginning in fiscal year 1999, on the first day of each
23 month, or as soon thereafter as may be practical, the State
24 Treasurer and the State Comptroller shall transfer from the
25 General Revenue Fund to the Community College Health Insurance
26 Security Fund 1/12 of the annual amount appropriated for that

1 fiscal year to the State Comptroller for deposit into the
2 Community College Health Insurance Security Fund under Section
3 1.4 of the State Pension Funds Continuing Appropriation Act.

4 (e) Except where otherwise specified in this Section, the
5 definitions that apply to Article 15 of the Illinois Pension
6 Code apply to this Section.

7 (Source: P.A. 94-839, eff. 6-6-06; 95-632, eff. 9-25-07.)

8 (5 ILCS 375/6.10A new)

9 Sec. 6.10A. City colleges; optional participation in
10 program of health benefits. Notwithstanding any other
11 provision of this Act, the Department of Central Management
12 Services shall adopt rules authorizing optional participation
13 in the program of health benefits for community college benefit
14 recipients and community college dependent beneficiaries by
15 any person who is otherwise ineligible to participate in that
16 program solely as a result of that or another person's
17 employment with a community college district subject to Article
18 VII of the Public Community College Act.

19 (5 ILCS 375/6.16 new)

20 Sec. 6.16. Health benefit election for Tier I employees and
21 Tier I retirees.

22 (a) For purposes of this Section:

23 "Eligible Tier I employee" means an individual who makes or
24 is deemed to have made an election under paragraph (1) of

1 subsection (a) of Section 2-110.3, 14-106.5, 15-134.6, or
2 16-131.7 of the Illinois Pension Code.

3 "Eligible Tier I retiree" means an individual who makes or
4 is deemed to have made an election under paragraph (1) of
5 subsection (a-5) of Section 2-110.3, 14-106.5, 15-134.6, or
6 16-131.7 of the Illinois Pension Code.

7 "Program of health benefits" means (i) a health plan, as
8 defined in subsection (o) of Section 3 of this Act, that is
9 designed and contracted for by the Director under this Act or
10 any successor Act or (ii) if administration of that health plan
11 is transferred to a trust established by the State or an
12 independent Board in order to provide health benefits to a
13 class of a persons that includes eligible Tier I retirees, then
14 the plan of health benefits provided through that trust.

15 For persons who receive healthcare benefits under a
16 collective bargaining agreement with a community college
17 district subject to Article VII of the Public Community College
18 Act, the term "program of health benefits" also includes any
19 health benefit arrangement provided under such a collective
20 bargaining agreement, except that if such an agreement expires
21 and if those persons are otherwise eligible to participate in a
22 program of health benefits pursuant to item (i) or (ii), then
23 "program of health benefits" does not include the health
24 benefit arrangements provided under such a collective
25 bargaining agreement.

26 For persons who are eligible to receive benefits under a

1 health plan made available by a community college district
2 subject to Article VII of the Public Community College Act and
3 who do not receive those benefits pursuant to a collective
4 bargaining agreement, "program of health benefits" also
5 includes the health plan made available to such persons by the
6 community college district, except that if those persons
7 otherwise become eligible to participate in a program of health
8 benefits pursuant to item (i) or (ii), then "program of health
9 benefits" does not include the health plan made available to
10 such persons by the community college district.

11 (b) As adequate and legal consideration for making the
12 election under paragraph (1) of subsection (a) or (a-5) of
13 Section 2-110.3, 14-106.5, 15-134.6, or 16-131.7 of the
14 Illinois Pension Code, each eligible Tier I employee and each
15 eligible Tier I retiree shall receive a vested and enforceable
16 contractual right to participate in a program of health
17 benefits while he or she qualifies as an annuitant or retired
18 employee, or as a TRS benefit recipient or community college
19 benefit recipient receiving a retirement annuity. That right
20 also extends to such a person's dependents, survivors, TRS
21 dependent beneficiaries, and community college dependent
22 beneficiaries who are eligible under the applicable program of
23 health benefits.

24 (c) Notwithstanding subsection (b), eligible Tier I
25 employees and eligible Tier I retirees may be required to make
26 contributions toward the cost of coverage under a program of

1 health benefits.

2 (d) The vested and enforceable contractual right to a
3 program of health benefits is not offered as, and shall not be
4 considered, a pension benefit under Article XIII, Section 5 of
5 the Illinois Constitution, the Illinois Pension Code, or any
6 subsequent or successor enactment providing pension benefits.

7 (e) Notwithstanding any other provision of this Act, a Tier
8 I employee or Tier I retiree who has made an election under
9 paragraph (2) of subsection (a) or (a-5) of Section 2-110.3,
10 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code
11 shall not be entitled to participate in the program of health
12 benefits as an annuitant or retired employee, or as a TRS
13 benefit recipient or community college benefit recipient
14 receiving a retirement annuity, regardless of any contrary
15 election pursuant to any of those Sections under any other
16 retirement system.

17 Notwithstanding any other provision of this Act, a Tier I
18 employee who is not entitled to participate in the program of
19 health benefits as an annuitant or retired employee, or as a
20 TRS benefit recipient or community college benefit recipient
21 receiving a retirement annuity, due to an election under
22 paragraph (2) of subsection (a) or (a-5) of Section 2-110.3,
23 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code
24 shall not be required to make contributions toward the program
25 of health benefits while he or she is an employee or active
26 contributor. However, an active employee may be required to

1 make contributions toward the health benefits he or she
2 receives during active employment.

3 (f) The Department shall coordinate with each retirement
4 system administering an election in accordance with this
5 amendatory Act of the 97th General Assembly to provide
6 information concerning the impact of the election of health
7 benefits. Each System shall include information prepared by the
8 Department in the required election packet. The Department
9 shall make information available to Tier I employees and Tier I
10 retirees through video materials, group presentations,
11 consultation by telephone or other electronic means, or any
12 combination of these methods.

13 Section 15. The Governor's Office of Management and Budget
14 Act is amended by changing Sections 7 and 8 as follows:

15 (20 ILCS 3005/7) (from Ch. 127, par. 417)

16 Sec. 7. All statements and estimates of expenditures
17 submitted to the Office in connection with the preparation of a
18 State budget, and any other estimates of expenditures,
19 supporting requests for appropriations, shall be formulated
20 according to the various functions and activities for which the
21 respective department, office or institution of the State
22 government (including the elective officers in the executive
23 department and including the University of Illinois and the
24 judicial department) is responsible. All such statements and

1 estimates of expenditures relating to a particular function or
2 activity shall be further formulated or subject to analysis in
3 accordance with the following classification of objects:

4 (1) Personal services

5 (2) State contribution for employee group insurance

6 (3) Contractual services

7 (4) Travel

8 (5) Commodities

9 (6) Equipment

10 (7) Permanent improvements

11 (8) Land

12 (9) Electronic Data Processing

13 (10) Telecommunication services

14 (11) Operation of Automotive Equipment

15 (12) Contingencies

16 (13) Reserve

17 (14) Interest

18 (15) Awards and Grants

19 (16) Debt Retirement

20 (17) Non-cost Charges-

21 (18) State retirement contribution for annual normal cost

22 (19) State retirement contribution for unfunded accrued
23 liability.

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

25 (20 ILCS 3005/8) (from Ch. 127, par. 418)

1 Sec. 8. When used in connection with a State budget or
2 expenditure or estimate, items (1) through (16) in the
3 classification of objects stated in Section 7 shall have the
4 meanings ascribed to those items in Sections 14 through 24.7,
5 respectively, of the State Finance Act. ~~"An Act in relation to
6 State finance", approved June 10, 1919, as amended.~~

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

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

13 Section 20. The Illinois State Auditing Act is amended by
14 adding Section 2-8.1 as follows:

15 (30 ILCS 5/2-8.1 new)

16 Sec. 2-8.1. Actuarial Responsibilities.

17 (a) The Auditor General shall contract with or hire an
18 actuary to serve as the State Actuary. The State Actuary shall
19 be retained by, serve at the pleasure of, and be under the
20 supervision of the Auditor General and shall be paid from
21 appropriations to the office of the Auditor General. The State
22 Actuary may be selected by the Auditor General without engaging
23 in a competitive procurement process.

24 (b) The State Actuary shall:

1 (1) review assumptions and valuations prepared by
2 actuaries retained by the boards of trustees of the
3 State-funded retirement systems;

4 (2) issue preliminary reports to the boards of trustees
5 of the State-funded retirement systems concerning proposed
6 certifications of required State contributions submitted
7 to the State Actuary by those boards;

8 (3) cooperate with the boards of trustees of the
9 State-funded retirement systems to identify recommended
10 changes in actuarial assumptions that the boards must
11 consider before finalizing their certifications of the
12 required State contributions;

13 (4) conduct reviews of the actuarial practices of the
14 boards of trustees of the State-funded retirement systems;

15 (5) make additional reports as directed by joint
16 resolution of the General Assembly; and

17 (6) perform any other duties assigned by the Auditor
18 General, including, but not limited to, reviews of the
19 actuarial practices of other entities.

20 (c) On or before January 1, 2013 and each January 1
21 thereafter, the Auditor General shall submit a written report
22 to the General Assembly and Governor documenting the initial
23 assumptions and valuations prepared by actuaries retained by
24 the boards of trustees of the State-funded retirement systems,
25 any changes recommended by the State Actuary in the actuarial
26 assumptions, and the responses of each board to the State

1 Actuary's recommendations.

2 (d) For the purposes of this Section, "State-funded
3 retirement system" means a retirement system established
4 pursuant to Article 2, 14, 15, 16, or 18 of the Illinois
5 Pension Code.

6 Section 25. The State Finance Act is amended by changing
7 Section 13 and by adding Sections 24.12 and 24.13 as follows:

8 (30 ILCS 105/13) (from Ch. 127, par. 149)

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

11 (1) Personal services;

12 (2) State contribution for employee group insurance;

13 (3) Contractual services;

14 (4) Travel;

15 (5) Commodities;

16 (6) Equipment;

17 (7) Permanent improvements;

18 (8) Land;

19 (9) Electronic Data Processing;

20 (10) Operation of automotive equipment;

21 (11) Telecommunications services;

22 (12) Contingencies;

23 (13) Reserve;

24 (14) Interest;

1 (15) Awards and Grants;

2 (16) Debt Retirement;

3 (17) Non-Cost Charges;

4 (18) State retirement contribution for annual normal cost;

5 (19) State retirement contribution for unfunded accrued
6 liability;

7 (20) ~~(18)~~ Purchase Contract for Real Estate.

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

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

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

19 (30 ILCS 105/24.12 new)

20 Sec. 24.12. "State retirement contribution for annual
21 normal cost" defined. The term "State retirement contribution
22 for annual normal cost" means the portion of the total required
23 State contribution to a retirement system for a fiscal year
24 that represents the State's portion of the System's projected
25 normal cost for that fiscal year, as determined and certified

1 by the board of trustees of the retirement system in
2 conformance with the applicable provisions of the Illinois
3 Pension Code.

4 (30 ILCS 105/24.13 new)

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

11 Section 30. The Illinois Pension Code is amended by
12 changing Sections 1-103.3, 1-160, 2-108, 2-119.1, 2-124,
13 2-134, 7-109, 14-103.10, 14-106, 14-114, 14-131, 14-132,
14 14-133, 14-135.08, 14-152.1, 15-106, 15-107, 15-111, 15-113.2,
15 15-113.6, 15-134.5, 15-136, 15-155, 15-157, 15-158.2, 15-159,
16 15-163, 15-165, 15-198, 16-106, 16-121, 16-127, 16-133.1,
17 16-136.1, 16-152, 16-158, 16-163, 16-165, 16-203, 18-140,
18 20-121, 20-123, 20-124, and 20-125 and by adding Sections
19 1-161, 1-162, 2-105.1, 2-105.2, 2-107.9, 2-110.3, 14-103.40,
20 14-103.41, 14-103.42, 14-106.5, 15-107.1, 15-107.2, 15-111.1,
21 15-134.6, 15-155.1, 15-155.2, 16-106.4, 16-106.5, 16-106.6,
22 16-121.1, 16-131.7, 16-133.6, and 16-158.2 as follows:

23 (40 ILCS 5/1-103.3)

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

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

9 (b) (Blank). ~~The General Assembly declares that a funding~~
10 ~~ratio (the ratio of a retirement system's total assets to its~~
11 ~~total actuarial liabilities) of 90% is an appropriate goal for~~
12 ~~State-funded retirement systems in Illinois, and it finds that~~
13 ~~a funding ratio of 90% is now the generally recognized norm~~
14 ~~throughout the nation for public employee retirement systems~~
15 ~~that are considered to be financially secure and funded in an~~
16 ~~appropriate and responsible manner.~~

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

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

2 (40 ILCS 5/1-160)

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

4 (a) The provisions of this Section apply to a person who,
5 on or after January 1, 2011, first becomes a member or a
6 participant under any reciprocal retirement system or pension
7 fund established under this Code, other than a retirement
8 system or pension fund established under Article 2, 3, 4, 5, 6,
9 or 18 of this Code, notwithstanding any other provision of this
10 Code to the contrary, but do not apply (i) to any self-managed
11 plan established under this Code, (ii) to any person with
12 respect to service as a sheriff's law enforcement employee
13 under Article 7, (iii) to any person with respect to service
14 for which the person participates in the cash balance plan
15 established under Section 1-161, or (iv) to any participant of
16 the retirement plan established under Section 22-101.

17 A person subject to this Section with respect to service
18 under the State Universities Retirement System may irrevocably
19 elect to transfer to the cash balance plan under Section 1-161
20 with respect to service under the State Universities Retirement
21 System by filing with the State Universities Retirement System
22 in the manner required by that System, his or her irrevocable
23 written election to transfer to the cash balance plan.
24 Participation in the cash balance plan shall begin no earlier
25 than July 1, 2013.

1 A person subject to this Section with respect to service
2 under the Teachers' Retirement System of the State of Illinois
3 may irrevocably elect to transfer to the cash balance plan
4 under Section 1-161 with respect to service under the Teachers'
5 Retirement System of the State of Illinois by filing with the
6 Teachers' Retirement System of the State of Illinois in the
7 manner required by that System, his or her irrevocable written
8 election to transfer to the cash balance plan. Participation in
9 the cash balance plan shall begin no earlier than July 1, 2013.

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

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

24 (2) In Articles 8, 9, 10, 11, and 12, "highest average
25 annual salary for any 4 consecutive years within the last
26 10 years of service immediately preceding the date of

1 withdrawal".

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

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

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

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

7 (b-5) Beginning on January 1, 2011, for all purposes under
8 this Code (including without limitation the calculation of
9 benefits and employee contributions), the annual earnings,
10 salary, or wages (based on the plan year) of a member or
11 participant to whom this Section applies shall not exceed
12 \$106,800; however, that amount shall annually thereafter be
13 increased by the lesser of (i) 3% of that amount, including all
14 previous adjustments, or (ii) one-half the annual unadjusted
15 percentage increase (but not less than zero) in the consumer
16 price index-u for the 12 months ending with the September
17 preceding each November 1, including all previous adjustments.

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

1 (c) A member or participant is entitled to a retirement
2 annuity upon written application if he or she has attained age
3 67 and has at least 10 years of service credit and is otherwise
4 eligible under the requirements of the applicable Article.

5 A member or participant who has attained age 62 and has at
6 least 10 years of service credit and is otherwise eligible
7 under the requirements of the applicable Article may elect to
8 receive the lower retirement annuity provided in subsection (d)
9 of this Section.

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

14 (e) Any retirement annuity or supplemental annuity shall be
15 subject to annual increases on the January 1 occurring either
16 on or after the attainment of age 67 or the first anniversary
17 of the annuity start date, whichever is later. Each annual
18 increase shall be calculated at 3% or one-half the annual
19 unadjusted percentage increase (but not less than zero) in the
20 consumer price index-u for the 12 months ending with the
21 September preceding each November 1, whichever is less, of the
22 originally granted retirement annuity. If the annual
23 unadjusted percentage change in the consumer price index-u for
24 the 12 months ending with the September preceding each November
25 1 is zero or there is a decrease, then the annuity shall not be
26 increased.

1 (f) The initial survivor's or widow's annuity of an
2 otherwise eligible survivor or widow of a retired member or
3 participant who first became a member or participant on or
4 after January 1, 2011 shall be in the amount of 66 2/3% of the
5 retired member's or participant's retirement annuity at the
6 date of death. In the case of the death of a member or
7 participant who has not retired and who first became a member
8 or participant on or after January 1, 2011, eligibility for a
9 survivor's or widow's annuity shall be determined by the
10 applicable Article of this Code. The initial benefit shall be
11 66 2/3% of the earned annuity without a reduction due to age. A
12 child's annuity of an otherwise eligible child shall be in the
13 amount prescribed under each Article if applicable. Any
14 survivor's or widow's annuity shall be increased (1) on each
15 January 1 occurring on or after the commencement of the annuity
16 if the deceased member died while receiving a retirement
17 annuity or (2) in other cases, on each January 1 occurring
18 after the first anniversary of the commencement of the annuity.
19 Each annual increase shall be calculated at 3% or one-half the
20 annual unadjusted percentage increase (but not less than zero)
21 in the consumer price index-u for the 12 months ending with the
22 September preceding each November 1, whichever is less, of the
23 originally granted survivor's annuity. If the annual
24 unadjusted percentage change in the consumer price index-u for
25 the 12 months ending with the September preceding each November
26 1 is zero or there is a decrease, then the annuity shall not be

1 increased.

2 (g) The benefits in Section 14-110 apply only if the person
3 is a State policeman, a fire fighter in the fire protection
4 service of a department, or a security employee of the
5 Department of Corrections or the Department of Juvenile
6 Justice, as those terms are defined in subsection (c) ~~(b)~~ of
7 Section 14-110. A person who meets the requirements of this
8 Section is entitled to an annuity calculated under the
9 provisions of Section 14-110, in lieu of the regular or minimum
10 retirement annuity, only if the person has withdrawn from
11 service with not less than 20 years of eligible creditable
12 service and has attained age 60, regardless of whether the
13 attainment of age 60 occurs while the person is still in
14 service.

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

1 recalculated if recalculation is provided for under the
2 applicable Article of this Code.

3 If a person who first becomes a member of a retirement
4 system or pension fund subject to this Section on or after
5 January 1, 2012 and is receiving a retirement annuity or
6 retirement pension under that system or fund ~~and~~ accepts on a
7 contractual basis a position to provide services to a
8 governmental entity from which he or she has retired, then that
9 person's annuity or retirement pension earned as an active
10 employee of the employer shall be suspended during that
11 contractual service. A person receiving an annuity or
12 retirement pension under this Code shall notify the pension
13 fund or retirement system from which he or she is receiving an
14 annuity or retirement pension, as well as his or her
15 contractual employer, of his or her retirement status before
16 accepting contractual employment. A person who fails to submit
17 such notification shall be guilty of a Class A misdemeanor and
18 required to pay a fine of \$1,000. Upon termination of that
19 contractual employment, the person's retirement annuity or
20 retirement pension payments shall resume and, if appropriate,
21 be recalculated under the applicable provisions of this Code.

22 (i) Notwithstanding any other provision of this Section, a
23 person who first becomes a participant of the retirement system
24 established under Article 15 on or after January 1, 2011 shall
25 have the option to enroll in the self-managed plan created
26 under Section 15-158.2 of this Code.

1 (j) In the case of a conflict between the provisions of
2 this Section and any other provision of this Code, the
3 provisions of this Section shall control.

4 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;
5 97-609, eff. 1-1-12.)

6 (40 ILCS 5/1-161 new)

7 Sec. 1-161. Cash Balance Plan.

8 (a) Participation and Applicability. This Section applies
9 to all new cash balance plan participants and all legacy Tier
10 II participants.

11 This Section does not, however, apply to any person with
12 respect to service for which the person participates in the
13 self-managed plan established under Section 15-158.2 in lieu of
14 the retirement benefits otherwise provided by the State
15 Universities Retirement System.

16 (b) Title. The package of benefits provided under this
17 Section may be referred to as the "cash balance plan". Persons
18 subject to the provisions of this Section may be referred to as
19 "participants in the cash balance plan".

20 (b-5) Definitions. As used in this Section:

21 "Account" means the notional cash balance account
22 established under this Section for a participant in the cash
23 balance plan.

24 "Consumer Price Index-U" means the Consumer Price Index
25 published by the Bureau of Labor Statistics of the United

1 States Department of Labor that measures the average change in
2 prices of goods and services purchased by all urban consumers,
3 United States city average, all items, 1982-84 = 100.

4 "Salary" means "earnings" as defined in Article 15 or
5 "salary" as defined in Article 16, whichever is applicable,
6 without regard to the limitation in subsection (b-5) of Section
7 1-160.

8 "Legacy Tier II participant" means a person who was subject
9 to Section 1-160 with respect to service under Article 15 or 16
10 of this Code and who irrevocably elects to participate in the
11 cash balance plan created under this Section. That election
12 must be made in writing, in the manner provided by the
13 applicable retirement system.

14 "New cash balance plan participant" means a person who, on
15 or after July 1, 2013, first begins to participate in the
16 retirement system established under Article 15 or 16 of this
17 Code.

18 (c) Cash Balance Account. A notional cash balance account
19 shall be established by the applicable retirement system for
20 each participant in the cash balance plan. The account is
21 notional and does not contain any actual money segregated from
22 the commingled assets of the retirement system. The cash
23 balance in the account is to be used in calculating benefits as
24 provided in this Section, but is not to be used in the
25 calculation of any refund, transfer, or other benefit under the
26 applicable Article of this Code.

1 The amounts to be credited to the cash balance account
2 shall consist of (i) amounts contributed by or on behalf of the
3 participant as employee contributions, (ii) notional employer
4 contributions, and (iii) interest credit that is attributable
5 to the account, all as provided in this Section.

6 Whenever necessary for the prompt calculation or
7 administration, or when the System lacks information necessary
8 to the calculation or administration otherwise required of or
9 for a benefit under this Section, the applicable retirement
10 system may estimate an amount to be credited to or debited from
11 a participant's cash balance account and then adjust the amount
12 so credited or debited when more accurate information becomes
13 available.

14 The applicable retirement system shall give to each
15 participant in the cash balance plan who has not yet retired
16 annual notice of (1) the balance in the participant's cash
17 balance account and (2) an estimate of the retirement annuity
18 that will be payable to the participant if he or she retires at
19 age 59 1/2.

20 (c-5) Initial Account Balance for Legacy Tier II
21 Participants. The applicable retirement system shall establish
22 an initial account balance for each legacy Tier II participant
23 when he or she begins participation in the cash balance plan.
24 The initial account balance shall be an amount equal to the
25 employee contribution refund that the participant would be
26 eligible to receive under the applicable Article of this Code

1 if the participant terminated employment on that date and
2 elected a refund of contributions, as prescribed by the board
3 of the applicable retirement system.

4 (d) Employee Contributions. New cash balance plan
5 participants and legacy Tier II participants shall make
6 employee contributions to the applicable retirement system at
7 the rates required under the applicable Article of this Code.
8 The amount of each contribution shall be credited to the
9 participant's cash balance account upon receipt and after the
10 retirement system's reconciliation of the contribution.

11 (e) Notional Employer Contributions. Upon receipt of each
12 employee contribution under subsection (d), an amount
13 representing the employer contribution shall be credited to the
14 participant's cash balance account. For a participant in the
15 cash balance plan under Article 15, the notional employer
16 contribution shall be 4.4% of salary. For a participant in the
17 cash balance plan under Article 16, the notional employer
18 contribution shall be 3.4% of salary.

19 The notional employer contribution to be credited to the
20 participant's account is not the same as the actual employer
21 contributions required under subsection (p) and the provisions
22 of the applicable Article of this Code.

23 (e-1) Optional Employer Contributions. Employers may make
24 optional additional contributions to the applicable retirement
25 system on behalf of their employees who are participants in the
26 cash balance plan in accordance with procedures prescribed by

1 the retirement system, to the extent permitted by federal law
2 and the rules prescribed by the retirement system. The optional
3 additional contributions under this subsection are actual
4 monetary contributions to the retirement system, and the amount
5 of each optional additional contribution shall be credited to
6 the participant's cash balance account upon receipt and after
7 the retirement system's reconciliation of the contribution.

8 (f) Interest Credit. An amount representing earnings on
9 investments shall be determined by the retirement system in
10 accordance with this Section and credited to the participant's
11 cash balance account for each fiscal year in which there is a
12 positive balance in that account; except that no additional
13 interest credit shall be credited while an annuity based on the
14 account is being paid. The interest credit amount shall be a
15 percentage of the average quarterly balance in the cash balance
16 account during that fiscal year, and shall be calculated on
17 June 30.

18 The percentage shall be the assumed treasury rate for the
19 previous fiscal year, unless neither the retirement system's
20 actual rate of investment earnings for the previous fiscal year
21 nor the retirement system's actual rate of investment earnings
22 for the five-year period ending at the end of the previous
23 fiscal year is less than the assumed treasury rate.

24 If both the retirement system's actual rate of investment
25 earnings for the previous fiscal year and the actual rate of
26 investment earnings for the five-year period ending at the end

1 of the previous fiscal year are at least the assumed treasury
2 rate, then the percentage shall be:

3 (i) the assumed treasury rate, plus

4 (ii) two-thirds of the amount of the actual rate of
5 investment earnings for the previous fiscal year that
6 exceeds the assumed treasury rate.

7 However, in no event shall the percentage applied under this
8 subsection exceed 10%.

9 For the purposes of this subsection only, "previous fiscal
10 year" means fiscal year ending one year before the interest
11 rate is calculated.

12 For the purposes of this subsection only, "assumed treasury
13 rate" means the average annual yield of the 30-year U.S.
14 Treasury Bond over the previous fiscal year, but not less than
15 4%.

16 When a person applies for a benefit under this Section, the
17 retirement system shall apply an interest credit based on a
18 proration of an estimate of what the interest credit will be
19 for the relevant year. When the retirement system certifies the
20 credit on June 30, it shall adjust the benefit accordingly.

21 (f-10) Distribution upon Termination of Employment. Upon
22 termination of active employment with at least 5 years of
23 service credit under the applicable retirement system and prior
24 to making application for an annuity under this Section, a
25 participant in the cash balance plan may make an irrevocable
26 election to distribute an amount not to exceed 40% of the

1 balance in the participant's account in the form of a direct
2 rollover to another qualified plan, to the extent allowed by
3 federal law. If the participant makes such an election, then
4 the amount distributed shall be debited from the participant's
5 cash balance account. A participant in the cash balance plan
6 shall be allowed only one distribution under this subsection.
7 The remaining balance in the participant's account shall be
8 used for the determination of other benefits provided under
9 this Section.

10 (f-15) Refund. In lieu of receiving a distribution under
11 subsection (f-10), at any time after terminating active
12 employment under the applicable retirement system, but before
13 receiving a retirement annuity under this Section, a
14 participant in the cash balance plan may elect to receive a
15 refund under this subsection. The refund shall consist of an
16 amount equal to the amount of all employee contributions
17 credited to the participant's account, but shall not include
18 any interest credit or employer contributions. If the
19 participant so requests, the refund may be paid in the form of
20 a direct rollover to another qualified plan, to the extent
21 allowed by federal law and in accordance with the rules of the
22 applicable retirement system. Upon payment of the refund, the
23 participant's notional cash balance account shall be closed.

24 The participant's credits in the applicable retirement
25 system shall be terminated upon payment of a refund under this
26 subsection.

1 (g) Retirement Annuity. A participant in the cash balance
2 plan may begin collecting a retirement annuity at age 59 1/2,
3 but no earlier than the date of termination of active
4 employment under the applicable retirement system.

5 The amount of the retirement annuity shall be calculated by
6 the retirement system, based on the balance in the cash balance
7 account, the assumption of future investment returns as
8 specified in this subsection, the participant's election to
9 have a lifetime survivor's annuity as specified in this
10 subsection, the annual increase in retirement annuity as
11 specified in subsection (h), the annual increase in survivor's
12 annuity as specified in subsection (l), and any actuarial
13 assumptions and tables adopted by the board of the retirement
14 system for this purpose. The calculation shall determine the
15 amount of retirement annuity, on an actuarially equivalent
16 basis, that shall be designed to result in the balance in the
17 participant's account arriving at zero on the date when the
18 last payment of the retirement annuity (or survivor's annuity,
19 if the participant elects to provide for a survivor's annuity
20 pursuant to this subsection) is anticipated to be paid under
21 the relevant actuarial assumptions. A retirement annuity or a
22 survivor's annuity provided under this Section shall be a life
23 annuity and shall not expire if the account balance equals
24 zero.

25 The annuity payment shall begin on the date specified by
26 the participant submitting a written application, which date

1 shall not be prior to termination of employment or more than
2 one year before the application is received by the board;
3 however, if the participant is not an employee of an employer
4 participating in this System or in a participating system as
5 defined in Article 20 of this Code on April 1 of the calendar
6 year next following the calendar year in which the participant
7 attains age 70 1/2, the annuity payment period shall begin on
8 that date regardless of whether an application has been filed.

9 The participant may elect, under the participant's written
10 application for retirement, to receive a reduced annuity
11 payable for his or her life and to have a lifetime survivor's
12 annuity in a monthly amount equal to 50%, 75%, or 100% of that
13 reduced monthly amount, to be paid after the participant's
14 death to his or her eligible survivor. Eligibility for a
15 survivor's annuity shall be determined under the applicable
16 Article of this Code.

17 For the purpose of calculating retirement annuities,
18 future investment returns shall be assumed to be a percentage
19 equal to the average yield of the 30-year U.S. Treasury Bond
20 over the 5 fiscal years prior to the calculation of the initial
21 retirement annuity, plus 250 basis points; but not less than 4%
22 nor more than 8%.

23 (h) Annual Increase in Retirement Annuity. The retirement
24 annuity shall be subject to an automatic annual increase in an
25 amount equal to 3% of the originally granted annuity on each
26 January 1 occurring on or after the first anniversary of the

1 annuity start date.

2 (i) Disability Benefits. The disability benefits provided
3 under the applicable retirement system apply to new cash
4 balance plan participants and legacy Tier II participants in
5 the cash balance plan, subject to and in accordance with the
6 eligibility and other provisions of the applicable Article.

7 Retirement due to disability under Section 15-153.2 or
8 16-149.2 shall be deemed a disability benefit for the purposes
9 of this Section and shall apply to new cash balance plan
10 participants and legacy Tier II participants.

11 The board of the retirement system shall designate
12 annually, as a percentage of salary, an amount representing the
13 anticipated average cost of providing disability benefits for
14 new cash balance plan participants and legacy Tier II
15 participants. The amount so designated shall not exceed 1% of
16 the cash balance plan participant's salary and shall be
17 deducted annually from the account of each new cash balance
18 plan participant and each legacy Tier II participant.

19 (j) Return to Service. Upon a return to service under the
20 same retirement system after beginning to receive a retirement
21 annuity under the cash balance plan, the retirement annuity
22 shall be suspended and active participation in the cash balance
23 plan shall resume. Upon termination of the employment, the
24 retirement annuity shall resume in an amount to be recalculated
25 in accordance with subsection (g), taking into effect the
26 changes in the cash balance account. If a retired annuitant

1 returns to service, his or her notional cash balance account
2 shall be decreased by each payment of retirement annuity prior
3 to the return to service.

4 (k) Survivor's Annuity - Death before Retirement. In the
5 case of the death of a new cash balance plan participant or
6 legacy Tier II participant who had less than 5 years of service
7 under the applicable Article and had not begun receiving a
8 retirement annuity, the eligible survivor shall be entitled
9 only to a refund of employee contributions under subsection
10 (f-15).

11 In the case of the death of a new cash balance plan
12 participant or legacy Tier II participant who had at least 5
13 years of service under the applicable Article and had not begun
14 receiving a retirement annuity, the eligible survivor shall be
15 entitled to receive a survivor's annuity beginning at age 59
16 1/2 upon written application. The survivor's annuity shall be
17 calculated in the same manner as a retirement annuity under
18 subsection (g). At any time before receiving a survivor's
19 annuity, the eligible survivor may claim a distribution under
20 subsection (f-10) or a refund under subsection (f-15). The
21 deceased participant's account shall continue to receive
22 interest credit until the eligible survivor begins to receive a
23 survivor's annuity or receives a refund of employee
24 contributions under subsection (f-15).

25 Eligibility for a survivor's annuity shall be determined
26 under the applicable Article of this Code. A child's or

1 parent's annuity for an otherwise eligible child or dependent
2 parent shall be in the same amount, if any, prescribed under
3 the applicable Article.

4 (l) Annual Increase in Survivor's Annuity. A survivor's
5 annuity granted under subsection (g) or (k) shall be subject to
6 an automatic annual increase in an amount equal to 3% of the
7 originally granted annuity on each January 1 occurring on or
8 after the first anniversary of the annuity start date.

9 (m) Applicability of Provisions. The following provisions,
10 if and as they exist in this Code, do not apply to participants
11 in the cash balance plan with respect to participation in the
12 cash balance plan, except as they are specifically provided for
13 in this Section:

14 (1) minimum service or vesting requirements (other
15 than as provided in this Section);

16 (2) provisions limiting a retirement annuity to a
17 specified percentage of salary;

18 (3) provisions authorizing a minimum retirement or
19 survivor's annuity or a supplemental annuity;

20 (4) provisions authorizing any form of retirement
21 annuity or survivor's annuity not authorized under this
22 Section;

23 (5) provisions authorizing a reversionary annuity
24 (other than a survivor's annuity under subsection (g));

25 (6) provisions authorizing a refund of employee
26 contributions upon termination of service (except as

1 provided in this Section) or any lump-sum payout in lieu of
2 a retirement or survivor's annuity (other than the
3 distribution under subsection (f-10) or the refund under
4 subsection (f-15) of this Section;

5 (7) provisions authorizing optional service credits or
6 the payment of optional additional contributions (other
7 than the optional employer contributions specifically
8 authorized in subsection (e-1)); or

9 (8) a level income option.

10 The Retirement Systems Reciprocal Act applies to
11 participants in the cash balance plan who qualify under Article
12 20 of this Code, but it does not affect the calculation of
13 benefits payable under this Section.

14 The other provisions of this Code continue to apply to
15 participants in the cash balance plan, to the extent that they
16 do not conflict with this Section. In the case of a conflict
17 between the provisions of this Section and any other provision
18 of this Code, the provisions of this Section control.

19 (n) Rules. The Board of Trustees of the applicable
20 retirement system may adopt rules and procedures for the
21 implementation of this Section, including but not limited to
22 determinations of how to integrate the administration of this
23 Section with the requirements of the applicable Article and any
24 other applicable provisions of this Code.

25 (o) Public Pension Division. The Public Pension Division of
26 the Department of Insurance shall determine in October of each

1 year the annual unadjusted percentage increase (but not less
2 than zero) in the Consumer Price Index-U for the 12 months
3 ending with the preceding September. The Division shall certify
4 its determination to the Board of Trustees of the State
5 Universities Retirement System by November 1 of each year.

6 (p) Actual Employer Contributions. Payment of employer
7 contributions with respect to participants in the cash balance
8 plan shall be the responsibility of the actual employer. These
9 contributions shall be determined under and paid in accordance
10 with the provisions of Sections 15-155. Optional employer
11 contributions may be paid by employers in any amount, but must
12 be paid in the manner specified by the applicable retirement
13 system.

14 (q) Prospective Modification. The provisions set forth in
15 this Section are subject to prospective changes made by law
16 provided that any such changes shall not apply to any benefits
17 accrued under this Section prior to the effective date of any
18 amendatory Act of the General Assembly.

19 (r) An employee who participates in the cash balance plan
20 under this Section may elect to participate in the optional
21 cash balance plan under Section 1-162.

22 (s) Qualified Plan Status. No provision of this Section
23 shall be interpreted in a way that would cause the applicable
24 retirement system to cease to be a qualified plan under section
25 461 (a) of the Internal Revenue Code of 1986.

1 (40 ILCS 5/1-162 new)

2 Sec. 1-162. Optional cash balance plan.

3 (a) Participation and Applicability. Beginning on July 1,
4 2013, the following persons may elect to participate in the
5 optional cash balance plan created under this Section:

6 (1) any person who participates in the cash balance
7 plan established under Section 1-161; and

8 (2) any Tier I employee who has made the election under
9 paragraph (1) of subsection (a) or (a-5) of Section
10 14-106.5 or paragraph (1) of subsection (a) or (a-5) of
11 Section 15-134.6, or paragraph (1) of subsection (a) or
12 (a-5) of Section 16-131.7.

13 This Section does not, however, apply to any person with
14 respect to service for which the person participates in the
15 self-managed plan established under Section 15-158.2 in lieu of
16 the retirement benefits otherwise provided by the State
17 Universities Retirement System.

18 The Board of Trustees of the applicable retirement system
19 shall promulgate rules to create an annual election wherein a
20 person eligible to participate in the optional cash balance
21 plan may elect to participate, and an active employee who is a
22 participant in the plan may elect to cease active
23 participation. The election to cease active participation
24 shall not disqualify the employee from eligibility to receive
25 an interest credit under subsection (f), a distribution upon
26 termination under subsection (f-10), a refund under subsection

1 (f-15), a retirement annuity under subsection (f-15), a
2 retirement annuity under subsection (g), or a survivor annuity
3 under subsection (k), or from eligibility to resume active
4 participation in the optional cash balance plan in a subsequent
5 year.

6 (b) Title. The package of benefits provided under this
7 Section may be referred to as the "optional cash balance plan".
8 Persons subject to the provisions of this Section may be
9 referred to as "participants in the optional cash balance
10 plan".

11 (b-5) Definitions. As used in this Section:

12 "Account" means the notional cash balance account
13 established under this Section for a participant in the
14 optional cash balance plan.

15 "Consumer Price Index-U" means the Consumer Price Index
16 published by the Bureau of Labor Statistics of the United
17 States Department of Labor that measures the average change in
18 prices of goods and services purchased by all urban consumers,
19 United States city average, all items, 1982-84 = 100.

20 "Salary" means "compensation" as defined in Article 14,
21 "earnings" as defined in Article 15, or "salary" as defined in
22 Article 16, whichever is applicable, without regard to the
23 limitation in subsection (b-5) of Section 1-160.

24 "Tier I employee" means a person who is a Tier I employee
25 under the applicable Article of this Code.

26 (c) Cash Balance Account. A notional cash balance account

1 shall be established by the applicable retirement system for
2 each participant in the optional cash balance plan. The account
3 is notional and does not contain any actual money segregated
4 from the commingled assets of the retirement system. The cash
5 balance in the account is to be used in calculating benefits as
6 provided in this Section, but is not to be used in the
7 calculation of any refund, transfer, or other benefit under the
8 applicable Article of this Code.

9 The amounts to be credited to the cash balance account
10 shall consist of (i) amounts contributed by or on behalf of the
11 participant as employee contributions, (ii) notional employer
12 contributions, and (iii) interest credit that is attributable
13 to the account, all as provided in this Section.

14 Whenever necessary for the prompt calculation or
15 administration, or when the System lacks information necessary
16 to the calculation or administration otherwise required of or
17 for a benefit under this Section, the applicable retirement
18 system may estimate an amount to be credited to or debited from
19 a participant's cash balance account and then adjust the amount
20 so credited or debited when more accurate information becomes
21 available.

22 The applicable retirement system shall give to each
23 participant in the optional cash balance plan who has not yet
24 retired annual notice of (1) the balance in the participant's
25 cash balance account and (2) an estimate of the retirement
26 annuity that will be payable to the participant if he or she

1 retires at age 59 1/2.

2 (d) Employee Contributions. In addition to the other
3 contributions required under the applicable Article, each
4 participant shall make contributions to the applicable
5 retirement system at the rate of 2% of each payment of salary.
6 The amount of each contribution shall be credited to the
7 participant's cash balance account upon receipt and after the
8 retirement system's reconciliation of the contribution.

9 (e) Optional Employer Contributions. Employers may make
10 optional additional contributions to the applicable retirement
11 system on behalf of their employees who are participants in the
12 optional cash balance plan in accordance with procedures
13 prescribed by the retirement system, to the extent permitted by
14 federal law and the rules prescribed by the retirement system.
15 The optional additional contributions under this subsection
16 are actual monetary contributions to the retirement system, and
17 the amount of each optional additional contribution shall be
18 credited to the participant's cash balance account upon receipt
19 and after the retirement system's reconciliation of the
20 contribution.

21 (f) Interest Credit. An amount representing earnings on
22 investments shall be determined by the retirement system in
23 accordance with this Section and credited to the participant's
24 cash balance account for each fiscal year in which there is a
25 positive balance in that account; except that no additional
26 interest credit shall be credited while an annuity based on the

1 account is being paid. The interest credit amount shall be a
2 percentage of the average quarterly balance in the cash balance
3 account during that fiscal year, and shall be calculated on
4 June 30.

5 The percentage shall be the assumed treasury rate for the
6 previous fiscal year, unless neither the retirement system's
7 actual rate of investment earnings for the previous fiscal year
8 nor the retirement system's actual rate of investment earnings
9 for the five-year period ending at the end of the previous
10 fiscal year is less than the assumed treasury rate.

11 If both the retirement system's actual rate of investment
12 earnings for the previous fiscal year and the actual rate of
13 investment earnings for the five-year period ending at the end
14 of the previous fiscal year are at least the assumed treasury
15 rate, then the percentage shall be:

16 (i) the assumed treasury rate, plus

17 (ii) two-thirds of the amount of the actual rate of
18 investment earnings for the previous fiscal year that
19 exceeds the assumed treasury rate.

20 However, in no event shall the percentage applied under this
21 subsection exceed 10%.

22 For the purposes of this subsection only, "previous fiscal
23 year" means fiscal year ending one year before the interest
24 rate is calculated.

25 For the purposes of this subsection only, "assumed treasury
26 rate" means the average annual yield of the 30-year U.S.

1 Treasury Bond over the previous fiscal year, but not less than
2 4%.

3 When a person applies for a benefit under this Section, the
4 retirement system shall apply an interest credit based on a
5 proration of an estimate of what the interest credit will be
6 for the relevant year. When the retirement system certifies the
7 credit on June 30, it shall adjust the benefit accordingly.

8 (f-10) Distribution upon Termination of Employment. Upon
9 termination of active employment with at least 5 years of
10 service credit under the applicable retirement system and prior
11 to making application for an annuity under this Section, a
12 participant in the optional cash balance plan may make an
13 irrevocable election to distribute an amount not to exceed 40%
14 of the balance in the participant's account in the form of a
15 direct rollover to another qualified plan, to the extent
16 allowed by federal law. If the participant makes such an
17 election, then the amount distributed shall be debited from the
18 participant's cash balance account. A participant in the
19 optional cash balance plan shall be allowed only one
20 distribution under this subsection. The remaining balance in
21 the participant's account shall be used for the determination
22 of other benefits provided under this Section.

23 (f-15) Refund. In lieu of receiving a distribution under
24 subsection (f-10), at any time after terminating active
25 employment under the applicable retirement system, but before
26 receiving a retirement annuity under this Section, a

1 participant in the optional cash balance plan may elect to
2 receive a refund under this subsection. The refund shall
3 consist of an amount equal to the amount of all employee
4 contributions credited to the participant's account, but shall
5 not include any interest credit or employer contributions. If
6 the participant so requests, the refund may be paid in the form
7 of a direct rollover to another qualified plan, to the extent
8 allowed by federal law and in accordance with the rules of the
9 applicable retirement system. Upon payment of the refund, the
10 participant's notional cash balance account shall be closed.

11 (g) Retirement Annuity. A participant in the optional cash
12 balance plan may begin collecting a retirement annuity at age
13 59 1/2, but no earlier than the date of termination of active
14 employment under the applicable retirement system.

15 The amount of the retirement annuity shall be calculated by
16 the retirement system, based on the balance in the cash balance
17 account, the assumption of future investment returns as
18 specified in this subsection, the participant's election to
19 have a lifetime survivor's annuity as specified in this
20 subsection, the annual increase in retirement annuity as
21 specified in subsection (h), the annual increase in survivor's
22 annuity as specified in subsection (l), and any actuarial
23 assumptions and tables adopted by the board of the retirement
24 system for this purpose. The calculation shall determine the
25 amount of retirement annuity, on an actuarially equivalent
26 basis, that shall be designed to result in the balance in the

1 participant's account arriving at zero on the date when the
2 last payment of the retirement annuity (or survivor's annuity,
3 if the participant elects to provide for a survivor's annuity
4 pursuant to this subsection) is anticipated to be paid under
5 the relevant actuarial assumptions. A retirement annuity or a
6 survivor's annuity provided under this Section shall be a life
7 annuity and shall not expire if the account balance equals
8 zero.

9 The annuity payment shall begin on the date specified by
10 the participant submitting a written application, which date
11 shall not be prior to termination of employment or more than
12 one year before the application is received by the board;
13 however, if the participant is not an employee of an employer
14 participating in this System or in a participating system as
15 defined in Article 20 of this Code on April 1 of the calendar
16 year next following the calendar year in which the participant
17 attains age 70 1/2, the annuity payment period shall begin on
18 that date regardless of whether an application has been filed.

19 The participant may elect, under the participant's written
20 application for retirement, to receive a reduced annuity
21 payable for his or her life and to have a lifetime survivor's
22 annuity in a monthly amount equal to 50%, 75%, or 100% of that
23 reduced monthly amount, to be paid after the participant's
24 death to his or her eligible survivor. Eligibility for a
25 survivor's annuity shall be determined under the applicable
26 Article of this Code.

1 For the purpose of calculating retirement annuities,
2 future investment returns shall be assumed to be a percentage
3 equal to the average yield of the 30-year U.S. Treasury Bond
4 over the 5 fiscal years prior to the calculation of the initial
5 retirement annuity, plus 250 basis points; but not less than 4%
6 nor more than 8%.

7 (h) Annual Increase in Retirement Annuity. The retirement
8 annuity shall be subject to an automatic annual increase in an
9 amount equal to 3% of the originally granted annuity on each
10 January 1 occurring on or after the first anniversary of the
11 annuity start date.

12 (i) Disability Benefits. There are no disability benefits
13 provided under the optional cash balance plan, and no amounts
14 for disability shall be deducted from the account of a
15 participant in the optional cash balance plan. The disability
16 benefits provided under the applicable retirement system apply
17 to participants in the optional cash balance plan.

18 (j) Return to Service. Upon a return to service under the
19 same retirement system after beginning to receive a retirement
20 annuity under the optional cash balance plan, the retirement
21 annuity shall be suspended and active participation in the
22 optional cash balance plan shall resume. Upon termination of
23 the employment, the retirement annuity shall resume in an
24 amount to be recalculated in accordance with subsection (g),
25 taking into effect the changes in the cash balance account. If
26 a retired annuitant returns to service, his or her notional

1 cash balance account shall be decreased by each payment of
2 retirement annuity prior to the return to service.

3 (k) Survivor's Annuity - Death before Retirement. In the
4 case of a participant in the optional cash balance plan who had
5 less than 5 years of service under the applicable Article and
6 had not begun receiving a retirement annuity, the eligible
7 survivor shall be entitled only to a refund of employee
8 contributions under subsection (f-15).

9 In the case of a participant in the optional cash balance
10 plan who had at least 5 years of service under the applicable
11 Article and had not begun receiving a retirement annuity, the
12 eligible survivor shall be entitled to receive a survivor's
13 annuity beginning at age 59 1/2 upon written application. The
14 survivor's annuity shall be calculated in the same manner as a
15 retirement annuity under subsection (g). At any time before
16 receiving a survivor's annuity, the eligible survivor may claim
17 a distribution under subsection (f-10) or a refund under
18 subsection (f-15). The deceased participant's account shall
19 continue to receive interest credit until the eligible survivor
20 begins to receive a survivor's annuity or receives a refund of
21 employee contributions under subsection (f-15).

22 Eligibility for a survivor's annuity shall be determined
23 under the applicable Article of this Code. A child's or
24 parent's annuity for an otherwise eligible child or dependent
25 parent shall be in the same amount, if any, prescribed under
26 the applicable Article.

1 (l) Annual Increase in Survivor's Annuity. A survivor's
2 annuity granted under subsection (g) or (k) shall be subject to
3 an automatic annual increase in an amount equal to 3% of the
4 originally granted annuity on each January 1 occurring on or
5 after the first anniversary of the annuity start date.

6 (m) Applicability of Provisions. The following provisions,
7 if and as they exist in this Code, do not apply to participants
8 in the optional cash balance plan with respect to participation
9 in the optional cash balance plan, except as they are
10 specifically provided for in this Section:

11 (1) minimum service or vesting requirements (other
12 than as provided in this Section);

13 (2) provisions limiting a retirement annuity to a
14 specified percentage of salary;

15 (3) provisions authorizing a minimum retirement or
16 survivor's annuity or a supplemental annuity;

17 (4) provisions authorizing any form of retirement
18 annuity or survivor's annuity not authorized under this
19 Section;

20 (5) provisions authorizing a reversionary annuity
21 (other than the survivor's annuity under subsection (g));

22 (6) provisions authorizing a refund of employee
23 contributions upon termination of service (other than upon
24 the death of the participant without an eligible survivor)
25 or any lump-sum payout in lieu of a retirement or
26 survivor's annuity (other than the distribution under

1 subsection (f-10) or the refund under subsection (f-15) of
2 this Section;

3 (7) provisions authorizing optional service credits or
4 the payment of optional additional contributions (other
5 than the optional employer contributions specifically
6 authorized in this Section); or

7 (8) a level income option.

8 The Retirement Systems Reciprocal Act (Article 20 of this
9 Code) does not apply to participation in the optional cash
10 balance plan and does not affect the calculation of benefits
11 payable under this Section.

12 The other provisions of this Code continue to apply to
13 participants in the optional cash balance plan, to the extent
14 that they do not conflict with this Section. In the case of a
15 conflict between the provisions of this Section and any other
16 provision of this Code, the provisions of this Section control.

17 (n) Rules. The Board of Trustees of the applicable
18 retirement system may adopt rules and procedures for the
19 implementation of this Section, including but not limited to
20 determinations of how to integrate the administration of this
21 Section with the requirements of the applicable Article and any
22 other applicable provisions of this Code.

23 (o) Public Pension Division. The Public Pension Division of
24 the Department of Insurance shall determine in October of each
25 year the annual unadjusted percentage increase (but not less
26 than zero) in the Consumer Price Index-U for the 12 months

1 ending with the preceding September. The Division shall certify
2 its determination to the Board of Trustees of the State
3 Universities Retirement System by November 1 of each year.

4 (p) Actual Employer Contributions. Payment of employer
5 contributions with respect to participants in the optional cash
6 balance plan shall be the responsibility of the actual
7 employer. These contributions shall be determined under and
8 paid in accordance with the provisions of Sections 15-155.
9 Optional additional contributions by employers may be paid in
10 any amount, but must be paid in the manner specified by the
11 applicable retirement system.

12 (q) Prospective Modification. The provisions set forth in
13 this Section are subject to prospective changes made by law
14 provided that any such changes shall not apply to any benefits
15 accrued under this Section prior to the effective date of any
16 amendatory Act of the General Assembly.

17 (s) Qualified Plan Status. No provision of this Section
18 shall be interpreted in a way that would cause the applicable
19 retirement system to cease to be a qualified plan under section
20 461 (a) of the Internal Revenue Code of 1986.

21 (40 ILCS 5/2-105.1 new)

22 Sec. 2-105.1. Tier I employee. "Tier I employee": A
23 participant who first became a participant before January 1,
24 2011.

1 (40 ILCS 5/2-105.2 new)

2 Sec. 2-105.2. Tier I retiree. "Tier I retiree" means a
3 former Tier I employee who is receiving a retirement annuity.

4 (40 ILCS 5/2-107.9 new)

5 Sec. 2-107.9. Future increase in income. "Future increase
6 in income": Any increase in income in any form offered for
7 service as a member under this Article after June 30, 2013 that
8 would qualify as "salary", as defined under Section 2-108, but
9 for the fact that the increase in income was offered to the
10 member on the condition that it not qualify as salary and was
11 accepted by the member subject to that condition.

12 (40 ILCS 5/2-108) (from Ch. 108 1/2, par. 2-108)

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

20 (2) For the State executive officers specified in Section
21 2-105, the total compensation paid to the member for one year
22 of service.

23 (3) For members of the System who are participants under
24 Section 2-117.1, or who are serving as Clerk or Assistant Clerk

1 of the House of Representatives or Secretary or Assistant
2 Secretary of the Senate, the total compensation paid to the
3 member for one year of service, but not to exceed the salary of
4 the highest salaried officer of the General Assembly.

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

10 Notwithstanding any other provision of this Section,
11 "salary" does not include any future increase in income that is
12 offered for service as a member under this Article pursuant to
13 the requirements of subsection (c) of Section 2-110.3 and
14 accepted by a Tier I employee, or a Tier I retiree returning to
15 active service, who has made an election under paragraph (2) of
16 subsection (a) or (a-5) of Section Section 2-110.3.

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

18 (40 ILCS 5/2-110.3 new)

19 Sec. 2-110.3. Election by Tier I employees and Tier I
20 retirees.

21 (a) Each Tier I employee shall make an irrevocable election
22 either:

23 (1) to agree to the following:

24 (i) to have the amount of the automatic annual
25 increases in his or her retirement annuity that are

1 otherwise provided for in this Article calculated,
2 instead, as provided in subsection (a-1) of Section
3 2-119.1; and

4 (ii) to have his or her eligibility for automatic
5 annual increases in retirement annuity postponed as
6 provided in subsection (a-2) of Section 2-119.1 and to
7 relinquish the additional increases provided in
8 subsection (b) of Section 2-119.1; or

9 (2) to not agree to items (i) and (ii) as set forth in
10 paragraph (1) of this subsection.

11 The election required under this subsection (a) shall be
12 made by each Tier I employee no earlier than January 1, 2013
13 and no later than May 31, 2013, except that:

14 (i) a person who becomes a Tier I employee under this
15 Article after January 1, 2013 must make the election under
16 this subsection (a) within 60 days after becoming a Tier I
17 employee;

18 (ii) a person who returns to active service as a Tier I
19 employee under this Article after January 1, 2013 and has
20 not yet made an election under this Section must make the
21 election under this subsection (a) within 60 days after
22 returning to active service as a Tier I employee; and

23 (iii) a person who made the election under subsection
24 (a-5) as a Tier I retiree remains bound by that election
25 and shall not make a later election under this subsection
26 (a).

1 If a Tier I employee fails for any reason to make a
2 required election under this subsection within the time
3 specified, then the employee shall be deemed to have made the
4 election under paragraph (2) of this subsection.

5 (a-5) Each Tier I retiree shall make an irrevocable
6 election either:

7 (1) to agree to the following:

8 (i) to have the amount of the automatic annual
9 increases in his or her retirement annuity that are
10 otherwise provided for in this Article calculated,
11 instead, as provided in subsection (a-1) of Section
12 2-119.1; and

13 (ii) to have his or her eligibility for automatic
14 annual increases in retirement annuity postponed as
15 provided in subsection (a-2) of Section 2-119.1 and to
16 relinquish the additional increases provided in
17 subsection (b) of Section 2-119.1; or

18 (2) to not agree to items (i) and (ii) as set forth in
19 paragraph (1) of this subsection.

20 The election required under this subsection (a-5) shall be
21 made by each Tier I retiree no earlier than January 1, 2013 and
22 no later than May 31, 2013, except that:

23 (i) a person who becomes a Tier I retiree under this
24 Article on or after January 1, 2013 must make the election
25 under this subsection (a-5) within 60 days after becoming a
26 Tier I retiree; and

1 (ii) a person who made the election under subsection
2 (a) as a Tier I employee remains bound by that election and
3 shall not make a later election under this subsection
4 (a-5).

5 If a Tier I retiree fails for any reason to make a required
6 election under this subsection within the time specified, then
7 the Tier I retiree shall be deemed to have made the election
8 under paragraph (2) of this subsection.

9 (a-10) All elections under subsection (a) or (a-5) that are
10 made or deemed to be made before June 1, 2013 shall take effect
11 on July 1, 2013. Elections that are made or deemed to be made
12 on or after June 1, 2013 shall take effect on the first day of
13 the month following the month in which the election is made or
14 deemed to be made.

15 (b) As adequate and legal consideration provided under this
16 amendatory Act of the 97th General Assembly for making the
17 election under paragraph (1) of subsection (a) of this Section,
18 any future increases in income offered for service as a member
19 under this Article to a Tier I employee who has made the
20 election under paragraph (1) of subsection (a) of this Section
21 shall be offered expressly and irrevocably as constituting
22 salary under Section 2-108.

23 As adequate and legal consideration provided under this
24 amendatory Act of the 97th General Assembly for making the
25 election under paragraph (1) of subsection (a-5) of this
26 Section, any future increases in income offered for service as

1 a member under this Article to a Tier I retiree who returns to
2 active service after having made the election under paragraph
3 (1) of subsection (a-5) of this Section shall be offered
4 expressly and irrevocably as constituting salary under Section
5 2-108.

6 (c) A Tier I employee who makes the election under
7 paragraph (2) of subsection (a) of this Section shall not be
8 subject to items (i) and (ii) set forth in paragraph (1) of
9 subsection (a) of this Section. However, any future increases
10 in income offered for service as a member under this Article to
11 a Tier I employee who has made the election under paragraph (2)
12 of subsection (a) of this Section shall be offered expressly
13 and irrevocably as not constituting salary under Section 2-108,
14 and the member may not accept any future increase in income
15 that is offered in violation of this requirement.

16 A Tier I retiree who makes the election under paragraph (2)
17 of subsection (a-5) of this Section shall not be subject to
18 items (i) and (ii) set forth in paragraph (1) of subsection
19 (a-5) of this Section. However, any future increases in income
20 offered for service as a member under this Article to a Tier I
21 retiree who returns to active service and has made the election
22 under paragraph (2) of subsection (a-5) of this Section shall
23 be offered expressly and irrevocably as not constituting salary
24 under Section 2-108, and the member may not accept any future
25 increase in income that is offered in violation of this
26 requirement.

1 (d) The System shall make a good faith effort to contact
2 each Tier I employee and Tier I retiree subject to this
3 Section. The System shall mail information describing the
4 required election to each Tier I employee and Tier I retiree by
5 United States Postal Service mail to his or her last known
6 address on file with the System. If the Tier I employee or Tier
7 I retiree is not responsive to other means of contact, it is
8 sufficient for the System to publish the details of any
9 required elections on its website or to publish those details
10 in a regularly published newsletter or other existing public
11 forum.

12 Tier I employees and Tier I retirees who are subject to
13 this Section shall be provided with an election packet
14 containing information regarding their options, as well as the
15 forms necessary to make the required election. Upon request,
16 the System shall offer Tier I employees and Tier I retirees an
17 opportunity to receive information from the System before
18 making the required election. The information may be provided
19 through video materials, group presentations, individual
20 consultation with a member or authorized representative of the
21 System in person or by telephone or other electronic means, or
22 any combination of those methods. The System shall not provide
23 advice or counseling with respect to which election a Tier I
24 employee or Tier I retiree should make or specific to the legal
25 or tax circumstances of or consequences to the Tier I employee
26 or Tier I retiree.

1 The System shall inform Tier I employees and Tier I
2 retirees in the election packet required under this subsection
3 that the Tier I employee or Tier I retiree may also wish to
4 obtain information and counsel relating to the election
5 required under this Section from any other available source,
6 including but not limited to labor organizations and private
7 counsel.

8 The System shall coordinate with the Illinois Department of
9 Central Management Services and each other retirement system
10 administering an election in accordance with this amendatory
11 Act of the 97th General Assembly to provide information
12 concerning the impact of the election under this Section.

13 In no event shall the System, its staff, or the Board be
14 held liable for any information given to a member, beneficiary,
15 or annuitant regarding the elections under this Section.

16 (e) Notwithstanding any other provision of law, any future
17 increases in income offered for service as a member must be
18 offered expressly and irrevocably as not constituting "salary"
19 under Section 2-108 to any Tier I employee, or Tier I retiree
20 returning to active service, who has made an election under
21 paragraph (2) or subsection (a) or (a-5) of Section 2-110.3. A
22 Tier I employee, or Tier I retiree returning to active service,
23 who has made an election under paragraph (2) or subsection (a)
24 or (a-5) of Section 2-110.3 shall not accept any future
25 increase in income that is offered for service as a member
26 under this Article in violation of the requirement set forth in

1 this subsection.

2 (f) A member's election under this Section is not a
3 prohibited election under subdivision (j)(1) of Section 1-119
4 of this Code.

5 (g) Qualified Plan Status. No provision of this Section
6 shall be interpreted in a way that would cause the System to
7 cease to be a qualified plan under section 461 (a) of the
8 Internal Revenue Code of 1986.

9 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

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

11 (a) Except as provided in subsections (a-1) and (a-2), a A
12 participant who retires after June 30, 1967, and who has not
13 received an initial increase under this Section before the
14 effective date of this amendatory Act of 1991, shall, in
15 January or July next following the first anniversary of
16 retirement, whichever occurs first, and in the same month of
17 each year thereafter, but in no event prior to age 60, have the
18 amount of the originally granted retirement annuity increased
19 as follows: for each year through 1971, 1 1/2%; for each year
20 from 1972 through 1979, 2%; and for 1980 and each year
21 thereafter, 3%. Annuitants who have received an initial
22 increase under this subsection prior to the effective date of
23 this amendatory Act of 1991 shall continue to receive their
24 annual increases in the same month as the initial increase.

25 (a-1) Notwithstanding any other provision of this Article,

1 for a Tier I employee or Tier I retiree who made the election
2 under paragraph (1) of subsection (a) or (a-5) of Section
3 2-110.3, the amount of each automatic annual increase in
4 retirement annuity occurring on or after the effective date of
5 that election shall be 3% or one-half of the annual unadjusted
6 percentage increase, if any, in the Consumer Price Index-U for
7 the 12 months ending with the preceding September, whichever is
8 less, of the originally granted retirement annuity. For the
9 purposes of this Section, "Consumer Price Index-U" means the
10 index published by the Bureau of Labor Statistics of the United
11 States Department of Labor that measures the average change in
12 prices of goods and services purchased by all urban consumers,
13 United States city average, all items, 1982-84 = 100.

14 (a-2) For a Tier I employee or Tier I retiree who made the
15 election under paragraph (1) of subsection (a) or (a-5) of
16 Section 2-110.3, the monthly retirement annuity shall first be
17 subject to annual increases on the January 1 occurring on or
18 next after the attainment of age 67 or the January 1 occurring
19 on or next after the fifth anniversary of the annuity start
20 date, whichever occurs earlier. If on the effective date of the
21 election under paragraph (1) of subsection (a-5) of Section
22 2-110.3 a Tier I retiree has already received an annual
23 increase under this Section but does not yet meet the new
24 eligibility requirements of this subsection, the annual
25 increases already received shall continue in force, but no
26 additional annual increase shall be granted until the Tier I

1 retiree meets the new eligibility requirements.

2 (b) Beginning January 1, 1990, for eligible participants
3 who remain in service after attaining 20 years of creditable
4 service, the 3% increases provided under subsection (a) shall
5 begin to accrue on the January 1 next following the date upon
6 which the participant (1) attains age 55, or (2) attains 20
7 years of creditable service, whichever occurs later, and shall
8 continue to accrue while the participant remains in service;
9 such increases shall become payable on January 1 or July 1,
10 whichever occurs first, next following the first anniversary of
11 retirement. For any person who has service credit in the System
12 for the entire period from January 15, 1969 through December
13 31, 1992, regardless of the date of termination of service, the
14 reference to age 55 in clause (1) of this subsection (b) shall
15 be deemed to mean age 50.

16 This subsection (b) does not apply to any person who first
17 becomes a member of the System after August 8, 2003 (the
18 effective date of Public Act 93-494) or (ii) has made the
19 election under paragraph (1) of subsection (a) or (a-5) of
20 Section 2-110.3; except that if on the effective date of the
21 election under paragraph (1) of subsection (a-5) of Section
22 2-110.3 a Tier I retiree has already received a retirement
23 annuity based on any annual increases under this subsection,
24 those annual increases under this subsection shall continue in
25 force ~~this amendatory Act of the 93rd General Assembly.~~

26 (b-5) Notwithstanding any other provision of this Article,

1 a participant who first becomes a participant on or after
2 January 1, 2011 (the effective date of Public Act 96-889)
3 shall, in January or July next following the first anniversary
4 of retirement, whichever occurs first, and in the same month of
5 each year thereafter, but in no event prior to age 67, have the
6 amount of the retirement annuity then being paid increased by
7 3% or the annual unadjusted percentage increase in the Consumer
8 Price Index for All Urban Consumers as determined by the Public
9 Pension Division of the Department of Insurance under
10 subsection (a) of Section 2-108.1, whichever is less.

11 (c) The foregoing provisions relating to automatic
12 increases are not applicable to a participant who retires
13 before having made contributions (at the rate prescribed in
14 Section 2-126) for automatic increases for less than the
15 equivalent of one full year. However, in order to be eligible
16 for the automatic increases, such a participant may make
17 arrangements to pay to the system the amount required to bring
18 the total contributions for the automatic increase to the
19 equivalent of one year's contributions based upon his or her
20 last salary.

21 (d) A participant who terminated service prior to July 1,
22 1967, with at least 14 years of service is entitled to an
23 increase in retirement annuity beginning January, 1976, and to
24 additional increases in January of each year thereafter.

25 The initial increase shall be 1 1/2% of the originally
26 granted retirement annuity multiplied by the number of full

1 years that the annuitant was in receipt of such annuity prior
2 to January 1, 1972, plus 2% of the originally granted
3 retirement annuity for each year after that date. The
4 subsequent annual increases shall be at the rate of 2% of the
5 originally granted retirement annuity for each year through
6 1979 and at the rate of 3% for 1980 and thereafter.

7 (e) Beginning January 1, 1990, all automatic annual
8 increases payable under this Section shall be calculated as a
9 percentage of the total annuity payable at the time of the
10 increase, including previous increases granted under this
11 Article.

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

13 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

14 Sec. 2-124. Contributions by State.

15 (a) Except as otherwise provided in this Section, the ~~The~~
16 State shall make contributions to the System by appropriations
17 of amounts which, together with the contributions of
18 participants, interest earned on investments, and other income
19 will meet the cost of maintaining and administering the System
20 on a 90% funded basis in accordance with actuarial
21 recommendations.

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

1 subsection (c).

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

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

18 Notwithstanding any other provision of this Article, the
19 total required State contribution for State fiscal year 2006 is
20 \$4,157,000.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2007 is
23 \$5,220,300.

24 For each of State fiscal years 2008 through 2009, the State
25 contribution to the System, as a percentage of the applicable
26 employee payroll, shall be increased in equal annual increments

1 from the required State contribution for State fiscal year
2 2007, so that by State fiscal year 2011, the State is
3 contributing at the rate otherwise required under this Section.

4 Notwithstanding any other provision of this Article, the
5 total required State contribution for State fiscal year 2010 is
6 \$10,454,000 and shall be made from the proceeds of bonds sold
7 in fiscal year 2010 pursuant to Section 7.2 of the General
8 Obligation Bond Act, less (i) the pro rata share of bond sale
9 expenses determined by the System's share of total bond
10 proceeds, (ii) any amounts received from the General Revenue
11 Fund in fiscal year 2010, and (iii) any reduction in bond
12 proceeds due to the issuance of discounted bonds, if
13 applicable.

14 Notwithstanding any other provision of this Article, the
15 total required State contribution for State fiscal year 2011 is
16 the amount recertified by the System on or before April 1, 2011
17 pursuant to Section 2-134 and shall be made from the proceeds
18 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of
19 the General Obligation Bond Act, less (i) the pro rata share of
20 bond sale expenses determined by the System's share of total
21 bond proceeds, (ii) any amounts received from the General
22 Revenue Fund in fiscal year 2011, and (iii) any reduction in
23 bond proceeds due to the issuance of discounted bonds, if
24 applicable.

25 Except as otherwise provided in this Section, beginning
26 ~~Beginning~~ in State fiscal year 2046, the minimum State

1 contribution for each fiscal year shall be the amount needed to
2 maintain the total assets of the System at 90% of the total
3 actuarial liabilities of the System.

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

16 Notwithstanding any other provision of this Section, the
17 required State contribution for State fiscal year 2005 and for
18 fiscal year 2008 and each fiscal year thereafter, as calculated
19 under this Section and certified under Section 2-134, shall not
20 exceed an amount equal to (i) the amount of the required State
21 contribution that would have been calculated under this Section
22 for that fiscal year if the System had not received any
23 payments under subsection (d) of Section 7.2 of the General
24 Obligation Bond Act, minus (ii) the portion of the State's
25 total debt service payments for that fiscal year on the bonds
26 issued in fiscal year 2003 for the purposes of that Section

1 7.2, as determined and certified by the Comptroller, that is
2 the same as the System's portion of the total moneys
3 distributed under subsection (d) of Section 7.2 of the General
4 Obligation Bond Act. In determining this maximum for State
5 fiscal years 2008 through 2010, however, the amount referred to
6 in item (i) shall be increased, as a percentage of the
7 applicable employee payroll, in equal increments calculated
8 from the sum of the required State contribution for State
9 fiscal year 2007 plus the applicable portion of the State's
10 total debt service payments for fiscal year 2007 on the bonds
11 issued in fiscal year 2003 for the purposes of Section 7.2 of
12 the General Obligation Bond Act, so that, by State fiscal year
13 2011, the State is contributing at the rate otherwise required
14 under this Section.

15 (c-1) If at least 50% of Tier I employees making an
16 election under Section 2-110.3 before June 1, 2013 choose the
17 option under paragraph (1) of subsection (a) of that Section,
18 then:

19 (1) In lieu of the State contributions required under
20 subsection (c), for State fiscal years 2014 through 2043
21 the minimum contribution to the System to be made by the
22 State for each fiscal year shall be an amount determined by
23 the System to be equal to the sum of (1) the State's
24 portion of the projected normal cost for that fiscal year,
25 plus (2) an amount sufficient to bring the total assets of
26 the System up to 100% of the total actuarial liabilities of

1 the System by the end of State fiscal year 2043. In making
2 these determinations, the required State contribution
3 shall be calculated each year as a level percentage of
4 payroll over the years remaining to and including fiscal
5 year 2043 and shall be determined under the projected unit
6 credit actuarial cost method.

7 (2) Beginning in State fiscal year 2043, the minimum
8 State contribution for each fiscal year shall be the amount
9 needed to maintain the total assets of the System at 100%
10 of the total actuarial liabilities of the System.

11 (c-2) If less than 50% of Tier I employees making an
12 election under Section 2-110.3 before June 1, 2013 choose the
13 option under paragraph (1) of subsection (a) of that Section,
14 then the annual required contribution to the System to be made
15 by the State shall be determined under subsection (c) of this
16 Section, instead of the annual required contribution otherwise
17 specified in subsection (c-1) of this Section.

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

22 As of June 30, 2008, the actuarial value of the System's
23 assets shall be equal to the market value of the assets as of
24 that date. In determining the actuarial value of the System's
25 assets for fiscal years after June 30, 2008, any actuarial
26 gains or losses from investment return incurred in a fiscal

1 year shall be recognized in equal annual amounts over the
2 5-year period following that fiscal year.

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

7 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;
8 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.
9 3-18-11; revised 4-6-11.)

10 (40 ILCS 5/2-134) (from Ch. 108 1/2, par. 2-134)

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

13 (a) The Board shall certify to the Governor on or before
14 December 15 of each year until December 15, 2011 the amount of
15 the required State contribution to the System for the next
16 fiscal year and shall specifically identify the System's
17 projected State normal cost for that fiscal year. The
18 certification shall include a copy of the actuarial
19 recommendations upon which it is based and shall specifically
20 identify the System's projected State normal cost for that
21 fiscal year.

22 On or before November 1 of each year, beginning November 1,
23 2012, the Board shall submit to the State Actuary, the
24 Governor, and the General Assembly a proposed certification of
25 the amount of the required State contribution to the System for

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

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

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

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

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

8 (b) Beginning in State fiscal year 1996, on or as soon as
9 possible after the 15th day of each month the Board shall
10 submit vouchers for payment of State contributions to the
11 System, in a total monthly amount of one-twelfth of the
12 required annual State contribution certified under subsection
13 (a). From the effective date of this amendatory Act of the 93rd
14 General Assembly through June 30, 2004, the Board shall not
15 submit vouchers for the remainder of fiscal year 2004 in excess
16 of the fiscal year 2004 certified contribution amount
17 determined under this Section after taking into consideration
18 the transfer to the System under subsection (d) of Section
19 6z-61 of the State Finance Act. These vouchers shall be paid by
20 the State Comptroller and Treasurer by warrants drawn on the
21 funds appropriated to the System for that fiscal year. If in
22 any month the amount remaining unexpended from all other
23 appropriations to the System for the applicable fiscal year
24 (including the appropriations to the System under Section 8.12
25 of the State Finance Act and Section 1 of the State Pension
26 Funds Continuing Appropriation Act) is less than the amount

1 lawfully vouchered under this Section, the difference shall be
2 paid from the General Revenue Fund under the continuing
3 appropriation authority provided in Section 1.1 of the State
4 Pension Funds Continuing Appropriation Act.

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

12 (Source: P.A. 95-331, eff. 8-21-07; 96-1497, eff. 1-14-11;
13 96-1511, eff. 1-27-11.)

14 (40 ILCS 5/7-109) (from Ch. 108 1/2, par. 7-109)

15 Sec. 7-109. Employee.

16 (1) "Employee" means any person who:

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

24 2. Under the usual common law rules applicable in
25 determining the employer-employee relationship, has

1 the status of an employee with a municipality, or any
2 instrumentality thereof, or a participating
3 instrumentality, including aldermen, county
4 supervisors and other persons (excepting those
5 employed as independent contractors) who are paid
6 compensation, fees, allowances or other emolument for
7 official duties, and, in counties, the several county
8 fee offices.

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

1 (c) Holds an elective office in a municipality,
2 instrumentality thereof or participating instrumentality.

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

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

6 1. "An Act in relation to an Illinois State
7 Teachers' Pension and Retirement Fund", approved May
8 27, 1915, as amended;

9 2. Articles 15 and 16 of this Code.

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

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

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

1 to the extent of concurrent service and earnings not
2 designated as being for police or fire protection duties.
3 However, (i) any head of a police department who was a
4 participant under this Article immediately before October
5 1, 1977 and did not elect, under Section 3-109 of this Act,
6 to participate in a police pension fund shall be an
7 "employee", and (ii) any chief of police who elects to
8 participate in this Fund under Section 3-109.1 of this
9 Code, regardless of whether such person continues to be
10 employed as chief of police or is employed in some other
11 rank or capacity within the police department, shall be an
12 employee under this Article for so long as such person is
13 employed to perform police duties by a participating
14 municipality and has not lawfully rescinded that election.

15 (c) After August 26, 2011 (the effective date of Public
16 Act 97-609) ~~this amendatory Act of the 97th General~~
17 ~~Assembly~~, are contributors to or eligible to contribute to
18 a Taft-Hartley pension plan established on or before June
19 1, 2011 and are employees of a theatre, arena, or
20 convention center that is located in a municipality located
21 in a county with a population greater than 5,000,000, and
22 to which the participating municipality is required to
23 contribute as the person's employer based on earnings from
24 the municipality. Nothing in this paragraph shall affect
25 service credit or creditable service for any period of
26 service prior to August 26, 2011 ~~the effective date of this~~

1 ~~amendatory Act of the 97th General Assembly,~~ and this
2 paragraph shall not apply to individuals who are
3 participating in the Fund prior to August 26, 2011 ~~the~~
4 ~~effective date of this amendatory Act of the 97th General~~
5 ~~Assembly.~~

6 (d) Become an employee of any of the following
7 participating instrumentalities on or after the effective
8 date of this amendatory Act of the 97th General Assembly:
9 the Illinois Municipal League; the Illinois Association of
10 Park Districts; the Illinois Supervisors, County
11 Commissioners and Superintendents of Highways Association;
12 the Township School District Trustees; the United Counties
13 Council; or the Will County Governmental League.

14 (3) All persons, including, without limitation, public
15 defenders and probation officers, who receive earnings from
16 general or special funds of a county for performance of
17 personal services or official duties within the territorial
18 limits of the county, are employees of the county (unless
19 excluded by subsection (2) of this Section) notwithstanding
20 that they may be appointed by and are subject to the direction
21 of a person or persons other than a county board or a county
22 officer. It is hereby established that an employer-employee
23 relationship under the usual common law rules exists between
24 such employees and the county paying their salaries by reason
25 of the fact that the county boards fix their rates of
26 compensation, appropriate funds for payment of their earnings

1 and otherwise exercise control over them. This finding and this
2 amendatory Act shall apply to all such employees from the date
3 of appointment whether such date is prior to or after the
4 effective date of this amendatory Act and is intended to
5 clarify existing law pertaining to their status as
6 participating employees in the Fund.

7 (Source: P.A. 97-429, eff. 8-16-11; 97-609, eff. 8-26-11;
8 revised 9-28-11.)

9 (40 ILCS 5/14-103.10) (from Ch. 108 1/2, par. 14-103.10)

10 Sec. 14-103.10. Compensation.

11 (a) For periods of service prior to January 1, 1978, the
12 full rate of salary or wages payable to an employee for
13 personal services performed if he worked the full normal
14 working period for his position, subject to the following
15 maximum amounts: (1) prior to July 1, 1951, \$400 per month or
16 \$4,800 per year; (2) between July 1, 1951 and June 30, 1957
17 inclusive, \$625 per month or \$7,500 per year; (3) beginning
18 July 1, 1957, no limitation.

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

22 (b) For periods of service on and after January 1, 1978,
23 all remuneration for personal services performed defined as
24 "wages" under the Social Security Enabling Act, including that
25 part of such remuneration which is in excess of any maximum

1 limitation provided in such Act, and including any benefits
2 received by an employee under a sick pay plan in effect before
3 January 1, 1981, but excluding lump sum salary payments:

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

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

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

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

1 exclude lump sum salary payments:

2 (1) for vacation;

3 (2) for accumulated unused sick leave;

4 (3) upon discharge or dismissal; and

5 (4) for approved holidays.

6 (f) Notwithstanding any other provision of this Section,
7 "compensation" does not include any future increase in income
8 offered by a department under this Article pursuant to the
9 requirements of subsection (c) of Section 14-106.5 that is
10 accepted by a Tier I employee, or a Tier I retiree returning to
11 active service, who has made an election under paragraph (2) of
12 subsection (a) or (a-5) of Section 14-106.5.

13 (g) Notwithstanding the other provisions of this Section,
14 for an employee who first becomes a participant on or after the
15 effective date of this amendatory Act of the 97th General
16 Assembly, "compensation" does not include any payments or
17 reimbursements for travel vouchers.

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

19 (40 ILCS 5/14-103.40 new)

20 Sec. 14-103.40. Tier I employee. "Tier I employee": An
21 employee under this Article who first became a member or
22 participant before January 1, 2011 under any reciprocal
23 retirement system or pension fund established under this Code
24 other than a retirement system or pension fund established
25 under Article 2, 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/14-103.41 new)

2 Sec. 14-103.41. Tier I retiree. "Tier I retiree": A former
3 Tier I employee who is receiving a retirement annuity.

4 (40 ILCS 5/14-103.42 new)

5 Sec. 14-103.42. Future increase in income. "Future
6 increase in income": Any increase in income in any form offered
7 by a department to an employee under this Article after June
8 30, 2013 that would qualify as "compensation", as defined under
9 Section 14-103.10, but for the fact that the department offered
10 the increase in income to the employee on the condition that it
11 not qualify as compensation and the employee accepted the
12 increase in income subject to that condition. The term "future
13 increase in income" does not include an increase in income in
14 any form that is paid to a Tier I employee under an employment
15 contract or collective bargaining agreement that is in effect
16 on the effective date of this Section but does include an
17 increase in income in any form pursuant to an extension,
18 amendment, or renewal of any such employment contract or
19 collective bargaining agreement on or after the effective date
20 of this amendatory Act of the 97th General Assembly.

21 (40 ILCS 5/14-106) (from Ch. 108 1/2, par. 14-106)

22 Sec. 14-106. Membership service credit.

23 (a) After January 1, 1944, all service of a member since he

1 last became a member with respect to which contributions are
2 made shall count as membership service; provided, that for
3 service on and after July 1, 1950, 12 months of service shall
4 constitute a year of membership service, the completion of 15
5 days or more of service during any month shall constitute 1
6 month of membership service, 8 to 15 days shall constitute 1/2
7 month of membership service and less than 8 days shall
8 constitute 1/4 month of membership service. The payroll record
9 of each department shall constitute conclusive evidence of the
10 record of service rendered by a member.

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

20 (c) A member who first participated in this System before
21 the effective date of this amendatory Act of the 97th General
22 Assembly shall be entitled to additional service credit, under
23 rules prescribed by the Board, for accumulated unused sick
24 leave credited to his account in the last Department on the
25 date of withdrawal from service or for any period for which he
26 would have been eligible to receive benefits under a sick pay

1 plan authorized by law, if he had suffered a sickness or
2 accident on the date of withdrawal from service. It shall be
3 the responsibility of the last Department to certify to the
4 Board the length of time salary or benefits would have been
5 paid to the member based upon the accumulated unused sick leave
6 or the applicable sick pay plan if he had become entitled
7 thereto because of sickness on the date that his status as an
8 employee terminated. This period of service credit granted
9 under this paragraph shall not be considered in determining the
10 date the retirement annuity is to begin, or final average
11 compensation.

12 Service credit is not available for unused sick leave
13 accumulated by a person who first participates in this System
14 on or after the effective date of this amendatory Act of the
15 97th General Assembly.

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

17 (40 ILCS 5/14-106.5 new)

18 Sec. 14-106.5. Election by Tier I employees and Tier I
19 retirees.

20 (a) Each Tier I employee shall make an irrevocable election
21 either:

22 (1) to agree to the following:

23 (i) to have the amount of the automatic annual
24 increases in his or her retirement annuity that are
25 otherwise provided for in this Article calculated,

1 instead, as provided in subsection (a-1) of Section
2 14-114; and

3 (ii) to have his or her eligibility for automatic
4 annual increases in retirement annuity postponed as
5 provided in subsection (a-2) of Section 14-114; or
6 (2) to not agree to items (i) and (ii) as set forth in
7 paragraph (1) of this subsection.

8 The election required under this subsection (a) shall be
9 made by each Tier I employee no earlier than January 1, 2013
10 and no later than May 31, 2013, except that:

11 (i) a person who becomes a Tier I employee under this
12 Article after January 1, 2013 must make the election under
13 this subsection (a) within 60 days after becoming a Tier I
14 employee;

15 (ii) a person who returns to active service as a Tier I
16 employee under this Article after January 1, 2013 and has
17 not yet made an election under this Section must make the
18 election under this subsection (a) within 60 days after
19 returning to active service as a Tier I employee; and

20 (iii) a person who made the election under subsection
21 (a-5) as a Tier I retiree remains bound by that election
22 and shall not make a later election under this subsection
23 (a).

24 If a Tier I employee fails for any reason to make a
25 required election under this subsection within the time
26 specified, then the employee shall be deemed to have made the

1 election under paragraph (2) of this subsection.

2 (a-5) Each Tier I retiree shall make an irrevocable
3 election either:

4 (1) to agree to the following:

5 (i) to have the amount of the automatic annual
6 increases in his or her retirement annuity that are
7 otherwise provided for in this Article calculated,
8 instead, as provided in subsection (a-1) of Section
9 14-114; and

10 (ii) to have his or her eligibility for automatic
11 annual increases in retirement annuity postponed as
12 provided in subsection (a-2) of Section 14-114; or

13 (2) to not agree to items (i) and (ii) as set forth in
14 paragraph (1) of this subsection.

15 The election required under this subsection (a-5) shall be
16 made by each Tier I retiree no earlier than January 1, 2013 and
17 no later than May 31, 2013, except that:

18 (i) a person who becomes a Tier I retiree under this
19 Article on or after January 1, 2013 must make the election
20 under this subsection (a-5) within 60 days after becoming a
21 Tier I retiree; and

22 (ii) a person who made the election under subsection
23 (a) as a Tier I employee remains bound by that election and
24 shall not make a later election under this subsection
25 (a-5).

26 If a Tier I retiree fails for any reason to make a required

1 election under this subsection within the time specified, then
2 the Tier I retiree shall be deemed to have made the election
3 under paragraph (2) of this subsection.

4 (a-10) All elections under subsection (a) or (a-5) that are
5 made or deemed to be made before June 1, 2013 shall take effect
6 on July 1, 2013. Elections that are made or deemed to be made
7 on or after June 1, 2013 shall take effect on the first day of
8 the month following the month in which the election is made or
9 deemed to be made.

10 (b) As adequate and legal consideration provided under this
11 amendatory Act of the 97th General Assembly for making the
12 election under paragraph (1) of subsection (a) of this Section,
13 any future increases in income offered by a department under
14 this Article to a Tier I employee who has made the election
15 under paragraph (1) of subsection (a) of this Section shall be
16 offered expressly and irrevocably as constituting compensation
17 under Section 14-103.10. In addition, a Tier I employee who has
18 made the election under paragraph (1) of subsection (a) of this
19 Section shall receive the right to also participate in the
20 optional cash balance plan established under Section 1-162.

21 As adequate and legal consideration provided under this
22 amendatory Act of the 97th General Assembly for making the
23 election under paragraph (1) of subsection (a-5) of this
24 Section, any future increases in income offered by a department
25 under this Article to a Tier I retiree who returns to active
26 service after having made the election under paragraph (1) of

1 subsection (a-5) of this Section shall be offered expressly and
2 irrevocably as constituting compensation under Section
3 14-103.10. In addition, a Tier I retiree who returns to active
4 service and has made the election under paragraph (1) of
5 subsection (a) of this Section shall receive the right to also
6 participate in the optional cash balance plan established under
7 Section 1-162.

8 (c) A Tier I employee who makes the election under
9 paragraph (2) of subsection (a) of this Section shall not be
10 subject to items (i) and (ii) set forth in paragraph (1) of
11 subsection (a) of this Section. However, any future increases
12 in income offered by a department under this Article to a Tier
13 I employee who has made the election under paragraph (2) of
14 subsection (a) of this Section shall be offered by the
15 department expressly and irrevocably as not constituting
16 compensation under Section 14-103.10, and the employee may not
17 accept any future increase in income that is offered in
18 violation of this requirement. In addition, a Tier I employee
19 who has made the election under paragraph (2) of subsection (a)
20 of this Section shall not receive the right to participate in
21 the optional cash balance plan established under Section 1-162.

22 A Tier I retiree who makes the election under paragraph (2)
23 of subsection (a-5) of this Section shall not be subject to
24 items (i) and (ii) set forth in paragraph (1) of subsection
25 (a-5) of this Section. However, any future increases in income
26 offered by a department under this Article to a Tier I retiree

1 who returns to active service and has made the election under
2 paragraph (2) of subsection (a-5) of this Section shall be
3 offered by the department expressly and irrevocably as not
4 constituting compensation under Section 14-103.10, and the
5 employee may not accept any future increase in income that is
6 offered in violation of this requirement. In addition, a Tier I
7 retiree who returns to active service and has made the election
8 under paragraph (2) of subsection (a) of this Section shall not
9 receive the right to participate in the optional cash balance
10 plan established under Section 1-162.

11 (d) The System shall make a good faith effort to contact
12 each Tier I employee and Tier I retiree subject to this
13 Section. The System shall mail information describing the
14 required election to each Tier I employee and Tier I retiree by
15 United States Postal Service mail to his or her last known
16 address on file with the System. If the Tier I employee or Tier
17 I retiree is not responsive to other means of contact, it is
18 sufficient for the System to publish the details of any
19 required elections on its website or to publish those details
20 in a regularly published newsletter or other existing public
21 forum.

22 Tier I employees and Tier I retirees who are subject to
23 this Section shall be provided with an election packet
24 containing information regarding their options, as well as the
25 forms necessary to make the required election. Upon request,
26 the System shall offer Tier I employees and Tier I retirees an

1 opportunity to receive information from the System before
2 making the required election. The information may consist of
3 video materials, group presentations, individual consultation
4 with a member or authorized representative of the System in
5 person or by telephone or other electronic means, or any
6 combination of those methods. The System shall not provide
7 advice or counseling with respect to which election a Tier I
8 employee or Tier I retiree should make or specific to the legal
9 or tax circumstances of or consequences to the Tier I employee
10 or Tier I retiree.

11 The System shall inform Tier I employees and Tier I
12 retirees in the election packet required under this subsection
13 that the Tier I employee or Tier I retiree may also wish to
14 obtain information and counsel relating to the election
15 required under this Section from any other available source,
16 including but not limited to labor organizations and private
17 counsel.

18 The System shall coordinate with the Illinois Department of
19 Central Management Services and each other retirement system
20 administering an election in accordance with this amendatory
21 Act of the 97th General Assembly to provide information
22 concerning the impact of the election under this Section.

23 In no event shall the System, its staff, or the Board be
24 held liable for any information given to a member, beneficiary,
25 or annuitant regarding the elections under this Section.

26 (e) Notwithstanding any other provision of law, a

1 department under this Article is required to offer any future
2 increases in income expressly and irrevocably as not
3 constituting "compensation" under Section 14-103.10 to any
4 Tier I employee, or Tier I retiree returning to active service,
5 who has made an election under paragraph (2) of subsection (a)
6 or (a-5) of Section 14-106.5. A Tier I employee, or Tier I
7 retiree returning to active service, who has made an election
8 under paragraph (2) of subsection (a) or (a-5) of Section
9 14-106.5 shall not accept any future increase in income that is
10 offered by an employer under this Article in violation of the
11 requirement set forth in this subsection.

12 (f) A member's election under this Section is not a
13 prohibited election under subdivision (j)(1) of Section 1-119
14 of this Code.

15 (g) An employee who has made the election under paragraph
16 (1) of subsection (a) or (a-5) of this Section may elect to
17 participate in the optional cash balance plan under Section
18 1-162.

19 The election to participate in the optional cash balance
20 plan shall be made in writing, in the manner provided by the
21 applicable retirement system.

22 (h) Qualified Plan Status. No provision of this Section
23 shall be interpreted in a way that would cause the System to
24 cease to be a qualified plan under section 461 (a) of the
25 Internal Revenue Code of 1986.

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

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

3 (a) Subject to the provisions of subsections (a-1) and
4 (a-2), any ~~Any~~ person receiving a retirement annuity under this
5 Article who retires having attained age 60, or who retires
6 before age 60 having at least 35 years of creditable service,
7 or who retires on or after January 1, 2001 at an age which,
8 when added to the number of years of his or her creditable
9 service, equals at least 85, shall, on January 1 next following
10 the first full year of retirement, have the amount of the then
11 fixed and payable monthly retirement annuity increased 3%. Any
12 person receiving a retirement annuity under this Article who
13 retires before attainment of age 60 and with less than (i) 35
14 years of creditable service if retirement is before January 1,
15 2001, or (ii) the number of years of creditable service which,
16 when added to the member's age, would equal 85, if retirement
17 is on or after January 1, 2001, shall have the amount of the
18 fixed and payable retirement annuity increased by 3% on the
19 January 1 occurring on or next following (1) attainment of age
20 60, or (2) the first anniversary of retirement, whichever
21 occurs later. However, for persons who receive the alternative
22 retirement annuity under Section 14-110, references in this
23 subsection (a) to attainment of age 60 shall be deemed to refer
24 to attainment of age 55. For a person receiving early
25 retirement incentives under Section 14-108.3 whose retirement
26 annuity began after January 1, 1992 pursuant to an extension

1 granted under subsection (e) of that Section, the first
2 anniversary of retirement shall be deemed to be January 1,
3 1993. For a person who retires on or after June 28, 2001 and on
4 or before October 1, 2001, and whose retirement annuity is
5 calculated, in whole or in part, under Section 14-110 or
6 subsection (g) or (h) of Section 14-108, the first anniversary
7 of retirement shall be deemed to be January 1, 2002.

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

11 Beginning January 1, 1990 and except as provided in
12 subsections (a-1) and (a-2), all automatic annual increases
13 payable under this Section shall be calculated as a percentage
14 of the total annuity payable at the time of the increase,
15 including previous increases granted under this Article.

16 (a-1) Notwithstanding any other provision of this Article,
17 for a Tier I employee or Tier I retiree who made the election
18 under paragraph (1) of subsection (a) or (a-5) of Section
19 14-106.5, the amount of each automatic annual increase in
20 retirement annuity occurring on or after the effective date of
21 that election shall be 3% or one-half of the annual unadjusted
22 percentage increase, if any, in the Consumer Price Index-U for
23 the 12 months ending with the preceding September, whichever is
24 less, of the originally granted retirement annuity. For the
25 purposes of this Section, "Consumer Price Index-U" means the
26 index published by the Bureau of Labor Statistics of the United

1 States Department of Labor that measures the average change in
2 prices of goods and services purchased by all urban consumers,
3 United States city average, all items, 1982-84 = 100.

4 (a-2) Notwithstanding any other provision of this Article,
5 for a Tier I employee or Tier I retiree who made the election
6 under paragraph (1) of subsection (a) or (a-5) of Section
7 14-106.5, the monthly retirement annuity shall first be subject
8 to annual increases on the January 1 occurring on or next after
9 either the attainment of age 67 or the January 1 occurring on
10 or next after the fifth anniversary of the annuity start date,
11 whichever occurs earlier. If on the effective date of the
12 election under paragraph (1) of subsection (a-5) of Section
13 14-106.5 a Tier I retiree has already received an annual
14 increase under this Section but does not yet meet the new
15 eligibility requirements of this subsection, the annual
16 increases already received shall continue in force, but no
17 additional annual increase shall be granted until the Tier I
18 retiree meets the new eligibility requirements.

19 (b) The provisions of subsection (a) of this Section shall
20 be applicable to an employee only if the employee makes the
21 additional contributions required after December 31, 1969 for
22 the purpose of the automatic increases for not less than the
23 equivalent of one full year. If an employee becomes an
24 annuitant before his additional contributions equal one full
25 year's contributions based on his salary at the date of
26 retirement, the employee may pay the necessary balance of the

1 contributions to the system, without interest, and be eligible
2 for the increasing annuity authorized by this Section.

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

8 (d) In addition to other increases which may be provided by
9 this Section, on January 1, 1981 any annuitant who was
10 receiving a retirement annuity on or before January 1, 1971
11 shall have his retirement annuity then being paid increased \$1
12 per month for each year of creditable service. On January 1,
13 1982, any annuitant who began receiving a retirement annuity on
14 or before January 1, 1977, shall have his retirement annuity
15 then being paid increased \$1 per month for each year of
16 creditable service.

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

22 (e) Every person who receives the alternative retirement
23 annuity under Section 14-110 and who is eligible to receive the
24 3% increase under subsection (a) on January 1, 1986, shall also
25 receive on that date a one-time increase in retirement annuity
26 equal to the difference between (1) his actual retirement

1 annuity on that date, including any increases received under
2 subsection (a), and (2) the amount of retirement annuity he
3 would have received on that date if the amendments to
4 subsection (a) made by Public Act 84-162 had been in effect
5 since the date of his retirement.

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

8 (40 ILCS 5/14-131)

9 Sec. 14-131. Contributions by State.

10 (a) Except as otherwise provided in this Section, the ~~The~~
11 State shall make contributions to the System by appropriations
12 of amounts which, together with other employer contributions
13 from trust, federal, and other funds, employee contributions,
14 investment income, and other income, will be sufficient to meet
15 the cost of maintaining and administering the System on a 90%
16 funded basis in accordance with actuarial recommendations.

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

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

1 The Board shall also determine a State contribution rate
2 for each fiscal year, expressed as a percentage of payroll,
3 based on the total required State contribution for that fiscal
4 year (less the amount received by the System from
5 appropriations under Section 8.12 of the State Finance Act and
6 Section 1 of the State Pension Funds Continuing Appropriation
7 Act, if any, for the fiscal year ending on the June 30
8 immediately preceding the applicable November 15 certification
9 deadline), the estimated payroll (including all forms of
10 compensation) for personal services rendered by eligible
11 employees, and the recommendations of the actuary.

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

19 (c) Contributions shall be made by the several departments
20 for each pay period by warrants drawn by the State Comptroller
21 against their respective funds or appropriations based upon
22 vouchers stating the amount to be so contributed. These amounts
23 shall be based on the full rate certified by the Board under
24 Section 14-135.08 for that fiscal year. From the effective date
25 of this amendatory Act of the 93rd General Assembly through the
26 payment of the final payroll from fiscal year 2004

1 appropriations, the several departments shall not make
2 contributions for the remainder of fiscal year 2004 but shall
3 instead make payments as required under subsection (a-1) of
4 Section 14.1 of the State Finance Act. The several departments
5 shall resume those contributions at the commencement of fiscal
6 year 2005.

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

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

21 (d) If an employee is paid from trust funds or federal
22 funds, the department or other employer shall pay employer
23 contributions from those funds to the System at the certified
24 rate, unless the terms of the trust or the federal-State
25 agreement preclude the use of the funds for that purpose, in
26 which case the required employer contributions shall be paid by

1 the State. From the effective date of this amendatory Act of
2 the 93rd General Assembly through the payment of the final
3 payroll from fiscal year 2004 appropriations, the department or
4 other employer shall not pay contributions for the remainder of
5 fiscal year 2004 but shall instead make payments as required
6 under subsection (a-1) of Section 14.1 of the State Finance
7 Act. The department or other employer shall resume payment of
8 contributions at the commencement of fiscal year 2005.

9 (e) Except as otherwise provided in this Section, for ~~For~~
10 State fiscal years 2012 through 2045, the minimum contribution
11 to the System to be made by the State for each fiscal year
12 shall be an amount determined by the System to be sufficient to
13 bring the total assets of the System up to 90% of the total
14 actuarial liabilities of the System by the end of State fiscal
15 year 2045. In making these determinations, the required State
16 contribution shall be calculated each year as a level
17 percentage of payroll over the years remaining to and including
18 fiscal year 2045 and shall be determined under the projected
19 unit credit actuarial cost method.

20 For State fiscal years 1996 through 2005, the State
21 contribution to the System, as a percentage of the applicable
22 employee payroll, shall be increased in equal annual increments
23 so that by State fiscal year 2011, the State is contributing at
24 the rate required under this Section; except that (i) for State
25 fiscal year 1998, for all purposes of this Code and any other
26 law of this State, the certified percentage of the applicable

1 employee payroll shall be 5.052% for employees earning eligible
2 creditable service under Section 14-110 and 6.500% for all
3 other employees, notwithstanding any contrary certification
4 made under Section 14-135.08 before the effective date of this
5 amendatory Act of 1997, and (ii) in the following specified
6 State fiscal years, the State contribution to the System shall
7 not be less than the following indicated percentages of the
8 applicable employee payroll, even if the indicated percentage
9 will produce a State contribution in excess of the amount
10 otherwise required under this subsection and subsection (a):
11 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY
12 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

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

25 Notwithstanding any other provision of this Article, the
26 total required State General Revenue Fund contribution for

1 State fiscal year 2010 is \$723,703,100 and shall be made from
2 the proceeds of bonds sold in fiscal year 2010 pursuant to
3 Section 7.2 of the General Obligation Bond Act, less (i) the
4 pro rata share of bond sale expenses determined by the System's
5 share of total bond proceeds, (ii) any amounts received from
6 the General Revenue Fund in fiscal year 2010, and (iii) any
7 reduction in bond proceeds due to the issuance of discounted
8 bonds, if applicable.

9 Notwithstanding any other provision of this Article, the
10 total required State General Revenue Fund contribution for
11 State fiscal year 2011 is the amount recertified by the System
12 on or before April 1, 2011 pursuant to Section 14-135.08 and
13 shall be made from the proceeds of bonds sold in fiscal year
14 2011 pursuant to Section 7.2 of the General Obligation Bond
15 Act, less (i) the pro rata share of bond sale expenses
16 determined by the System's share of total bond proceeds, (ii)
17 any amounts received from the General Revenue Fund in fiscal
18 year 2011, and (iii) any reduction in bond proceeds due to the
19 issuance of discounted bonds, if applicable.

20 Except as otherwise provided in this Section, beginning
21 ~~Beginning~~ in State fiscal year 2046, the minimum State
22 contribution for each fiscal year shall be the amount needed to
23 maintain the total assets of the System at 90% of the total
24 actuarial liabilities of the System.

25 Amounts received by the System pursuant to Section 25 of
26 the Budget Stabilization Act or Section 8.12 of the State

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

11 Notwithstanding any other provision of this Section, the
12 required State contribution for State fiscal year 2005 and for
13 fiscal year 2008 and each fiscal year thereafter, as calculated
14 under this Section and certified under Section 14-135.08, shall
15 not exceed an amount equal to (i) the amount of the required
16 State contribution that would have been calculated under this
17 Section for that fiscal year if the System had not received any
18 payments under subsection (d) of Section 7.2 of the General
19 Obligation Bond Act, minus (ii) the portion of the State's
20 total debt service payments for that fiscal year on the bonds
21 issued in fiscal year 2003 for the purposes of that Section
22 7.2, as determined and certified by the Comptroller, that is
23 the same as the System's portion of the total moneys
24 distributed under subsection (d) of Section 7.2 of the General
25 Obligation Bond Act. In determining this maximum for State
26 fiscal years 2008 through 2010, however, the amount referred to

1 in item (i) shall be increased, as a percentage of the
2 applicable employee payroll, in equal increments calculated
3 from the sum of the required State contribution for State
4 fiscal year 2007 plus the applicable portion of the State's
5 total debt service payments for fiscal year 2007 on the bonds
6 issued in fiscal year 2003 for the purposes of Section 7.2 of
7 the General Obligation Bond Act, so that, by State fiscal year
8 2011, the State is contributing at the rate otherwise required
9 under this Section.

10 (e-1) If at least 50% of Tier I employees making an
11 election under Section 14-106.5 before June 1, 2013 choose the
12 option under paragraph (1) of subsection (a) of that Section,
13 then:

14 (1) In lieu of the State contributions required under
15 subsection (e), for State fiscal years 2014 through 2043
16 the minimum contribution to the System to be made by the
17 State for each fiscal year shall be an amount determined by
18 the System to be equal to the sum of (1) the State's
19 portion of the projected normal cost for that fiscal year,
20 plus (2) an amount sufficient to bring the total assets of
21 the System up to 100% of the total actuarial liabilities of
22 the System by the end of State fiscal year 2043. In making
23 these determinations, the required State contribution
24 shall be calculated each year as a level percentage of
25 payroll over the years remaining to and including fiscal
26 year 2043 and shall be determined under the projected unit

1 credit actuarial cost method.

2 (2) Beginning in State fiscal year 2044, the minimum
3 State contribution for each fiscal year shall be the amount
4 needed to maintain the total assets of the System at 100%
5 of the total actuarial liabilities of the System.

6 (e-2) If less than 50% of Tier I employees making an
7 election under Section 14-106.5 before June 1, 2013 choose the
8 option under paragraph (1) of subsection (a) of that Section,
9 then:

10 (1) Instead of the annual required contribution
11 otherwise specified in subsection (e-1) of this Section,
12 the annual required contribution to the System to be made
13 by the State shall be determined under subsection (e) of
14 this Section.

15 (2) As soon as possible after June 1, 2014, the Board
16 shall recertify the annual required contribution by the
17 State for State fiscal year 2015.

18 (f) After the submission of all payments for eligible
19 employees from personal services line items in fiscal year 2004
20 have been made, the Comptroller shall provide to the System a
21 certification of the sum of all fiscal year 2004 expenditures
22 for personal services that would have been covered by payments
23 to the System under this Section if the provisions of this
24 amendatory Act of the 93rd General Assembly had not been
25 enacted. Upon receipt of the certification, the System shall
26 determine the amount due to the System based on the full rate

1 certified by the Board under Section 14-135.08 for fiscal year
2 2004 in order to meet the State's obligation under this
3 Section. The System shall compare this amount due to the amount
4 received by the System in fiscal year 2004 through payments
5 under this Section and under Section 6z-61 of the State Finance
6 Act. If the amount due is more than the amount received, the
7 difference shall be termed the "Fiscal Year 2004 Shortfall" for
8 purposes of this Section, and the Fiscal Year 2004 Shortfall
9 shall be satisfied under Section 1.2 of the State Pension Funds
10 Continuing Appropriation Act. If the amount due is less than
11 the amount received, the difference shall be termed the "Fiscal
12 Year 2004 Overpayment" for purposes of this Section, and the
13 Fiscal Year 2004 Overpayment shall be repaid by the System to
14 the Pension Contribution Fund as soon as practicable after the
15 certification.

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

20 As of June 30, 2008, the actuarial value of the System's
21 assets shall be equal to the market value of the assets as of
22 that date. In determining the actuarial value of the System's
23 assets for fiscal years after June 30, 2008, any actuarial
24 gains or losses from investment return incurred in a fiscal
25 year shall be recognized in equal annual amounts over the
26 5-year period following that fiscal year.

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

5 (i) After the submission of all payments for eligible
6 employees from personal services line items paid from the
7 General Revenue Fund in fiscal year 2010 have been made, the
8 Comptroller shall provide to the System a certification of the
9 sum of all fiscal year 2010 expenditures for personal services
10 that would have been covered by payments to the System under
11 this Section if the provisions of this amendatory Act of the
12 96th General Assembly had not been enacted. Upon receipt of the
13 certification, the System shall determine the amount due to the
14 System based on the full rate certified by the Board under
15 Section 14-135.08 for fiscal year 2010 in order to meet the
16 State's obligation under this Section. The System shall compare
17 this amount due to the amount received by the System in fiscal
18 year 2010 through payments under this Section. If the amount
19 due is more than the amount received, the difference shall be
20 termed the "Fiscal Year 2010 Shortfall" for purposes of this
21 Section, and the Fiscal Year 2010 Shortfall shall be satisfied
22 under Section 1.2 of the State Pension Funds Continuing
23 Appropriation Act. If the amount due is less than the amount
24 received, the difference shall be termed the "Fiscal Year 2010
25 Overpayment" for purposes of this Section, and the Fiscal Year
26 2010 Overpayment shall be repaid by the System to the General

1 Revenue Fund as soon as practicable after the certification.

2 (j) After the submission of all payments for eligible
3 employees from personal services line items paid from the
4 General Revenue Fund in fiscal year 2011 have been made, the
5 Comptroller shall provide to the System a certification of the
6 sum of all fiscal year 2011 expenditures for personal services
7 that would have been covered by payments to the System under
8 this Section if the provisions of this amendatory Act of the
9 96th General Assembly had not been enacted. Upon receipt of the
10 certification, the System shall determine the amount due to the
11 System based on the full rate certified by the Board under
12 Section 14-135.08 for fiscal year 2011 in order to meet the
13 State's obligation under this Section. The System shall compare
14 this amount due to the amount received by the System in fiscal
15 year 2011 through payments under this Section. If the amount
16 due is more than the amount received, the difference shall be
17 termed the "Fiscal Year 2011 Shortfall" for purposes of this
18 Section, and the Fiscal Year 2011 Shortfall shall be satisfied
19 under Section 1.2 of the State Pension Funds Continuing
20 Appropriation Act. If the amount due is less than the amount
21 received, the difference shall be termed the "Fiscal Year 2011
22 Overpayment" for purposes of this Section, and the Fiscal Year
23 2011 Overpayment shall be repaid by the System to the General
24 Revenue Fund as soon as practicable after the certification.

25 (k) For fiscal year 2012 only, after the submission of all
26 payments for eligible employees from personal services line

1 items paid from the General Revenue Fund in the fiscal year
2 have been made, the Comptroller shall provide to the System a
3 certification of the sum of all expenditures in the fiscal year
4 for personal services. Upon receipt of the certification, the
5 System shall determine the amount due to the System based on
6 the full rate certified by the Board under Section 14-135.08
7 for the fiscal year in order to meet the State's obligation
8 under this Section. The System shall compare this amount due to
9 the amount received by the System for the fiscal year. If the
10 amount due is more than the amount received, the difference
11 shall be termed the "Fiscal Year Shortfall" for purposes of
12 this Section, and the Fiscal Year Shortfall shall be satisfied
13 under Section 1.2 of the State Pension Funds Continuing
14 Appropriation Act. If the amount due is less than the amount
15 received, the difference shall be termed the "Fiscal Year
16 Overpayment" for purposes of this Section, and the Fiscal Year
17 Overpayment shall be repaid by the System to the General
18 Revenue Fund as soon as practicable after the certification.

19 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;
20 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.
21 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11.)

22 (40 ILCS 5/14-132) (from Ch. 108 1/2, par. 14-132)

23 Sec. 14-132. Obligations of State.

24 (a) The payment of the required department contributions,
25 all allowances, annuities, benefits granted under this

1 Article, and all expenses of administration of the system are
2 obligations of the State of Illinois to the extent specified in
3 this Article.

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

8 (c) If the System submits a voucher for monthly
9 contributions as required in Section 14-131 and the State fails
10 to pay within 90 days of receipt of such a voucher, the Board
11 shall submit a written request to the Comptroller seeking
12 payment. A copy of the request shall be filed with the
13 Secretary of State, and the Secretary of State shall provide
14 copies to the Governor and General Assembly. No earlier than
15 the 16th day after filing a request with the Secretary of
16 State, the Board shall have the right to commence a mandamus
17 action in the Supreme Court of Illinois to compel the
18 Comptroller to satisfy the voucher by making payment from the
19 General Revenue Fund. This Section constitutes an express
20 waiver of the State's sovereign immunity solely to the extent
21 it permits the Board to commence a mandamus action in the
22 Illinois Supreme Court to compel the Comptroller to pay a
23 voucher for monthly contributions as required in Section
24 14-131.

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

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

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

3 (a) Each participating employee shall make contributions
4 to the System, based on the employee's compensation, as
5 follows:

6 (1) Covered employees, except as indicated below, 3.5%
7 for retirement annuity, and 0.5% for a widow or survivors
8 annuity;

9 (2) Noncovered employees, except as indicated below,
10 7% for retirement annuity and 1% for a widow or survivors
11 annuity;

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

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

24 (5) Each security employee of the Department of
25 Corrections or of the Department of Human Services who is a
26 covered employee, 0.5% for a widow or survivors annuity

1 plus the following amount for retirement annuity: 5%
2 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
3 in 2004 and thereafter;

4 (6) Each security employee of the Department of
5 Corrections or of the Department of Human Services who is
6 not a covered employee, 1% for a widow or survivors annuity
7 plus the following amount for retirement annuity: 8.5%
8 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
9 11.5% in 2004 and thereafter.

10 (a-1) In addition to the contributions required under
11 subsection (a), an employee who elects to participate in the
12 optional cash balance plan under Section 1-162 shall pay to the
13 System for the purpose of participating in the optional cash
14 balance plan an additional contribution of 2% of each payment
15 of compensation received while he or she is a participant in
16 the optional cash balance plan. These contributions shall not
17 be used for the purpose of determining any benefit under this
18 Article except as provided in the optional cash balance plan.

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

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

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

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

3 (a) To certify to the Governor and to each department, on
4 or before November 15 of each year until November 15, 2011, the
5 required rate for State contributions to the System for the
6 next State fiscal year, as determined under subsection (b) of
7 Section 14-131. The certification to the Governor under this
8 subsection (a) shall include a copy of the actuarial
9 recommendations upon which the rate is based and shall
10 specifically identify the System's projected State normal cost
11 for that fiscal year.

12 (a-5) On or before November 1 of each year, beginning
13 November 1, 2012, the Board shall submit to the State Actuary,
14 the Governor, and the General Assembly a proposed certification
15 of the amount of the required State contribution to the System
16 for the next fiscal year, along with all of the actuarial
17 assumptions, calculations, and data upon which that proposed
18 certification is based. On or before January 1 of each year
19 beginning January 1, 2013, the State Actuary shall issue a
20 preliminary report concerning the proposed certification and
21 identifying, if necessary, recommended changes in actuarial
22 assumptions that the Board must consider before finalizing its
23 certification of the required State contributions. On or before
24 January 15, 2013 and each January 15 thereafter, the Board
25 shall certify to the Governor and the General Assembly the

1 amount of the required State contribution for the next fiscal
2 year. The Board's certification must note any deviations from
3 the State Actuary's recommended changes, the reason or reasons
4 for not following the State Actuary's recommended changes, and
5 the fiscal impact of not following the State Actuary's
6 recommended changes on the required State contribution.

7 (b) The certifications under subsections (a) and (a-5)
8 ~~certification~~ shall include an additional amount necessary to
9 pay all principal of and interest on those general obligation
10 bonds due the next fiscal year authorized by Section 7.2(a) of
11 the General Obligation Bond Act and issued to provide the
12 proceeds deposited by the State with the System in July 2003,
13 representing deposits other than amounts reserved under
14 Section 7.2(c) of the General Obligation Bond Act. For State
15 fiscal year 2005, the Board shall make a supplemental
16 certification of the additional amount necessary to pay all
17 principal of and interest on those general obligation bonds due
18 in State fiscal years 2004 and 2005 authorized by Section
19 7.2(a) of the General Obligation Bond Act and issued to provide
20 the proceeds deposited by the State with the System in July
21 2003, representing deposits other than amounts reserved under
22 Section 7.2(c) of the General Obligation Bond Act, as soon as
23 practical after the effective date of this amendatory Act of
24 the 93rd General Assembly.

25 On or before May 1, 2004, the Board shall recalculate and
26 recertify to the Governor and to each department the amount of

1 the required State contribution to the System and the required
2 rates for State contributions to the System for State fiscal
3 year 2005, taking into account the amounts appropriated to and
4 received by the System under subsection (d) of Section 7.2 of
5 the General Obligation Bond Act.

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

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

19 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11.)

20 (40 ILCS 5/14-152.1)

21 Sec. 14-152.1. 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 June 1, 2005 (the
3 effective date of Public Act 94-4). "New benefit increase",
4 however, does not include any benefit increase resulting from
5 the changes made to this Article or Article 1 by Public Act
6 96-37 or this amendatory Act of the 97th ~~96th~~ 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. 96-37, eff. 7-13-09.)

23 (40 ILCS 5/15-106) (from Ch. 108 1/2, par. 15-106)

24 Sec. 15-106. Employer. "Employer": The University of
25 Illinois, Southern Illinois University, Chicago State

1 University, Eastern Illinois University, Governors State
2 University, Illinois State University, Northeastern Illinois
3 University, Northern Illinois University, Western Illinois
4 University, the State Board of Higher Education, the Illinois
5 Mathematics and Science Academy, the University Civil Service
6 Merit Board, the Board of Trustees of the State Universities
7 Retirement System, the Illinois Community College Board,
8 community college boards, any association of community college
9 boards organized under Section 3-55 of the Public Community
10 College Act, the Board of Examiners established under the
11 Illinois Public Accounting Act, and, only during the period for
12 which employer contributions required under Section 15-155 are
13 paid, the following organizations: the alumni associations,
14 the foundations and the athletic associations which are
15 affiliated with the universities and colleges included in this
16 Section as employers. An individual that begins employment
17 after the effective date of this amendatory Act of the 97th
18 General Assembly with an entity not defined as an employer in
19 this Section shall not be deemed an employee for the purposes
20 of this Article with respect to that employment and shall not
21 be eligible to participate in the System with respect to that
22 employment; provided, however, that those individuals who are
23 both employed and already participants in the System on the
24 effective date of this amendatory Act of the 97th General
25 Assembly shall be allowed to continue as participants in the
26 System for the duration of that employment.

1 Notwithstanding any provision of law to the contrary, an
2 individual who begins employment with any of the following
3 employers on or after the effective date of this amendatory Act
4 of the 97th General Assembly shall not be deemed an employee
5 and shall not be eligible to participate in the System with
6 respect to that employment: any association of community
7 college boards organized under Section 3-55 of the Public
8 Community College Act, the Association of Illinois
9 Middle-Grade Schools, the Illinois Association of School
10 Administrators, the Illinois Association for Supervision and
11 Curriculum Development, the Illinois Principals Association,
12 the Illinois Association of School Business Officials, or the
13 Illinois Special Olympics; provided, however, that those
14 individuals who are both employed and already participants in
15 the System on the effective date of this amendatory Act of the
16 97th General Assembly shall be allowed to continue as
17 participants in the System for the duration of that employment.

18 A department as defined in Section 14-103.04 is an employer
19 for any person appointed by the Governor under the Civil
20 Administrative Code of Illinois who is a participating employee
21 as defined in Section 15-109. The Department of Central
22 Management Services is an employer with respect to persons
23 employed by the State Board of Higher Education in positions
24 with the Illinois Century Network as of June 30, 2004 who
25 remain continuously employed after that date by the Department
26 of Central Management Services in positions with the Illinois

1 Century Network, the Bureau of Communication and Computer
2 Services, or, if applicable, any successor bureau.

3 The cities of Champaign and Urbana shall be considered
4 employers, but only during the period for which contributions
5 are required to be made under subsection (b-1) of Section
6 15-155 and only with respect to individuals described in
7 subsection (h) of Section 15-107.

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

10 (40 ILCS 5/15-107) (from Ch. 108 1/2, par. 15-107)

11 Sec. 15-107. Employee.

12 (a) "Employee" means any member of the educational,
13 administrative, secretarial, clerical, mechanical, labor or
14 other staff of an employer whose employment is permanent and
15 continuous or who is employed in a position in which services
16 are expected to be rendered on a continuous basis for at least
17 4 months or one academic term, whichever is less, who (A)
18 receives payment for personal services on a warrant issued
19 pursuant to a payroll voucher certified by an employer and
20 drawn by the State Comptroller upon the State Treasurer or by
21 an employer upon trust, federal or other funds, or (B) is on a
22 leave of absence without pay. Employment which is irregular,
23 intermittent or temporary shall not be considered continuous
24 for purposes of this paragraph.

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

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

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

8 (3) is on a military leave of absence;

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

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

16 (6) is hired after June 30, 1979 as a public service
17 employment program participant under the Federal
18 Comprehensive Employment and Training Act and receives
19 earnings in whole or in part from funds provided under that
20 Act; or

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

26 (b) Any employer may, by filing a written notice with the

1 board, exclude from the definition of "employee" all persons
2 employed pursuant to a federally funded contract entered into
3 after July 1, 1982 with a federal military department in a
4 program providing training in military courses to federal
5 military personnel on a military site owned by the United
6 States Government, if this exclusion is not prohibited by the
7 federally funded contract or federal laws or rules governing
8 the administration of the contract.

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

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

16 (e) A participant is considered an employee during (1) the
17 first 60 days of disability leave, (2) the period, not to
18 exceed one year, in which his or her eligibility for disability
19 benefits is being considered by the board or reviewed by the
20 courts, and (3) the period he or she receives disability
21 benefits under the provisions of Section 15-152, workers'
22 compensation or occupational disease benefits, or disability
23 income under an insurance contract financed wholly or partially
24 by the employer.

25 (f) Absences without pay, other than formal leaves of
26 absence, of less than 30 calendar days, are not considered as

1 an interruption of a person's status as an employee. If such
2 absences during any period of 12 months exceed 30 work days,
3 the employee status of the person is considered as interrupted
4 as of the 31st work day.

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

12 (h) An individual who was a participating employee employed
13 in the fire department of the University of Illinois's
14 Champaign-Urbana campus immediately prior to the elimination
15 of that fire department and who immediately after the
16 elimination of that fire department became employed by the fire
17 department of the City of Urbana or the City of Champaign shall
18 continue to be considered as an employee for purposes of this
19 Article for so long as the individual remains employed as a
20 firefighter by the City of Urbana or the City of Champaign. The
21 individual shall cease to be considered an employee under this
22 subsection (h) upon the first termination of the individual's
23 employment as a firefighter by the City of Urbana or the City
24 of Champaign.

25 (i) An individual who is employed on a full-time basis as
26 an officer or employee of a statewide teacher organization that

1 serves System participants or an officer of a national teacher
2 organization that serves System participants may participate
3 in the System and shall be deemed an employee, provided that
4 (1) the individual has previously earned creditable service
5 under this Article, (2) the individual files with the System an
6 irrevocable election to become a participant before the
7 effective date of this amendatory Act of the 97th General
8 Assembly, (3) the individual does not receive credit for that
9 employment under any other Article of this Code, and (4) the
10 individual first became a full-time employee of the teacher
11 organization and becomes a participant before the effective
12 date of this amendatory Act of the 97th General Assembly. An
13 employee under this subsection (i) is responsible for paying to
14 the System both (A) employee contributions based on the actual
15 compensation received for service with the teacher
16 organization and (B) employer contributions equal to the normal
17 costs (as defined in Section 15-155) resulting from that
18 service; all or any part of these contributions may be paid on
19 the employee's behalf or picked up for tax purposes (if
20 authorized under federal law) by the teacher organization.

21 A person who is an employee as defined in this subsection
22 (i) may establish service credit for similar employment prior
23 to becoming an employee under this subsection by paying to the
24 System for that employment the contributions specified in this
25 subsection, plus interest at the effective rate from the date
26 of service to the date of payment. However, credit shall not be

1 granted under this subsection for any such prior employment for
2 which the applicant received credit under any other provision
3 of this Code, or during which the applicant was on a leave of
4 absence under Section 15-113.2.

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

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

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

17 (40 ILCS 5/15-107.1 new)

18 Sec. 15-107.1. Tier I employee. "Tier I employee": An
19 employee under this Article, other than a participant in the
20 self-managed plan under Section 15-158.2, who first became a
21 member or participant before January 1, 2011 under any
22 reciprocal retirement system or pension fund established under
23 this Code other than a retirement system or pension fund
24 established under Article 2, 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/15-107.2 new)

2 Sec. 15-107.2. Tier I retiree. "Tier I retiree": A former
3 Tier I employee who is receiving a retirement annuity.

4 A person does not become a Tier I retiree by virtue of
5 receiving a reversionary, survivors, beneficiary, or
6 disability annuity.

7 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

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

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

24 (1) "Earnings" includes transition pay paid to the
25 employee on or after the effective date of this amendatory

1 Act of the 91st General Assembly.

2 (2) "Earnings" includes transition pay paid to the
3 employee before the effective date of this amendatory Act
4 of the 91st General Assembly only if (i) employee
5 contributions under Section 15-157 have been withheld from
6 that transition pay or (ii) the employee pays to the System
7 before January 1, 2001 an amount representing employee
8 contributions under Section 15-157 on that transition pay.
9 Employee contributions under item (ii) may be paid in a
10 lump sum, by withholding from additional transition pay
11 accruing before January 1, 2001, or in any other manner
12 approved by the System. Upon payment of the employee
13 contributions on transition pay, the corresponding
14 employer contributions become an obligation of the State.

15 Notwithstanding any other provision of this Section,
16 "earnings" does not include any future increase in income
17 offered by an employer under this Article pursuant to the
18 requirements of subsection (c) of Section 15-134.6 that is
19 accepted by a Tier I employee, or a Tier I retiree returning to
20 active service, who has made an election under paragraph (2) of
21 subsection (a) or (a-5) of Section 15-134.6.

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

23 (40 ILCS 5/15-111.1 new)

24 Sec. 15-111.1. Future increase in income. "Future increase
25 in income": Any increase in income in any form offered by an

1 employer to an employee under this Article after June 30, 2013
2 that would qualify as "earnings", as defined under Section
3 15-111, but for the fact that the employer offered the increase
4 in income to the employee on the condition that it not qualify
5 as earnings and the employee accepted the increase in income
6 subject to that condition. The term "future increase in income"
7 does not include an increase in income in any form that is paid
8 to a Tier I employee under an employment contract or collective
9 bargaining agreement that is in effect on the effective date of
10 this Section but does include an increase in income in any form
11 pursuant to an extension, amendment, or renewal of any such
12 employment contract or collective bargaining agreement on or
13 after the effective date of this amendatory Act of the 97th
14 General Assembly.

15 (40 ILCS 5/15-113.2) (from Ch. 108 1/2, par. 15-113.2)

16 Sec. 15-113.2. Service for leaves of absence. "Service for
17 leaves of absence" includes those periods of leaves of absence
18 at less than 50% pay, except military leave and periods of
19 disability leave in excess of 60 days, for which the employee
20 pays the contributions required under Section 15-157 in
21 accordance with rules prescribed by the board based upon the
22 employee's basic compensation on the date the leave begins, or
23 in the case of leave for service with a teacher organization,
24 based upon the actual compensation received by the employee for
25 such service after January 26, 1988, if the employee so elects

1 within 30 days of that date or the date the leave for service
2 with a teacher organization begins, whichever is later;
3 provided that the employee (1) returns to employment covered by
4 this system at the expiration of the leave, or within 30 days
5 after the termination of a disability which occurs during the
6 leave and continues this employment at a percentage of time
7 equal to or greater than the percentage of time immediately
8 preceding the leave of absence for at least 8 consecutive
9 months or a period equal to the period of the leave, whichever
10 is less, or (2) is precluded from meeting the foregoing
11 conditions because of disability or death. If service credit is
12 denied because the employee fails to meet these conditions, the
13 contributions covering the leave of absence shall be refunded
14 without interest. The return to employment condition does not
15 apply if the leave of absence is for service with a teacher
16 organization.

17 Service credit provided under this Section shall not exceed
18 3 years in any period of 10 years, unless the employee is on
19 special leave granted by the employer for service with a
20 teacher organization. Commencing with the fourth year in any
21 period of 10 years, a participant on such special leave is also
22 required to pay employer contributions equal to the normal cost
23 as defined in Section 15-155, based upon the employee's basic
24 compensation on the date the leave begins, or based upon the
25 actual compensation received by the employee for service with a
26 teacher organization if the employee has so elected.

1 Notwithstanding any other provision of this Article, a
2 participant shall not be eligible to make contributions or
3 receive service credit for a leave of absence for service with
4 a teacher organization if that leave of absence for service
5 with a teacher organization begins on or after the effective
6 date of this amendatory Act of the 97th General Assembly.

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

8 (40 ILCS 5/15-113.6) (from Ch. 108 1/2, par. 15-113.6)

9 Sec. 15-113.6. Service for employment in public schools.
10 "Service for employment in public schools": Includes those
11 periods not exceeding the lesser of 10 years or 2/3 of the
12 service granted under other Sections of this Article dealing
13 with service credit, during which a person who entered the
14 system after September 1, 1974 was employed full time by a
15 public common school, public college and public university, or
16 by an agency or instrumentality of any of the foregoing, of any
17 state, territory, dependency or possession of the United States
18 of America, including the Philippine Islands, or a school
19 operated by or under the auspices of any agency or department
20 of any other state, if the person (1) cannot qualify for a
21 retirement pension or other benefit based upon employer
22 contributions from another retirement system, exclusive of
23 federal social security, based in whole or in part upon this
24 employment, and (2) pays the lesser of (A) an amount equal to
25 8% of his or her annual basic compensation on the date of

1 becoming a participating employee subsequent to this service
2 multiplied by the number of years of such service, together
3 with compound interest from the date participation begins to
4 the date payment is received by the board at the rate of 6% per
5 annum through August 31, 1982, and at the effective rates after
6 that date, and (B) 50% of the actuarial value of the increase
7 in the retirement annuity provided by this service, and (3)
8 contributes for at least 5 years subsequent to this employment
9 to one or more of the following systems: the State Universities
10 Retirement System, the Teachers' Retirement System of the State
11 of Illinois, and the Public School Teachers' Pension and
12 Retirement Fund of Chicago.

13 The service granted under this Section shall not be
14 considered in determining whether the person has the minimum
15 number of ~~8 years of service required to qualify for a~~
16 ~~retirement annuity at age 55 or the 5 years of service required~~
17 ~~to qualify for a retirement annuity at age 62,~~ as provided in
18 Section 15-135, or the 10 years required by subsection (c) of
19 Section 1-160 for a person subject to that Section ~~who first~~
20 ~~becomes a participant on or after January 1, 2011.~~ The maximum
21 allowable service of 10 years for this governmental employment
22 shall be reduced by the service credit which is validated under
23 paragraph (2) of subsection (b) of Section 16-127 and paragraph
24 1 of Section 17-133.

25 (Source: P.A. 95-83, eff. 8-13-07; 96-1490, eff. 1-1-11.)

1 (40 ILCS 5/15-134.5)

2 Sec. 15-134.5. Retirement program elections.

3 (a) All participating employees are participants under the
4 traditional benefit package prior to January 1, 1998.

5 Effective as of the date that an employer elects, as
6 described in Section 15-158.2, to offer to its employees the
7 portable benefit package and the self-managed plan as
8 alternatives to the traditional benefit package but not later
9 than the effective date of this amendatory Act of the 97th
10 General Assembly, each of that employer's eligible employees
11 (as defined in subsection (b)) shall be given the choice to
12 elect which retirement program he or she wishes to participate
13 in with respect to all periods of covered employment occurring
14 on and after the effective date of the employee's election. The
15 retirement program election made by an eligible employee must
16 be made in writing, in the manner prescribed by the System, and
17 within the time period described in subsection (d) or (d-1).

18 The employee election authorized by this Section is a
19 one-time, irrevocable election. If an employee terminates
20 employment after making the election provided under this
21 subsection (a), then upon his or her subsequent re-employment
22 with an employer the original election shall automatically
23 apply to him or her, provided that the employer is then a
24 participating employer as described in Section 15-158.2.

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

1 (b) "Eligible employee" means an employee (as defined in
2 Section 15-107) who is either a currently eligible employee or
3 a newly eligible employee. For purposes of this Section, a
4 "currently eligible employee" is an employee who is employed by
5 an employer on the effective date on which the employer offers
6 to its employees the portable benefit package and the
7 self-managed plan as alternatives to the traditional benefit
8 package but not on or after the effective date of this
9 amendatory Act of the 97th General Assembly. A "newly eligible
10 employee" is an employee who first becomes employed by an
11 employer after the effective date on which the employer offers
12 its employees the portable benefit package and the self-managed
13 plan as alternatives to the traditional benefit package but not
14 on or after the effective date of this amendatory Act of the
15 97th General Assembly. A newly eligible employee participates
16 in the traditional benefit package until he or she makes an
17 election to participate in the portable benefit package or the
18 self-managed plan. If an employee does not elect to participate
19 in the portable benefit package or the self-managed plan, he or
20 she shall continue to participate in the traditional benefit
21 package by default.

22 (c) An eligible employee who at the time he or she is first
23 eligible to make the election described in subsection (a) does
24 not have sufficient age and service to qualify for a retirement
25 annuity under Section 15-135 may elect to participate in the
26 traditional benefit package, the portable benefit package, or

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

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

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

20 (d-1) A newly eligible employee who, prior to the effective
21 date of this amendatory Act of the 91st General Assembly, fails
22 to make the election within the period provided under
23 subsection (d) and participates by default in the traditional
24 benefit package may make a late election to participate in the
25 portable benefit package or the self-managed plan instead of
26 the traditional benefit package at any time within 6 months

1 after the effective date of this amendatory Act of the 91st
2 General Assembly.

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

21 (f) An eligible employee shall be provided with written
22 information prepared or prescribed by the System which
23 describes the employee's retirement program choices. The
24 eligible employee shall be offered an opportunity to receive
25 counseling from the System prior to making his or her election.
26 This counseling may consist of videotaped materials, group

1 presentations, individual consultation with an employee or
2 authorized representative of the System in person or by
3 telephone or other electronic means, or any combination of
4 these methods.

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

6 (40 ILCS 5/15-134.6 new)

7 Sec. 15-134.6. Election by Tier I employees and Tier I
8 retirees.

9 (a) Each Tier I employee shall make an irrevocable election
10 either:

11 (1) to agree to the following:

12 (i) to have the amount of the automatic annual
13 increases in his or her retirement annuity that are
14 otherwise provided for in this Article calculated,
15 instead, as provided in subsection (d-1) of Section
16 15-136; and

17 (ii) to have his or her eligibility for automatic
18 annual increases in retirement annuity postponed as
19 provided in subsection (d-2) of Section 15-136; or

20 (2) to not agree to items (i) and (ii) as set forth in
21 paragraph (1) of this subsection.

22 The election required under this subsection (a) shall be
23 made by each Tier I employee no earlier than January 1, 2013
24 and no later than May 31, 2013, except that:

25 (i) a person who becomes a Tier I employee under this

1 Article after January 1, 2013 must make the election under
2 this subsection (a) within 60 days after becoming a Tier I
3 employee;

4 (ii) a person who returns to active service as a Tier I
5 employee under this Article after January 1, 2013 and has
6 not yet made an election under this Section must make the
7 election under this subsection (a) within 60 days after
8 returning to active service as a Tier I employee; and

9 (iii) a person who made the election under subsection
10 (a-5) as a Tier I retiree remains bound by that election
11 and shall not make a later election under this subsection
12 (a).

13 If a Tier I employee fails for any reason to make a
14 required election under this subsection within the time
15 specified, then the employee shall be deemed to have made the
16 election under paragraph (2) of this subsection.

17 (a-5) Each Tier I retiree shall make an irrevocable
18 election either:

19 (1) to agree to the following:

20 (i) to have the amount of the automatic annual
21 increases in his or her retirement annuity that are
22 otherwise provided for in this Article calculated,
23 instead, as provided in subsection (d-1) of Section
24 15-136; and

25 (ii) to have his or her eligibility for automatic
26 annual increases in retirement annuity postponed as

1 provided in subsection (d-2) of Section 15-136; or
2 (2) to not agree to items (i) and (ii) as set forth in
3 paragraph (1) of this subsection.

4 The election required under this subsection (a-5) shall be
5 made by each Tier I retiree no earlier than January 1, 2013 and
6 no later than May 31, 2013, except that:

7 (i) a person who becomes a Tier I retiree under this
8 Article on or after January 1, 2013 must make the election
9 under this subsection (a-5) within 60 days after becoming a
10 Tier I retiree; and

11 (ii) a person who made the election under subsection
12 (a) as a Tier I employee remains bound by that election and
13 shall not make a later election under this subsection
14 (a-5).

15 If a Tier I retiree fails for any reason to make a required
16 election under this subsection within the time specified, then
17 the Tier I retiree shall be deemed to have made the election
18 under paragraph (2) of this subsection.

19 (a-10) All elections under subsection (a) or (a-5) that are
20 made or deemed to be made before June 1, 2013 shall take effect
21 on July 1, 2013. Elections that are made or deemed to be made
22 on or after June 1, 2013 shall take effect on the first day of
23 the month following the month in which the election is made or
24 deemed to be made.

25 (b) As adequate and legal consideration provided under this
26 amendatory Act of the 97th General Assembly for making the

1 election under paragraph (1) of subsection (a) of this Section,
2 any future increases in income offered by an employer under
3 this Article to a Tier I employee who has made the election
4 under paragraph (1) of subsection (a) of this Section shall be
5 offered expressly and irrevocably as constituting earnings
6 under Section 15-111. In addition, a Tier I employee who has
7 made the election under paragraph (1) of subsection (a) of this
8 Section shall receive the right to also participate in the
9 optional cash balance plan established under Section 1-162.

10 As adequate and legal consideration provided under this
11 amendatory Act of the 97th General Assembly for making the
12 election under paragraph (1) of subsection (a-5) of this
13 Section, any future increases in income offered by an employer
14 under this Article to a Tier I retiree who returns to active
15 service after having made the election under paragraph (1) of
16 subsection (a-5) of this Section shall be offered expressly and
17 irrevocably as constituting earnings under Section 15-111. In
18 addition, a Tier I retiree who returns to active service and
19 has made the election under paragraph (1) of subsection (a) of
20 this Section shall receive the right to also participate in the
21 optional cash balance plan established under Section 1-162.

22 (c) A Tier I employee who makes the election under
23 paragraph (2) of subsection (a) of this Section shall not be
24 subject to items (i) and (ii) set forth in paragraph (1) of
25 subsection (a) of this Section. However, any future increases
26 in income offered by an employer under this Article to a Tier I

1 employee who has made the election under paragraph (2) of
2 subsection (a) of this Section shall be offered expressly and
3 irrevocably as not constituting earnings under Section 15-111,
4 and the employee may not accept any future increase in income
5 that is offered in violation of this requirement. In addition,
6 a Tier I employee who has made the election under paragraph (2)
7 of subsection (a) of this Section shall not receive the right
8 to participate in the optional cash balance plan established
9 under Section 1-162.

10 A Tier I retiree who makes the election under paragraph (2)
11 of subsection (a-5) of this Section shall not be subject to
12 items (i) and (ii) set forth in paragraph (1) of subsection
13 (a-5) of this Section. However, any future increases in income
14 offered by an employer under this Article to a Tier I retiree
15 who returns to active service and has made the election under
16 paragraph (2) of subsection (a-5) of this Section shall be
17 offered expressly and irrevocably as not constituting earnings
18 under Section 15-111, and the employee may not accept any
19 future increase in income that is offered in violation of this
20 requirement. In addition, a Tier I retiree who returns to
21 active service and has made the election under paragraph (2) of
22 subsection (a) of this Section shall not receive the right to
23 participate in the optional cash balance plan established under
24 Section 1-162.

25 (d) The System shall make a good faith effort to contact
26 each Tier I employee and Tier I retiree subject to this

1 Section. The System shall mail information describing the
2 required election to each Tier I employee and Tier I retiree by
3 United States Postal Service mail to his or her last known
4 address on file with the System. If the Tier I employee or Tier
5 I retiree is not responsive to other means of contact, it is
6 sufficient for the System to publish the details of any
7 required elections on its website or to publish those details
8 in a regularly published newsletter or other existing public
9 forum.

10 Tier I employees and Tier I retirees who are subject to
11 this Section shall be provided with an election packet
12 containing information regarding their options, as well as the
13 forms necessary to make the required election. Upon request,
14 the System shall offer Tier I employees and Tier I retirees an
15 opportunity to receive information from the System before
16 making the required election. The information may consist of
17 video materials, group presentations, individual consultation
18 with a member or authorized representative of the System in
19 person or by telephone or other electronic means, or any
20 combination of those methods. The System shall not provide
21 advice or counseling with respect to which election a Tier I
22 employee or Tier I retiree should make or specific to the legal
23 or tax circumstances of or consequences to the Tier I employee
24 or Tier I retiree.

25 The System shall inform Tier I employees and Tier I
26 retirees in the election packet required under this subsection

1 that the Tier I employee or Tier I retiree may also wish to
2 obtain information and counsel relating to the election
3 required under this Section from any other available source,
4 including but not limited to labor organizations and private
5 counsel.

6 The System shall coordinate with the Illinois Department of
7 Central Management Services and each other retirement system
8 administering an election in accordance with this amendatory
9 Act of the 97th General Assembly to provide information
10 concerning the impact of the election under this Section.

11 In no event shall the System, its staff, or the Board be
12 held liable for any information given to a member, beneficiary,
13 or annuitant regarding the elections under this Section.

14 (e) Notwithstanding any other provision of law, an employer
15 under this Article is required to offer any future increases in
16 income expressly and irrevocably as not constituting
17 "earnings" under Section 15-111 to any Tier I employee, or Tier
18 I retiree returning to active service, who has made an election
19 under paragraph (2) or subsection (a) or (a-5) of this Section.
20 A Tier I employee, or Tier I retiree returning to active
21 service, who has made an election under paragraph (2) of
22 subsection (a) or (a-5) of this Section shall not accept any
23 future increase in income that is offered by an employer under
24 this Article in violation of the requirement set forth in this
25 subsection.

26 (f) A member's election under this Section is not a

1 prohibited election under subdivision (j)(1) of Section 1-119
2 of the Illinois Pension Code.

3 (g) An employee who has made the election under paragraph
4 (1) of subsection (a) or (a-5) of this Section may elect to
5 participate in the optional cash balance plan under Section
6 1-162.

7 The election to participate in the optional cash balance
8 plan shall be made in writing, in the manner provided by the
9 applicable retirement system.

10 (h) Qualified Plan Status. No provision of this Section
11 shall be interpreted in a way that would cause the System to
12 cease to be a qualified plan under Section 461(a) of the
13 Internal Revenue Code of 1986.

14 (40 ILCS 5/15-136) (from Ch. 108 1/2, par. 15-136)

15 Sec. 15-136. Retirement annuities - Amount. The provisions
16 of this Section 15-136 apply only to those participants who are
17 participating in the traditional benefit package or the
18 portable benefit package and do not apply to participants who
19 are participating in the self-managed plan.

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

24 Rule 1: The retirement annuity shall be 1.67% of final rate
25 of earnings for each of the first 10 years of service, 1.90%

1 for each of the next 10 years of service, 2.10% for each year
2 of service in excess of 20 but not exceeding 30, and 2.30% for
3 each year in excess of 30; or for persons who retire on or
4 after January 1, 1998, 2.2% of the final rate of earnings for
5 each year of service.

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

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

14 (ii) an annuity from employer contributions of an
15 amount equal to that which can be provided on an
16 actuarially equivalent basis from the accumulated normal
17 contributions made by the participant under Section
18 15-113.6 and Section 15-113.7 plus 1.4 times all other
19 accumulated normal contributions made by the participant;
20 and

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

24 With respect to a police officer or firefighter who retires
25 on or after August 14, 1998, the accumulated normal
26 contributions taken into account under clauses (i) and (ii) of

1 this Rule 2 shall include the additional normal contributions
2 made by the police officer or firefighter under Section
3 15-157(a).

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

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

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

18 Rule 3: The retirement annuity of a participant who is
19 employed at least one-half time during the period on which his
20 or her final rate of earnings is based, shall be equal to the
21 participant's years of service not to exceed 30, multiplied by
22 (1) \$96 if the participant's final rate of earnings is less
23 than \$3,500, (2) \$108 if the final rate of earnings is at least
24 \$3,500 but less than \$4,500, (3) \$120 if the final rate of
25 earnings is at least \$4,500 but less than \$5,500, (4) \$132 if
26 the final rate of earnings is at least \$5,500 but less than

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

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

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

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

25 (ii) in the case of an individual who was a
26 participating employee employed in the fire department of

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

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

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

22 (ii) an annuity from employer contributions of an
23 amount equal to that which can be provided on an
24 actuarially equivalent basis from the accumulated normal
25 contributions made by the participant under Section
26 15-113.6 and Section 15-113.7 plus 1.4 times all other

1 accumulated normal contributions made by the participant;
2 and

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

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

19 With respect to a participant who is qualified for a
20 retirement annuity under this Rule 5 whose retirement annuity
21 began before the effective date of this amendatory Act of the
22 91st General Assembly, and for whom an employee contribution
23 was made under Section 15-136.2, the System shall recalculate
24 the retirement annuity under this Rule 5 and shall pay any
25 additional amounts due in the manner provided in Section
26 15-186.1 for benefits mistakenly set too low.

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

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

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

23 (b) The retirement annuity provided under Rules 1 and 3
24 above shall be reduced by 1/2 of 1% for each month the
25 participant is under age 60 at the time of retirement. However,
26 this reduction shall not apply in the following cases:

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

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

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

14 (c) The maximum retirement annuity provided under Rules 1,
15 2, 4, and 5 shall be the lesser of (1) the annual limit of
16 benefits as specified in Section 415 of the Internal Revenue
17 Code of 1986, as such Section may be amended from time to time
18 and as such benefit limits shall be adjusted by the
19 Commissioner of Internal Revenue, and (2) 80% of final rate of
20 earnings.

21 (d) Subject to the provisions of subsections (d-1) and
22 (d-2), an An annuitant whose status as an employee terminates
23 after August 14, 1969 shall receive automatic increases in his
24 or her retirement annuity as follows:

25 Effective January 1 immediately following the date the
26 retirement annuity begins, the annuitant shall receive an

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

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

21 Beginning January 1, 1990 and except as provided in
22 subsections (d-1) and (d-2), all automatic annual increases
23 payable under this Section shall be calculated as a percentage
24 of the total annuity payable at the time of the increase,
25 including all increases previously granted under this Article.

26 The change made in this subsection by P.A. 85-1008 is

1 effective January 26, 1988, and is applicable without regard to
2 whether status as an employee terminated before that date.

3 (d-1) Notwithstanding any other provision of this Article,
4 for a Tier I employee or Tier I retiree who made the election
5 under paragraph (1) of either subsection (a) or (a-5) of
6 Section 15-134.6, the amount of each automatic annual increase
7 in retirement annuity occurring on or after the effective date
8 of that election shall be 3% or one-half of the annual
9 unadjusted percentage increase, if any, in the Consumer Price
10 Index-U for the 12 months ending with the preceding September,
11 whichever is less, of the originally granted retirement
12 annuity. For the purposes of this Section, "Consumer Price
13 Index-U" means the index published by the Bureau of Labor
14 Statistics of the United States Department of Labor that
15 measures the average change in prices of goods and services
16 purchased by all urban consumers, United States city average,
17 all items, 1982-84 = 100.

18 (d-2) Notwithstanding any other provision of this Article,
19 for a Tier I employee or Tier I retiree who made the election
20 under paragraph (1) of subsection (a) or (a-5) of Section
21 15-134.6, the monthly retirement annuity shall first be subject
22 to annual increases on the January 1 occurring on or next after
23 the attainment of age 67 or the January 1 occurring on or next
24 after the fifth anniversary of the annuity start date,
25 whichever occurs earlier. If on the effective date of the
26 election under paragraph (1) of subsection (a-5) of Section

1 15-134.6 a Tier I retiree has already received an annual
2 increase under this Section but does not yet meet the new
3 eligibility requirements of this subsection, the annual
4 increases already received shall continue in force, but no
5 additional annual increase shall be granted until the Tier I
6 retiree meets the new eligibility requirements.

7 (e) If, on January 1, 1987, or the date the retirement
8 annuity payment period begins, whichever is later, the sum of
9 the retirement annuity provided under Rule 1 or Rule 2 of this
10 Section and the automatic annual increases provided under the
11 preceding subsection or Section 15-136.1, amounts to less than
12 the retirement annuity which would be provided by Rule 3, the
13 retirement annuity shall be increased as of January 1, 1987, or
14 the date the retirement annuity payment period begins,
15 whichever is later, to the amount which would be provided by
16 Rule 3 of this Section. Such increased amount shall be
17 considered as the retirement annuity in determining benefits
18 provided under other Sections of this Article. This paragraph
19 applies without regard to whether status as an employee
20 terminated before the effective date of this amendatory Act of
21 1987, provided that the annuitant was employed at least
22 one-half time during the period on which the final rate of
23 earnings was based.

24 (f) A participant is entitled to such additional annuity as
25 may be provided on an actuarially equivalent basis, by any
26 accumulated additional contributions to his or her credit.

1 However, the additional contributions made by the participant
2 toward the automatic increases in annuity provided under this
3 Section shall not be taken into account in determining the
4 amount of such additional annuity.

5 (g) If, (1) by law, a function of a governmental unit, as
6 defined by Section 20-107 of this Code, is transferred in whole
7 or in part to an employer, and (2) a participant transfers
8 employment from such governmental unit to such employer within
9 6 months after the transfer of the function, and (3) the sum of
10 (A) the annuity payable to the participant under Rule 1, 2, or
11 3 of this Section (B) all proportional annuities payable to the
12 participant by all other retirement systems covered by Article
13 20, and (C) the initial primary insurance amount to which the
14 participant is entitled under the Social Security Act, is less
15 than the retirement annuity which would have been payable if
16 all of the participant's pension credits validated under
17 Section 20-109 had been validated under this system, a
18 supplemental annuity equal to the difference in such amounts
19 shall be payable to the participant.

20 (h) On January 1, 1981, an annuitant who was receiving a
21 retirement annuity on or before January 1, 1971 shall have his
22 or her retirement annuity then being paid increased \$1 per
23 month for each year of creditable service. On January 1, 1982,
24 an annuitant whose retirement annuity began on or before
25 January 1, 1977, shall have his or her retirement annuity then
26 being paid increased \$1 per month for each year of creditable

1 service.

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

7 (Source: P.A. 93-347, eff. 7-24-03; 94-4, eff. 6-1-05.)

8 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

9 Sec. 15-155. State and employer ~~Employer~~ contributions.

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

18 Beginning with State fiscal year 2014, the employers under
19 this Article shall be responsible for paying the normal costs
20 of the System plus the amounts required to amortize any total
21 cost of the benefits of the System arising on or after July 1,
22 2013.

23 Beginning with State fiscal year 2014, the State's required
24 contributions to the System shall be limited to the amounts
25 required to amortize the total cost of the benefits of the

1 System arising before July 1, 2013, plus any employer
2 contributions required from the State as the actual employer of
3 participants under this Article.

4 The Board shall determine the amount of State and employer
5 contributions required for each fiscal year on the basis of the
6 actuarial tables and other assumptions adopted by the Board and
7 the recommendations of the actuary, using the formulas provided
8 in this Section ~~formula in subsection (a-1).~~

9 (a-1) For State fiscal years 2012 and 2013 ~~through 2045~~,
10 the minimum contribution to the System to be made by the State
11 for each fiscal year shall be an amount determined by the
12 System to be sufficient to bring the total assets of the System
13 up to 90% of the total actuarial liabilities of the System by
14 the end of State fiscal year 2045. In making these
15 determinations, the required State contribution shall be
16 calculated each year as a level percentage of payroll over the
17 years remaining to and including fiscal year 2045 and shall be
18 determined under the projected unit credit actuarial cost
19 method.

20 Except as provided in subsection (a-3), for State fiscal
21 years 2014 through 2045 or until the State has amortized 100%
22 of the total cost of benefits accrued by July 1, 2013,
23 whichever is earlier, in addition to any employer contributions
24 required from the State as an employer, the minimum
25 contribution to the System to be made by the State for each
26 fiscal year shall be an amount determined by the Board to be

1 sufficient to amortize, by the end of State fiscal year 2045,
2 the total cost of the benefits of the System arising before
3 July 1, 2013. In making these determinations, the required
4 State contribution shall be calculated each year as a level
5 percentage of payroll over the years remaining to and including
6 fiscal year 2043 and shall be determined under the projected
7 unit credit actuarial cost method.

8 Except as provided in subsection (a-3), beginning in State
9 fiscal year 2046 or on the date that the State has amortized
10 100% of the total cost of benefits accrued by July 1, 2013,
11 whichever is earlier, the State has no further obligation to
12 make contributions to the System under this subsection (a-1).

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

18 Notwithstanding any other provision of this Article, the
19 total required State contribution for State fiscal year 2006 is
20 \$166,641,900.

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2007 is
23 \$252,064,100.

24 For each of State fiscal years 2008 through 2009, the State
25 contribution to the System, as a percentage of the applicable
26 employee payroll, shall be increased in equal annual increments

1 from the required State contribution for State fiscal year
2 2007, so that by State fiscal year 2011, the State is
3 contributing at the rate otherwise required under this Section.

4 Notwithstanding any other provision of this Article, the
5 total required State contribution for State fiscal year 2010 is
6 \$702,514,000 and shall be made from the State Pensions Fund and
7 proceeds of bonds sold in fiscal year 2010 pursuant to Section
8 7.2 of the General Obligation Bond Act, less (i) the pro rata
9 share of bond sale expenses determined by the System's share of
10 total bond proceeds, (ii) any amounts received from the General
11 Revenue Fund in fiscal year 2010, (iii) any reduction in bond
12 proceeds due to the issuance of discounted bonds, if
13 applicable.

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

25 ~~Beginning in State fiscal year 2046, the minimum State~~
26 ~~contribution for each fiscal year shall be the amount needed to~~

1 ~~maintain the total assets of the System at 90% of the total~~
2 ~~actuarial liabilities of the System.~~

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

15 Notwithstanding any other provision of this Section, the
16 required State contribution for State fiscal year 2005 and for
17 fiscal year 2008 through ~~and each~~ fiscal year 2013 ~~thereafter~~,
18 as calculated under this Section and certified under Section
19 15-165, shall not exceed an amount equal to (i) the amount of
20 the required State contribution that would have been calculated
21 under this Section for that fiscal year if the System had not
22 received any payments under subsection (d) of Section 7.2 of
23 the General Obligation Bond Act, minus (ii) the portion of the
24 State's total debt service payments for that fiscal year on the
25 bonds issued in fiscal year 2003 for the purposes of that
26 Section 7.2, as determined and certified by the Comptroller,

1 that is the same as the System's portion of the total moneys
2 distributed under subsection (d) of Section 7.2 of the General
3 Obligation Bond Act. In determining this maximum for State
4 fiscal years 2008 through 2010, however, the amount referred to
5 in item (i) shall be increased, as a percentage of the
6 applicable employee payroll, in equal increments calculated
7 from the sum of the required State contribution for State
8 fiscal year 2007 plus the applicable portion of the State's
9 total debt service payments for fiscal year 2007 on the bonds
10 issued in fiscal year 2003 for the purposes of Section 7.2 of
11 the General Obligation Bond Act, so that, by State fiscal year
12 2011, the State is contributing at the rate otherwise required
13 under this Section.

14 (a-3) If at least 50% of Tier I employees making an
15 election under Section 15-134.6 before June 1, 2013 choose the
16 option under paragraph (1) of subsection (a) of that Section,
17 then beginning in State fiscal year 2014, instead of the
18 contributions specified in subsection (a-1) of this Section,
19 the State contributions specified in subsection (a-5) of this
20 Section shall be paid.

21 In making its initial certification of the annual required
22 contribution by the State for State fiscal year 2014, the Board
23 shall assume that the new funding formula provided in
24 subsection (a-5) of this Section applies. If fewer than 50% of
25 Tier I employees making an election under Section 15-134.6
26 before June 1, 2013 choose the option under paragraph (1) of

1 subsection (a) of that Section, then:

2 (1) instead of the contributions specified in
3 subsection (a-5) of this Section, the State contributions
4 specified in subsection (a-1) shall continue to be paid;
5 and

6 (2) as soon as possible after June 1, 2013, the Board
7 shall recertify the annual required contribution by the
8 State for State fiscal year 2014.

9 (a-5) For State fiscal years 2014 through 2043 or until the
10 State has amortized 100% of the total cost of benefits accrued
11 by July 1, 2013, whichever is earlier, in addition to any
12 employer contributions required from the State as an employer,
13 the minimum contribution to the System to be made by the State
14 for each fiscal year shall be an amount determined by the Board
15 to be sufficient to amortize, by the end of State fiscal year
16 2043, the total cost of the benefits of the System arising
17 before July 1, 2013. In making these determinations, the
18 required State contribution shall be calculated each year as a
19 level percentage of payroll over the years remaining to and
20 including fiscal year 2043 and shall be determined under the
21 projected unit credit actuarial cost method.

22 Beginning in State fiscal year 2044 or on the date that the
23 State has amortized 100% of the total cost of benefits accrued
24 by July 1, 2013, whichever is earlier, the State has no further
25 obligation to make contributions to the System under this
26 subsection (a-5).

1 (a-10) Subject to the limitations provided in subsection
2 (a-15), beginning with State fiscal year 2014, the minimum
3 required contribution of employers under this Article shall be
4 determined as a percentage of projected payroll, and shall be
5 sufficient to produce an annual amount equal to:

6 (i) the employer's normal cost for that fiscal year for
7 employees who first became participating employees before
8 July 1, 2013; plus

9 (ii) the employer's normal cost for that fiscal year
10 for employees who first become participating employees on
11 or after July 1, 2013; plus

12 (iii) the amount required for that fiscal year to
13 amortize any unfunded actuarial accrued liability arising
14 on or after July 1, 2013 as a level percentage of payroll
15 over a 30-year rolling amortization period.

16 Any contributions required from an employer under
17 subsection (g) of this Section are in addition to the
18 contributions required under this subsection (a-10).

19 (a-15) For State fiscal year 2014, the required
20 contribution of employers under item (i) of subsection (a-10)
21 shall be reduced to an amount equal to 1% of payroll.

22 For each fiscal year thereafter, until the Board determines
23 and certifies to the Governor that employers are contributing
24 under item (i) of subsection (a-10) the full amount actually
25 specified by item (i) of subsection (a-10), the required
26 contribution of employers under item (i) of subsection (a-10)

1 shall be the percentage of payroll required under this
2 subsection from the previous fiscal year increased by 1% of
3 payroll for each of State fiscal years 2015 through 2019, and
4 increased by 0.5% of payroll for each State fiscal year after
5 2019.

6 Contributions required of employers under items (ii) and
7 (iii) of subsection (a-10), under subsection (g), and under any
8 other applicable provision of this Section are in addition to
9 contributions required under item (i) of subsection (a-10).

10 (a-20) Beginning in State fiscal year 2015 and continuing
11 until the Board determines and certifies to the Governor that
12 employers are contributing under item (i) of subsection (a-10)
13 the full amount actually specified by item (i) of subsection
14 (a-10), the State shall make an additional contribution to the
15 System for each fiscal year, equal to the difference between
16 (1) the total contribution calculated under item (i) of
17 subsection (a-10) for all employers for that fiscal year, and
18 (2) the amount of such total contribution as reduced under
19 subsection (a-15).

20 The State contribution under this subsection (a-20) is in
21 addition to the State contributions required under subsection
22 (a-1) or (a-5) and any contributions required to be paid by the
23 State as an employer under subsections (a-10) and (g) of this
24 Section.

25 (b) If an employee is paid from trust or federal funds, the
26 employer shall pay to the Board contributions from those funds

1 which are sufficient to cover the accruing normal costs on
2 behalf of the employee. However, universities having employees
3 who are compensated out of local auxiliary funds, income funds,
4 or service enterprise funds are not required to pay such
5 contributions on behalf of those employees. The local auxiliary
6 funds, income funds, and service enterprise funds of
7 universities shall not be considered trust funds for the
8 purpose of this Article, but funds of alumni associations,
9 foundations, and athletic associations which are affiliated
10 with the universities included as employers under this Article
11 and other employers which do not receive State appropriations
12 are considered to be trust funds for the purpose of this
13 Article.

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

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

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

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

21 (f) Normal costs under this Section means liability for
22 pensions and other benefits which accrues to the System because
23 of the credits earned for service rendered by the participants
24 during the fiscal year and expenses of administering the
25 System, but shall not include the principal of or any
26 redemption premium or interest on any bonds issued by the Board

1 or any expenses incurred or deposits required in connection
2 therewith.

3 (g) The employer contributions under this subsection (g)
4 are no longer required after June 30, 2013.

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

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

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

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

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

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

1 2005.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (n) If the System submits a voucher for monthly
12 contributions from the State as required by this Section and
13 the State fails to pay within 90 days of receipt of such a
14 voucher, the Board shall submit a written request to the
15 Comptroller seeking payment. A copy of the request shall be
16 filed with the Secretary of State, and the Secretary of State
17 shall provide copies to the Governor and General Assembly. No
18 earlier than the 16th day after filing a request with the
19 Secretary of State, the Board shall have the right to commence
20 a mandamus action in the Supreme Court of Illinois to compel
21 the Comptroller to satisfy the voucher by making payment from
22 the General Revenue Fund. This Section constitutes an express
23 waiver of the State's sovereign immunity solely to the extent
24 it permits the Board to commence a mandamus action in the
25 Illinois Supreme Court to compel the Comptroller to pay a
26 voucher for monthly contributions from the State as required in

1 this Section.

2 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
3 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
4 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

5 (40 ILCS 5/15-155.1 new)

6 Sec. 15-155.1. Actions to enforce payment by employers.

7 (a) If any employer fails to transmit to the System
8 contributions required of it under this Article or
9 contributions collected by it from its participating employees
10 for the purposes of this Article for more than 90 days after
11 the payment of such contributions is due, then the System,
12 after giving notice to that employer, may certify to the State
13 Comptroller the amounts of the delinquent payments, and the
14 Comptroller shall deduct the amounts so certified or any part
15 thereof from any payments or grants of State funds to the
16 employer and shall pay the amounts so deducted to the System.
17 If State funds from which such deductions may be made are not
18 available, the System may proceed against the employer to
19 recover the amounts of the delinquent payments in the
20 appropriate circuit court.

21 (b) If any employer fails to transmit to the System
22 contributions required of it under this Article or
23 contributions collected by it from its participating employees
24 for the purposes of this Article for more than 90 days after
25 the payment of the contributions is due, the System, after

1 giving notice to the employer, may certify the amounts of the
2 delinquent payments to the county treasurer of any county in
3 which the employer is located, who shall deduct the amounts so
4 certified or any part thereof from the amounts collected from
5 any tax levied by the employer and shall pay the amount so
6 deducted to the System.

7 (c) If reports furnished to the System by the employer
8 involved are inadequate for the computation of the amounts of
9 any payments, the System may provide for such audit of the
10 records of the employer as may be required to establish the
11 amounts of the delinquent payments. The employer shall make its
12 records available to the System for the purpose of the audit.
13 The cost of the audit shall be added to the amount of the
14 payments and shall be recovered by the System from the employer
15 at the same time and in the same manner as the payments are
16 recovered.

17 (40 ILCS 5/15-155.2 new)

18 Sec. 15-155.2. Individual employer accounts.

19 (a) The System shall create and maintain individual
20 accounts for each employer for the purposes of determining
21 employer contributions under subsection (a-10) of Section
22 15-155. Each employer's account shall be notionally credited
23 with the employer's liabilities accruing after July 1, 2013 and
24 assets attributable to the employer's account that include (i)
25 employer contributions made pursuant to subsection (a-10) of

1 Section 15-155, (ii) other employer contributions from trust,
2 federal, and other funds, (iii) employee contributions made
3 after July 1, 2013, and (iv) income from investments. The
4 System may deduct reasonable administrative expenses from each
5 employer's account.

6 (b) In determining contributions required under subsection
7 (a-10) of Section 15-155, the System shall determine (i) a
8 blended rate of total normal cost that is applicable to
9 contributions made by the University of Illinois, Southern
10 Illinois University, Chicago State University, Eastern
11 Illinois University, Governors State University, Illinois
12 State University, Northeastern Illinois University, Northern
13 Illinois University, and Western Illinois University, (ii) a
14 blended rate of total normal cost that is applicable to
15 contributions made by each community college board, and (iii) a
16 rate equal to the total normal cost of the System that is
17 applicable to employers other than those listed under item (i)
18 or (ii).

19 (c) An employer may make written application with the Board
20 to have a separate rate of total normal cost determined for the
21 employer. Upon receiving the written application from an
22 employer, the Board may determine a total rate of normal cost
23 for the employer. The employer shall be responsible for any
24 cost incurred in making the determination of total normal cost.

25 The Board may establish rules for the administration of
26 this Section that include but are not limited to the date by

1 which an application must be submitted and the fiscal year in
2 which the determination will be used to determine the
3 employer's contribution required under subsection (a-10) of
4 Section 15-155.

5 (d) An employer whose determination of total normal cost
6 under subsection (c) is used to determine its contributions
7 required under subsection (a-10) of Section 15-155 may not be
8 included in the determination of a rate of total normal cost
9 under subsection (c) of this Section.

10 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

11 Sec. 15-157. Employee Contributions.

12 (a) Each participating employee shall make contributions
13 towards the retirement benefits payable under the retirement
14 program applicable to the employee from each payment of
15 earnings applicable to employment under this system on and
16 after the date of becoming a participant as follows: Prior to
17 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
18 to August 31, 1955, 5%; from September 1, 1955 to August 31,
19 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
20 are to be considered as normal contributions for purposes of
21 this Article.

22 Each participant who is a police officer or firefighter
23 shall make normal contributions of 8% of each payment of
24 earnings applicable to employment as a police officer or
25 firefighter under this system on or after September 1, 1981,

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

20 (a-1) Notwithstanding any other provision of this Section,
21 an employee who participates in the cash balance plan under
22 Section 1-161 shall pay to the System for the purpose of
23 participating in the cash balance plan 8% of each payment of
24 earnings while he or she is a participant in the cash balance
25 plan. Each participant who is a police officer or firefighter
26 who participates in the cash balance plan under Section 1-161

1 shall pay to the System for the purpose of participating in the
2 cash balance plan 9.5% of each payment of earnings while he or
3 she is participant in the cash balance plan. Employee
4 contributions required under subsections (a), (b), and (c) of
5 this Section shall not apply to an employee who participates in
6 the cash balance plan under Section 1-161.

7 (a-2) In addition to the contributions required under
8 either subsections (a), (b), and (c) or subsection (a-1), an
9 employee who elects to participate in the optional cash balance
10 plan under Section 1-162 shall pay to the System for the
11 purpose of participating in the optional cash balance plan a
12 contribution of 2% of each payment of earnings received while
13 he or she is a participant in the optional cash balance plan.
14 These contributions shall not be used for the purpose of
15 determining any benefit under this Article except as provided
16 in the optional cash balance plan.

17 (b) Starting September 1, 1969, each participating
18 employee shall make additional contributions of 1/2 of 1% of
19 earnings to finance a portion of the cost of the annual
20 increases in retirement annuity provided under Section 15-136,
21 except that with respect to participants in the self-managed
22 plan this additional contribution shall be used to finance the
23 benefits obtained under that retirement program.

24 (c) In addition to the amounts described in subsections (a)
25 and (b) of this Section, each participating employee shall make
26 contributions of 1% of earnings applicable under this system on

1 and after August 1, 1959. The contributions made under this
2 subsection (c) shall be considered as survivor's insurance
3 contributions for purposes of this Article if the employee is
4 covered under the traditional benefit package, and such
5 contributions shall be considered as additional contributions
6 for purposes of this Article if the employee is participating
7 in the self-managed plan or has elected to participate in the
8 portable benefit package and has completed the applicable
9 one-year waiting period. Contributions in excess of \$80 during
10 any fiscal year beginning before August 31, 1969 and in excess
11 of \$120 during any fiscal year thereafter until September 1,
12 1971 shall be considered as additional contributions for
13 purposes of this Article.

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

19 (e) That fraction of a participant's total accumulated
20 normal contributions, the numerator of which is equal to the
21 number of years of service in excess of that which is required
22 to qualify for the maximum retirement annuity, and the
23 denominator of which is equal to the total service of the
24 participant, shall be considered as accumulated additional
25 contributions. The determination of the applicable maximum
26 annuity and the adjustment in contributions required by this

1 provision shall be made as of the date of the participant's
2 retirement.

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

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

11 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
12 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
13 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

14 (40 ILCS 5/15-158.2)

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

16 (a) Purpose. The General Assembly finds that it is
17 important for colleges and universities to be able to attract
18 and retain the most qualified employees and that in order to
19 attract and retain these employees, colleges and universities
20 should have the flexibility to provide a defined contribution
21 plan as an alternative for eligible employees who elect not to
22 participate in a defined benefit retirement program provided
23 under this Article. Accordingly, the State Universities
24 Retirement System is hereby authorized to establish and
25 administer a self-managed plan, which shall offer

1 participating employees who became participating employees
2 before the effective date of this amendatory Act of the 97th
3 General Assembly the opportunity to accumulate assets for
4 retirement through a combination of employee and employer
5 contributions that may be invested in mutual funds, collective
6 investment funds, or other investment products and used to
7 purchase annuity contracts, either fixed or variable or a
8 combination thereof. The plan must be qualified under the
9 Internal Revenue Code of 1986.

10 (b) Adoption by employers. Each employer subject to this
11 Article may elect to adopt the self-managed plan established
12 under this Section until the effective date of this amendatory
13 Act of the 97th General Assembly; this election is irrevocable.
14 An employer's election to adopt the self-managed plan makes
15 available to the eligible employees of that employer the
16 elections described in Section 15-134.5.

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

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

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

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

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

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

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

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

1 (d) Employee Direction. Employees who are participating in
2 the program must be allowed to direct the transfer of their
3 account balances among the various investment options offered,
4 subject to applicable contractual provisions. The participant
5 shall not be deemed a fiduciary by reason of providing such
6 investment direction. A person who is a fiduciary shall not be
7 liable for any loss resulting from such investment direction
8 and shall not be deemed to have breached any fiduciary duty by
9 acting in accordance with that direction. Neither the System
10 nor the employer guarantees any of the investments in the
11 employee's account balances.

12 (e) Participation. An employee eligible to participate in
13 the self-managed plan must make a written election in
14 accordance with the provisions of Section 15-134.5 and the
15 procedures established by the System. Participation in the
16 self-managed plan by an electing employee shall begin on the
17 first day of the first pay period following the later of the
18 date the employee's election is filed with the System or the
19 effective date as of which the employee's employer begins to
20 offer participation in the self-managed plan. Employers may not
21 make the self-managed plan available earlier than January 1,
22 1998. An employee's participation in any other retirement
23 program administered by the System under this Article shall
24 terminate on the date that participation in the self-managed
25 plan begins.

26 An employee who has elected to participate in the

1 self-managed plan under this Section must continue
2 participation while employed in an eligible position, and may
3 not participate in any other retirement program administered by
4 the System under this Article while employed by that employer
5 or any other employer that has adopted the self-managed plan,
6 unless the self-managed plan is terminated in accordance with
7 subsection (i).

8 Participation in the self-managed plan under this Section
9 shall constitute membership in the State Universities
10 Retirement System.

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

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

1 employee's opening account balance.

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

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

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

1 self-managed plan in accordance with procedures prescribed by
2 the System, to the extent permitted under rules prescribed by
3 the System.

4 The program shall provide for employer contributions to be
5 credited to each self-managed plan participant at a rate of
6 7.6% of the participating employee's salary, less the amount
7 used by the System to provide disability benefits for the
8 employee. The amounts so credited shall be paid into the
9 participant's self-managed plan accounts in a manner to be
10 prescribed by the System.

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

19 The State of Illinois shall make contributions by
20 appropriations to the System of the employer contributions
21 required for employees who participate in the self-managed plan
22 under this Section. The amount required shall be certified by
23 the Board of Trustees of the System and paid by the State in
24 accordance with Section 15-165. The System shall not be
25 obligated to remit the required employer contributions to any
26 of the insurance and annuity companies, mutual fund companies,

1 banks, trust companies, financial institutions, or other
2 sponsors of any of the funding vehicles offered under the
3 self-managed plan until it has received the required employer
4 contributions from the State. In the event of a deficiency in
5 the amount of State contributions, the System shall implement
6 those procedures described in subsection (c) of Section 15-165
7 to obtain the required funding from the General Revenue Fund.

8 (i) Termination. The self-managed plan authorized under
9 this Section may be terminated by the System, subject to the
10 terms of any relevant contracts, and the System shall have no
11 obligation to reestablish the self-managed plan under this
12 Section. This Section does not create a right to continued
13 participation in any self-managed plan set up by the System
14 under this Section. If the self-managed plan is terminated, the
15 participants shall have the right to participate in one of the
16 other retirement programs offered by the System and receive
17 service credit in such other retirement program for any years
18 of employment following the termination.

19 (j) Vesting; Withdrawal; Return to Service. A participant
20 in the self-managed plan becomes vested in the employer
21 contributions credited to his or her accounts in the
22 self-managed plan on the earliest to occur of the following:
23 (1) completion of 5 years of service with an employer described
24 in Section 15-106; (2) the death of the participating employee
25 while employed by an employer described in Section 15-106, if
26 the participant has completed at least 1 1/2 years of service;

1 or (3) the participant's election to retire and apply the
2 reciprocal provisions of Article 20 of this Code.

3 A participant in the self-managed plan who receives a
4 distribution of his or her vested amounts from the self-managed
5 plan while not yet eligible for retirement under this Article
6 (and Article 20, if applicable) shall forfeit all service
7 credit and accrued rights in the System; if subsequently
8 re-employed, the participant shall be considered a new
9 employee. If a former participant again becomes a participating
10 employee (or becomes employed by a participating system under
11 Article 20 of this Code) and continues as such for at least 2
12 years, all such rights, service credits, and previous status as
13 a participant shall be restored upon repayment of the amount of
14 the distribution, without interest.

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

20 If an employee who is not vested in employer contributions
21 terminates employment, the employee shall be entitled to a
22 benefit based solely on the account values attributable to the
23 employee's contributions and any investment return thereon,
24 and the employer contributions and any investment return
25 thereon shall be forfeited. Any employer contributions which
26 are forfeited shall be held in escrow by the company investing

1 those contributions and shall be used as directed by the System
2 for future allocations of employer contributions or for the
3 restoration of amounts previously forfeited by former
4 participants who again become participating employees.

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

6 (40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

7 Sec. 15-159. Board created.

8 (a) A board of trustees constituted as provided in this
9 Section shall administer this System. The board shall be known
10 as the Board of Trustees of the State Universities Retirement
11 System.

12 (b) Until July 1, 1995, the Board of Trustees shall be
13 constituted as follows:

14 Two trustees shall be members of the Board of Trustees of
15 the University of Illinois, one shall be a member of the Board
16 of Trustees of Southern Illinois University, one shall be a
17 member of the Board of Trustees of Chicago State University,
18 one shall be a member of the Board of Trustees of Eastern
19 Illinois University, one shall be a member of the Board of
20 Trustees of Governors State University, one shall be a member
21 of the Board of Trustees of Illinois State University, one
22 shall be a member of the Board of Trustees of Northeastern
23 Illinois University, one shall be a member of the Board of
24 Trustees of Northern Illinois University, one shall be a member
25 of the Board of Trustees of Western Illinois University, and

1 one shall be a member of the Illinois Community College Board,
2 selected in each case by their respective boards, and 2 shall
3 be participants of the system appointed by the Governor for a 6
4 year term with the first appointment made pursuant to this
5 amendatory Act of 1984 to be effective September 1, 1985, and
6 one shall be a participant appointed by the Illinois Community
7 College Board for a 6 year term, and one shall be a participant
8 appointed by the Board of Trustees of the University of
9 Illinois for a 6 year term, and one shall be a participant or
10 annuitant of the system who is a senior citizen age 60 or older
11 appointed by the Governor for a 6 year term with the first
12 appointment to be effective September 1, 1985.

13 The terms of all trustees holding office under this
14 subsection (b) on June 30, 1995 shall terminate at the end of
15 that day and the Board shall thereafter be constituted as
16 provided in subsection (c).

17 (c) Beginning July 1, 1995, the Board of Trustees shall be
18 constituted as follows:

19 The Board shall consist of 9 trustees appointed by the
20 Governor. Two of the trustees, designated at the time of
21 appointment, shall be participants of the System. Two of the
22 trustees, designated at the time of appointment, shall be
23 annuitants of the System who are receiving retirement annuities
24 under this Article. The 5 remaining trustees may, but need not,
25 be participants or annuitants of the System.

26 The term of office of trustees appointed under this

1 subsection (c) shall be 6 years, beginning on July 1. However,
2 of the initial trustees appointed under this subsection (c), 3
3 shall be appointed for terms of 2 years, 3 shall be appointed
4 for terms of 4 years, and 3 shall be appointed for terms of 6
5 years, to be designated by the Governor at the time of
6 appointment.

7 The terms of all trustees holding office under this
8 subsection (c) on the effective date of this amendatory Act of
9 the 96th General Assembly shall terminate on that effective
10 date. The Governor shall make nominations for appointment under
11 this Section within 60 days after the effective date of this
12 amendatory Act of the 96th General Assembly. A trustee sitting
13 on the board on the effective date of this amendatory Act of
14 the 96th General Assembly may not hold over in office for more
15 than 90 days after the effective date of this amendatory Act of
16 the 96th General Assembly. Nothing in this Section shall
17 prevent the Governor from making a temporary appointment or
18 nominating a trustee holding office on the day before the
19 effective date of this amendatory Act of the 96th General
20 Assembly.

21 (d) Beginning on the 90th day after the effective date of
22 this amendatory Act of the 96th General Assembly, the Board of
23 Trustees shall be constituted as follows:

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

26 (2) Two ~~Four~~ trustees appointed by the Governor with

1 the advice and consent of the Senate who may not be members
2 of the system or hold an elective State office and who
3 shall serve for a term of 6 years, except that the terms of
4 the initial appointees under this subsection (d) shall be
5 as follows: 1 ~~2~~ for a term of 3 years and 1 ~~2~~ for a term of
6 6 years.

7 (3) Four active participants of the system to be
8 elected from the contributing membership of the system by
9 the contributing members, no more than 2 of which may be
10 from any of the University of Illinois campuses, who shall
11 serve for a term of 6 years, except that the terms of the
12 initial electees shall be as follows: 2 for a term of 3
13 years and 2 for a term of 6 years.

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

21 (5) One trustee to be elected by the trustees of the
22 boards of trustees of community colleges in the State.

23 (6) One trustee who serves as a trustee on the board of
24 trustees of a public institution of higher education, as
25 defined in Section 1 of the Board of Higher Education Act,
26 to be elected by the trustees of public institutions of

1 higher education.

2 The 2 positions created by this amendatory Act of the 97th
3 General Assembly shall be filled as soon as practicable by
4 appointment of the Board, and the persons so appointed shall
5 serve until such time as the System can conduct elections to
6 fill those positions.

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

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

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

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

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

24 (h) Each trustee must take an oath of office before a
25 notary public of this State and shall qualify as a trustee upon
26 the presentation to the board of a certified copy of the oath.

1 The oath must state that the person will diligently and
2 honestly administer the affairs of the retirement system, and
3 will not knowingly violate or wilfully permit to be violated
4 any provisions of this Article.

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

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

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

12 (40 ILCS 5/15-163) (from Ch. 108 1/2, par. 15-163)

13 Sec. 15-163. To consider applications and authorize
14 payments.

15 To consider and pass on all certifications of employment
16 and applications for annuities and benefits; to authorize the
17 granting of annuities and benefits; and to limit or suspend any
18 payment or payments, all in accordance with this Article.

19 (Source: Laws 1963, p. 161.)

20 (40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

21 Sec. 15-165. To certify amounts and submit vouchers.

22 (a) The Board shall certify to the Governor on or before
23 November 15 of each year until November 15, 2011 the
24 appropriation required from State funds for the purposes of

1 this System for the following fiscal year. The certification
2 under this subsection (a) shall include a copy of the actuarial
3 recommendations upon which it is based and shall specifically
4 identify the System's projected State normal cost for that
5 fiscal year and the projected State cost for the self-managed
6 plan for that fiscal year.

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

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

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

24 (a-5) On or before November 1 of each year, beginning
25 November 1, 2012, the Board shall submit to the State Actuary,
26 the Governor, and the General Assembly a proposed certification

1 of the amount of the required State contribution to the System
2 for the next fiscal year, along with all of the actuarial
3 assumptions, calculations, and data upon which that proposed
4 certification is based. On or before January 1 of each year,
5 beginning January 1, 2013, the State Actuary shall issue a
6 preliminary report concerning the proposed certification and
7 identifying, if necessary, recommended changes in actuarial
8 assumptions that the Board must consider before finalizing its
9 certification of the required State contributions. On or before
10 January 15, 2013 and each January 15 thereafter, the Board
11 shall certify to the Governor and the General Assembly the
12 amount of the required State contribution for the next fiscal
13 year. The Board's certification must note, in a written
14 response to the State Actuary, any deviations from the State
15 Actuary's recommended changes, the reason or reasons for not
16 following the State Actuary's recommended changes, and the
17 fiscal impact of not following the State Actuary's recommended
18 changes on the required State contribution.

19 (b) The Board shall certify to the State Comptroller or
20 employer, as the case may be, from time to time, by its
21 president and secretary, with its seal attached, the amounts
22 payable to the System from the various funds.

23 (c) Beginning in State fiscal year 1996, on or as soon as
24 possible after the 15th day of each month the Board shall
25 submit vouchers for payment of State contributions to the
26 System, in a total monthly amount of one-twelfth of the

1 required annual State contribution certified under subsection
2 (a). From the effective date of this amendatory Act of the 93rd
3 General Assembly through June 30, 2004, the Board shall not
4 submit vouchers for the remainder of fiscal year 2004 in excess
5 of the fiscal year 2004 certified contribution amount
6 determined under this Section after taking into consideration
7 the transfer to the System under subsection (b) of Section
8 6z-61 of the State Finance Act. These vouchers shall be paid by
9 the State Comptroller and Treasurer by warrants drawn on the
10 funds appropriated to the System for that fiscal year.

11 If in any month the amount remaining unexpended from all
12 other appropriations to the System for the applicable fiscal
13 year (including the appropriations to the System under Section
14 8.12 of the State Finance Act and Section 1 of the State
15 Pension Funds Continuing Appropriation Act) is less than the
16 amount lawfully vouchered under this Section, the difference
17 shall be paid from the General Revenue Fund under the
18 continuing appropriation authority provided in Section 1.1 of
19 the State Pension Funds Continuing Appropriation Act.

20 (d) So long as the payments received are the full amount
21 lawfully vouchered under this Section, payments received by the
22 System under this Section shall be applied first toward the
23 employer contribution to the self-managed plan established
24 under Section 15-158.2. Payments shall be applied second toward
25 the employer's portion of the normal costs of the System, as
26 defined in subsection (f) of Section 15-155. The balance shall

1 be applied toward the unfunded actuarial liabilities of the
2 System.

3 (e) In the event that the System does not receive, as a
4 result of legislative enactment or otherwise, payments
5 sufficient to fully fund the employer contribution to the
6 self-managed plan established under Section 15-158.2 and to
7 fully fund that portion of the employer's portion of the normal
8 costs of the System, as calculated in accordance with Section
9 15-155(a-1), then any payments received shall be applied
10 proportionately to the optional retirement program established
11 under Section 15-158.2 and to the employer's portion of the
12 normal costs of the System, as calculated in accordance with
13 Section 15-155(a-1).

14 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11.)

15 (40 ILCS 5/15-198)

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

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

1 Article 1 by this amendatory Act of the 97th General Assembly.

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

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

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

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

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

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

18 (40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

19 Sec. 16-106. Teacher. "Teacher": The following
20 individuals, provided that, for employment prior to July 1,
21 1990, they are employed on a full-time basis, or if not
22 full-time, on a permanent and continuous basis in a position in
23 which services are expected to be rendered for at least one
24 school term:

25 (1) Any educational, administrative, professional or

1 other staff employed in the public common schools included
2 within this system in a position requiring certification
3 under the law governing the certification of teachers;

4 (2) Any educational, administrative, professional or
5 other staff employed in any facility of the Department of
6 Children and Family Services or the Department of Human
7 Services, in a position requiring certification under the
8 law governing the certification of teachers, and any person
9 who (i) works in such a position for the Department of
10 Corrections, (ii) was a member of this System on May 31,
11 1987, and (iii) did not elect to become a member of the
12 State Employees' Retirement System pursuant to Section
13 14-108.2 of this Code; except that "teacher" does not
14 include any person who (A) becomes a security employee of
15 the Department of Human Services, as defined in Section
16 14-110, after June 28, 2001 (the effective date of Public
17 Act 92-14), or (B) becomes a member of the State Employees'
18 Retirement System pursuant to Section 14-108.2c of this
19 Code;

20 (3) Any regional superintendent of schools, assistant
21 regional superintendent of schools, State Superintendent
22 of Education; any person employed by the State Board of
23 Education as an executive; any executive of the boards
24 engaged in the service of public common school education in
25 school districts covered under this system of which the
26 State Superintendent of Education is an ex-officio member;

1 (4) Any employee of a school board association
2 operating in compliance with Article 23 of the School Code
3 who is certificated under the law governing the
4 certification of teachers, provided that he or she becomes
5 such an employee before the effective date of this
6 amendatory Act of the 97th General Assembly;

7 (5) Any person employed by the retirement system who:

8 (i) was an employee of and a participant in the
9 system on August 17, 2001 (the effective date of Public
10 Act 92-416), or

11 (ii) becomes an employee of the system on or after
12 August 17, 2001;

13 (6) Any educational, administrative, professional or
14 other staff employed by and under the supervision and
15 control of a regional superintendent of schools, provided
16 such employment position requires the person to be
17 certificated under the law governing the certification of
18 teachers and is in an educational program serving 2 or more
19 districts in accordance with a joint agreement authorized
20 by the School Code or by federal legislation;

21 (7) Any educational, administrative, professional or
22 other staff employed in an educational program serving 2 or
23 more school districts in accordance with a joint agreement
24 authorized by the School Code or by federal legislation and
25 in a position requiring certification under the laws
26 governing the certification of teachers;

1 (8) Any officer or employee of a statewide teacher
2 organization or officer of a national teacher organization
3 who is certified under the law governing certification of
4 teachers, provided: (i) the individual had previously
5 established creditable service under this Article, (ii)
6 the individual files with the system an irrevocable
7 election to become a member before the effective date of
8 this amendatory Act of the 97th General Assembly, (iii) the
9 individual does not receive credit for such service under
10 any other Article of this Code, and (iv) the individual
11 first became an officer or employee of the teacher
12 organization and becomes a member before the effective date
13 of this amendatory Act of the 97th General Assembly;

14 (9) Any educational, administrative, professional, or
15 other staff employed in a charter school operating in
16 compliance with the Charter Schools Law who is certificated
17 under the law governing the certification of teachers.

18 (10) Any person employed, on the effective date of this
19 amendatory Act of the 94th General Assembly, by the
20 Macon-Piatt Regional Office of Education in a
21 birth-through-age-three pilot program receiving funds
22 under Section 2-389 of the School Code who is required by
23 the Macon-Piatt Regional Office of Education to hold a
24 teaching certificate, provided that the Macon-Piatt
25 Regional Office of Education makes an election, within 6
26 months after the effective date of this amendatory Act of

1 the 94th General Assembly, to have the person participate
2 in the system. Any service established prior to the
3 effective date of this amendatory Act of the 94th General
4 Assembly for service as an employee of the Macon-Piatt
5 Regional Office of Education in a birth-through-age-three
6 pilot program receiving funds under Section 2-389 of the
7 School Code shall be considered service as a teacher if
8 employee and employer contributions have been received by
9 the system and the system has not refunded those
10 contributions.

11 An annuitant receiving a retirement annuity under this
12 Article or under Article 17 of this Code who is employed by a
13 board of education or other employer as permitted under Section
14 16-118 or 16-150.1 is not a "teacher" for purposes of this
15 Article. A person who has received a single-sum retirement
16 benefit under Section 16-136.4 of this Article is not a
17 "teacher" for purposes of this Article.

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

19 (40 ILCS 5/16-106.4 new)

20 Sec. 16-106.4. Tier I employee. "Tier I employee": A
21 teacher under this Article who first became a member or
22 participant before January 1, 2011 under any reciprocal
23 retirement system or pension fund established under this Code
24 other than a retirement system or pension fund established
25 under Article 2, 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/16-106.5 new)

2 Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former
3 Tier I employee who is receiving a retirement annuity.

4 (40 ILCS 5/16-106.6 new)

5 Sec. 16-106.6. Teacher certification. For purposes of this
6 Article, a teacher shall be deemed to be certificated if he or
7 she is required to be licensed by the Illinois State Board of
8 Education.

9 (40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

10 Sec. 16-121. Salary. "Salary": The actual compensation
11 received by a teacher during any school year and recognized by
12 the system in accordance with rules of the board. For purposes
13 of this Section, "school year" includes the regular school term
14 plus any additional period for which a teacher is compensated
15 and such compensation is recognized by the rules of the board.
16 Notwithstanding any other provision of this Section, "salary"
17 does not include any future increase in income offered by an
18 employer under this Article pursuant to the requirements of
19 subsection (c) of Section 16-131.7 that is accepted by a Tier I
20 employee, or a Tier I retiree returning to active service, who
21 has made an election under paragraph (2) of subsection (a) or
22 (a-5) of Section 16-131.7.

23 (Source: P.A. 84-1028.)

1 (40 ILCS 5/16-121.1 new)

2 Sec. 16-121.1. Future increase in income. "Future increase
3 in income": Any increase in income in any form offered by an
4 employer to a teacher under this Article after June 30, 2013
5 that would qualify as "salary", as defined under Section
6 14-103.10, but for the fact that the employer offered the
7 increase in income to the teacher on the condition that it not
8 qualify as salary and the teacher accepted the increase in
9 income subject to that condition. The term "future increase in
10 income" does not include an increase in income in any form that
11 is paid to a Tier I employee under an employment contract or
12 collective bargaining agreement that is in effect on the
13 effective date of this Section but does include an increase in
14 income in any form pursuant to an extension, amendment, or
15 renewal of any such employment contract or collective
16 bargaining agreement on or after the effective date of this
17 amendatory Act of the 97th General Assembly.

18 (40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

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

20 (a) Each member shall receive regular credit for all
21 service as a teacher from the date membership begins, for which
22 satisfactory evidence is supplied and all contributions have
23 been paid.

24 (b) The following periods of service shall earn optional

1 credit and each member shall receive credit for all such
2 service for which satisfactory evidence is supplied and all
3 contributions have been paid as of the date specified:

4 (1) Prior service as a teacher.

5 (2) Service in a capacity essentially similar or
6 equivalent to that of a teacher, in the public common
7 schools in school districts in this State not included
8 within the provisions of this System, or of any other
9 State, territory, dependency or possession of the United
10 States, or in schools operated by or under the auspices of
11 the United States, or under the auspices of any agency or
12 department of any other State, and service during any
13 period of professional speech correction or special
14 education experience for a public agency within this State
15 or any other State, territory, dependency or possession of
16 the United States, and service prior to February 1, 1951 as
17 a recreation worker for the Illinois Department of Public
18 Safety, for a period not exceeding the lesser of 2/5 of the
19 total creditable service of the member or 10 years. The
20 maximum service of 10 years which is allowable under this
21 paragraph shall be reduced by the service credit which is
22 validated by other retirement systems under paragraph (i)
23 of Section 15-113 and paragraph 1 of Section 17-133. Credit
24 granted under this paragraph may not be used in
25 determination of a retirement annuity or disability
26 benefits unless the member has at least 5 years of

1 creditable service earned subsequent to this employment
2 with one or more of the following systems: Teachers'
3 Retirement System of the State of Illinois, State
4 Universities Retirement System, and the Public School
5 Teachers' Pension and Retirement Fund of Chicago. Whenever
6 such service credit exceeds the maximum allowed for all
7 purposes of this Article, the first service rendered in
8 point of time shall be considered. The changes to this
9 subdivision (b)(2) made by Public Act 86-272 shall apply
10 not only to persons who on or after its effective date
11 (August 23, 1989) are in service as a teacher under the
12 System, but also to persons whose status as such a teacher
13 terminated prior to such effective date, whether or not
14 such person is an annuitant on that date.

15 (3) Any periods immediately following teaching
16 service, under this System or under Article 17, (or
17 immediately following service prior to February 1, 1951 as
18 a recreation worker for the Illinois Department of Public
19 Safety) spent in active service with the military forces of
20 the United States; periods spent in educational programs
21 that prepare for return to teaching sponsored by the
22 federal government following such active military service;
23 if a teacher returns to teaching service within one
24 calendar year after discharge or after the completion of
25 the educational program, a further period, not exceeding
26 one calendar year, between time spent in military service

1 or in such educational programs and the return to
2 employment as a teacher under this System; and a period of
3 up to 2 years of active military service not immediately
4 following employment as a teacher.

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

1 recalculation.

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

13 The total period of military service for which credit
14 is granted shall not exceed 5 years for any member unless
15 the service: (A) is validated before July 1, 1964, and (B)
16 does not extend beyond July 1, 1963. Credit for military
17 service shall be granted under this Section only if not
18 more than 5 years of the military service for which credit
19 is granted under this Section is used by the member to
20 qualify for a military retirement allotment from any branch
21 of the armed forces of the United States. The changes to
22 this subdivision (b) (3) made by Public Act 86-272 shall
23 apply not only to persons who on or after its effective
24 date (August 23, 1989) are in service as a teacher under
25 the System, but also to persons whose status as such a
26 teacher terminated prior to such effective date, whether or

1 not such person is an annuitant on that date.

2 (4) Any periods served as a member of the General
3 Assembly.

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

1 However, total credit under this paragraph (5) may not
2 exceed 3 years.

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

20 Optional credit may be purchased under this subsection
21 (b) (5) for periods during which a teacher has been granted
22 a leave of absence pursuant to Section 24-13 of the School
23 Code. A teacher whose service under this Article terminated
24 prior to the effective date of P.A. 86-1488 shall be
25 eligible to purchase such optional credit. If a teacher who
26 purchases this optional credit is already receiving a

1 retirement annuity under this Article, the annuity shall be
2 recalculated as if the annuitant had applied for the leave
3 of absence credit at the time of retirement. The difference
4 between the entitled annuity and the actual annuity shall
5 be credited to the purchase of the optional credit. The
6 remainder of the purchase cost of the optional credit shall
7 be paid on or before April 1, 1992.

8 The change in this paragraph made by Public Act 86-273
9 shall be applicable to teachers who retire after June 1,
10 1989, as well as to teachers who are in service on that
11 date.

12 (6) Any days of unused and uncompensated accumulated
13 sick leave earned by a teacher who first became a
14 participant in the System before the effective date of this
15 amendatory Act of the 97th General Assembly. The service
16 credit granted under this paragraph shall be the ratio of
17 the number of unused and uncompensated accumulated sick
18 leave days to 170 days, subject to a maximum of 2 years of
19 service credit. Prior to the member's retirement, each
20 former employer shall certify to the System the number of
21 unused and uncompensated accumulated sick leave days
22 credited to the member at the time of termination of
23 service. The period of unused sick leave shall not be
24 considered in determining the effective date of
25 retirement. A member is not required to make contributions
26 in order to obtain service credit for unused sick leave.

1 Credit for sick leave shall, at retirement, be granted
2 by the System for any retiring regional or assistant
3 regional superintendent of schools who first became a
4 participant in this System before the effective date of
5 this amendatory Act of the 97th General Assembly at the
6 rate of 6 days per year of creditable service or portion
7 thereof established while serving as such superintendent
8 or assistant superintendent.

9 Service credit is not available for unused sick leave
10 accumulated by a teacher who first becomes a participant in
11 this System on or after the effective date of this amendatory
12 Act of the 97th General Assembly.

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

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

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

21 (10) Up to 2 years of employment with Southern Illinois
22 University - Carbondale from September 1, 1959 to August
23 31, 1961, or with Governors State University from September
24 1, 1972 to August 31, 1974, for which the teacher has no
25 credit under Article 15. To receive credit under this item
26 (10), a teacher must apply in writing to the Board and pay

1 the required contributions before May 1, 1993 and have at
2 least 12 years of service credit under this Article.

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

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

26 Any service credits granted under this Section shall

1 terminate upon cessation of membership for any cause.

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

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

6 (40 ILCS 5/16-131.7 new)

7 Sec. 16-131.7. Election by Tier I employees and Tier I
8 retirees.

9 (a) Each Tier I employee shall make an irrevocable election
10 either:

11 (1) to agree to the following:

12 (i) to have the amount of the automatic annual
13 increases in his or her retirement annuity that are
14 otherwise provided for in this Article calculated,
15 instead, as provided in subsection (a-1) of Section
16 16-133.1 or subsection (b-1) of Section 16-136.1,
17 whichever is applicable; and

18 (ii) to have his or her eligibility for automatic
19 annual increases in retirement annuity postponed as
20 provided in subsection (a-2) of Section 16-133.1 or
21 subsection (b-2) of Section 16-136.1, whichever is
22 applicable; or

23 (2) to not agree to items (i) and (ii) as set forth in
24 paragraph (1) of this subsection and to be subject to
25 subsection (c) of this Section.

1 The election required under this subsection (a) shall be
2 made by each Tier I employee no earlier than January 1, 2013
3 and no later than May 31, 2013, except that:

4 (i) a person who becomes a Tier I employee under this
5 Article after January 1, 2013 must make the election under
6 this subsection (a) within 60 days after becoming a Tier I
7 employee;

8 (ii) a person who returns to active service as a Tier I
9 employee under this Article after January 1, 2013 and has
10 not yet made an election under this Section must make the
11 election under this subsection (a) within 60 days after
12 returning to active service as a Tier I employee; and

13 (iii) a person who made the election under subsection
14 (a-5) as a Tier I retiree remains bound by that election
15 and shall not make a later election under this subsection
16 (a).

17 If a Tier I employee fails for any reason to make a
18 required election under this subsection within the time
19 specified, then the employee shall be deemed to have made the
20 election under paragraph (2) of this subsection.

21 (a-5) Each Tier I retiree shall make an irrevocable
22 election either:

23 (1) to agree to the following:

24 (i) to have the amount of the automatic annual
25 increases in his or her retirement annuity that are
26 otherwise provided for in this Article calculated,

1 instead, as provided in subsection (a-1) of Section
2 16-133.1 or subsection (b-1) of Section 16-136.1,
3 whichever is applicable; and

4 (ii) to have his or her eligibility for automatic
5 annual increases in retirement annuity postponed as
6 provided in subsection (a-2) of Section 16-133.1 or
7 subsection (b-2) of Section 16-136.1, whichever is
8 applicable; or

9 (2) to not agree to items (i) and (ii) as set forth in
10 paragraph (1) of this subsection and to be subject to
11 subsection (c) of this Section.

12 The election required under this subsection (a-5) shall be
13 made by each Tier I retiree no earlier than January 1, 2013 and
14 no later than May 31, 2013, except that:

15 (i) a person who becomes a Tier I retiree under this
16 Article on or after January 1, 2013 must make the election
17 under this subsection (a-5) within 60 days after becoming a
18 Tier I retiree; and

19 (ii) a person who made the election under subsection
20 (a) as a Tier I employee remains bound by that election and
21 shall not make a later election under this subsection
22 (a-5).

23 If a Tier I retiree fails for any reason to make a required
24 election under this subsection within the time specified, then
25 the Tier I retiree shall be deemed to have made the election
26 under paragraph (2) of this subsection.

1 (a-10) All elections under subsection (a) or (a-5) that are
2 made or deemed to be made before June 1, 2013 shall take effect
3 on July 1, 2013. Elections that are made or deemed to be made
4 on or after June 1, 2013 shall take effect on the first day of
5 the month following the month in which the election is made or
6 deemed to be made.

7 (b) As adequate and legal consideration provided under this
8 amendatory Act of the 97th General Assembly for making the
9 election under paragraph (1) of subsection (a) of this Section,
10 any future increases in income offered by an employer under
11 this Article to a Tier I employee who has made the election
12 under paragraph (1) of subsection (a) of this Section shall be
13 offered expressly and irrevocably as constituting salary under
14 Section 16-121. In addition, a Tier I employee who has made the
15 election under paragraph (1) of subsection (a) of this Section
16 shall receive the right to also participate in the optional
17 cash balance plan established under Section 1-162.

18 As adequate and legal consideration provided under this
19 amendatory Act of the 97th General Assembly for making the
20 election under paragraph (1) of subsection (a-5) of this
21 Section, any future increases in income offered by an employer
22 under this Article to a Tier I retiree who returns to active
23 service after having made the election under paragraph (1) of
24 subsection (a-5) of this Section shall be offered expressly and
25 irrevocably as constituting salary under Section 16-121. In
26 addition, a Tier I retiree who returns to active service and

1 has made the election under paragraph (1) of subsection (a) of
2 this Section shall receive the right to also participate in the
3 optional cash balance plan established under Section 1-162.

4 (c) A Tier I employee who makes the election under
5 paragraph (2) of subsection (a) of this Section shall not be
6 subject to items (i) and (ii) set forth in paragraph (1) of
7 subsection (a) of this Section. However, any future increases
8 in income offered by an employer under this Article to a Tier I
9 employee who has made the election under paragraph (2) of
10 subsection (a) of this Section shall be offered expressly and
11 irrevocably as not constituting salary under Section 16-121,
12 and the employee may not accept any future increase in income
13 that is offered in violation of this requirement. In addition,
14 a Tier I employee who has made the election under paragraph (2)
15 of subsection (a) of this Section shall not receive the right
16 to participate in the optional cash balance plan established
17 under Section 1-162.

18 A Tier I retiree who makes the election under paragraph (2)
19 of subsection (a-5) of this Section shall not be subject to
20 items (i) and (ii) set forth in paragraph (1) of subsection
21 (a-5) of this Section. However, any future increases in income
22 offered by an employer under this Article to a Tier I retiree
23 who returns to active service and has made the election under
24 paragraph (2) of subsection (a-5) of this Section shall be
25 offered expressly and irrevocably as not constituting salary
26 under Section 16-121, and the employee may not accept any

1 future increase in income that is offered in violation of this
2 requirement. In addition, a Tier I retiree who returns to
3 active service and has made the election under paragraph (2) of
4 subsection (a) of this Section shall not receive the right to
5 participate in the optional cash balance plan established under
6 Section 1-162.

7 (d) The System shall make a good faith effort to contact
8 each Tier I employee and Tier I retiree subject to this
9 Section. The System shall mail information describing the
10 required election to each Tier I employee and Tier I retiree by
11 United States Postal Service mail to his or her last known
12 address on file with the System. If the Tier I employee or Tier
13 I retiree is not responsive to other means of contact, it is
14 sufficient for the System to publish the details of any
15 required elections on its website or to publish those details
16 in a regularly published newsletter or other existing public
17 forum.

18 Tier I employees and Tier I retirees who are subject to
19 this Section shall be provided with an election packet
20 containing information regarding their options, as well as the
21 forms necessary to make the required election. Upon request,
22 the System shall offer Tier I employees and Tier I retirees an
23 opportunity to receive information from the System before
24 making the required election. The information may consist of
25 video materials, group presentations, individual consultation
26 with a member or authorized representative of the System in

1 person or by telephone or other electronic means, or any
2 combination of those methods. The System shall not provide
3 advice or counseling with respect to which election a Tier I
4 employee or Tier I retiree should make or specific to the legal
5 or tax circumstances of or consequences to the Tier I employee
6 or Tier I retiree.

7 The System shall inform Tier I employees and Tier I
8 retirees in the election packet required under this subsection
9 that the Tier I employee or Tier I retiree may also wish to
10 obtain information and counsel relating to the election
11 required under this Section from any other available source,
12 including but not limited to labor organizations and private
13 counsel.

14 The System shall coordinate with the Illinois Department of
15 Central Management Services and each other retirement system
16 administering an election in accordance with this amendatory
17 Act of the 97th General Assembly to provide information
18 concerning the impact of the election under this Section.

19 In no event shall the System, its staff, or the Board be
20 held liable for any information given to a member, beneficiary,
21 or annuitant regarding the elections under this Section.

22 (e) Notwithstanding any other provision of law, an employer
23 under this Article is required to offer any future increases in
24 income expressly and irrevocably as not constituting "salary"
25 under Section 16-121 to any Tier I employee, or Tier I retiree
26 returning to active service, who has made an election under

1 paragraph (2) or subsection (a) or (a-5) of Section 16-131.7. A
2 Tier I employee, or Tier I retiree returning to active service,
3 who has made an election under paragraph (2) or subsection (a)
4 or (a-5) of Section 16-131.7 shall not accept any future
5 increase in income that is offered by an employer under this
6 Article in violation of the requirement set forth in this
7 subsection.

8 (f) A member's election under this Section is not a
9 prohibited election under subdivision (j)(1) of Section 1-119
10 of this Code.

11 (g) An employee who has made the election under paragraph
12 (1) of subsection (a) or (a-5) of this Section may elect to
13 participate in the optional cash balance plan under Section
14 1-162.

15 The election to participate in the optional cash balance
16 plan shall be made in writing, in the manner provided by the
17 applicable retirement system.

18 (h) Qualified Plan Status. No provision of this Section
19 shall be interpreted in a way that would cause the System to
20 cease to be a qualified plan under section 461 (a) of the
21 Internal Revenue Code of 1986.

22 (40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)
23 Sec. 16-133.1. Automatic annual increase in annuity.

24 (a) Each member with creditable service and retiring on or
25 after August 26, 1969 is entitled to the automatic annual

1 increases in annuity provided under this Section while
2 receiving a retirement annuity or disability retirement
3 annuity from the system.

4 An annuitant shall first be entitled to an initial increase
5 under this Section on the January 1 next following the first
6 anniversary of retirement, or January 1 of the year next
7 following attainment of age 61, whichever is later. At such
8 time, the system shall pay an initial increase determined as
9 follows or as provided in subsections (a-1) and (a-2):

10 (1) 1.5% of the originally granted retirement annuity
11 or disability retirement annuity multiplied by the number
12 of years elapsed, if any, from the date of retirement until
13 January 1, 1972, plus

14 (2) 2% of the originally granted annuity multiplied by
15 the number of years elapsed, if any, from the date of
16 retirement or January 1, 1972, whichever is later, until
17 January 1, 1978, plus

18 (3) 3% of the originally granted annuity multiplied by
19 the number of years elapsed from the date of retirement or
20 January 1, 1978, whichever is later, until the effective
21 date of the initial increase.

22 However, the initial annual increase calculated under this
23 Section for the recipient of a disability retirement annuity
24 granted under Section 16-149.2 shall be reduced by an amount
25 equal to the total of all increases in that annuity received
26 under Section 16-149.5 (but not exceeding 100% of the amount of

1 the initial increase otherwise provided under this Section).

2 Following the initial increase, automatic annual increases
3 in annuity shall be payable on each January 1 thereafter during
4 the lifetime of the annuitant, determined as a percentage of
5 the originally granted retirement annuity or disability
6 retirement annuity for increases granted prior to January 1,
7 1990, and calculated as a percentage of the total amount of
8 annuity, including previous increases under this Section, for
9 increases granted on or after January 1, 1990, as follows: 1.5%
10 for periods prior to January 1, 1972, 2% for periods after
11 December 31, 1971 and prior to January 1, 1978, and 3% for
12 periods after December 31, 1977, or as provided in subsections
13 (a-1) and (a-2).

14 (a-1) Notwithstanding any other provision of this Article,
15 for a Tier I employee or Tier I retiree who made the election
16 under paragraph (1) of either subsection (a) or (a-5) of
17 Section 16-131.7, the amount of each automatic annual increase
18 in retirement annuity occurring on or after the effective date
19 of that election shall be 3% or one-half of the annual
20 unadjusted percentage increase, if any, in the Consumer Price
21 Index-U for the 12 months ending with the preceding September,
22 whichever is less, of the originally granted retirement
23 annuity. For the purposes of this Section, "Consumer Price
24 Index-U" means the index published by the Bureau of Labor
25 Statistics of the United States Department of Labor that
26 measures the average change in prices of goods and services

1 purchased by all urban consumers, United States city average,
2 all items, 1982-84 = 100.

3 (a-2) Notwithstanding any other provision of this Article,
4 for a Tier I employee or Tier I retiree who made the election
5 under paragraph (1) of subsection (a) or (a-5) of Section
6 16-131.7, the monthly retirement annuity shall first be subject
7 to annual increases on the January 1 occurring on or next after
8 the attainment of age 67 or the January 1 occurring on or next
9 after the fifth anniversary of the annuity start date,
10 whichever occurs earlier. If on the effective date of the
11 election under paragraph (1) of subsection (a-5) of Section
12 16-131.7 a Tier I retiree has already received an annual
13 increase under this Section but does not yet meet the new
14 eligibility requirements of this subsection, the annual
15 increases already received shall continue in force, but no
16 additional annual increase shall be granted until the Tier I
17 retiree meets the new eligibility requirements.

18 (b) The automatic annual increases in annuity provided
19 under this Section shall not be applicable unless a member has
20 made contributions toward such increases for a period
21 equivalent to one full year of creditable service. If a member
22 contributes for service performed after August 26, 1969 but the
23 member becomes an annuitant before such contributions amount to
24 one full year's contributions based on the salary at the date
25 of retirement, he or she may pay the necessary balance of the
26 contributions to the system and be eligible for the automatic

1 annual increases in annuity provided under this Section.

2 (c) Each member shall make contributions toward the cost of
3 the automatic annual increases in annuity as provided under
4 Section 16-152.

5 (d) An annuitant receiving a retirement annuity or
6 disability retirement annuity on July 1, 1969, who subsequently
7 re-enters service as a teacher is eligible for the automatic
8 annual increases in annuity provided under this Section if he
9 or she renders at least one year of creditable service
10 following the latest re-entry.

11 (e) In addition to the automatic annual increases in
12 annuity provided under this Section, an annuitant who meets the
13 service requirements of this Section and whose retirement
14 annuity or disability retirement annuity began on or before
15 January 1, 1971 shall receive, on January 1, 1981, an increase
16 in the annuity then being paid of one dollar per month for each
17 year of creditable service. On January 1, 1982, an annuitant
18 whose retirement annuity or disability retirement annuity
19 began on or before January 1, 1977 shall receive an increase in
20 the annuity then being paid of one dollar per month for each
21 year of creditable service.

22 On January 1, 1987, any annuitant whose retirement annuity
23 began on or before January 1, 1977, shall receive an increase
24 in the monthly retirement annuity equal to 8¢ per year of
25 creditable service times the number of years that have elapsed
26 since the annuity began.

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

2 (40 ILCS 5/16-133.6 new)

3 Sec. 16-133.6. Optional teacher early retirement without
4 discount. A Tier I employee or Tier I retiree who makes an
5 election under paragraph (1) of subsection (a) or (a-5) of
6 Section 16-131.7, retires on or after July 1, 2013, and applies
7 for a retirement annuity within 6 months of the last day of
8 teaching for which retirement contributions were required may
9 elect, at the time of application for a retirement annuity, to
10 make a one-time member contribution to the System and, thereby,
11 avoid the reduction in the retirement annuity for retirement
12 before age 60 specified in paragraph (B) of Section 16-133. The
13 exercise of the election shall also obligate the last employer
14 to make a one-time nonrefundable contribution to the System.
15 Substitute teachers wishing to exercise this election must
16 teach 85 or more days in one school term with one employer, who
17 shall be deemed the last employer for purposes of this Section.
18 The last day of teaching with that employer must be within 6
19 months of the date of application for retirement. All
20 substitute teaching credit applied toward the required 85 days
21 must be earned after June 30, 1990.

22 The one-time member and employer contributions shall be a
23 percentage of the cost of this benefit as determined by the
24 System. However, when determining the one-time member and
25 employer contributions, that part of a member's salary with the

1 same employer which exceeds the annual salary rate for the
2 preceding year by more than 20% shall be excluded. The member
3 contribution shall be at the rate of 50% of the cost of the
4 benefits as determined by the System. The employer contribution
5 shall be at the rate of 50% of the cost of the benefits as
6 determined by the System.

7 Upon receipt of the application and election, the System
8 shall determine the one-time employee and employer
9 contributions required. The member contribution shall be
10 credited to the individual account of the member and the
11 employer contribution shall be credited to the Benefit Trust
12 Reserve. The avoidance of the reduction in retirement annuity
13 provided under this Section is not applicable until the
14 member's contribution, if any, has been received by the System;
15 however, the date that contribution is received shall not be
16 considered in determining the effective date of retirement.

17 The number of members working for a single employer who may
18 retire under this Section in any year may be limited at the
19 option of the employer to a specified percentage of those
20 eligible, not less than 10%, with the right to participate to
21 be allocated among those applying on the basis of seniority in
22 the service of the employer.

23 The required employer contribution under this Section
24 shall be enforceable under Section 16-158.1.

1 Sec. 16-136.1. Annual increase for certain annuitants.

2 (a) Any annuitant receiving a retirement annuity on June
3 30, 1969 and any member retiring after June 30, 1969 shall be
4 eligible for the annual increases provided under this Section
5 provided the annuitant is ineligible for the automatic annual
6 increase in annuity provided under Section 16-133.1, and
7 provided further that (1) retirement occurred at age 55 or over
8 and was based on 5 or more years of creditable service or (2)
9 if retirement occurred prior to age 55, the retirement annuity
10 was based on 20 or more years of creditable service.

11 (b) Subject to the provisions of subsections (b-1) and
12 (b-2), an ~~An~~ annuitant entitled to increases under this Section
13 shall be entitled to the initial increase as of the later of:
14 (1) January 1 following attainment of age 65, (2) January 1
15 following the first anniversary of retirement, or (3) the first
16 day of the month following receipt of the required qualifying
17 contribution from the annuitant. The initial monthly increase
18 shall be computed on the basis of the period elapsed between
19 the later of the date of last retirement or attainment of age
20 50 and the date of qualification for the initial increase, at
21 the rate of 1 1/2% of the original monthly retirement annuity
22 per year for periods prior to September 1, 1971, and at the
23 rate of 2% per year for periods between September 1, 1971 and
24 September 1, 1978, and at the rate of 3% per year for periods
25 thereafter.

26 Subject to the provisions of subsections (b-1) and (b-2),

1 an ~~An~~ annuitant who has received an initial increase under this
2 Section, shall be entitled, on each January 1 following the
3 granting of the initial increase, to an increase of 3% of the
4 original monthly retirement annuity for increases granted
5 prior to January 1, 1990, and equal to 3% of the total annuity,
6 including previous increases under this Section, for increases
7 granted on or after January 1, 1990. The original monthly
8 retirement annuity for computations under this subsection (b)
9 shall be considered to be \$83.34 for any annuitant entitled to
10 benefits under Section 16-134. The minimum original disability
11 retirement annuity for computations under this subsection (b)
12 shall be considered to be \$33.34 per month for any annuitant
13 retired on account of disability.

14 (b-1) Notwithstanding any other provision of this Article,
15 for a Tier I employee or Tier I retiree who made the election
16 under paragraph (1) of either subsection (a) or (a-5) of
17 Section 16-131.7, the amount of each automatic annual increase
18 in retirement annuity occurring on or after the effective date
19 of that election shall be 3% or one-half of the annual
20 unadjusted percentage increase, if any, in the Consumer Price
21 Index-U for the 12 months ending with the preceding September,
22 whichever is less, of the originally granted retirement
23 annuity. For the purposes of this Section, "Consumer Price
24 Index-U" means the index published by the Bureau of Labor
25 Statistics of the United States Department of Labor that
26 measures the average change in prices of goods and services

1 purchased by all urban consumers, United States city average,
2 all items, 1982-84 = 100.

3 (b-2) Notwithstanding any other provision of this Article,
4 for a Tier I employee or Tier I retiree who made the election
5 under paragraph (1) of subsection (a) or (a-5) of Section
6 16-131.7, the monthly retirement annuity shall first be subject
7 to annual increases on the January 1 occurring on or next after
8 the attainment of age 67 or the January 1 occurring on or next
9 after the fifth anniversary of the annuity start date,
10 whichever occurs earlier. If on the effective date of the
11 election under paragraph (1) of subsection (a-5) of Section
12 16-131.7 a Tier I retiree has already received an annual
13 increase under this Section but does not yet meet the new
14 eligibility requirements of this subsection, the annual
15 increases already received shall continue in force, but no
16 additional annual increase shall be granted until the Tier I
17 retiree meets the new eligibility requirements.

18 (c) An annuitant who otherwise qualifies for annual
19 increases under this Section must make a one-time payment of 1%
20 of the monthly final average salary for each full year of the
21 creditable service forming the basis of the retirement annuity
22 or, if the retirement annuity was not computed using final
23 average salary, 1% of the original monthly retirement annuity
24 for each full year of service forming the basis of the
25 retirement annuity.

26 (d) In addition to other increases which may be provided by

1 this Section, regardless of creditable service, annuitants not
2 meeting the service requirements of Section 16-133.1 and whose
3 retirement annuity began on or before January 1, 1971 shall
4 receive, on January 1, 1981, an increase in the retirement
5 annuity then being paid of one dollar per month for each year
6 of creditable service forming the basis of the retirement
7 allowance. On January 1, 1982, annuitants whose retirement
8 annuity began on or before January 1, 1977, shall receive an
9 increase in the retirement annuity then being paid of one
10 dollar per month for each year of creditable service.

11 On January 1, 1987, any annuitant whose retirement annuity
12 began on or before January 1, 1977, shall receive an increase
13 in the monthly retirement annuity equal to 8¢ per year of
14 creditable service times the number of years that have elapsed
15 since the annuity began.

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

17 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

18 Sec. 16-152. Contributions by members.

19 (a) Each member shall make contributions for membership
20 service to this System as follows:

21 (1) Effective July 1, 1998, contributions of 7.50% of
22 salary towards the cost of the retirement annuity. Such
23 contributions shall be deemed "normal contributions".

24 (2) Effective July 1, 1969, contributions of 1/2 of 1%
25 of salary toward the cost of the automatic annual increase

1 in retirement annuity provided under Section 16-133.1.

2 (3) Effective July 24, 1959, contributions of 1% of
3 salary towards the cost of survivor benefits. Such
4 contributions shall not be credited to the individual
5 account of the member and shall not be subject to refund
6 except as provided under Section 16-143.2.

7 (4) Effective July 1, 2005, contributions of 0.40% of
8 salary toward the cost of the early retirement without
9 discount option provided under Section 16-133.2. This
10 contribution shall cease upon termination of the early
11 retirement without discount option as provided in Section
12 16-176.

13 (a-1) In addition to the contributions required under
14 subsection (a), a member who elects to participate in the
15 optional cash balance plan under Section 1-162 shall pay to the
16 System for the purpose of participating in the optional cash
17 balance plan a contribution of 2% of each payment of
18 compensation received while he or she is a participant in the
19 optional cash balance plan. These contributions shall not be
20 used for the purpose of determining any benefit under this
21 Article except as provided in the optional cash balance plan.

22 (b) The minimum required contribution for any year of
23 full-time teaching service shall be \$192.

24 (c) Contributions shall not be required of any annuitant
25 receiving a retirement annuity who is given employment as
26 permitted under Section 16-118 or 16-150.1.

1 (d) A person who (i) was a member before July 1, 1998, (ii)
2 retires with more than 34 years of creditable service, and
3 (iii) does not elect to qualify for the augmented rate under
4 Section 16-129.1 shall be entitled, at the time of retirement,
5 to receive a partial refund of contributions made under this
6 Section for service occurring after the later of June 30, 1998
7 or attainment of 34 years of creditable service, in an amount
8 equal to 1.00% of the salary upon which those contributions
9 were based.

10 (e) A member's contributions toward the cost of early
11 retirement without discount made under item (a)(4) of this
12 Section shall not be refunded if the member has elected early
13 retirement without discount under Section 16-133.2 and has
14 begun to receive a retirement annuity under this Article
15 calculated in accordance with that election. Otherwise, a
16 member's contributions toward the cost of early retirement
17 without discount made under item (a)(4) of this Section shall
18 be refunded according to whichever one of the following
19 circumstances occurs first:

20 (1) The contributions shall be refunded to the member,
21 without interest, within 120 days after the member's
22 retirement annuity commences, if the member does not elect
23 early retirement without discount under Section 16-133.2.

24 (2) The contributions shall be included, without
25 interest, in any refund claimed by the member under Section
26 16-151.

1 (3) The contributions shall be refunded to the member's
2 designated beneficiary (or if there is no beneficiary, to
3 the member's estate), without interest, if the member dies
4 without having begun to receive a retirement annuity under
5 this Article.

6 (4) The contributions shall be refunded to the member,
7 without interest, within 120 days after the early
8 retirement without discount option provided under Section
9 16-133.2 is terminated under Section 16-176.

10 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

11 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

12 Sec. 16-158. Contributions by State and other employing
13 units.

14 (a) Except as otherwise provided in this Section, the ~~The~~
15 State shall make contributions to the System by means of
16 appropriations from the Common School Fund and other State
17 funds of amounts which, together with other employer
18 contributions, employee contributions, investment income, and
19 other income, will be sufficient to meet the cost of
20 maintaining and administering the System on a 90% funded basis
21 in accordance with actuarial recommendations.

22 Beginning with State fiscal year 2014, the employers under
23 this Article shall be responsible for paying the normal costs
24 of the System plus the amounts required to amortize any total
25 cost of the benefits of the System arising on or after July 1,

1 2013.

2 Beginning with State fiscal year 2014, the State's required
3 contributions to the System shall be limited to the amounts
4 required to amortize the total cost of the benefits of the
5 System arising before July 1, 2013, plus any employer
6 contributions required from the State as the actual employer of
7 participants under this Article.

8 The Board shall determine the amount of State and employer
9 contributions required for each fiscal year on the basis of the
10 actuarial tables and other assumptions adopted by the Board and
11 the recommendations of the actuary, using the formulas provided
12 in this Section ~~formula in subsection (b-3).~~

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

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

26 On or before July 1, 2005 ~~April 1, 2011,~~ the Board shall

1 recalculate and recertify to the Governor the amount of the
2 required State contribution to the System for State fiscal year
3 2006, taking into account the changes in required State
4 contributions made by this amendatory Act of the 94th General
5 Assembly.

6 On or before April 1, 2011 ~~June 15, 2010~~, the Board shall
7 recalculate and recertify to the Governor the amount of the
8 required State contribution to the System for State fiscal year
9 2011, applying the changes made by Public Act 96-889 to the
10 System's assets and liabilities as of June 30, 2009 as though
11 Public Act 96-889 was approved on that date.

12 (a-5) On or before November 1 of each year, beginning
13 November 1, 2012, the Board shall submit to the State Actuary,
14 the Governor, and the General Assembly a proposed certification
15 of the amount of the required State contribution to the System
16 for the next fiscal year, along with all of the actuarial
17 assumptions, calculations, and data upon which that proposed
18 certification is based. On or before January 1 of each year,
19 beginning January 1, 2013, the State Actuary shall issue a
20 preliminary report concerning the proposed certification and
21 identifying, if necessary, recommended changes in actuarial
22 assumptions that the Board must consider before finalizing its
23 certification of the required State contributions. On or before
24 January 15, 2013 and each January 15 thereafter, the Board
25 shall certify to the Governor and the General Assembly the
26 amount of the required State contribution for the next fiscal

1 year. The Board's certification must note any deviations from
2 the State Actuary's recommended changes, the reason or reasons
3 for not following the State Actuary's recommended changes, and
4 the fiscal impact of not following the State Actuary's
5 recommended changes on the required State contribution.

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

9 (b-1) Beginning in State fiscal year 1996, on the 15th day
10 of each month, or as soon thereafter as may be practicable, the
11 Board shall submit vouchers for payment of State contributions
12 to the System, in a total monthly amount of one-twelfth of the
13 required annual State contribution certified under subsection
14 (a-1). From the effective date of this amendatory Act of the
15 93rd General Assembly through June 30, 2004, the Board shall
16 not submit vouchers for the remainder of fiscal year 2004 in
17 excess of the fiscal year 2004 certified contribution amount
18 determined under this Section after taking into consideration
19 the transfer to the System under subsection (a) of Section
20 6z-61 of the State Finance Act. These vouchers shall be paid by
21 the State Comptroller and Treasurer by warrants drawn on the
22 funds appropriated to the System for that fiscal year.

23 If in any month the amount remaining unexpended from all
24 other appropriations to the System for the applicable fiscal
25 year (including the appropriations to the System under Section
26 8.12 of the State Finance Act and Section 1 of the State

1 Pension Funds Continuing Appropriation Act) is less than the
2 amount lawfully vouchered under this subsection, the
3 difference shall be paid from the Common School Fund under the
4 continuing appropriation authority provided in Section 1.1 of
5 the State Pension Funds Continuing Appropriation Act.

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

9 (b-3) For State fiscal years 2012 and 2013 ~~through 2045~~,
10 the minimum contribution to the System to be made by the State
11 for each fiscal year shall be an amount determined by the
12 System to be sufficient to bring the total assets of the System
13 up to 90% of the total actuarial liabilities of the System by
14 the end of State fiscal year 2045. In making these
15 determinations, the required State contribution shall be
16 calculated each year as a level percentage of payroll over the
17 years remaining to and including fiscal year 2045 and shall be
18 determined under the projected unit credit actuarial cost
19 method.

20 Except as provided in subsection (b-5), for State fiscal
21 years 2014 through 2045 or until the State has amortized 100%
22 of the total cost of benefits accrued by July 1, 2013,
23 whichever is earlier, in addition to any employer contributions
24 required from the State as an employer, the minimum
25 contribution to the System to be made by the State for each
26 fiscal year shall be an amount determined by the Board to be

1 sufficient to amortize, by the end of State fiscal year 2045,
2 the total cost of the benefits of the System arising before
3 July 1, 2013. In making these determinations, the required
4 State contribution shall be calculated each year as a level
5 percentage of payroll over the years remaining to and including
6 fiscal year 2043 and shall be determined under the projected
7 unit credit actuarial cost method.

8 Except as provided in subsection (b-5), beginning in State
9 fiscal year 2046 or on the date that the State has amortized
10 100% of the total cost of benefits accrued by July 1, 2013,
11 whichever is earlier, the State has no further obligation to
12 make contributions to the System under this subsection (b-3).

13 For State fiscal years 1996 through 2005, the State
14 contribution to the System, as a percentage of the applicable
15 employee payroll, shall be increased in equal annual increments
16 so that by State fiscal year 2011, the State is contributing at
17 the rate required under this Section; except that in the
18 following specified State fiscal years, the State contribution
19 to the System shall not be less than the following indicated
20 percentages of the applicable employee payroll, even if the
21 indicated percentage will produce a State contribution in
22 excess of the amount otherwise required under this subsection
23 and subsection (a), and notwithstanding any contrary
24 certification made under subsection (a-1) before the effective
25 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
26 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY

1 2003; and 13.56% in FY 2004.

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

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

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

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

23 Notwithstanding any other provision of this Article, the
24 total required State contribution for State fiscal year 2011 is
25 the amount recertified by the System on or before April 1, 2011
26 pursuant to subsection (a-1) of this Section and shall be made

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

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

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

1 term does not include or apply to any amounts payable to the
2 System under Section 25 of the Budget Stabilization Act.

3 Notwithstanding any other provision of this Section, the
4 required State contribution for State fiscal year 2005 and for
5 fiscal year 2008 through ~~and each~~ fiscal year 2013 thereafter,
6 as calculated under this Section and certified under subsection
7 (a-1), shall not exceed an amount equal to (i) the amount of
8 the required State contribution that would have been calculated
9 under this Section for that fiscal year if the System had not
10 received any payments under subsection (d) of Section 7.2 of
11 the General Obligation Bond Act, minus (ii) the portion of the
12 State's total debt service payments for that fiscal year on the
13 bonds issued in fiscal year 2003 for the purposes of that
14 Section 7.2, as determined and certified by the Comptroller,
15 that is the same as the System's portion of the total moneys
16 distributed under subsection (d) of Section 7.2 of the General
17 Obligation Bond Act. In determining this maximum for State
18 fiscal years 2008 through 2010, however, the amount referred to
19 in item (i) shall be increased, as a percentage of the
20 applicable employee payroll, in equal increments calculated
21 from the sum of the required State contribution for State
22 fiscal year 2007 plus the applicable portion of the State's
23 total debt service payments for fiscal year 2007 on the bonds
24 issued in fiscal year 2003 for the purposes of Section 7.2 of
25 the General Obligation Bond Act, so that, by State fiscal year
26 2011, the State is contributing at the rate otherwise required

1 under this Section.

2 (b-5) If at least 50% of Tier I employees making an
3 election under Section 16-131.7 before June 1, 2013 choose the
4 option under paragraph (1) of subsection (a) of that Section,
5 then beginning in State fiscal year 2014, instead of the
6 contributions specified in subsection (b-3) of this Section,
7 the State contributions specified in subsection (b-7) of this
8 Section shall be paid.

9 In making its initial certification of the annual required
10 contribution by the State for State fiscal year 2014, the Board
11 shall assume that the new funding formula provided in
12 subsection (b-7) of this Section applies. If fewer than 50% of
13 Tier I employees making an election under Section 16-131.7
14 before June 1, 2013 choose the option under paragraph (1) of
15 subsection (a) of that Section, then:

16 (1) instead of the contributions specified in
17 subsection (b-7) of this Section, the State contributions
18 specified in subsection (b-3) shall continue to be paid;
19 and

20 (2) as soon as possible after June 1, 2013, the Board
21 shall recertify the annual required contribution by the
22 State for State fiscal year 2014.

23 (b-7) For State fiscal years 2014 through 2043 or until the
24 State has amortized 100% of the total cost of benefits accrued
25 by July 1, 2013, whichever is earlier, in addition to any
26 employer contributions required from the State as an employer,

1 the minimum contribution to the System to be made by the State
2 for each fiscal year shall be an amount determined by the Board
3 to be sufficient to amortize, by the end of State fiscal year
4 2043, the total cost of the benefits of the System arising
5 before July 1, 2013. In making these determinations, the
6 required State contribution shall be calculated each year as a
7 level percentage of payroll over the years remaining to and
8 including fiscal year 2043 and shall be determined under the
9 projected unit credit actuarial cost method.

10 Beginning in State fiscal year 2044 or on the date that the
11 State has amortized 100% of the total cost of benefits accrued
12 by July 1, 2013, whichever is earlier, the State has no further
13 obligation to make contributions to the System under this
14 subsection (a-5).

15 (b-10) Subject to the limitations provided in subsection
16 (b-15), beginning with State fiscal year 2014, the minimum
17 required contribution of employers under this Article shall be
18 determined as a percentage of projected payroll, and shall be
19 sufficient to produce an annual amount equal to:

20 (i) the employer's normal cost for that fiscal year for
21 employees who first became participating employees before
22 July 1, 2013; plus

23 (ii) the employer's normal cost for that fiscal year
24 for employees who first become participating employees on
25 or after July 1, 2013; plus

26 (iii) the amount required for that fiscal year to

1 amortize any unfunded actuarial accrued liability arising
2 on or after July 1, 2013 as a level percentage of payroll
3 over a 30-year rolling amortization period.

4 Any contributions required from an employer under
5 subsection (f) of this Section are in addition to the
6 contributions required under this subsection (b-10).

7 (b-15) For State fiscal year 2014, the required
8 contribution of employers under item (i) of subsection (b-10)
9 shall be reduced to an amount equal to 1% of payroll.

10 For each fiscal year thereafter, until the Board determines
11 and certifies to the Governor that employers are contributing
12 under item (i) of subsection (b-10) the full amount actually
13 specified by item (i) of subsection (b-10), the required
14 contribution of employers under item (i) of subsection (b-10)
15 shall be the percentage of payroll required under this
16 subsection from the previous fiscal year increased by 1% of
17 payroll for each of State fiscal years 2015 through 2019, and
18 increased by 0.5% of payroll for each State fiscal year after
19 2019.

20 Contributions required of employers under items (ii) and
21 (iii) of subsection (b-10), under subsection (f), and under any
22 other applicable provision of this Section are in addition to
23 contributions required under item (i) of subsection (b-10).

24 (b-20) Beginning in State fiscal year 2015 and continuing
25 until the Board determines and certifies to the Governor that
26 employers are contributing under item (i) of subsection (b-10)

1 the full amount actually specified by item (i) of subsection
2 (b-10), the State shall make an additional contribution to the
3 System for each fiscal year, equal to the difference between
4 (1) the total contribution calculated under item (i) of
5 subsection (b-10) for all employers for that fiscal year, and
6 (2) the amount of such total contribution as reduced under
7 subsection (b-15).

8 The State contribution under this subsection (b-20) is in
9 addition to the State contributions required under subsection
10 (b-3) or (b-7) and any contributions required to be paid by the
11 State as an employer under subsections (b-10) and (f) of this
12 Section.

13 (c) Payment of the required State contributions and of all
14 pensions, retirement annuities, death benefits, refunds, and
15 other benefits granted under or assumed by this System, and all
16 expenses in connection with the administration and operation
17 thereof, are obligations of the State.

18 If members are paid from special trust or federal funds
19 which are administered by the employing unit, whether school
20 district or other unit, the employing unit shall pay to the
21 System from such funds the full accruing retirement costs based
22 upon that service, as determined by the System. Employer
23 contributions, based on salary paid to members from federal
24 funds, may be forwarded by the distributing agency of the State
25 of Illinois to the System prior to allocation, in an amount
26 determined in accordance with guidelines established by such

1 agency and the System.

2 (d) Effective July 1, 1986, any employer of a teacher as
3 defined in paragraph (8) of Section 16-106 shall pay the
4 employer's normal cost of benefits based upon the teacher's
5 service, in addition to employee contributions, as determined
6 by the System. Such employer contributions shall be forwarded
7 monthly in accordance with guidelines established by the
8 System.

9 However, with respect to benefits granted under Section
10 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
11 of Section 16-106, the employer's contribution shall be 12%
12 (rather than 20%) of the member's highest annual salary rate
13 for each year of creditable service granted, and the employer
14 shall also pay the required employee contribution on behalf of
15 the teacher. For the purposes of Sections 16-133.4 and
16 16-133.5, a teacher as defined in paragraph (8) of Section
17 16-106 who is serving in that capacity while on leave of
18 absence from another employer under this Article shall not be
19 considered an employee of the employer from which the teacher
20 is on leave.

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

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

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

4 The school district or other employing unit may pay these
5 employer contributions out of any source of funding available
6 for that purpose and shall forward the contributions to the
7 System on the schedule established for the payment of member
8 contributions.

9 These employer contributions are intended to offset a
10 portion of the cost to the System of the increases in
11 retirement benefits resulting from this amendatory Act of 1998.

12 Each employer of teachers is entitled to a credit against
13 the contributions required under this subsection (e) with
14 respect to salaries paid to teachers for the period January 1,
15 2002 through June 30, 2003, equal to the amount paid by that
16 employer under subsection (a-5) of Section 6.6 of the State
17 Employees Group Insurance Act of 1971 with respect to salaries
18 paid to teachers for that period.

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

24 If an employer is required by a contract in effect on May
25 1, 1998 between the employer and an employee organization to
26 pay, on behalf of all its full-time employees covered by this

1 Article, all mandatory employee contributions required under
2 this Article, then the employer shall be excused from paying
3 the employer contribution required under this subsection (e)
4 for the balance of the term of that contract. The employer and
5 the employee organization shall jointly certify to the System
6 the existence of the contractual requirement, in such form as
7 the System may prescribe. This exclusion shall cease upon the
8 termination, extension, or renewal of the contract at any time
9 after May 1, 1998.

10 (f) The employer contributions under this subsection (f)
11 are no longer required after June 30, 2013.

12 If the amount of a teacher's salary for any school year
13 used to determine final average salary exceeds the member's
14 annual full-time salary rate with the same employer for the
15 previous school year by more than 6%, the teacher's employer
16 shall pay to the System, in addition to all other payments
17 required under this Section and in accordance with guidelines
18 established by the System, the present value of the increase in
19 benefits resulting from the portion of the increase in salary
20 that is in excess of 6%. This present value shall be computed
21 by the System on the basis of the actuarial assumptions and
22 tables used in the most recent actuarial valuation of the
23 System that is available at the time of the computation. If a
24 teacher's salary for the 2005-2006 school year is used to
25 determine final average salary under this subsection (f), then
26 the changes made to this subsection (f) by Public Act 94-1057

1 shall apply in calculating whether the increase in his or her
2 salary is in excess of 6%. For the purposes of this Section,
3 change in employment under Section 10-21.12 of the School Code
4 on or after June 1, 2005 shall constitute a change in employer.
5 The System may require the employer to provide any pertinent
6 information or documentation. The changes made to this
7 subsection (f) by this amendatory Act of the 94th General
8 Assembly apply without regard to whether the teacher was in
9 service on or after its effective date.

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

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

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

8 (g) This subsection (g) applies only to payments made or
9 salary increases given on or after June 1, 2005 but before July
10 1, 2011. The changes made by Public Act 94-1057 shall not
11 require the System to refund any payments received before July
12 31, 2006 (the effective date of Public Act 94-1057).

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

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

21 When assessing payment for any amount due under subsection
22 (f), the System shall exclude salary increases resulting from
23 overload work, including summer school, when the school
24 district has certified to the System, and the System has
25 approved the certification, that (i) the overload work is for
26 the sole purpose of classroom instruction in excess of the

1 standard number of classes for a full-time teacher in a school
2 district during a school year and (ii) the salary increases are
3 equal to or less than the rate of pay for classroom instruction
4 computed on the teacher's current salary and work schedule.

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

19 When assessing payment for any amount due under subsection
20 (f), the System shall exclude any payment to the teacher from
21 the State of Illinois or the State Board of Education over
22 which the employer does not have discretion, notwithstanding
23 that the payment is included in the computation of final
24 average salary.

25 (h) When assessing payment for any amount due under
26 subsection (f), the System shall exclude any salary increase

1 described in subsection (g) of this Section given on or after
2 July 1, 2011 but before July 1, 2014 under a contract or
3 collective bargaining agreement entered into, amended, or
4 renewed on or after June 1, 2005 but before July 1, 2011.
5 Notwithstanding any other provision of this Section, any
6 payments made or salary increases given after June 30, 2014
7 shall be used in assessing payment for any amount due under
8 subsection (f) of this Section.

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

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

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

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

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

24 (j) For purposes of determining the required State
25 contribution to the System, the value of the System's assets
26 shall be equal to the actuarial value of the System's assets,

1 which shall be calculated as follows:

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

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

13 (l) If the System submits a voucher for monthly
14 contributions from the State as required by this Section and
15 the State fails to pay within 90 days of receipt of such a
16 voucher, the Board shall submit a written request to the
17 Comptroller seeking payment. A copy of the request shall be
18 filed with the Secretary of State, and the Secretary of State
19 shall provide copies to the Governor and General Assembly. No
20 earlier than the 16th day after filing a request with the
21 Secretary of State, the Board shall have the right to commence
22 a mandamus action in the Supreme Court of Illinois to compel
23 the Comptroller to satisfy the voucher by making payment from
24 the General Revenue Fund. This Section constitutes an express
25 waiver of the State's sovereign immunity solely to the extent
26 it permits the Board to commence a mandamus action in the

1 Illinois Supreme Court to compel the Comptroller to pay a
2 voucher for monthly contributions from the State as required in
3 this Section.

4 (Source: P.A. 95-331, eff. 8-21-07; 95-950, eff. 8-29-08;
5 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff.
6 1-27-11; 96-1554, eff. 3-18-11; revised 4-6-11.)

7 (40 ILCS 5/16-158.2 new)

8 Sec. 16-158.2. Individual employer accounts.

9 (a) The System shall create and maintain individual
10 accounts for each employer for the purposes of determining
11 employer contributions under subsection (b-10) of Section
12 16-158. Each employer's account shall be notionally credited
13 with the employer's liabilities accruing after July 1, 2013 and
14 assets attributable to the employer's account that include (i)
15 employer contributions made pursuant to subsection (b-10) of
16 Section 16-158, (ii) other employer contributions from trust,
17 federal, and other funds, (iii) employee contributions made
18 after July 1, 2013, and (iv) income from investments. The
19 System may deduct reasonable administrative expenses from each
20 employer's account.

21 (b) In determining contributions required under subsection
22 (b-10) of Section 16-158, the System shall determine a blended
23 rate of total normal cost that is applicable to all employers.

24 (c) An employer may make written application with the Board
25 to have a separate rate of total normal cost determined for the

1 employer. Upon receiving the written application from an
2 employer, the Board may determine a total rate of normal cost
3 for the employer. The employer shall be responsible for any
4 cost incurred in making the determination of total normal cost.

5 The Board may establish rules for the administration of
6 this Section that include but are not limited to the date by
7 which an application must be submitted and the fiscal year in
8 which the determination will be used to determine the
9 employer's contribution required under subsection (b-10) of
10 Section 16-158.

11 (d) An employer whose determination of total normal cost
12 under subsection (c) is used to determine its contributions
13 required under subsection (b-10) of Section 16-158 may not be
14 included in the determination of a rate of total normal cost
15 under subsection (c) of this Section.

16 (40 ILCS 5/16-163) (from Ch. 108 1/2, par. 16-163)

17 Sec. 16-163. Board created. A board of 13 members
18 constitutes the board of trustees authorized to carry out the
19 provisions of this Article and is responsible for the general
20 administration of the System. The board shall be known as the
21 Board of Trustees of the Teachers' Retirement System of the
22 State of Illinois. The board shall be composed of the
23 Superintendent of Education, ex officio, who shall be the
24 president of the board; 4 ~~6~~ persons, not members of the System,
25 to be appointed by the Governor, with the advice and consent of

1 the Senate, who shall hold no elected State office; 4 persons
2 who, at the time of their election, are teachers as defined in
3 Section 16-106, elected by the contributing members; ~~and~~ 2
4 annuitant members elected by the annuitants of the System, as
5 provided in Section 16-165; and 2 school board members elected
6 as provided in Section 16-165.

7 (Source: P.A. 96-6, eff. 4-3-09.)

8 (40 ILCS 5/16-165) (from Ch. 108 1/2, par. 16-165)

9 Sec. 16-165. Board; elected members; vacancies.

10 (a) In each odd-numbered year, there shall be elected 2
11 teachers who shall hold office for a term of 4 years beginning
12 July 15 next following their election, in the manner provided
13 under this Section. An elected teacher member of the board who
14 ceases to be a teacher as defined in Section 16-106 may
15 continue to serve on the board for the remainder of the term to
16 which he or she was elected.

17 (a-5) In each even-numbered year, there shall be elected 2
18 school board members who shall hold office for a term of 4
19 years, in the manner provided under this Section. An elected
20 school board member who ceases to be a member of a school board
21 may continue to serve on the board for the remainder of the
22 term to which he or she was elected. Until the initial school
23 board member has been elected, the elected school board member
24 positions created by this amendatory Act of the 97th General
25 Assembly shall be filled as soon as practical by appointment of

1 the board.

2 (b) One elected annuitant trustee shall first be elected in
3 1987, and in every fourth year thereafter, for a term of 4
4 years beginning July 15 next following his or her election.

5 (c) The elected annuitant position created by this
6 amendatory Act of the 91st General Assembly shall be filled as
7 soon as possible in the manner provided for vacancies, for an
8 initial term ending July 15, 2001. One elected annuitant
9 trustee shall be elected in 2001, and in every fourth year
10 thereafter, for a term of 4 years beginning July 15 next
11 following his or her election.

12 (d) Elections shall be held on May 1, unless May 1 falls on
13 a Saturday or Sunday, in which event the election shall be
14 conducted on the following Monday. Candidates shall be
15 nominated by petitions in writing, signed by not less than 500
16 teachers, school board members, or annuitants, as the case may
17 be, with their addresses shown opposite their names. The
18 petitions shall be filed with the board's Secretary not less
19 than 90 nor more than 120 days prior to May 1. The Secretary
20 shall determine their validity not less than 75 days before the
21 election.

22 (e) If, for ~~either~~ teacher, school board, or annuitant
23 members, the number of qualified nominees exceeds the number of
24 available positions, the system shall prepare an appropriate
25 ballot with the names of the candidates in alphabetical order
26 and shall mail one copy thereof, at least 10 days prior to the

1 election day, to each teacher or annuitant of this system as of
2 the latest date practicable, at the latest known address,
3 together with a return envelope addressed to the board and also
4 a smaller envelope marked "For Ballot Only", and a slip for
5 signature. Each voter, upon marking his ballot with a cross
6 mark in the square before the name of the person voted for,
7 shall place the ballot in the envelope marked "For Ballot
8 Only", seal the envelope, write on the slip provided therefor
9 his signature and address, enclose both the slip and sealed
10 envelope containing the marked ballot in the return envelope
11 addressed to the board, and mail it. Whether a person is
12 eligible to vote for the teacher nominees, school board
13 nominees, or the annuitant nominees shall be determined from
14 system payroll records as of March 1.

15 Upon receipt of the return envelopes, the system shall open
16 them and set aside unopened the envelopes marked "For Ballot
17 Only". On election day ballots shall be publicly opened and
18 counted by the trustees or canvassers appointed therefor. Each
19 vote cast for a candidate represents one vote only. No ballot
20 arriving after 10 o'clock a.m. on election day shall be
21 counted. The 2 teacher candidates, 2 school board candidates,
22 and the annuitant candidate receiving the highest number of
23 votes shall be elected. The board shall declare the results of
24 the election, keep a record thereof, and notify the candidates
25 of the results thereof within 30 days after the election.

26 If, for any ~~either~~ class of members, there are only as many

1 qualified nominees as there are positions available, the
2 balloting as described in this Section shall not be conducted
3 for those nominees, and the board shall declare them duly
4 elected.

5 (f) A vacancy occurring in the elective membership of the
6 board shall be filled for the unexpired term by a person
7 qualified for the vacant position, selected by the remaining
8 elected members of the board, if there are no more than 6
9 months remaining on the term. For a term with more than 6
10 months remaining, the Director of the Teachers' Retirement
11 System of the State of Illinois shall institute an election in
12 accordance with this Act to fill the unexpired term.

13 (Source: P.A. 94-423, eff. 8-2-05; 94-710, eff. 12-5-05;
14 95-331, eff. 8-21-07.)

15 (40 ILCS 5/16-203)

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

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

1 95-910 or this amendatory Act of the 97th ~~95th~~ General
2 Assembly.

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

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

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

1 the certification is made.

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

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

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

19 (40 ILCS 5/18-140) (from Ch. 108 1/2, par. 18-140)

20 Sec. 18-140. To certify required State contributions and
21 submit vouchers.

22 (a) The Board shall certify to the Governor, on or before
23 November 15 of each year until November 15, 2011, the amount of
24 the required State contribution to the System for the following
25 fiscal year and shall specifically identify the System's

1 projected State normal cost for that fiscal year. The
2 certification shall include a copy of the actuarial
3 recommendations upon which it is based and shall specifically
4 identify the System's projected State normal cost for that
5 fiscal year.

6 On or before November 1 of each year, beginning November 1,
7 2012, the Board shall submit to the State Actuary, the
8 Governor, and the General Assembly a proposed certification of
9 the amount of the required State contribution to the System for
10 the next fiscal year, along with all of the actuarial
11 assumptions, calculations, and data upon which that proposed
12 certification is based. On or before January 1 of each year
13 beginning January 1, 2013, the State Actuary shall issue a
14 preliminary report concerning the proposed certification and
15 identifying, if necessary, recommended changes in actuarial
16 assumptions that the Board must consider before finalizing its
17 certification of the required State contributions. On or before
18 January 15, 2013 and every January 15 thereafter, the Board
19 shall certify to the Governor and the General Assembly the
20 amount of the required State contribution for the next fiscal
21 year. The Board's certification must note any deviations from
22 the State Actuary's recommended changes, the reason or reasons
23 for not following the State Actuary's recommended changes, and
24 the fiscal impact of not following the State Actuary's
25 recommended changes on the required State contribution.

26 On or before May 1, 2004, the Board shall recalculate and

1 recertify to the Governor the amount of the required State
2 contribution to the System for State fiscal year 2005, taking
3 into account the amounts appropriated to and received by the
4 System under subsection (d) of Section 7.2 of the General
5 Obligation Bond Act.

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

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

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

1 the transfer to the System under subsection (c) of Section
2 6z-61 of the State Finance Act. These vouchers shall be paid by
3 the State Comptroller and Treasurer by warrants drawn on the
4 funds appropriated to the System for that fiscal year.

5 If in any month the amount remaining unexpended from all
6 other appropriations to the System for the applicable fiscal
7 year (including the appropriations to the System under Section
8 8.12 of the State Finance Act and Section 1 of the State
9 Pension Funds Continuing Appropriation Act) is less than the
10 amount lawfully vouchered under this Section, the difference
11 shall be paid from the General Revenue Fund under the
12 continuing appropriation authority provided in Section 1.1 of
13 the State Pension Funds Continuing Appropriation Act.

14 (Source: P.A. 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11.)

15 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

16 Sec. 20-121. Calculation of proportional retirement
17 annuities. Upon retirement of the employee, a proportional
18 retirement annuity shall be computed by each participating
19 system in which pension credit has been established on the
20 basis of pension credits under each system. The computation
21 shall be in accordance with the formula or method prescribed by
22 each participating system which is in effect at the date of the
23 employee's latest withdrawal from service covered by any of the
24 systems in which he has pension credits which he elects to have
25 considered under this Article. However, (1) the amount of any

1 retirement annuity payable under the self-managed plan
2 established under Section 15-158.2 of this Code depends solely
3 on the value of the participant's vested account balances and
4 is not subject to any proportional adjustment under this
5 Section, and (2) the amount of any retirement annuity payable
6 under the cash balance plan established under Section 1-161 of
7 this Code shall be calculated solely in accordance with that
8 Section and is not subject to any proportional adjustment under
9 this Section.

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

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

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

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

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

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

22 For persons who participate in the cash balance plan
23 established under Section 1-161, pension credit established
24 under the participating system with respect to which the person
25 participates in the cash balance plan may be considered in

1 determining eligibility for or the amount of the survivor's
2 annuity that is payable by any other participating system with
3 respect to which the person does not participate in the cash
4 balance plan, but the amount of any survivor's annuity payable
5 under the cash balance plan established under Section 1-161
6 shall be calculated solely in accordance with that Section.

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

8 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

9 Sec. 20-124. Maximum benefits.

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

15 If the combined annuities should exceed the highest maximum
16 as determined in accordance with this Section, the respective
17 annuities shall be reduced proportionately according to the
18 ratio which the amount of each proportional annuity bears to
19 the aggregate of all such annuities; except that benefits
20 payable under the cash balance plan established under Section
21 1-161 are not subject to proportionate reduction under this
22 Section.

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

1 (i) For purposes of calculating the combined
2 retirement annuity and the proportionate reduction, if
3 any, in a retirement annuity other than one payable under
4 the self-managed plan, the amount of the Article 15
5 retirement annuity shall be deemed to be the highest
6 annuity to which the annuitant would have been entitled if
7 he or she had participated in the traditional benefit
8 package as defined in Section 15-103.1 rather than the
9 self-managed plan.

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

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

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

22 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

23 Sec. 20-125. Return to employment - suspension of benefits.
24 If a retired employee returns to employment which is covered by
25 a system from which he is receiving a proportional annuity

1 under this Article, his proportional annuity from all
2 participating systems shall be suspended during the period of
3 re-employment, except that this suspension does not apply to
4 any distributions payable under the self-managed plan
5 established under Section 15-158.2 of this Code.

6 The provisions of the Article under which such employment
7 would be covered (including Section 1-161 in the case of a
8 participant in the cash balance plan) shall govern the
9 determination of whether the employee has returned to
10 employment, and if applicable the exemption of temporary
11 employment or employment not exceeding a specified duration or
12 frequency, for all participating systems from which the retired
13 employee is receiving a proportional annuity under this
14 Article, notwithstanding any contrary provisions in the other
15 Articles governing such systems.

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

17 Section 35. The School Code is amended by changing Sections
18 24-1 and 24-8 as follows:

19 (105 ILCS 5/24-1) (from Ch. 122, par. 24-1)

20 Sec. 24-1. Appointment - Salaries - Payment - School month
21 - School term.)* School boards shall appoint all teachers,
22 determine qualifications of employment and fix the amount of
23 their salaries subject to any limitation set forth in this Act
24 and subject to any applicable restrictions in Section 14-106.5,

1 15-134.6, or 16-131.7 of the Illinois Pension Code. They shall
2 pay the wages of teachers monthly, subject, however, to the
3 provisions of Section 24-21. The school month shall be the same
4 as the calendar month but by resolution the school board may
5 adopt for its use a month of 20 days, including holidays. The
6 school term shall consist of at least the minimum number of
7 pupil attendance days required by Section 10-19, any additional
8 legal school holidays, days of teachers' institutes, or
9 equivalent professional educational experiences, and one or
10 two days at the beginning of the school term when used as a
11 teachers' workshop.

12 (Source: P.A. 80-249.)

13 (105 ILCS 5/24-8) (from Ch. 122, par. 24-8)

14 Sec. 24-8. Minimum salary. In fixing the salaries of
15 teachers, school boards shall pay those who serve on a
16 full-time basis not less than a rate for the school year that
17 is based upon training completed in a recognized institution of
18 higher learning, as follows: for the school year beginning July
19 1, 1980 and thereafter, less than a bachelor's degree, \$9,000;
20 120 semester hours or more and a bachelor's degree, \$10,000;
21 150 semester hours or more and a master's degree, \$11,000.

22 Based upon previous public school experience in this State
23 or any other State, territory, dependency or possession of the
24 United States, or in schools operated by or under the auspices
25 of the United States, teachers who serve on a full-time basis

1 shall have their salaries increased to at least the following
2 amounts above the starting salary for a teacher in such
3 district in the same classification: with less than a
4 bachelor's degree, \$750 after 5 years; with 120 semester hours
5 or more and a bachelor's degree, \$1,000 after 5 years and
6 \$1,600 after 8 years; with 150 semester hours or more and a
7 master's degree, \$1,250 after 5 years, \$2,000 after 8 years and
8 \$2,750 after 13 years. However, any salary increase is subject
9 to any applicable restrictions in Section 14-106.5, 15-134.6,
10 or 16-131.7 of the Illinois Pension Code.

11 For the purpose of this Section a teacher's salary shall
12 include any amount paid by the school district on behalf of the
13 teacher, as teacher contributions, to the Teachers' Retirement
14 System of the State of Illinois.

15 If a school board establishes a schedule for teachers'
16 salaries based on education and experience, not inconsistent
17 with this Section, all certificated nurses employed by that
18 board shall be paid in accordance with the provisions of such
19 schedule (subject to any applicable restrictions in Section
20 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code).

21 For purposes of this Section, a teacher who submits a
22 certificate of completion to the school office prior to the
23 first day of the school term shall be considered to have the
24 degree stated in such certificate.

25 (Source: P.A. 83-913.)

1 Section 40. The State Universities Civil Service Act is
2 amended by changing Section 36d as follows:

3 (110 ILCS 70/36d) (from Ch. 24 1/2, par. 38b3)

4 Sec. 36d. Powers and duties of the Merit Board.

5 The Merit Board shall have the power and duty-

6 (1) To approve a classification plan prepared under its
7 direction, assigning to each class positions of substantially
8 similar duties. The Merit Board shall have power to delegate to
9 its Director the duty of assigning each position in the
10 classified service to the appropriate class in the
11 classification plan approved by the Merit Board.

12 (2) To prescribe the duties of each class of positions and
13 the qualifications required by employment in that class.

14 (3) To prescribe the range of compensation for each class
15 or to fix a single rate of compensation for employees in a
16 particular class; and to establish other conditions of
17 employment which an employer and employee representatives have
18 agreed upon as fair and equitable. The Merit Board shall direct
19 the payment of the "prevailing rate of wages" in those
20 classifications in which, on January 1, 1952, any employer is
21 paying such prevailing rate and in such other classes as the
22 Merit Board may thereafter determine. "Prevailing rate of
23 wages" as used herein shall be the wages paid generally in the
24 locality in which the work is being performed to employees
25 engaged in work of a similar character. Subject to any

1 applicable restrictions in Section 14-106.5, 15-134.6, or
2 16-131.7 of the Illinois Pension Code, each ~~Each~~ employer
3 covered by the University System shall be authorized to
4 negotiate with representatives of employees to determine
5 appropriate ranges or rates of compensation or other conditions
6 of employment and may recommend to the Merit Board for
7 establishment the rates or ranges or other conditions of
8 employment which the employer and employee representatives
9 have agreed upon as fair and equitable. Any rates or ranges
10 established prior to January 1, 1952, and hereafter, shall not
11 be changed except in accordance with the procedures herein
12 provided.

13 (4) To recommend to the institutions and agencies specified
14 in Section 36e standards for hours of work, holidays, sick
15 leave, overtime compensation and vacation for the purpose of
16 improving conditions of employment covered therein and for the
17 purpose of insuring conformity with the prevailing rate
18 principal.

19 (5) To prescribe standards of examination for each class,
20 the examinations to be related to the duties of such class. The
21 Merit Board shall have power to delegate to the Director and
22 his staff the preparation, conduct and grading of examinations.
23 Examinations may be written, oral, by statement of training and
24 experience, in the form of tests of knowledge, skill, capacity,
25 intellect, aptitude; or, by any other method, which in the
26 judgment of the Merit Board is reasonable and practical for any

1 particular classification. Different examining procedures may
2 be determined for the examinations in different
3 classifications but all examinations in the same
4 classification shall be uniform.

5 (6) To authorize the continuous recruitment of personnel
6 and to that end, to delegate to the Director and his staff the
7 power and the duty to conduct open and continuous competitive
8 examinations for all classifications of employment.

9 (7) To cause to be established from the results of
10 examinations registers for each class of positions in the
11 classified service of the State Universities Civil Service
12 System, of the persons who shall attain the minimum mark fixed
13 by the Merit Board for the examination; and such persons shall
14 take rank upon the registers as candidates in the order of
15 their relative excellence as determined by examination,
16 without reference to priority of time of examination.

17 (8) To provide by its rules for promotions in the
18 classified service. Vacancies shall be filled by promotion
19 whenever practicable. For the purpose of this paragraph, an
20 advancement in class shall constitute a promotion.

21 (9) To set a probationary period of employment of no less
22 than 6 months and no longer than 12 months for each class of
23 positions in the classification plan, the length of the
24 probationary period for each class to be determined by the
25 Director.

26 (10) To provide by its rules for employment at regular

1 rates of compensation of physically handicapped persons in
2 positions in which the handicap does not prevent the individual
3 from furnishing satisfactory service.

4 (11) To make and publish rules, to carry out the purpose of
5 the State Universities Civil Service System and for
6 examination, appointments, transfers and removals and for
7 maintaining and keeping records of the efficiency of officers
8 and employees and groups of officers and employees in
9 accordance with the provisions of Sections 36b to 36q,
10 inclusive, and said Merit Board may from time to time make
11 changes in such rules.

12 (12) To appoint a Director and such assistants and other
13 clerical and technical help as may be necessary efficiently to
14 administer Sections 36b to 36q, inclusive. To authorize the
15 Director to appoint an assistant resident at the place of
16 employment of each employer specified in Section 36e and this
17 assistant may be authorized to give examinations and to certify
18 names from the regional registers provided in Section 36k.

19 (13) To submit to the Governor of this state on or before
20 November 1 of each year prior to the regular session of the
21 General Assembly a report of the University System's business
22 and an estimate of the amount of appropriation from state funds
23 required for the purpose of administering the University
24 System.

25 (Source: P.A. 82-524.)

1 Section 45. The University of Illinois Act is amended by
2 adding Section 80 as follows:

3 (110 ILCS 305/80 new)

4 Sec. 80. Future increases in income. The University of
5 Illinois must not pay, offer, or agree to pay any future
6 increase in income, as that term is defined in Section
7 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
8 to any person in a manner that violates any of those Sections.

9 Section 50. The Southern Illinois University Management
10 Act is amended by adding Section 65 as follows:

11 (110 ILCS 520/65 new)

12 Sec. 65. Future increases in income. Southern Illinois
13 University must not pay, offer, or agree to pay any future
14 increase in income, as that term is defined in Section
15 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
16 to any person in a manner that violates any of those Sections.

17 Section 55. The Chicago State University Law is amended by
18 adding Section 5-175 as follows:

19 (110 ILCS 660/5-175 new)

20 Sec. 5-175. Future increases in income. Chicago State
21 University must not pay, offer, or agree to pay any future

1 increase in income, as that term is defined in Section
2 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
3 to any person in a manner that violates any of those Sections.

4 Section 60. The Eastern Illinois University Law is amended
5 by adding Section 10-175 as follows:

6 (110 ILCS 665/10-175 new)

7 Sec. 10-175. Future increases in income. Eastern Illinois
8 University must not pay, offer, or agree to pay any future
9 increase in income, as that term is defined in Section
10 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
11 to any person in a manner that violates any of those Sections.

12 Section 65. The Governors State University Law is amended
13 by adding Section 15-175 as follows:

14 (110 ILCS 670/15-175 new)

15 Sec. 15-175. Future increases in income. Governors State
16 University must not pay, offer, or agree to pay any future
17 increase in income, as that term is defined in Section
18 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
19 to any person in a manner that violates any of those Sections.

20 Section 70. The Illinois State University Law is amended by
21 adding Section 20-180 as follows:

1 (110 ILCS 675/20-180 new)

2 Sec. 20-180. Future increases in income. Illinois State
3 University must not pay, offer, or agree to pay any future
4 increase in income, as that term is defined in Section
5 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
6 to any person in a manner that violates any of those Sections.

7 Section 75. The Northeastern Illinois University Law is
8 amended by adding Section 25-175 as follows:

9 (110 ILCS 680/25-175 new)

10 Sec. 25-175. Future increases in income. Northeastern
11 Illinois University must not pay, offer, or agree to pay any
12 future increase in income, as that term is defined in Section
13 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
14 to any person in a manner that violates any of those Sections.

15 Section 80. The Northern Illinois University Law is amended
16 by adding Section 30-185 as follows:

17 (110 ILCS 685/30-185 new)

18 Sec. 30-185. Future increases in income. Northern Illinois
19 University must not pay, offer, or agree to pay any future
20 increase in income, as that term is defined in Section
21 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,

1 to any person in a manner that violates any of those Sections.

2 Section 85. The Western Illinois University Law is amended
3 by adding Section 35-180 as follows:

4 (110 ILCS 690/35-180 new)

5 Sec. 35-180. Future increases in income. Western Illinois
6 University must not pay, offer, or agree to pay any future
7 increase in income, as that term is defined in Section
8 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code,
9 to any person in a manner that violates any of those Sections.

10 Section 90. The Public Community College Act is amended by
11 changing Sections 3-26 and 3-42 as follows:

12 (110 ILCS 805/3-26) (from Ch. 122, par. 103-26)

13 Sec. 3-26. (a) To make appointments and fix the salaries of
14 a chief administrative officer, who shall be the executive
15 officer of the board, other administrative personnel, and all
16 teachers, but subject to any applicable restrictions in Section
17 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension Code.

18 In making these appointments and fixing the salaries, the board
19 may make no discrimination on account of sex, race, creed,
20 color or national origin.

21 (b) Upon the written request of an employee, to withhold
22 from the compensation of that employee the membership dues of

1 such employee payable to any specified labor organization as
2 defined in the Illinois Educational Labor Relations Act. Under
3 such arrangement, an amount shall be withheld for each regular
4 payroll period which is equal to the prorata share of the
5 annual membership dues plus any payments or contributions and
6 the board shall pay such withholding to the specified labor
7 organization within 10 working days from the time of the
8 withholding.

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

10 (110 ILCS 805/3-42) (from Ch. 122, par. 103-42)

11 Sec. 3-42. To employ such personnel as may be needed, to
12 establish policies governing their employment and dismissal,
13 and to fix the amount of their compensation, subject to any
14 applicable restrictions in Section 14-106.5, 15-134.6, or
15 16-131.7 of the Illinois Pension Code. In the employment,
16 establishment of policies and fixing of compensation the board
17 may make no discrimination on account of sex, race, creed,
18 color or national origin.

19 Residence within any community college district or outside
20 any community college district shall not be considered:

21 (a) in determining whether to retain or not retain any
22 employee of a community college employed prior to July 1,
23 1977 or prior to the adoption by the community college
24 board of a resolution making residency within the community
25 college district of some or all employees a condition of

1 employment, whichever is later;

2 (b) in assigning, promoting or transferring any
3 employee of a community college to an office or position
4 employed prior to July 1, 1977 or prior to the adoption by
5 the community college board of a resolution making
6 residency within the community college district of some or
7 all employees a condition of employment, whichever is
8 later; or

9 (c) in determining the salary or other compensation of
10 any employee of a community college.

11 (Source: P.A. 80-248.)

12 Section 95. The Illinois Educational Labor Relations Act is
13 amended by changing Sections 4 and 17 as follows:

14 (115 ILCS 5/4) (from Ch. 48, par. 1704)

15 Sec. 4. Employer rights. Employers shall not be required to
16 bargain over matters of inherent managerial policy, which shall
17 include such areas of discretion or policy as the functions of
18 the employer, standards of services, its overall budget, the
19 organizational structure and selection of new employees and
20 direction of employees. Employers, however, shall be required
21 to bargain collectively with regard to policy matters directly
22 affecting wages (but subject to any applicable restrictions in
23 Section 14-106.5, 15-134.6, or 16-131.7 of the Illinois Pension
24 Code), hours and terms and conditions of employment as well as

1 the impact thereon upon request by employee representatives,l
2 but excluding the changes, the impact of changes, and the
3 implementation of the changes set forth in this amendatory Act
4 of the 97th General Assembly. To preserve the rights of
5 employers and exclusive representatives which have established
6 collective bargaining relationships or negotiated collective
7 bargaining agreements prior to the effective date of this Act,
8 employers shall be required to bargain collectively with regard
9 to any matter concerning wages (but subject to any applicable
10 restrictions in Section 14-106.5, 15-134.6, or 16-131.7 of the
11 Illinois Pension Code), hours or conditions of employment about
12 which they have bargained for and agreed to in a collective
13 bargaining agreement prior to the effective date of this Act,l
14 but excluding the changes, the impact of changes, and the
15 implementation of the changes set forth in this amendatory Act
16 of the 97th General Assembly.

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

18 (115 ILCS 5/17) (from Ch. 48, par. 1717)

19 Sec. 17. Effect on other laws. In case of any conflict
20 between the provisions of this Act and any other law (other
21 than Sections 14-106.5, 15-134.6, and 16-131.7 of the Illinois
22 Pension Code), executive order or administrative regulation,
23 the provisions of this Act shall prevail and control. The
24 provisions of this Act are subject to any applicable
25 restrictions in Section 14-106.5, 15-134.6, or 16-131.7 of the

1 Illinois Pension Code, as well as the changes, impact of
2 changes, and implementation of changes set forth in this
3 amendatory Act of the 97th General Assembly. Nothing in this
4 Act shall be construed to replace or diminish the rights of
5 employees established by Section 36d of "An Act to create the
6 State Universities Civil Service System", approved May 11,
7 1905, as amended or modified.

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

9 Section 100. The State Mandates Act is amended by adding
10 Section 8.36 as follows:

11 (30 ILCS 805/8.36 new)

12 Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8
13 of this Act, no reimbursement by the State is required for the
14 implementation of any mandate created by this amendatory Act of
15 the 97th General Assembly.

16 Section 105. Severability and inseverability. The
17 provisions set forth in Sections 5, 15, 20, 25, 95, 100, and
18 999 of this Act, as well as Sections 2-134, 7-109, 14-135.08,
19 15-106, 15-107, 15-113.6, 15-163, 15-165, and 16-106,
20 subsection (a-5) of Section 16-158, and Section 18-140 of the
21 Illinois Pension Code, as set forth in Section 30 of this Act,
22 are severable pursuant to Section 1.31 of the Statute on
23 Statutes, and are not mutually dependent upon the provisions

1 set forth in any other Section of this Act.

2 Section 10 of this Act, the other provisions of Section 30
3 of this Act, and Sections 35 through 90 of this Act are
4 mutually dependent and inseverable. If any of those provisions
5 is held invalid other than as applied to a particular person or
6 circumstance, then all of those provisions are invalid.".

7 Section 999. Effective date. This Act takes effect upon
8 becoming law.".