**Section 1540.340 Excess Benefit Arrangement**

a) Adoption and Nature of the Arrangement.

1) The Arrangement. The State Employees' Retirement System of Illinois, pursuant to the authority granted to it by 40 ILCS 5/1-116, hereby adopts the State Employees' Retirement System of Illinois Excess Benefit Arrangement effective January 1, 1997.

2) Nature of the Arrangement. This Arrangement is a portion of a governmental plan (as that term is defined in section 414(d) of the Internal Revenue code of 1986, as amended, and section 3(32) of the Employee Retirement Income Security Act of 1974, as amended) and is administered as a qualified governmental excess benefit arrangement pursuant to the provisions of Code section 415(m).

3) Limitation Year. The System adopts the calendar year as the limitation year for the purpose of this Arrangement and Code Section 415.

b) Definitions. Each word or phrase defined in this subsection (b) shall have the following meaning whenever such word or phrase is capitalized and used herein unless a different meaning is clearly required by the context of the Arrangement. The definition of any term in the singular may also include the plural.

1) "Arrangement" shall mean the State Employees' Retirement System of Illinois Excess Benefit Arrangement as from time to time amended or restated.

2) "Code" shall mean the Internal Revenue Code of 1986, as amended.

3) "Effective Date" shall mean January 1, 1997.

4) "Limitation Year" shall mean that period for which all calculations and determinations of benefits and contribution limits will be made under Code Section 415 and this Arrangement.

5) "Maximum Benefit" shall mean the monthly equivalent of the maximum benefit permitted by Code section 415 to be paid a Participant under the Retirement Plan.

6) "Participant" shall mean a person who is an "annuitant" as that term is defined in [40 ILCS 5/14-103.07] or a "beneficiary" as that term is defined in [40 ILCS 5/14-103.08].

7) "Retirement Plan" shall mean the retirement plan administered by the State Employees' Retirement System of Illinois pursuant to [40 ILCS 5/14-101].

8) "System" shall mean the State Employees' Retirement System of Illinois.

9) "Unrestricted Benefit" shall mean the maximum monthly Normal or Early Retirement Benefit or Disability Benefit payable under Article 14 of the Illinois Pension Code [40 ILCS 5/14] determined without regard to the limitation imposed under section 415 of the Code.

c) Benefits.

1) Retirement Benefit. Upon the Normal retirement date of a Participant, as provided under the Retirement Plan, such Participant shall be entitled to a monthly benefit equal in amount to his or her Unrestricted Benefit less the Maximum Benefit.

2) Early Retirement Benefit. Upon the early retirement of a Participant, as provided under the Retirement Plan, such Participant shall be entitled to a monthly benefit equal in amount to his or her Unrestricted Benefit less the Maximum Benefit.

3) Disability Benefit. If a Participant is unable to work because of an illness or injury with an employer that participates in the Retirement Plan and as a result is entitled to a disability benefit provided under the Retirement Plan, such a Participant shall be entitled to a monthly benefit equal to his or her Unrestricted Benefit less the Maximum Benefit.

4) Spouse's Pension Benefit. Subject to subsection (c)(5) of this Section, upon the death of a Participant whose spouse is eligible for a pre- or post- retirement surviving spouse benefit under the Retirement Plan, the Participant's surviving spouse shall be entitled to a monthly benefit equal to the surviving spouse benefit determined in accordance with the provisions of the Retirement Plan without regard to the limitations under Code section 415 less the Maximum Benefit.

5) Benefit Payment. A retirement benefit payable under this subsection shall be paid at such time or times and in such form to the Participant as the benefit under the Retirement Plan would be paid.

d) Administration of the Arrangement.

1) Administrator. The Arrangement shall be administered by the System which shall have the authority to interpret the Arrangement and issue such policies as it deems appropriate. All provisions set forth in the Retirement Plan with respect to the Administrative powers and duties of the System, expenses of administration, and procedures for filing claims shall also be applicable with respect to the Arrangement. The System shall have the duty and responsibility to maintain records making the requisite calculations and disbursing the payments hereunder through the Comptroller of the State of Illinois. The System's interpretations, determinations, regulations, and calculations shall be final and binding on all persons and parties concerned.

2) Amendment and Termination. The System may amend or terminate the Arrangement at any time, provided, however, that no such amendment or termination shall adversely affect a benefit to which a terminated or retired Participant or his or her beneficiary is entitled under subsection (c) of this Section prior to the date of such amendment or termination unless the Participant becomes entitled to an amount equal to such benefit under another arrangement plan or practice adopted by the System.

3) Funding. The System will pay all benefits arising under this Arrangement and all costs, charges and expenses relating thereto through appropriations received from the State of Illinois, and miscellaneous income of the System, except those costs normally borne by other agencies or offices of the State of Illinois. No provision shall at any time be made with respect to segregating any assets of the System, or of any employer for payment of any benefits hereunder. No Participant, or any other person, shall have any interest in any assets or miscellaneous income of the System, the State, or of any employer by reason of the right to receive a benefit under the Arrangement.

4) Non-assignability of Benefits. The benefits payable hereunder or the right to receive future benefits under the Arrangement shall not be subject to judgment, execution, garnishment, attachment or other seizure by process, in bankruptcy or otherwise, nor to sale, pledge, mortgage or other alienation, and shall not be assignable to the same extent as provided for in [40 ILCS 5/14-147].

5) Terms of Arrangement. Nothing contained herein shall be construed as providing for assets to be held in trust or escrow or any other form of asset segregation for the Participant or for any other person or persons to whom benefits are to be paid pursuant to the terms of this Arrangement, the Participant's only interest hereunder being the right to receive the benefits set forth herein. To the extent the Participant or any other person acquires a right to receive benefits under this Arrangement, such right shall be no greater than the right of any unsecured, general creditor of the State of Illinois.

6) Applicable Law. All questions pertaining to the construction, validity, and effect of this Arrangement shall be determined in accordance with the laws of the State of Illinois and, unless inconsistent, with the laws of the United States.

7) Forfeiture Provisions. All rights to any benefits payable under this Arrangement, including the payment of any benefit installments, shall be immediately forfeited if the Participant's right to receive an annuity benefit under the Retirement Plan is terminated in accordance with [40 ILCS 5/14-149].

(Source: Added at 21 Ill. Reg. 4992, effective April 1, 1997)