



# **SENATE JOURNAL**

**STATE OF ILLINOIS**

**NINETY-EIGHTH GENERAL ASSEMBLY**

**24TH LEGISLATIVE DAY**

**THURSDAY, MARCH 14, 2013**

**12:06 O'CLOCK P.M.**

**SENATE**  
**Daily Journal Index**  
**24th Legislative Day**

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The Senate met pursuant to adjournment.  
 Senator Terry Link, Waukegan, Illinois, presiding.  
 Prayer by Pastor David Anderson, Modesto Christian Church, Modesto, Illinois.  
 Senator Jacobs led the Senate in the Pledge of Allegiance.

Senator Hunter moved that reading and approval of the Journal of Wednesday, March 13, 2013, be postponed, pending arrival of the printed Journal.  
 The motion prevailed.

### REPORTS RECEIVED

The Secretary placed before the Senate the following reports:

305 ILCS 5/12-4.201 Enterprise Data Warehouse Final Report, submitted by the Department of Healthcare and Family Services.

Legislative Audit Commission 2011 Annual Report, submitted by the Legislative Audit Commission.

The foregoing reports were ordered received and placed on file in the Secretary's Office.

### LEGISLATIVE MEASURES FILED

The following Committee amendments to the Senate Bills listed below have been filed with the Secretary and referred to the Committee on Assignments:

Senate Committee Amendment No. 1 to Senate Bill 822  
 Senate Committee Amendment No. 1 to Senate Bill 1003  
 Senate Committee Amendment No. 1 to Senate Bill 1256  
 Senate Committee Amendment No. 1 to Senate Bill 1352  
 Senate Committee Amendment No. 1 to Senate Bill 1585  
 Senate Committee Amendment No. 1 to Senate Bill 1586  
 Senate Committee Amendment No. 1 to Senate Bill 1634  
 Senate Committee Amendment No. 1 to Senate Bill 1738  
 Senate Committee Amendment No. 3 to Senate Bill 1807  
 Senate Committee Amendment No. 1 to Senate Bill 1831  
 Senate Committee Amendment No. 1 to Senate Bill 1842  
 Senate Committee Amendment No. 2 to Senate Bill 1918

The following Floor amendments to the Senate Bills listed below have been filed with the Secretary and referred to the Committee on Assignments:

Senate Floor Amendment No. 1 to Senate Bill 1342  
 Senate Floor Amendment No. 1 to Senate Bill 1801  
 Senate Floor Amendment No. 1 to Senate Bill 2163

### DENIAL OF APPOINTMENT

#### **Appointment Message No. 0396**

Title of Office: Member

Agency or Other Body: Kaskaskia Regional Port District Board

Start Date: February 14, 2012

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End Date: June 30, 2014

Name: Robert G. Pautler

Residence: 7581 Pautler Rd., Evansville, IL 62242

Annual Compensation: Expenses

Per diem: Not Applicable

Nominee's Senator: Senator David S. Luechtefeld

Most Recent Holder of Office: Richard L. Guebert

Superseded Appointment Message: Not Applicable

Being the 60<sup>th</sup> session day and according to the rules, the Chair announced the foregoing appointment message, having not received the advice and consent of the Senate, as required by Article V, Section 9 of the Illinois Constitution, was rejected.

### PRESENTATION OF RESOLUTION

#### SENATE RESOLUTION NO. 161

Offered by Senators Althoff - McConaughay and all Senators:  
Mourns the death of Robert O. "Bob" Covey of Crystal Lake.

By unanimous consent, the foregoing resolution was referred to the Resolutions Consent Calendar.

### REPORT FROM STANDING COMMITTEE

Senator Holmes, Chairperson of the Committee on Environment, to which was referred **Senate Bills Numbered 1704 and 1930**, reported the same back with the recommendation that the bills do pass. Under the rules, the bills were ordered to a second reading.

Senator Holmes, Chairperson of the Committee on Environment, to which was referred **Senate Bills Numbered 72 and 2183**, reported the same back with amendments having been adopted thereto, with the recommendation that the bills, as amended, do pass.

Under the rules, the bills were ordered to a second reading.

### READING BILL FROM THE HOUSE OF REPRESENTATIVES A FIRST TIME

**House Bill No. 64**, sponsored by Senator Collins, was taken up, read by title a first time and referred to the Committee on Assignments.

Senator Silverstein asked and obtained unanimous consent to recess for the purpose of a Democrat caucus.

Senator Althoff asked and obtained unanimous consent to recess for the purpose of a Republican caucus.

At the hour of 12:27 o'clock p.m., the Chair announced that the Senate stand at recess subject to the call of the Chair.

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**AFTER RECESS**

At the hour of 1:51 o'clock p.m., the Senate resumed consideration of business.  
Senator Link, presiding.

**REPORT FROM STANDING COMMITTEE**

Senator Jacobs, Chairperson of the Committee on Energy, to which was referred **Senate Bills Numbered 1458, 2185, 2191 and 2365**, reported the same back with the recommendation that the bills do pass.

Under the rules, the bills were ordered to a second reading.

Senator Jacobs, Chairperson of the Committee on Energy, to which was referred **Senate Bill No. 1469**, reported the same back with amendments having been adopted thereto, with the recommendation that the bill, as amended, do pass.

Under the rules, the bill was ordered to a second reading.

**COMMITTEE REPORT CORRECTION**

The following correction was made on the report from the Senate Committee on Revenue, which on March 13, 2013, reported Senate Bill 2009 with a recommendation of do pass. Senate Bill 2209 was referred to the Senate Revenue Subcommittee on Tax Credits.

**PRESENTATION OF RESOLUTION**

Senator Frerichs offered the following Senate Joint Resolution, which was referred to the Committee on Assignments:

**SENATE JOINT RESOLUTION NO. 29**

WHEREAS, In 2010, the State of Illinois enacted a new set of pension benefits for public employees in State-funded pension systems; and

WHEREAS, Public employees hired after January 1, 2011 are commonly referred to as "Tier 2" members; and

WHEREAS, These Tier 2 members include faculty and professional staff at institutions of higher education throughout the State of Illinois; and

WHEREAS, These university faculty and professional staff do not receive Social Security and many pension experts believe that these Tier 2 benefits do not provide a pension that is at least equal to that federal program; and

WHEREAS, It is essential that the State of Illinois provide a benefit and pay package that will attract the most talented and ambitious university faculty and professional staff in the country to our institutions of higher education; and

WHEREAS, These benefits have been in effect for newly hired university faculty and professional staff for over 2 years, with no study of how this has impacted recruitment and retention in institutions of higher education in Illinois; and

WHEREAS, It is appropriate for the General Assembly to study the impact of these benefits on the State's ability to provide the best university faculty and professional staff for our students; therefore, be it

RESOLVED, BY THE SENATE OF THE NINETY-EIGHTH GENERAL ASSEMBLY OF THE

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STATE OF ILLINOIS, THE HOUSE OF REPRESENTATIVES CONCURRING HEREIN, that the "University Faculty and Professional Staff Recruiting and Retention Task Force" is created to study the impact of Tier 2 pension benefits on the ability of institutions of higher education to recruit and retain university faculty and professional staff to our institutions of higher education; and be it further

RESOLVED, That the Task Force shall consist of one member appointed by the Governor, who shall serve as chair of the Task Force; 2 members of the House of Representatives appointed by the Speaker of the House; 2 members of the House of Representatives appointed by the Minority Leader of the House; 2 members of the Senate appointed by the President of the Senate; 2 members of the Senate appointed by the Minority Leader of the Senate; one member from the University of Illinois appointed by the Board of Trustees; 2 members from 2 other public four-year universities appointed by their boards of trustees or equivalent; one member appointed from Illinois Community Colleges; and 2 members appointed each from separate unions representing university faculty and professional staff; and be it further

RESOLVED, That the Task Force shall be provided technical and staffing support by the Commission on Government and Financial Accountability; and be it further

RESOLVED, That the State Universities Retirement System shall provide all necessary support to the Task Force in coordination with COGFA; and be it further

RESOLVED, That the Task Force shall report its findings to the Governor and the General Assembly on or before January 1, 2014.

#### **INTRODUCTION OF BILL**

**SENATE BILL NO. 2577.** Introduced by Senator Landek, a bill for AN ACT concerning government.

The bill was taken up, read by title a first time, ordered printed and referred to the Committee on Assignments.

#### **MESSAGE FROM THE HOUSE**

A message from the House by

Mr. Mapes, Clerk:

Mr. President -- I am directed to inform the Senate that the House of Representatives has adopted the following joint resolution, in the adoption of which I am instructed to ask the concurrence of the Senate, to-wit:

#### **HOUSE JOINT RESOLUTION NO. 12**

WHEREAS, It is highly fitting that the Illinois General Assembly pays honor and respect to individuals who gave their lives in the service of the State of Illinois; and

WHEREAS, Trooper Kyle W. Deatherage of Highland, gave his life in the line of duty on November 26, 2012; and

WHEREAS, Trooper Kyle Deatherage was born on April 11, 1980, in Maryville; the son of Barry W. Sr. and April Kay (nee Karpowicz) Deatherage; he married his loving wife, Sarah, on September 16, 2006; and

WHEREAS, Trooper Kyle Deatherage as a youth lived in Collinsville before moving with his family to St. Jacob in 1990 and graduated from Triad High School in 1998; he subsequently earned his associate's degree in criminal justice at Lewis and Clark College; and

WHEREAS, Trooper Kyle Deatherage began his career in law enforcement with the Staunton Police Department; he later worked for the Madison County Sheriff's Office from July 7, 2004 until May 28,

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2009; on May 31, 2009, he became an Illinois State Trooper with District 18 and began serving as a motor officer; and

WHEREAS, Trooper Kyle Deatherage enjoyed fishing, hunting turkey, deer, and birds and spending time with his close friends and his fellow officers; he was known for always being willing to help; above all, he loved his children and his wife, Sarah; and

WHEREAS, Trooper Kyle Deatherage was preceded in death by his paternal grandfather, Ralph M. Deatherage; and his maternal grandparents, Casmir and Rose Anna Karpowicz; and

WHEREAS, Trooper Kyle Deatherage is survived by his wife, Sarah A. (nee Gregory) Deatherage; his daughter, Kaylee Ann Deatherage; his son, Camden Kyle Deatherage; his father, Barry W. Deatherage Sr.; his mother, April Kay (nee Karpowicz) Deatherage; his brothers, Barry W. Deatherage Jr. and Kenneth M. (Ashleigh) Deatherage; his sister, Anna B. Deatherage; his paternal grandmother, Brooksie M. (nee South) Deatherage; and his father-in-law and mother-in-law, Gean B. and Eleanor L. (nee Christin) Gregory; and

WHEREAS, Governor Pat Quinn honored Trooper Kyle Deatherage by ordering the United States and Illinois flags flown at half-staff from sunrise, Thursday, November 29, 2012, until sunset, Saturday, December 1, 2012; and

WHEREAS, Police officers from Illinois, Missouri, the Texas Highway Patrol, the Louisiana State Police, the Ohio State Patrol, and Patriot Guard riders joined a procession of motorcycles and squad cars to Marine City Cemetery where Trooper Kyle Deatherage was laid to rest with honors; and

WHEREAS, Trooper Kyle Deatherage's courage will be remembered fondly by his loving family, his fellow officers, and all who knew him, and it is therefore fitting that we not forget Trooper Kyle Deatherage's sacrifice; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE NINETY-EIGHTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE SENATE CONCURRING HEREIN, that we designate the northbound and southbound Coalfield rest stops located at mile post 64 on Interstate 55 in the State of Illinois as the "Trooper Kyle Deatherage Memorial Rest Stop"; and be it further

RESOLVED, That the Illinois Department of Transportation is requested to erect at suitable locations, consistent with State and federal regulations, appropriate plaques or signs giving notice of the name; and be it further

RESOLVED, That suitable copies of this resolution be presented to the family of Trooper Kyle Deatherage, Governor Pat Quinn, the director of the Illinois State Police, and the secretary of the Illinois Department of Transportation.

Adopted by the House, March 14, 2013.

TIMOTHY D. MAPES, Clerk of the House

The foregoing message from the House of Representatives reporting House Joint Resolution No. 12 was referred to the Committee on Assignments.

#### **READING BILLS FROM THE HOUSE OF REPRESENTATIVES A FIRST TIME**

**House Bill No. 1003**, sponsored by Senator Stadelman, was taken up, read by title a first time and referred to the Committee on Assignments.

**House Bill No. 1295**, sponsored by Senator Sandoval, was taken up, read by title a first time and referred to the Committee on Assignments.

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**House Bill No. 1388**, sponsored by Senator Martinez, was taken up, read by title a first time and referred to the Committee on Assignments.

**House Bill No. 1458**, sponsored by Senator Martinez, was taken up, read by title a first time and referred to the Committee on Assignments.

**House Bill No. 2269**, sponsored by Senator Harris, was taken up, read by title a first time and referred to the Committee on Assignments.

**House Bill No. 2369**, sponsored by Senator Clayborne, was taken up, read by title a first time and referred to the Committee on Assignments.

### READING BILL OF THE SENATE A SECOND TIME

On motion of Senator J. Cullerton, **Senate Bill No. 1** having been printed, was taken up, read by title a second time.

The following amendments were offered in the Committee on Executive, adopted and ordered printed:

#### AMENDMENT NO. 1 TO SENATE BILL 1

AMENDMENT NO. 1. Amend Senate Bill 1 by replacing everything after the enacting clause with the following:

#### "PART A

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

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

Sec. 4. Management Rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees, examination techniques and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages, hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

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

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

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

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

Sec. 15. Act Takes Precedence.

(a) In case of any conflict between the provisions of this Act and any other law (other than Section 5 of the State Employees Group Insurance Act of 1971 and other than the changes made to the Illinois Pension Code by Public Act 96-889 and the changes, impact of changes, and the implementation of the changes made to the Illinois Pension Code by this amendatory Act of the ~~98th~~ ~~96th~~ General Assembly), executive order or administrative regulation relating to wages, hours and conditions of employment and employment relations, the provisions of this Act or any collective bargaining agreement negotiated

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thereunder shall prevail and control. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Sections 28 and 28a of the Metropolitan Transit Authority Act, Sections 2.15 through 2.19 of the Regional Transportation Authority Act. The provisions of this Act are subject to the changes made by this amendatory Act of the 98th General Assembly and Section 5 of the State Employees Group Insurance Act of 1971. Nothing in this Act shall be construed to replace the necessity of complaints against a sworn peace officer, as defined in Section 2(a) of the Uniform Peace Officer Disciplinary Act, from having a complaint supported by a sworn affidavit.

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

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

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

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

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

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

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

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

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

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

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

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

Section A-10. The State Finance Act is amended by changing Section 13 and by adding Sections 24.12 and 24.13 as follows:

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

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

- (1) Personal services;
- (2) State contribution for employee group insurance;
- (3) Contractual services;
- (4) Travel;
- (5) Commodities;
- (6) Equipment;
- (7) Permanent improvements;
- (8) Land;
- (9) Electronic Data Processing;
- (10) Operation of automotive equipment;
- (11) Telecommunications services;
- (12) Contingencies;
- (13) Reserve;
- (14) Interest;
- (15) Awards and Grants;
- (16) Debt Retirement;
- (17) Non-Cost Charges;
- (18) State retirement contribution for annual normal cost;
- (19) State retirement contribution for unfunded accrued liability;
- (20) (48) Purchase Contract for Real Estate.

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

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

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

(30 ILCS 105/24.12 new)

Sec. 24.12. "State retirement contribution for annual normal cost" defined. The term "State retirement contribution for annual normal cost" means the portion of the total required State contribution to a retirement system for a fiscal year that represents the State's portion of the System's projected normal cost for that fiscal year, as determined and certified by the board of trustees of the retirement system in conformance with the applicable provisions of the Illinois Pension Code.

(30 ILCS 105/24.13 new)

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

Section A-15. The Budget Stabilization Act is amended by changing Sections 20 and 25 as follows:

(30 ILCS 122/20)

Sec. 20. Pension Stabilization Fund.

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

(b) For each fiscal year when the General Assembly's appropriations and transfers or diversions as required by law from general funds do not exceed 99% of the estimated general funds revenues pursuant to subsection (a) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 0.5% of the estimated general funds revenues to the Pension Stabilization Fund.

(c) For each fiscal year through State fiscal year 2013, when the General Assembly's appropriations and transfers or diversions as required by law from general funds do not exceed 98% of the estimated general funds revenues pursuant to subsection (b) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 1.0% of the estimated general

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funds revenues to the Pension Stabilization Fund.

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

(c-15) The transfers made pursuant to subsection (c-10) of this Section shall continue through State fiscal year 2045 or until each of the designated retirement systems, as defined in Section 25, has achieved the funding ratio prescribed by law for that retirement system, whichever occurs first; provided that those transfers shall not be made after any provision of this Act that is designated as inseverable in Section 97 of this Act is declared to be unconstitutional or invalid other than as applied.

(d) The Comptroller shall transfer 1/12 of the total amount to be transferred each fiscal year under this Section into the Pension Stabilization Fund on the first day of each month of that fiscal year or as soon thereafter as possible; except that the final transfer of the fiscal year shall be made as soon as practical after the August 31 following the end of the fiscal year.

Until State fiscal year 2014, before ~~Before~~ the final transfer for a fiscal year is made, the Comptroller shall reconcile the estimated general funds revenues used in calculating the other transfers under this Section for that fiscal year with the actual general funds revenues for that fiscal year. The final transfer for the fiscal year shall be adjusted so that the total amount transferred under this Section for that fiscal year is equal to the percentage specified in subsection (b) or (c) of this Section, whichever is applicable, of the actual general funds revenues for that fiscal year. The actual general funds revenues for the fiscal year shall be calculated in a manner consistent with subsection (c) of Section 10 of this Act.

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

(30 ILCS 122/25)

Sec. 25. Transfers from the Pension Stabilization Fund.

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

- (1) the State Employees' Retirement System of Illinois;
- (2) the Teachers' Retirement System of the State of Illinois;
- (3) the State Universities Retirement System;
- (4) the Judges Retirement System of Illinois; and
- (5) the General Assembly Retirement System.

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

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

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

Payments to the designated retirement systems under this Section, transferred after the effective date of this amendatory Act of the 98th General Assembly, do not reduce and do not constitute payment of any portion of the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in any future year, until the designated retirement system has received payment of contributions pursuant to this Act.

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

Section A-20. The Illinois Pension Code is amended by changing Sections 1-103.3, 2-101, 2-105, 2-107, 2-108, 2-119, 2-119.1, 2-121.1, 2-124, 2-125, 2-126, 2-134, 2-162, 7-109, 14-103.10, 14-106, 14-107, 14-108, 14-110, 14-114, 14-131, 14-132, 14-133, 14-135.08, 14-152.1, 15-106, 15-107, 15-111, 15-113.2, 15-135, 15-136, 15-155, 15-156, 15-157, 15-165, 15-198, 16-106, 16-121, 16-127, 16-132, 16-

133, 16-133.1, 16-152, 16-158, 16-158.1, and 16-203 and by adding Sections 2-105.1, 2-105.2, 14-103.40, 14-103.41, 15-107.1, 15-107.2, 16-106.4, 16-106.5, and 16-158.2 as follows:

(40 ILCS 5/1-103.3)

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

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

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

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

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

(40 ILCS 5/2-101) (from Ch. 108 1/2, par. 2-101)

Sec. 2-101. Creation of system. A retirement system is created to provide retirement annuities, survivor's annuities and other benefits for certain members of the General Assembly, certain elected state officials, and their beneficiaries.

The system shall be known as the "General Assembly Retirement System". All its funds and property shall be a trust separate from all other entities, maintained for the purpose of securing payment of annuities and benefits under this Article.

Participation in the retirement system created under this Article is restricted to persons who become participants before January 1, 2014. Beginning on that date, the System shall not accept any new participants.

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

(40 ILCS 5/2-105) (from Ch. 108 1/2, par. 2-105)

Sec. 2-105. Member. "Member": Members of the General Assembly of this State, including persons who enter military service while a member of the General Assembly, and any person serving as Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, or Attorney General for the period of service in such office.

Any person who has served for 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate, or any combination thereof, may elect to become a member of this system while thenceforth engaged in such service by filing a written election with the board. Any person so electing shall be deemed an active member of the General Assembly for the purpose of validating and transferring any service credits earned under any of the funds and systems established under Articles 3 through 18 of this Code.

However, notwithstanding any other provision of this Article, a person shall not be deemed a member for the purposes of this Article unless he or she became a participant of the System before January 1, 2014.

(Source: P.A. 85-1008.)

(40 ILCS 5/2-105.1 new)

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

(40 ILCS 5/2-105.2 new)

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

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

Sec. 2-107. Participant. "Participant": Any member who elects to participate; and any former member who elects to continue participation under Section 2-117.1, for the duration of such continued participation. However, notwithstanding any other provision of this Article, a person shall not be deemed a participant for the purposes of this Article unless he or she became a participant of the System before January 1, 2014.

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(Source: P.A. 86-1488.)

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

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

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

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

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

Notwithstanding any other provision of this Code, the salary of a Tier I participant for the purposes of this Code shall not exceed, for periods of service in a term of office beginning on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act or (ii) the annual salary of the participant during the 365 days immediately preceding that effective date.

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

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

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

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

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

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

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

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

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

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

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

(a-5) Notwithstanding subsection (a) of this Section, for a Tier I participant who begins receiving a retirement annuity under this Section after July 1, 2013:

(1) If the Tier I participant is at least 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section remain unchanged.

(2) If the Tier I participant is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by one year.

(3) If the Tier I participant is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by 3 years.

(4) If the Tier I participant is less than 35 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 62 in subsection (a) of this Section are increased by 5 years.

Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

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

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

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

(a-1) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 98th General Assembly shall be the lesser of \$750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(a-2) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding any other provision of this Article, a Tier I retiree is ineligible to receive an automatic annual increase in retirement annuity pursuant to this Section, unless he or she has 20 years of creditable service under this Article. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-4) Notwithstanding Section 1-103.1, subsections (a-1), (a-2), and (a-3) of this Section apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

~~This subsection (b) does not apply to any person who first becomes a member of the System after August 8, 2003 (the effective date of Public Act 93-494) this amendatory Act of the 93rd General Assembly.~~

(b-5) Notwithstanding any other provision of this Article, a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act 96-889) shall, in January or July next following the first anniversary of retirement, whichever occurs first, and in the same month of each year thereafter, but in no event prior to age 67, have the amount of the originally granted retirement annuity ~~then being paid~~ increased by 3% or one-half the annual unadjusted percentage increase in the Consumer

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Price Index for All Urban Consumers as determined by the Public Pension Division of the Department of Insurance under subsection (a) of Section 2-108.1, whichever is less. The changes made to this subsection by this amendatory Act of the 98th General Assembly do not apply to any automatic annual increase granted under this subsection before the effective date of this amendatory Act.

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

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

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

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

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

(40 ILCS 5/2-121.1) (from Ch. 108 1/2, par. 2-121.1)

Sec. 2-121.1. Survivor's annuity - amount.

(a) A surviving spouse shall be entitled to 66 2/3% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, without regard to whether the participant had attained age 55 prior to his or her death, subject to a minimum payment of 10% of salary. If a surviving spouse, regardless of age, has in his or her care at the date of death any eligible child or children of the participant, the survivor's annuity shall be the greater of the following: (1) 66 2/3% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, or (2) 30% of the participant's salary increased by 10% of salary on account of each such child, subject to a total payment for the surviving spouse and children of 50% of salary. If eligible children survive but there is no surviving spouse, or if the surviving spouse dies or becomes disqualified by remarriage while eligible children survive, each eligible child shall be entitled to an annuity of 20% of salary, subject to a maximum total payment for all such children of 50% of salary.

However, the survivor's annuity payable under this Section shall not be less than 100% of the amount of retirement annuity to which the participant or annuitant was entitled on the date of death, if he or she is survived by a dependent disabled child.

The salary to be used for determining these benefits shall be the salary used for determining the amount of retirement annuity as provided in Section 2-119.01.

(b) Upon the death of a participant after the termination of service or upon death of an annuitant, the maximum total payment to a surviving spouse and eligible children, or to eligible children alone if there is no surviving spouse, shall be 75% of the retirement annuity to which the participant or annuitant was entitled, unless there is a dependent disabled child among the survivors.

(c) When a child ceases to be an eligible child, the annuity to that child, or to the surviving spouse on account of that child, shall thereupon cease, and the annuity payable to the surviving spouse or other eligible children shall be recalculated if necessary.

Upon the ineligibility of the last eligible child, the annuity shall immediately revert to the amount payable upon death of a participant or annuitant who leaves no eligible children. If the surviving spouse is then under age 50, the annuity as revised shall be deferred until the attainment of age 50.

(d) Beginning January 1, 1990, every survivor's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity, or (2) in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, by an amount equal to 3% of the current amount of the annuity, including any previous increases under this Article. Such increases shall apply without regard to whether the deceased member was in service on or after the effective date of this amendatory Act of 1991, but shall not accrue for any period prior to January 1, 1990.

(d-5) Notwithstanding any other provision of this Article, the initial survivor's annuity of a survivor of a participant who first becomes a participant on or after January 1, 2011 (the effective date of Public Act

96-889) shall be in the amount of 66 2/3% of the amount of the retirement annuity to which the participant or annuitant was entitled on the date of death and shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, by an amount equal to 3% or one-half the annual unadjusted percentage increase in the Consumer Price Index for All Urban Consumers as determined by the Public Pension Division of the Department of Insurance under subsection (a) of Section 2-108.1, whichever is less, of the originally granted survivor's annuity then being paid. The changes made to this subsection by this amendatory Act of the 98th General Assembly do not apply to any automatic annual increase granted under this subsection before the effective date of this amendatory Act.

(e) Notwithstanding any other provision of this Article, beginning January 1, 1990, the minimum survivor's annuity payable to any person who is entitled to receive a survivor's annuity under this Article shall be \$300 per month, without regard to whether or not the deceased participant was in service on the effective date of this amendatory Act of 1989.

(f) In the case of a proportional survivor's annuity arising under the Retirement Systems Reciprocal Act where the amount payable by the System on January 1, 1993 is less than \$300 per month, the amount payable by the System shall be increased beginning on that date by a monthly amount equal to \$2 for each full year that has expired since the annuity began.

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

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

Sec. 2-124. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with the contributions of participants, interest earned on investments, and other income will meet the cost of maintaining and administering the System on a 100% 90% funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

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

(c) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 2012 ~~and 2013 through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State

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fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section 2-134 and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

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

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under Section 2-134, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

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

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

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

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

(c) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 2-124 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the

Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

Sec. 2-126. Contributions by participants.

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

(a-5) In addition to the contributions otherwise required under this Article, each Tier I participant shall also make the following contributions toward the cost of his or her retirement annuity from each payment of salary received by him or her for service as a member:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of salary; and

(2) beginning on July 1, 2014, 2% of salary.

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

A participant who has no eligible survivor's annuity beneficiary may elect to cease making contributions for survivor's annuity under this subsection. A survivor's annuity shall not be payable upon the death of a person who has made this election, unless prior to that death the election has been revoked and the amount of the contributions that would have been paid under this subsection in the absence of the election is paid to the System, together with interest at the rate of 4% per year from the date the contributions would have been made to the date of payment.

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

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

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

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

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

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

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

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certification shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year.~~

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

On or before January 15, 2013 and every January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The Board's certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-7) On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

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

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

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (d) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

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

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

(40 ILCS 5/2-162)

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

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

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

(c) The Public Act enacting a new benefit increase must identify and provide for payment to the

System of additional funding at least sufficient to fund the resulting annual increase in cost to the System as it accrues.

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

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

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

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

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

Sec. 7-109. Employee.

(1) "Employee" means any person who:

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

2. Under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee with a municipality, or any instrumentality thereof, or a participating instrumentality, including aldermen, county supervisors and other persons (excepting those employed as independent contractors) who are paid compensation, fees, allowances or other emolument for official duties, and, in counties, the several county fee offices.

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

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

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

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

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

2. Articles 15 and 16 of this Code.

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

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

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(b) Are designated by the governing body of a municipality in which a pension fund is required by law to be established for policemen or firemen, respectively, as performing police or fire protection duties, except that when such persons are the heads of the police or fire department and are not eligible to be included within any such pension fund, they shall be included within this Article; provided, that such persons shall not be excluded to the extent of concurrent service and earnings not designated as being for police or fire protection duties. However, (i) any head of a police department who was a participant under this Article immediately before October 1, 1977 and did not elect, under Section 3-109 of this Act, to participate in a police pension fund shall be an "employee", and (ii) any chief of police who elects to participate in this Fund under Section 3-109.1 of this Code, regardless of whether such person continues to be employed as chief of police or is employed in some other rank or capacity within the police department, shall be an employee under this Article for so long as such person is employed to perform police duties by a participating municipality and has not lawfully rescinded that election.

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

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

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

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

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

Sec. 14-103.10. Compensation.

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

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

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

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

(c) For periods of service on or after December 16, 1978, compensation also includes any benefits, other than lump sum salary payments made at termination of employment, which an employee receives

or is eligible to receive under a sick pay plan authorized by law.

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

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

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

(f) Notwithstanding any other provision of this Code, the compensation of a Tier I member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act or (ii) the annual compensation of the member during the 365 days immediately preceding that effective date; except that this limitation does not apply to a member's compensation that is determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly and has not been amended or renewed after that date.

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

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

(40 ILCS 5/14-103.40 new)

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

(40 ILCS 5/14-103.41 new)

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

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

Sec. 14-106. Membership service credit.

(a) After January 1, 1944, all service of a member since he last became a member with respect to which contributions are made shall count as membership service; provided, that for service on and after July 1, 1950, 12 months of service shall constitute a year of membership service, the completion of 15 days or more of service during any month shall constitute 1 month of membership service, 8 to 15 days shall constitute 1/2 month of membership service and less than 8 days shall constitute 1/4 month of membership service. The payroll record of each department shall constitute conclusive evidence of the record of service rendered by a member.

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

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

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on the date that his status as an employee terminated. This period of service credit granted under this paragraph shall not be considered in determining the date the retirement annuity is to begin, or final average compensation.

Service credit is not available for unused sick leave accumulated by a person who first participates in this System on or after the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

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

(b) A member who has at least 35 years of creditable service may claim his or her retirement annuity at any age. A member having at least 8 years of creditable service but less than 35 may claim his or her retirement annuity upon or after attainment of age 60 or, beginning January 1, 2001, any lesser age which, when added to the number of years of his or her creditable service, equals at least 85. A member upon or after attainment of age 55 having at least 25 years of creditable service (30 years if retirement is before January 1, 2001) may elect to receive the lower retirement annuity provided in paragraph (c) of Section 14-108 of this Code. For purposes of the rule of 85, portions of years shall be counted in whole months.

(c) Notwithstanding subsection (b) of this Section, for a Tier I member who begins receiving a retirement annuity under this Article after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section remain unchanged and the references to 85 in subsection (b) of this Section remain unchanged.

(2) If the Tier I member is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by one year and the references to 85 in subsection (b) are increased to 87.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by 3 years and the references to 85 in subsection (b) are increased to 91.

(4) If the Tier I member is less than 35 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55 and 60 in subsection (b) of this Section are increased by 5 years and the references to 85 in subsection (b) are increased to 95.

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

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

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

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

Sec. 14-108. Amount of retirement annuity. A member who has contributed to the System for at least 12 months shall be entitled to a prior service annuity for each year of certified prior service credited to him, except that a member shall receive 1/3 of the prior service annuity for each year of service for which contributions have been made and all of such annuity shall be payable after the member has made contributions for a period of 3 years. Proportionate amounts shall be payable for service of less than a full year after completion of at least 12 months.

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

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

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

employee it shall be 1.67% of final average compensation for each year of service.

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

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

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

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

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

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

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

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

(k) (Blank).

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

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

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

Sec. 14-110. Alternative retirement annuity.

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

(i) for periods of service as a noncovered employee: if retirement occurs on or after

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

(ii) for periods of eligible creditable service as a covered employee: if retirement

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

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

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

(a-5) Notwithstanding subsection (a) of this Section, for a Tier I member who begins receiving a retirement annuity under this Section after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section remain unchanged.

(2) If the Tier I member is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by one year.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by 3 years.

(4) If the Tier I member is less than 35 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 50 and 55 in subsection (a) of this Section are increased by 5 years.

Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

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

## (18) State highway maintenance worker.

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

## (c) For the purposes of this Section:

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

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

(3) The term "air pilot" includes any employee whose official job description on file in the Department of Central Management Services, or in the department by which he is employed if that department is not covered by the Personnel Code, states that his principal duty is the operation of aircraft, and who possesses a pilot's license; however, the change in this definition made by this amendatory Act of 1983 shall not operate to exclude any noncovered employee who was an "air pilot" for the purposes of this Section on January 1, 1984.

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

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

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

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

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

The term "investigator for the Illinois Gaming Board" means any person employed as such by the Illinois Gaming Board and vested with such peace officer duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act.

(8) The term "security employee of the Department of Human Services" means any person employed by the Department of Human Services who (i) is employed at the Chester Mental Health Center and has daily contact with the residents thereof, (ii) is employed within a security unit at a facility operated by the Department and has daily contact with the residents of the security unit, (iii) is employed at a facility operated by the Department that includes a security unit and is regularly scheduled to work at least 50% of his or her working hours within that security unit, or (iv) is a mental health police officer. "Mental health police officer" means any person employed by the Department of Human Services in a position pertaining to the Department's mental health and developmental disabilities functions who is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D) and

218(l)(1) of that Act. "Security unit" means that portion of a facility that is devoted to the care, containment, and treatment of persons committed to the Department of Human Services as sexually violent persons, persons unfit to stand trial, or persons not guilty by reason of insanity. With respect to past employment, references to the Department of Human Services include its predecessor, the Department of Mental Health and Developmental Disabilities.

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

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

(10) For a member who first became an employee under this Article before July 1, 2005, the term "security employee of the Department of Corrections or the Department of Juvenile Justice" means any employee of the Department of Corrections or the Department of Juvenile Justice or the former Department of Personnel, and any member or employee of the Prisoner Review Board, who has daily contact with inmates or youth by working within a correctional facility or Juvenile facility operated by the Department of Juvenile Justice or who is a parole officer or an employee who has direct contact with committed persons in the performance of his or her job duties. For a member who first becomes an employee under this Article on or after July 1, 2005, the term means an employee of the Department of Corrections or the Department of Juvenile Justice who is any of the following: (i) officially headquartered at a correctional facility or Juvenile facility operated by the Department of Juvenile Justice, (ii) a parole officer, (iii) a member of the apprehension unit, (iv) a member of the intelligence unit, (v) a member of the sort team, or (vi) an investigator.

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

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

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

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

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

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

(17) "Arson investigator" means any person who is employed as such by the Office of the State Fire Marshal and is vested with such law enforcement duties as render the person ineligible for coverage under the Social Security Act by reason of Sections 218(d)(5)(A), 218(d)(8)(D), and 218(l)(1) of that Act. A person who was employed as an arson investigator on January 1, 1995 and is no longer in service but not yet receiving a retirement annuity may convert his or her creditable service for employment as an arson investigator into eligible creditable service by paying to the System the difference between the employee contributions actually paid for that service and the amounts that would have been contributed if the applicant were contributing at the rate applicable to persons with the same social security status earning eligible creditable service on the date of application.

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

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

(ii) A person employed on a full-time basis by the Illinois State Toll Highway Authority in the position of equipment operator/laborer H-4, equipment operator/laborer H-6, welder H-4, welder H-6, mechanical/electrical H-4, mechanical/electrical H-6, water/sewer H-4, water/sewer H-6, sign maker/hanger H-4, sign maker/hanger H-6, roadway lighting H-4, roadway lighting H-6, structural H-4, structural H-6, painter H-4, or painter H-6; and whose principal responsibility is to perform, on the roadway, the actual maintenance necessary to keep the Authority's tollways in serviceable condition for vehicular traffic.

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

- (i) 25 years of eligible creditable service and age 55; or
- (ii) beginning January 1, 1987, 25 years of eligible creditable service and age 54, or 24 years of eligible creditable service and age 55; or
- (iii) beginning January 1, 1988, 25 years of eligible creditable service and age 53, or 23 years of eligible creditable service and age 55; or
- (iv) beginning January 1, 1989, 25 years of eligible creditable service and age 52, or 22 years of eligible creditable service and age 55; or
- (v) beginning January 1, 1990, 25 years of eligible creditable service and age 51, or 21 years of eligible creditable service and age 55; or
- (vi) beginning January 1, 1991, 25 years of eligible creditable service and age 50, or 20 years of eligible creditable service and age 55.

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

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

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

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

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

(g) A State policeman may elect, not later than January 1, 1990, to establish eligible creditable service for up to 10 years of his service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-

110.5, and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

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

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

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

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

Subject to the limitation in subsection (i), an investigator for the Office of the Attorney General, or an investigator for the Department of Revenue, may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, or a member of the county police department under Article 9 by filing a written election with the Board within 6 months after August 25, 2009 (the effective date of Public Act 96-745) and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, or 9-121.10 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

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

(ii) interest thereon at the actuarially assumed rate for each year, compounded annually, from the date of service to the date of payment.

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

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

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

(l) Subject to the limitation in subsection (i), a security employee of the Department of Corrections may elect, not later than July 1, 1998, to establish eligible creditable service for up to 10 years of his or her service as a policeman under Article 3, by filing a written election with the Board, accompanied by payment of an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.5, and the amounts that would have been contributed had such contributions been made at the rates applicable to security employees of the Department of Corrections, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

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

(n) A person employed in a position under subsection (b) of this Section who has purchased service credit under subsection (j) of Section 14-104 or subsection (b) of Section 14-105 in any other capacity under this Article may convert up to 5 years of that service credit into service credit covered under this Section by paying to the Fund an amount equal to (1) the additional employee contribution required under Section 14-133, plus (2) the additional employer contribution required under Section 14-131, plus (3) interest on items (1) and (2) at the actuarially assumed rate from the date of the service to the date of payment.

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

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

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

(a) Except as provided in subsections (a-1), (a-2), and (a-3) of this Section, any person receiving a retirement annuity under this Article who retires having attained age 60, or who retires before age 60 having at least 35 years of creditable service, or who retires on or after January 1, 2001 at an age which, when added to the number of years of his or her creditable service, equals at least 85, shall, on January 1

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next following the first full year of retirement, have the amount of the then fixed and payable monthly retirement annuity increased 3%. Any person receiving a retirement annuity under this Article who retires before attainment of age 60 and with less than (i) 35 years of creditable service if retirement is before January 1, 2001, or (ii) the number of years of creditable service which, when added to the member's age, would equal 85, if retirement is on or after January 1, 2001, shall have the amount of the fixed and payable retirement annuity increased by 3% on the January 1 occurring on or next following (1) attainment of age 60, or (2) the first anniversary of retirement, whichever occurs later. However, for persons who receive the alternative retirement annuity under Section 14-110, references in this subsection (a) to attainment of age 60 shall be deemed to refer to attainment of age 55. For a person receiving early retirement incentives under Section 14-108.3 whose retirement annuity began after January 1, 1992 pursuant to an extension granted under subsection (e) of that Section, the first anniversary of retirement shall be deemed to be January 1, 1993. For a person who retires on or after June 28, 2001 and on or before October 1, 2001, and whose retirement annuity is calculated, in whole or in part, under Section 14-110 or subsection (g) or (h) of Section 14-108, the first anniversary of retirement shall be deemed to be January 1, 2002.

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

Beginning January 1, 1990 and except as provided in subsections (a-1), (a-2), and (a-3) of this Section, all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including previous increases granted under this Article.

(a-1) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 98th General Assembly shall be the lesser of \$600 (\$750 if the annuity is based primarily upon service as a noncovered employee) or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(a-2) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding any other provision of this Article, a Tier I retiree is ineligible to receive an automatic annual increase in retirement annuity pursuant to this Section, unless he or she has 20 years of creditable service under this Article. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-4) Notwithstanding Section 1-103.1, subsections (a-1), (a-2), and (a-3) of this Section apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

On January 1, 1987, any annuitant who began receiving a retirement annuity on or before January 1,

1977, shall have the monthly retirement annuity increased by an amount equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

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

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

(40 ILCS 5/14-131)

Sec. 14-131. Contributions by State.

(a) The State shall make contributions to the System by appropriations of amounts which, together with other employer contributions from trust, federal, and other funds, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% 90% funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

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

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

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

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

(c) Contributions shall be made by the several departments for each pay period by warrants drawn by the State Comptroller against their respective funds or appropriations based upon vouchers stating the amount to be so contributed. These amounts shall be based on the full rate certified by the Board under Section 14-135.08 for that fiscal year. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final payroll from fiscal year 2004 appropriations, the several departments shall not make contributions for the remainder of fiscal year 2004 but shall instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The several departments shall resume those contributions at the commencement of fiscal year 2005.

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

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

(d) If an employee is paid from trust funds or federal funds, the department or other employer shall pay employer contributions from those funds to the System at the certified rate, unless the terms of the trust or the federal-State agreement preclude the use of the funds for that purpose, in which case the required employer contributions shall be paid by the State. From the effective date of this amendatory Act of the 93rd General Assembly through the payment of the final payroll from fiscal year 2004 appropriations, the department or other employer shall not pay contributions for the remainder of fiscal year 2004 but shall instead make payments as required under subsection (a-1) of Section 14.1 of the State Finance Act. The department or other employer shall resume payment of contributions at the commencement of fiscal year 2005.

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(e) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 2012 ~~and 2013~~ ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

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

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

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under Section 14-135.08, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

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

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

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

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

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

(j) After the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in fiscal year 2011 have been made, the Comptroller shall provide to the System a certification of the sum of all fiscal year 2011 expenditures for personal services that would have been covered by payments to the System under this Section if the provisions of this amendatory Act of the 96th General Assembly had not been enacted. Upon receipt of the certification, the System

shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for fiscal year 2011 in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System in fiscal year 2011 through payments under this Section. If the amount due is more than the amount received, the difference shall be termed the "Fiscal Year 2011 Shortfall" for purposes of this Section, and the Fiscal Year 2011 Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Fiscal Year 2011 Overpayment" for purposes of this Section, and the Fiscal Year 2011 Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification.

(k) For fiscal years 2012 and 2013 only, after the submission of all payments for eligible employees from personal services line items paid from the General Revenue Fund in the fiscal year have been made, the Comptroller shall provide to the System a certification of the sum of all expenditures in the fiscal year for personal services. Upon receipt of the certification, the System shall determine the amount due to the System based on the full rate certified by the Board under Section 14-135.08 for the fiscal year in order to meet the State's obligation under this Section. The System shall compare this amount due to the amount received by the System for the fiscal year. If the amount due is more than the amount received, the difference shall be termed the "Prior Fiscal Year Shortfall" for purposes of this Section, and the Prior Fiscal Year Shortfall shall be satisfied under Section 1.2 of the State Pension Funds Continuing Appropriation Act. If the amount due is less than the amount received, the difference shall be termed the "Prior Fiscal Year Overpayment" for purposes of this Section, and the Prior Fiscal Year Overpayment shall be repaid by the System to the General Revenue Fund as soon as practicable after the certification. (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09; 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11; 97-732, eff. 6-30-12.)

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

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

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

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

(c) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 14-131 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

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

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

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

for a widow or survivors annuity;

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

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

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

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

(a-5) In addition to the contributions otherwise required under this Article, each Tier I member shall also make the following contributions for retirement annuity from each payment of compensation:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of compensation; and

(2) beginning on July 1, 2014, 2% of compensation.

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

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

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

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

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

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

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(b) The certifications under subsections (a) and (a-5) shall include an additional amount necessary to pay all principal of and interest on those general obligation bonds due the next fiscal year authorized by Section 7.2(a) of the General Obligation Bond Act and issued to provide the proceeds deposited by the State with the System in July 2003, representing deposits other than amounts reserved under Section 7.2(c) of the General Obligation Bond Act. For State fiscal year 2005, the Board shall make a supplemental certification of the additional amount necessary to pay all principal of and interest on those general obligation bonds due in State fiscal years 2004 and 2005 authorized by Section 7.2(a) of the General Obligation Bond Act and issued to provide the proceeds deposited by the State with the System in July 2003, representing deposits other than amounts reserved under Section 7.2(c) of the General Obligation Bond Act, as soon as practical after the effective date of this amendatory Act of the 93rd

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General Assembly.

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

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

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

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

(40 ILCS 5/14-152.1)

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

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

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

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

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

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

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

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

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

Sec. 15-106. Employer. "Employer": The University of Illinois, Southern Illinois University, Chicago State University, Eastern Illinois University, Governors State University, Illinois State University, Northeastern Illinois University, Northern Illinois University, Western Illinois University, the State Board of Higher Education, the Illinois Mathematics and Science Academy, the University Civil Service Merit Board, the Board of Trustees of the State Universities Retirement System, the Illinois Community College Board, community college boards, any association of community college boards organized under Section 3-55 of the Public Community College Act, the Board of Examiners established under the Illinois Public Accounting Act, and, only during the period for which employer contributions required under Section 15-155 are paid, the following organizations: the alumni associations, the foundations and

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the athletic associations which are affiliated with the universities and colleges included in this Section as employers. An individual that begins employment after the effective date of this amendatory Act of the 98th General Assembly with an entity not defined as an employer in this Section shall not be deemed an employee for the purposes of this Article with respect to that employment and shall not be eligible to participate in the System with respect to that employment; provided, however, that those individuals who are employed by such an employer and already participants in the System on the effective date of this amendatory Act of the 98th General Assembly shall be entitled to remain participants in the System for the duration of that employment and continue to earn service credit.

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

A department as defined in Section 14-103.04 is an employer for any person appointed by the Governor under the Civil Administrative Code of Illinois who is a participating employee as defined in Section 15-109. The Department of Central Management Services is an employer with respect to persons employed by the State Board of Higher Education in positions with the Illinois Century Network as of June 30, 2004 who remain continuously employed after that date by the Department of Central Management Services in positions with the Illinois Century Network, the Bureau of Communication and Computer Services, or, if applicable, any successor bureau.

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

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

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

Sec. 15-107. Employee.

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

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

- (1) is a student enrolled in and regularly attending classes in a college or university which is an employer, and is employed on a temporary basis at less than full time;
- (2) is currently receiving a retirement annuity or a disability retirement annuity under Section 15-153.2 from this System;
- (3) is on a military leave of absence;
- (4) is eligible to participate in the Federal Civil Service Retirement System and is currently making contributions to that system based upon earnings paid by an employer;
- (5) is on leave of absence without pay for more than 60 days immediately following termination of disability benefits under this Article;
- (6) is hired after June 30, 1979 as a public service employment program participant under the Federal Comprehensive Employment and Training Act and receives earnings in whole or in part from funds provided under that Act; or
- (7) is employed on or after July 1, 1991 to perform services that are excluded by subdivision (a)(7)(f) or (a)(19) of Section 210 of the federal Social Security Act from the definition of employment given in that Section (42 U.S.C. 410).

(b) Any employer may, by filing a written notice with the board, exclude from the definition of "employee" all persons employed pursuant to a federally funded contract entered into after July 1, 1982 with a federal military department in a program providing training in military courses to federal military

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personnel on a military site owned by the United States Government, if this exclusion is not prohibited by the federally funded contract or federal laws or rules governing the administration of the contract.

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/15-107.1 new)

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

Code.

(40 ILCS 5/15-107.2 new)

Sec. 15-107.2. Tier I retiree. "Tier I retiree": A former Tier I participant who is receiving a retirement annuity.A person does not become a Tier I retiree by virtue of receiving a reversionary, survivors, beneficiary, or disability annuity.

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

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

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

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

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

(f) Notwithstanding any other provision of this Code, the earnings of a Tier I participant for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act or (ii) the annual earnings of the participant during the 365 days immediately preceding that effective date; except that this limitation does not apply to a participant's earnings that are determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly and has not been amended or renewed after that date.  
(Source: P.A. 91-887, eff. 7-6-00.)

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

Sec. 15-113.2. Service for leaves of absence. "Service for leaves of absence" includes those periods of leaves of absence at less than 50% pay, except military leave and periods of disability leave in excess of 60 days, for which the employee pays the contributions required under Section 15-157 in accordance with rules prescribed by the board based upon the employee's basic compensation on the date the leave begins, or in the case of leave for service with a teacher organization, based upon the actual compensation received by the employee for such service after January 26, 1988, if the employee so elects within 30 days of that date or the date the leave for service with a teacher organization begins, whichever is later; provided that the employee (1) returns to employment covered by this system at the expiration of the leave, or within 30 days after the termination of a disability which occurs during the leave and continues this employment at a percentage of time equal to or greater than the percentage of time immediately preceding the leave of absence for at least 8 consecutive months or a period equal to the period of the leave, whichever is less, or (2) is precluded from meeting the foregoing conditions because of disability or death. If service credit is denied because the employee fails to meet these conditions, the contributions covering the leave of absence shall be refunded without interest. The return to employment condition does not apply if the leave of absence is for service with a teacher organization.

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

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Notwithstanding any other provision of this Article, a participant shall not be eligible to make contributions or receive service credit for a leave of absence for service with a teacher organization if that leave of absence for service with a teacher organization begins on or after the effective date of this amendatory Act of the 98th General Assembly.

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

(40 ILCS 5/15-135) (from Ch. 108 1/2, par. 15-135)

Sec. 15-135. Retirement annuities - Conditions.

(a) A participant who retires in one of the following specified years with the specified amount of service is entitled to a retirement annuity at any age under the retirement program applicable to the participant:

- 35 years if retirement is in 1997 or before;
- 34 years if retirement is in 1998;
- 33 years if retirement is in 1999;
- 32 years if retirement is in 2000;
- 31 years if retirement is in 2001;
- 30 years if retirement is in 2002 or later.

A participant with 8 or more years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 55.

A participant with at least 5 but less than 8 years of service after September 1, 1941, is entitled to a retirement annuity on or after attainment of age 62.

A participant who has at least 25 years of service in this system as a police officer or firefighter is entitled to a retirement annuity on or after the attainment of age 50, if Rule 4 of Section 15-136 is applicable to the participant.

(a-5) Notwithstanding subsection (a) of this Section, for a Tier I participant who begins receiving a retirement annuity under this Article after July 1, 2013:

(1) If the Tier I participant is at least 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the reference to retirement with 30 years of service as well as the references to age 50, 55, and 62 in subsection (a) of this Section remain unchanged.

(2) If the Tier I participant is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the reference to retirement with 30 years of service as well as the references to age 50, 55, and 62 in subsection (a) of this Section shall be increased by one year.

(3) If the Tier I participant is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 98th General Assembly, then the reference to retirement with 30 years of service as well as the references to age 50, 55, and 62 in subsection (a) of this Section shall be increased by 3 years.

(4) If the Tier I participant is less than 35 years old on the effective date of this amendatory Act of the 98th General Assembly, then the reference to retirement with 30 years of service as well as the references to age 50, 55, and 62 in subsection (a) of this Section shall be increased by 5 years.

Notwithstanding Section 1-103.1, this subsection (a-5) applies without regard to whether or not the Tier I participant is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

(c) An annuity is not payable if the amount provided under Section 15-136 is less than \$10 per month.

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

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

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

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

Rule 1: The retirement annuity shall be 1.67% of final rate of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20

but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service.

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

- (i) the normal annuity which can be provided on an actuarially equivalent basis, by the accumulated normal contributions as of the date the annuity begins;
- (ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and
- (iii) the annuity that can be provided on an actuarially equivalent basis from the entire contribution made by the participant under Section 15-113.3.

For the purpose of calculating an annuity under this Rule 2, the contribution required under subsection (c-5) of Section 15-157 shall not be considered when determining the participant's accumulated normal contributions under clause (i) or the employer contribution under clause (ii).

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

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

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

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

Rule 3: The retirement annuity of a participant who is employed at least one-half time during the period on which his or her final rate of earnings is based, shall be equal to the participant's years of service not to exceed 30, multiplied by (1) \$96 if the participant's final rate of earnings is less than \$3,500, (2) \$108 if the final rate of earnings is at least \$3,500 but less than \$4,500, (3) \$120 if the final rate of earnings is at least \$4,500 but less than \$5,500, (4) \$132 if the final rate of earnings is at least \$5,500 but less than \$6,500, (5) \$144 if the final rate of earnings is at least \$6,500 but less than \$7,500, (6) \$156 if the final rate of earnings is at least \$7,500 but less than \$8,500, (7) \$168 if the final rate of earnings is at least \$8,500 but less than \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or more, except that the annuity for those persons having made an election under Section 15-154(a-1) shall be calculated and payable under the portable retirement benefit program pursuant to the provisions of Section 15-136.4.

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

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

- (i) service that is performed while the person is an employee under subsection (h) of Section 15-107; and
- (ii) in the case of an individual who was a participating employee employed in the fire department of the University of Illinois's Champaign-Urbana campus immediately prior to the elimination of that fire department and who immediately after the elimination of that fire department transferred to another job with the University of Illinois, service performed as an employee of the University of Illinois in a position other than police officer or firefighter, from the date of that transfer until the employee's next termination of service with the University of Illinois.

Rule 5: The retirement annuity of a participant who elected early retirement under the provisions of Section 15-136.2 and who, on or before February 16, 1995, brought administrative proceedings pursuant to the administrative rules adopted by the System to challenge the calculation of his or her retirement

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annuity shall be the sum of the following, determined from amounts credited to the participant in accordance with the actuarial tables and the prescribed rate of interest in effect at the time the retirement annuity begins:

- (i) the normal annuity which can be provided on an actuarially equivalent basis, by the accumulated normal contributions as of the date the annuity begins; and
- (ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and
- (iii) an annuity which can be provided on an actuarially equivalent basis from the employee contribution for early retirement under Section 15-136.2, and an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis from the employee contribution for early retirement under Section 15-136.2.

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

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

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

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

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

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

- (1) For a disabled participant whose disability benefits have been discontinued because he or she has exhausted eligibility for disability benefits under clause (6) of Section 15-152;
- (2) For a participant who has at least the number of years of service required to retire at any age under subsection (a) of Section 15-135; or
- (3) For that portion of a retirement annuity which has been provided on account of service of the participant during periods when he or she performed the duties of a police officer or firefighter, if these duties were performed for at least 5 years immediately preceding the date the retirement annuity is to begin.

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

(d) ~~Subject to the provisions of subsections (d-1), (d-2), and (d-3) of this Section, an~~ annuitant whose status as an employee terminates after August 14, 1969 shall receive automatic increases in his or her retirement annuity as follows:

Effective January 1 immediately following the date the retirement annuity begins, the annuitant shall receive an increase in his or her monthly retirement annuity of 0.125% of the monthly retirement annuity provided under Rule 1, Rule 2, Rule 3, Rule 4, or Rule 5, contained in this Section, multiplied by the number of full months which elapsed from the date the retirement annuity payments began to January 1, 1972, plus 0.1667% of such annuity, multiplied by the number of full months which elapsed from

January 1, 1972, or the date the retirement annuity payments began, whichever is later, to January 1, 1978, plus 0.25% of such annuity multiplied by the number of full months which elapsed from January 1, 1978, or the date the retirement annuity payments began, whichever is later, to the effective date of the increase.

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

Beginning January 1, 1990 and except as provided in subsections (d-1), (d-2), and (d-3) of this Section, all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including all increases previously granted under this Article.

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

(d-1) Notwithstanding any other provision of this Article, except subsection (d-3) of this Section, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 98th General Assembly shall be the lesser of \$750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(d-2) Notwithstanding any other provision of this Article, except subsection (d-3) of this Section, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(d-3) Notwithstanding any other provision of this Article, a Tier I retiree is ineligible to receive an automatic annual increase in retirement annuity pursuant to this Section, unless he or she has 20 years of creditable service under this Article. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(d-4) Notwithstanding Section 1-103.1, subsections (d-1) and (d-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

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

(f) A participant is entitled to such additional annuity as may be provided on an actuarially equivalent basis, by any accumulated additional contributions to his or her credit. However, the additional contributions made by the participant toward the automatic increases in annuity provided under this Section and the contributions made under subsection (c-5) of Section 15-157 by this amendatory Act of the 98th General Assembly shall not be taken into account in determining the amount of such additional annuity.

(g) If, (1) by law, a function of a governmental unit, as defined by Section 20-107 of this Code, is transferred in whole or in part to an employer, and (2) a participant transfers employment from such governmental unit to such employer within 6 months after the transfer of the function, and (3) the sum of (A) the annuity payable to the participant under Rule 1, 2, or 3 of this Section (B) all proportional annuities payable to the participant by all other retirement systems covered by Article 20, and (C) the initial primary insurance amount to which the participant is entitled under the Social Security Act, is less

than the retirement annuity which would have been payable if all of the participant's pension credits validated under Section 20-109 had been validated under this system, a supplemental annuity equal to the difference in such amounts shall be payable to the participant.

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

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

(j) For participants to whom subsection (a-5) of Section 15-135 applies, the references to age 50, 55, and 62 in this Section are increased as provided in subsection (a-5) of Section 15-135.

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

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

Sec. 15-155. Employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with the other employer contributions ~~from trust, federal, and other funds~~, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System on a 100% 90% funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (a-1).

(a-1) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

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

For State fiscal years ~~2012 and 2013 through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

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

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

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

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

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section

15-165 and shall be made from the State Pensions Fund and proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

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

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2013, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(b) If an employee is paid from trust or federal funds, the employer shall pay to the Board contributions from those funds which are sufficient to cover the accruing normal costs on behalf of the employee. However, universities having employees who are compensated out of local auxiliary funds, income funds, or service enterprise funds are not required to pay such contributions on behalf of those employees. The local auxiliary funds, income funds, and service enterprise funds of universities shall not be considered trust funds for the purpose of this Article, but funds of alumni associations, foundations, and athletic associations which are affiliated with the universities included as employers under this Article and other employers which do not receive State appropriations are considered to be trust funds for the purpose of this Article.

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

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

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

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

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(f) Normal costs under this Section means liability for pensions and other benefits which accrues to the System because of the credits earned for service rendered by the participants during the fiscal year and expenses of administering the System, but shall not include the principal of or any redemption premium or interest on any bonds issued by the Board or any expenses incurred or deposits required in connection therewith.

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

Whenever it determines that a payment is or may be required under this subsection (g), the System shall calculate the amount of the payment and bill the employer for that amount. The bill shall specify the calculations used to determine the amount due. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to the System in writing for a recalculation. The application must specify in detail the grounds of the dispute and, if the employer asserts that the calculation is subject to subsection (h) or (i) of this Section, must include an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of subsection (h) or (i). Upon receiving a timely application for recalculation, the System shall review the application and, if appropriate, recalculate the amount due.

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

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

When assessing payment for any amount due under subsection (g), the System shall exclude earnings increases paid to participants under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

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

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

When assessing payment for any amount due under subsection (g), the System shall exclude any earnings increase resulting from (i) a promotion for which the employee moves from one classification to a higher classification under the State Universities Civil Service System, (ii) a promotion in academic rank for a tenured or tenure-track faculty position, or (iii) a promotion that the Illinois Community College Board has recommended in accordance with subsection (k) of this Section. These earnings increases shall be excluded only if the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions.

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

amount due under subsection (g) of this Section.

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

- (1) The number of recalculations required by the changes made to this Section by Public Act 94-1057 for each employer.
- (2) The dollar amount by which each employer's contribution to the System was changed due to recalculations required by Public Act 94-1057.
- (3) The total amount the System received from each employer as a result of the changes made to this Section by Public Act 94-4.
- (4) The increase in the required State contribution resulting from the changes made to this Section by Public Act 94-1057.

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

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

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

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

(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff. 7-13-12; revised 10-17-12.)

(40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

Sec. 15-156. Obligations of State; funding guarantees.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses in connection with the administration and operation thereof are obligations of the State of Illinois to the extent specified in this Article. The accumulated employee normal, additional and survivors insurance contributions credited to the accounts of active and inactive participants shall not be used to pay the State's share of the obligations.

(b) Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 15-155 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this subsection (b) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon or Champaign County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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



obligations, consistent with the payment schedules associated with such obligations.

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

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

Sec. 15-157. Employee Contributions.

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

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

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

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

(c-5) In addition to the contributions otherwise required under this Article, each Tier I participant shall also make the following contributions toward the retirement benefits payable under the retirement program applicable to the employee from each payment of earnings applicable to employment under this system:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of earnings; and

(2) beginning on July 1, 2014, 2% of earnings.

Except as otherwise specified, these contributions are to be considered as normal contributions for purposes of this Article.

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

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

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

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

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Article.

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

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year ~~through until~~ November 15, 2011 the appropriation required from State funds for the purposes of this System for the following fiscal year. The certification under this subsection (a) shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year.~~

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

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

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

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

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year. The Board's certification must note, in a preliminary response to the State Actuary, any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(b) The Board shall certify to the State Comptroller or employer, as the case may be, from time to time, by its president and secretary, with its seal attached, the amounts payable to the System from the various funds.

(c) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (b) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(d) So long as the payments received are the full amount lawfully vouchered under this Section, payments received by the System under this Section shall be applied first toward the employer contribution to the self-managed plan established under Section 15-158.2. Payments shall be applied second toward the employer's portion of the normal costs of the System, as defined in subsection (f) of

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Section 15-155. The balance shall be applied toward the unfunded actuarial liabilities of the System.

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).

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

(40 ILCS 5/15-198)

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

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

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

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

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

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

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

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

(40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

Sec. 16-106. Teacher. "Teacher": The following individuals, provided that, for employment prior to July 1, 1990, they are employed on a full-time basis, or if not full-time, on a permanent and continuous basis in a position in which services are expected to be rendered for at least one school term:

(1) Any educational, administrative, professional or other staff employed in the public common schools included within this system in a position requiring certification under the law governing the certification of teachers;

(2) Any educational, administrative, professional or other staff employed in any facility of the Department of Children and Family Services or the Department of Human Services, in a position requiring certification under the law governing the certification of teachers, and any person who (i) works in such a position for the Department of Corrections, (ii) was a member of this System on May 31, 1987, and (iii) did not elect to become a member of the State Employees' Retirement System pursuant to Section 14-108.2 of this Code; except that "teacher" does not include any person who (A) becomes a security employee of the Department of Human Services, as defined in Section 14-110, after June 28, 2001 (the effective date of Public Act 92-14), or (B) becomes a member of the

State Employees' Retirement System pursuant to Section 14-108.2c of this Code;

(3) Any regional superintendent of schools, assistant regional superintendent of schools, State Superintendent of Education; any person employed by the State Board of Education as an executive; any executive of the boards engaged in the service of public common school education in school districts covered under this system of which the State Superintendent of Education is an ex-officio member;

(4) Any employee of a school board association operating in compliance with Article 23 of the School Code who is certificated under the law governing the certification of teachers, provided that he or she becomes such an employee before the effective date of this amendatory Act of the 98th General Assembly;

(5) Any person employed by the retirement system who:

(i) was an employee of and a participant in the system on August 17, 2001 (the effective date of Public Act 92-416), or

(ii) becomes an employee of the system on or after August 17, 2001;

(6) Any educational, administrative, professional or other staff employed by and under the supervision and control of a regional superintendent of schools, provided such employment position requires the person to be certificated under the law governing the certification of teachers and is in an educational program serving 2 or more districts in accordance with a joint agreement authorized by the School Code or by federal legislation;

(7) Any educational, administrative, professional or other staff employed in an educational program serving 2 or more school districts in accordance with a joint agreement authorized by the School Code or by federal legislation and in a position requiring certification under the laws governing the certification of teachers;

(8) Any officer or employee of a statewide teacher organization or officer of a national teacher organization who is certified under the law governing certification of teachers, provided: (i) the individual had previously established creditable service under this Article, (ii) the individual files with the system an irrevocable election to become a member before the effective date of this amendatory Act of the 97th General Assembly, (iii) the individual does not receive credit for such service under any other Article of this Code, and (iv) the individual first became an officer or employee of the teacher organization and becomes a member before the effective date of this amendatory Act of the 97th General Assembly;

(9) Any educational, administrative, professional, or other staff employed in a charter school operating in compliance with the Charter Schools Law who is certificated under the law governing the certification of teachers; -

(10) Any person employed, on the effective date of this amendatory Act of the 94th General Assembly, by the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code who is required by the Macon-Piatt Regional Office of Education to hold a teaching certificate, provided that the Macon-Piatt Regional Office of Education makes an election, within 6 months after the effective date of this amendatory Act of the 94th General Assembly, to have the person participate in the system. Any service established prior to the effective date of this amendatory Act of the 94th General Assembly for service as an employee of the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code shall be considered service as a teacher if employee and employer contributions have been received by the system and the system has not refunded those contributions.

An annuitant receiving a retirement annuity under this Article or under Article 17 of this Code who is employed by a board of education or other employer as permitted under Section 16-118 or 16-150.1 is not a "teacher" for purposes of this Article. A person who has received a single-sum retirement benefit under Section 16-136.4 of this Article is not a "teacher" for purposes of this Article.

(Source: P.A. 97-651, eff. 1-5-12; revised 8-3-12.)

(40 ILCS 5/16-106.4 new)

Sec. 16-106.4. Tier I member. "Tier I member": A member under this Article who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/16-106.5 new)

Sec. 16-106.5. Tier I retiree. "Tier I retiree": A former Tier I member who is receiving a retirement annuity.

(40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

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Sec. 16-121. Salary. "Salary": The actual compensation received by a teacher during any school year and recognized by the system in accordance with rules of the board. For purposes of this Section, "school year" includes the regular school term plus any additional period for which a teacher is compensated and such compensation is recognized by the rules of the board.

Notwithstanding any other provision of this Code, the salary of a Tier I member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual contribution and benefit base established for the applicable year by the Commissioner of Social Security under the federal Social Security Act or (ii) the annual salary of the member during the 365 days immediately preceding that effective date; except that this limitation does not apply to a member's salary that is determined under an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly and has not been amended or renewed after that date.

(Source: P.A. 84-1028.)

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

Sec. 16-127. Computation of creditable service.

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

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

(1) Prior service as a teacher.

(2) Service in a capacity essentially similar or equivalent to that of a teacher, in the public common schools in school districts in this State not included within the provisions of this System, or of any other State, territory, dependency or possession of the United States, or in schools operated by or under the auspices of the United States, or under the auspices of any agency or department of any other State, and service during any period of professional speech correction or special education experience for a public agency within this State or any other State, territory, dependency or possession of the United States, and service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety, for a period not exceeding the lesser of 2/5 of the total creditable service of the member or 10 years. The maximum service of 10 years which is allowable under this paragraph shall be reduced by the service credit which is validated by other retirement systems under paragraph (i) of Section 15-113 and paragraph 1 of Section 17-133. Credit granted under this paragraph may not be used in determination of a retirement annuity or disability benefits unless the member has at least 5 years of creditable service earned subsequent to this employment with one or more of the following systems: Teachers' Retirement System of the State of Illinois, State Universities Retirement System, and the Public School Teachers' Pension and Retirement Fund of Chicago. Whenever such service credit exceeds the maximum allowed for all purposes of this Article, the first service rendered in point of time shall be considered. The changes to this subdivision (b)(2) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

(3) Any periods immediately following teaching service, under this System or under Article 17, (or immediately following service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety) spent in active service with the military forces of the United States; periods spent in educational programs that prepare for return to teaching sponsored by the federal government following such active military service; if a teacher returns to teaching service within one calendar year after discharge or after the completion of the educational program, a further period, not exceeding one calendar year, between time spent in military service or in such educational programs and the return to employment as a teacher under this System; and a period of up to 2 years of active military service not immediately following employment as a teacher.

The changes to this Section and Section 16-128 relating to military service made by P.A. 87-794 shall apply not only to persons who on or after its effective date are in service as a teacher under the System, but also to persons whose status as a teacher terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the System received written notification of the annuitant's intent to purchase the credit, if payment of all

the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under P.A. 87-794 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

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

The total period of military service for which credit is granted shall not exceed 5 years for any member unless the service: (A) is validated before July 1, 1964, and (B) does not extend beyond July 1, 1963. Credit for military service shall be granted under this Section only if not more than 5 years of the military service for which credit is granted under this Section is used by the member to qualify for a military retirement allotment from any branch of the armed forces of the United States. The changes to this subdivision (b)(3) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

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

(5)(i) Any periods for which a teacher, as defined in Section 16-106, is granted a leave of absence, provided he or she returns to teaching service creditable under this System or the State Universities Retirement System following the leave; (ii) periods during which a teacher is involuntarily laid off from teaching, provided he or she returns to teaching following the lay-off; (iii) periods prior to July 1, 1983 during which a teacher ceased covered employment due to pregnancy, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the pregnancy and submits evidence satisfactory to the Board documenting that the employment ceased due to pregnancy; and (iv) periods prior to July 1, 1983 during which a teacher ceased covered employment for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the adoption and submits evidence satisfactory to the Board documenting that the employment ceased for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age. However, total credit under this paragraph (5) may not exceed 3 years.

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

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

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

(6) Any days of unused and uncompensated accumulated sick leave earned by a teacher who first became a participant in the System before the effective date of this amendatory Act of the 98th General Assembly.

The service credit granted under this paragraph shall be the ratio of the number of unused and uncompensated accumulated sick leave days to 170 days, subject to a maximum of 2 years of service credit. Prior to the member's retirement, each former employer shall certify to the System the number of unused and uncompensated accumulated sick leave days credited to the member at the time of termination of service. The period of unused sick leave shall not be considered in determining the effective date of retirement. A member is not required to make contributions in order to obtain service credit for unused sick leave.

Credit for sick leave shall, at retirement, be granted by the System for any retiring regional or assistant regional superintendent of schools who first became a participant in this System before the effective date of this amendatory Act of the 98th General Assembly at the rate of 6 days per year of creditable service or portion thereof established while serving as such superintendent or assistant superintendent.

Service credit is not available for unused sick leave accumulated by a teacher who first becomes a participant in this System on or after the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

(10) Up to 2 years of employment with Southern Illinois University - Carbondale from September 1, 1959 to August 31, 1961, or with Governors State University from September 1, 1972 to August 31, 1974, for which the teacher has no credit under Article 15. To receive credit under this item (10), a teacher must apply in writing to the Board and pay the required contributions before May 1, 1993 and have at least 12 years of service credit under this Article.

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

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

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

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

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

(40 ILCS 5/16-132) (from Ch. 108 1/2, par. 16-132)

Sec. 16-132. Retirement annuity eligibility.

(a) A member who has at least 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 55. A member who has at least 10 but less than 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 60. A member who has at least 5 but less than 10 years of creditable service is entitled to a retirement annuity upon or after attainment of age 62. A member who (i) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (ii) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, and (iii) retires on or after January 1, 2001 is entitled to a retirement annuity upon or after attainment of an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

A member who is eligible to receive a retirement annuity of at least 74.6% of final average salary and will attain age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

(b) Notwithstanding subsection (a) of this Section, for a Tier I member who begins receiving a

retirement annuity under this Article after July 1, 2013:

(1) If the Tier I member is at least 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section remain unchanged and the reference to 85 in subsection (a) of this Section remains unchanged.

(2) If the Tier I member is at least 40 but less than 45 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by one year and the reference to 85 in subsection (a) is increased to 87.

(3) If the Tier I member is at least 35 but less than 40 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by 3 years and the reference to 85 in subsection (a) is increased to 91.

(4) If the Tier I member is less than 35 years old on the effective date of this amendatory Act of the 98th General Assembly, then the references to age 55, 60, and 62 in subsection (a) of this Section are increased by 5 years and the reference to 85 in subsection (a) is increased to 95.

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

(c) A member meeting the above eligibility conditions is entitled to a retirement annuity upon written application to the board setting forth the date the member wishes the retirement annuity to commence. However, the effective date of the retirement annuity shall be no earlier than the day following the last day of creditable service, regardless of the date of official termination of employment.

(d) To be eligible for a retirement annuity, a member shall not be employed as a teacher in the schools included under this System or under Article 17, except (i) as provided in Section 16-118 or 16-150.1, (ii) if the member is disabled (in which event, eligibility for salary must cease), or (iii) if the System is required by federal law to commence payment due to the member's age; the changes to this sentence made by Public Act 93-320 this amendatory Act of the 93rd General Assembly apply without regard to whether the member terminated employment before or after its effective date.

(Source: P.A. 93-320, eff. 7-23-03.)

(40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

Sec. 16-133. Retirement annuity; amount.

(a) The amount of the retirement annuity shall be (i) in the case of a person who first became a teacher under this Article before July 1, 2005, the larger of the amounts determined under paragraphs (A) and (B) below, or (ii) in the case of a person who first becomes a teacher under this Article on or after July 1, 2005, the amount determined under the applicable provisions of paragraph (B):

(A) An amount consisting of the sum of the following:

(1) An amount that can be provided on an actuarially equivalent basis by the member's accumulated contributions at the time of retirement; and

(2) The sum of (i) the amount that can be provided on an actuarially equivalent basis by the member's accumulated contributions representing service prior to July 1, 1947, and (ii) the amount that can be provided on an actuarially equivalent basis by the amount obtained by multiplying 1.4 times the member's accumulated contributions covering service subsequent to June 30, 1947; and

(3) If there is prior service, 2 times the amount that would have been determined under subparagraph (2) of paragraph (A) above on account of contributions which would have been made during the period of prior service creditable to the member had the System been in operation and had the member made contributions at the contribution rate in effect prior to July 1, 1947.

For the purpose of calculating the sum provided under this paragraph (A), the contribution required under subsection (a-5) of Section 16-152 shall not be considered when determining the amount of the member's accumulated contributions under subparagraph (1) or (2).

This paragraph (A) does not apply to a person who first becomes a teacher under this Article on or after July 1, 2005.

(B) An amount consisting of the greater of the following:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 16-129.1: 1.67% of final average salary for each of the first 10 years of creditable service, 1.90% of final average salary for each year in excess of 10 but not exceeding 20, 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30; and

For creditable service earned on or after July 1, 1998 by a member who has at least 24 years of creditable service on July 1, 1998 and who does not elect to augment service under Section 16-129.1: 2.2% of final average salary for each year of creditable service earned on or after

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July 1, 1998 but before the member reaches a total of 30 years of creditable service and 2.3% of final average salary for each year of creditable service earned on or after July 1, 1998 and after the member reaches a total of 30 years of creditable service; and

For all other creditable service: 2.2% of final average salary for each year of creditable service; or

(2) 1.5% of final average salary for each year of creditable service plus the sum \$7.50 for each of the first 20 years of creditable service.

The amount of the retirement annuity determined under this paragraph (B) shall be reduced by 1/2 of 1% for each month that the member is less than age 60 at the time the retirement annuity begins. However, this reduction shall not apply (i) if the member has at least 35 years of creditable service, or (ii) if the member retires on account of disability under Section 16-149.2 of this Article with at least 20 years of creditable service, or (iii) if the member (1) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (2) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, (3) retires on or after January 1, 2001, and (4) retires having attained an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents. For participants to whom subsection (b) of Section 16-132 applies, the reference to age 60 in this paragraph and the reference to 85 in this paragraph are increased as provided in subsection (b) of Section 16-132.

(b) For purposes of this Section, final average salary shall be the average salary for the highest 4 consecutive years within the last 10 years of creditable service as determined under rules of the board. The minimum final average salary shall be considered to be \$2,400 per year.

In the determination of final average salary for members other than elected officials and their appointees when such appointees are allowed by statute, that part of a member's salary for any year beginning after June 30, 1979 which exceeds the member's annual full-time salary rate with the same employer for the preceding year by more than 20% shall be excluded. The exclusion shall not apply in any year in which the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

(c) In determining the amount of the retirement annuity under paragraph (B) of this Section, a fractional year shall be granted proportional credit.

(d) The retirement annuity determined under paragraph (B) of this Section shall be available only to members who render teaching service after July 1, 1947 for which member contributions are required, and to annuitants who re-enter under the provisions of Section 16-150.

(e) The maximum retirement annuity provided under paragraph (B) of this Section shall be 75% of final average salary.

(f) A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of final average salary if the member is qualified to receive a retirement annuity equal to at least 74.6% of final average salary under this Article or as proportional annuities under Article 20 of this Code.

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

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

(a) Each member with creditable service and retiring on or after August 26, 1969 is entitled to the automatic annual increases in annuity provided under this Section while receiving a retirement annuity or disability retirement annuity from the system.

An annuitant shall first be entitled to an initial increase under this Section on the January 1 next following the first anniversary of retirement, or January 1 of the year next following attainment of age 61, whichever is later. At such time, the system shall pay an initial increase determined as follows or as provided in subsections (a-1), (a-2), and (a-3) of this Section:

(1) 1.5% of the originally granted retirement annuity or disability retirement annuity multiplied by the number of years elapsed, if any, from the date of retirement until January 1, 1972, plus

(2) 2% of the originally granted annuity multiplied by the number of years elapsed, if any, from the date of retirement or January 1, 1972, whichever is later, until January 1, 1978, plus

(3) 3% of the originally granted annuity multiplied by the number of years elapsed from the date of retirement or January 1, 1978, whichever is later, until the effective date of the initial increase.

However, the initial annual increase calculated under this Section for the recipient of a disability retirement annuity granted under Section 16-149.2 shall be reduced by an amount equal to the total of all increases in that annuity received under Section 16-149.5 (but not exceeding 100% of the amount of the initial increase otherwise provided under this Section).

Following the initial increase, automatic annual increases in annuity shall be payable on each January 1 thereafter during the lifetime of the annuitant, determined as a percentage of the originally granted retirement annuity or disability retirement annuity for increases granted prior to January 1, 1990, and calculated as a percentage of the total amount of annuity, including previous increases under this Section, for increases granted on or after January 1, 1990, as follows: 1.5% for periods prior to January 1, 1972, 2% for periods after December 31, 1971 and prior to January 1, 1978, and 3% for periods after December 31, 1977, or as provided in subsections (a-1), (a-2), and (a-3) of this Section.

(a-1) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of this amendatory Act of the 98th General Assembly shall be the lesser of \$750 or 3% of the total annuity payable at the time of the increase, including previous increases granted.

(a-2) Notwithstanding any other provision of this Article, except subsection (a-3) of this Section, for a Tier I retiree, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-3) Notwithstanding any other provision of this Article, a Tier I retiree is ineligible to receive an automatic annual increase in retirement annuity pursuant to this Section, unless he or she has 20 years of creditable service under this Article. If on the effective date of this amendatory Act of the 98th General Assembly a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(a-4) Notwithstanding Section 1-103.1, subsections (a-1) and (a-2) apply without regard to whether or not the Tier I retiree is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) The automatic annual increases in annuity provided under this Section shall not be applicable unless a member has made contributions toward such increases for a period equivalent to one full year of creditable service. If a member contributes for service performed after August 26, 1969 but the member becomes an annuitant before such contributions amount to one full year's contributions based on the salary at the date of retirement, he or she may pay the necessary balance of the contributions to the system and be eligible for the automatic annual increases in annuity provided under this Section.

(c) Each member shall make contributions toward the cost of the automatic annual increases in annuity as provided under Section 16-152.

(d) An annuitant receiving a retirement annuity or disability retirement annuity on July 1, 1969, who subsequently re-enters service as a teacher is eligible for the automatic annual increases in annuity provided under this Section if he or she renders at least one year of creditable service following the latest re-entry.

(e) In addition to the automatic annual increases in annuity provided under this Section, an annuitant who meets the service requirements of this Section and whose retirement annuity or disability retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the annuity then being paid of one dollar per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity or disability retirement annuity began on or before January 1, 1977 shall receive an increase in the annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

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

(40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

Sec. 16-152. Contributions by members.

(a) Each member shall make contributions for membership service to this System as follows:

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(1) Effective July 1, 1998, contributions of 7.50% of salary towards the cost of the retirement annuity. Such contributions shall be deemed "normal contributions".

(2) Effective July 1, 1969, contributions of 1/2 of 1% of salary toward the cost of the automatic annual increase in retirement annuity provided under Section 16-133.1.

(3) Effective July 24, 1959, contributions of 1% of salary towards the cost of survivor benefits. Such contributions shall not be credited to the individual account of the member and shall not be subject to refund except as provided under Section 16-143.2.

(4) Effective July 1, 2005, contributions of 0.40% of salary toward the cost of the early retirement without discount option provided under Section 16-133.2. This contribution shall cease upon termination of the early retirement without discount option as provided in Section 16-176.

(a-5) In addition to the contributions otherwise required under this Article, each Tier I member shall also make the following contributions toward the cost of the retirement annuity from each payment of salary:

(1) beginning July 1, 2013 and through June 30, 2014, 1% of salary; and

(2) beginning on July 1, 2014, 2% of salary.

Except as otherwise specified, these contributions are to be considered as normal contributions for purposes of this Article.

(b) The minimum required contribution for any year of full-time teaching service shall be \$192.

(c) Contributions shall not be required of any annuitant receiving a retirement annuity who is given employment as permitted under Section 16-118 or 16-150.1.

(d) A person who (i) was a member before July 1, 1998, (ii) retires with more than 34 years of creditable service, and (iii) does not elect to qualify for the augmented rate under Section 16-129.1 shall be entitled, at the time of retirement, to receive a partial refund of contributions made under this Section for service occurring after the later of June 30, 1998 or attainment of 34 years of creditable service, in an amount equal to 1.00% of the salary upon which those contributions were based.

(e) A member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall not be refunded if the member has elected early retirement without discount under Section 16-133.2 and has begun to receive a retirement annuity under this Article calculated in accordance with that election. Otherwise, a member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall be refunded according to whichever one of the following circumstances occurs first:

(1) The contributions shall be refunded to the member, without interest, within 120 days after the member's retirement annuity commences, if the member does not elect early retirement without discount under Section 16-133.2.

(2) The contributions shall be included, without interest, in any refund claimed by the member under Section 16-151.

(3) The contributions shall be refunded to the member's designated beneficiary (or if there is no beneficiary, to the member's estate), without interest, if the member dies without having begun to receive a retirement annuity under this Article.

(4) The contributions shall be refunded to the member, without interest, within 120 days after the early retirement without discount option provided under Section 16-133.2 is terminated under Section 16-176.

(Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

(40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

Sec. 16-158. Contributions by State and other employing units.

(a) The State shall make contributions to the System by means of appropriations from the Common School Fund and other State funds of amounts which, together with other employer contributions, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2043.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (b-3).

(a-1) Annually, on or before November 15 ~~through until~~ November 15, 2011, the Board shall certify to the Governor the amount of the required State contribution for the coming fiscal year. The certification under this subsection (a-1) shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year.~~

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

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

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

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

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

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(b) Through State fiscal year 1995, the State contributions shall be paid to the System in accordance with Section 18-7 of the School Code.

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (a) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this subsection, the difference shall be paid from the Common School Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(b-2) Allocations from the Common School Fund apportioned to school districts not coming under this System shall not be diminished or affected by the provisions of this Article.

(b-3) For State fiscal years 2014 through 2043, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2043. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2043 and shall be determined under the projected unit credit actuarial cost method.

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

For State fiscal years 2012 and 2013 ~~through 2045~~, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and

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shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section; except that in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a), and notwithstanding any contrary certification made under subsection (a-1) before the effective date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY 2003; and 13.56% in FY 2004.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is \$534,627,700.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2007 is \$738,014,500.

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

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is \$2,089,268,000 and shall be made from the proceeds of bonds sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the Common School Fund in fiscal year 2010, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to subsection (a-1) of this Section and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the Common School Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable. This amount shall include, in addition to the amount certified by the System, an amount necessary to meet employer contributions required by the State as an employer under paragraph (e) of this Section, which may also be used by the System for contributions required by paragraph (a) of Section 16-127.

~~Beginning in State fiscal year 2016, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.~~

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

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter ~~through State fiscal year 2013~~, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(c) Payment of the required State contributions and of all pensions, retirement annuities, death benefits, refunds, and other benefits granted under or assumed by this System, and all expenses in connection with the administration and operation thereof, are obligations of the State.

If members are paid from special trust or federal funds which are administered by the employing unit, whether school district or other unit, the employing unit shall pay to the System from such funds the full accruing retirement costs based upon that service, as determined by the System. Employer contributions, based on salary paid to members from federal funds, may be forwarded by the distributing agency of the State of Illinois to the System prior to allocation, in an amount determined in accordance with guidelines established by such agency and the System.

(d) Effective July 1, 1986, any employer of a teacher as defined in paragraph (8) of Section 16-106 shall pay the employer's normal cost of benefits based upon the teacher's service, in addition to employee contributions, as determined by the System. Such employer contributions shall be forwarded monthly in accordance with guidelines established by the System.

However, with respect to benefits granted under Section 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8) of Section 16-106, the employer's contribution shall be 12% (rather than 20%) of the member's highest annual salary rate for each year of creditable service granted, and the employer shall also pay the required employee contribution on behalf of the teacher. For the purposes of Sections 16-133.4 and 16-133.5, a teacher as defined in paragraph (8) of Section 16-106 who is serving in that capacity while on leave of absence from another employer under this Article shall not be considered an employee of the employer from which the teacher is on leave.

(e) Beginning July 1, 1998, every employer of a teacher shall pay to the System an employer contribution computed as follows:

- (1) Beginning July 1, 1998 through June 30, 1999, the employer contribution shall be equal to 0.3% of each teacher's salary.
- (2) Beginning July 1, 1999 and thereafter, the employer contribution shall be equal to 0.58% of each teacher's salary.

The school district or other employing unit may pay these employer contributions out of any source of funding available for that purpose and shall forward the contributions to the System on the schedule established for the payment of member contributions.

These employer contributions are intended to offset a portion of the cost to the System of the increases in retirement benefits resulting from this amendatory Act of 1998.

Each employer of teachers is entitled to a credit against the contributions required under this subsection (e) with respect to salaries paid to teachers for the period January 1, 2002 through June 30, 2003, equal to the amount paid by that employer under subsection (a-5) of Section 6.6 of the State Employees Group Insurance Act of 1971 with respect to salaries paid to teachers for that period.

The additional 1% employee contribution required under Section 16-152 by this amendatory Act of 1998 is the responsibility of the teacher and not the teacher's employer, unless the employer agrees, through collective bargaining or otherwise, to make the contribution on behalf of the teacher.

If an employer is required by a contract in effect on May 1, 1998 between the employer and an employee organization to pay, on behalf of all its full-time employees covered by this Article, all mandatory employee contributions required under this Article, then the employer shall be excused from paying the employer contribution required under this subsection (e) for the balance of the term of that contract. The employer and the employee organization shall jointly certify to the System the existence of the contractual requirement, in such form as the System may prescribe. This exclusion shall cease upon the termination, extension, or renewal of the contract at any time after May 1, 1998.

(f) If the amount of a teacher's salary for any school year used to determine final average salary exceeds the member's annual full-time salary rate with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. If a teacher's salary for the 2005-2006 school year is used to determine final average salary under this subsection (f), then the changes made to this subsection (f) by Public Act 94-1057 shall apply in calculating whether the increase in his or her salary is in excess of 6%. For the purposes of this Section, change in employment under Section 10-21.12 of the School Code on or after June 1, 2005 shall constitute a change in employer. The System may require the employer to provide any pertinent information or documentation. The changes made to this subsection (f) by this amendatory Act of the 94th General Assembly apply without regard to whether the teacher was in service on or after its

effective date.

Whenever it determines that a payment is or may be required under this subsection, the System shall calculate the amount of the payment and bill the employer for that amount. The bill shall specify the calculations used to determine the amount due. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to the System in writing for a recalculation. The application must specify in detail the grounds of the dispute and, if the employer asserts that the calculation is subject to subsection (g) or (h) of this Section, must include an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of that subsection. Upon receiving a timely application for recalculation, the System shall review the application and, if appropriate, recalculate the amount due.

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

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

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to teachers under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to a teacher at a time when the teacher is 10 or more years from retirement eligibility under Section 16-132 or 16-133.2.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases resulting from overload work, including summer school, when the school district has certified to the System, and the System has approved the certification, that (i) the overload work is for the sole purpose of classroom instruction in excess of the standard number of classes for a full-time teacher in a school district during a school year and (ii) the salary increases are equal to or less than the rate of pay for classroom instruction computed on the teacher's current salary and work schedule.

When assessing payment for any amount due under subsection (f), the System shall exclude a salary increase resulting from a promotion (i) for which the employee is required to hold a certificate or supervisory endorsement issued by the State Teacher Certification Board that is a different certification or supervisory endorsement than is required for the teacher's previous position and (ii) to a position that has existed and been filled by a member for no less than one complete academic year and the salary increase from the promotion is an increase that results in an amount no greater than the lesser of the average salary paid for other similar positions in the district requiring the same certification or the amount stipulated in the collective bargaining agreement for a similar position requiring the same certification.

When assessing payment for any amount due under subsection (f), the System shall exclude any payment to the teacher from the State of Illinois or the State Board of Education over which the employer does not have discretion, notwithstanding that the payment is included in the computation of final average salary.

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

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

- (1) The number of recalculations required by the changes made to this Section by Public Act 94-1057 for each employer.
- (2) The dollar amount by which each employer's contribution to the System was changed due to recalculations required by Public Act 94-1057.
- (3) The total amount the System received from each employer as a result of the changes made to this Section by Public Act 94-4.
- (4) The increase in the required State contribution resulting from the changes made to this Section by Public Act 94-1057.

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

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

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

(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff. 6-18-12; 97-813, eff. 7-13-12.)

(40 ILCS 5/16-158.1) (from Ch. 108 1/2, par. 16-158.1)

Sec. 16-158.1. Actions to enforce payments by school districts and other employing units other than the State. Any school district or other employing unit, other than the State, that fails failing to transmit to the System contributions required of it under this Article or contributions required of teachers, for more than 90 days after such contributions are due is subject to the following: after giving notice to the district or other unit, the System may certify to the State Comptroller or the Regional Superintendent of Schools the amounts of such delinquent payments and the State Comptroller or the Regional Superintendent of Schools shall deduct the amounts so certified or any part thereof from any State funds to be remitted to the school district or other employing unit involved and shall pay the amount so deducted to the System. If State funds from which such deductions may be made are not available, the System may proceed against the school district or other employing unit to recover the amounts of such delinquent payments in the appropriate circuit court.

The System may provide for an audit of the records of a school district or other employing unit, other than the State, as may be required to establish the amounts of required contributions. The school district or other employing unit shall make its records available to the System for the purpose of such audit. The cost of such audit shall be added to the amount of the delinquent payments and shall be recovered by the System from the school district or other employing unit at the same time and in the same manner as the delinquent payments are recovered.

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

(40 ILCS 5/16-158.2 new)

Sec. 16-158.2. Obligations of State; funding guarantee. Beginning July 1, 2013, the State shall be contractually obligated to contribute to the System under Section 16-158 in each State fiscal year an amount not less than the sum of (i) the State's normal cost for that year and (ii) the portion of the unfunded accrued liability assigned to that year by law in accordance with a schedule that distributes payments equitably over a reasonable period of time and in accordance with accepted actuarial practices. The obligations created under this Section are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this Section, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

(40 ILCS 5/16-203)

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

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

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resulting from the changes made to this Article by Public Act 95-910 or this amendatory Act of the 98th 95th General Assembly.

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

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

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

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

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

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

Section A-25. The Illinois Educational Labor Relations Act is amended by changing Sections 4 and 17 as follows:

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

Sec. 4. Employer rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly. To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages, hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

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

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

Sec. 17. Effect on other laws. In case of any conflict between the provisions of this Act and any other law (other than the changes, the impact of changes, and the implementation of the changes made to the Illinois Pension Code by this amendatory Act of the 98th General Assembly), executive order or administrative regulation, the provisions of this Act shall prevail and control. The provisions of this Act are subject to the changes made by this amendatory Act of the 98th General Assembly. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Section 36d of "An Act to create the State Universities Civil Service System", approved May 11, 1905, as amended or modified.

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

Section A-90. The State Mandates Act is amended by adding Section 8.37 as follows:

(30 ILCS 805/8.37 new)

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

Section A-97. Severability and inseverability. The changes made by this Part A to Acts other than the Illinois Pension Code are severable from the other changes made by this Act. The changes made by this Part A to an Article of the Illinois Pension Code are severable from the changes made by this Part A to another Article of the Illinois Pension Code. However, the changes made by this Part A in an Article of the Illinois Pension Code that relate to (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation are mutually dependent and inseverable.

## PART B

Section B-1. The Illinois Pension Code is amended by adding Section 1-103.5 as follows:

(40 ILCS 5/1-103.5 new)

Sec. 1-103.5. Explanation of Senate Bill 1.

(a) Part A of Senate Bill 1 is intended by the General Assembly as a stand-alone reform of certain Articles of this Code, which takes effect upon becoming law. Part B of Senate Bill 1 contains alternative provisions that take effect only if and when a corresponding portion of Part A is determined to be unconstitutional or otherwise invalid or unenforceable.

(b) If one or more of the changes made in Part A to portions of a specific Article of the Illinois Pension Code that are designated as inseverable under Section 97 of Part A are determined to be unconstitutional or otherwise invalid by a final judgment of the Illinois Supreme Court or by a final unappealable judgment of the Illinois Appellate Court or a court of competent jurisdiction, then the invalid provisions of Part A and the provisions of Part A that are inseverable from those provisions shall be superseded by the Sections of Part B that take effect due to that invalidity.

Section B-5. If and only if Section B-30, B-35, B-40, or B-45 of this Part B takes effect, then the Illinois Public Labor Relations Act is amended by changing Sections 4 and 15 as follows:

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

Sec. 4. Management Rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees, examination techniques and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages (but subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code), hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages (but subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code), hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

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

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

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

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

Sec. 15. Act Takes Precedence.

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(a) In case of any conflict between the provisions of this Act and any other law (other than Section 5 of the State Employees Group Insurance Act of 1971 and other than the changes made to the Illinois Pension Code by Public Act 96-889 and the changes, impact of changes, and the implementation of the changes made to the Illinois Pension Code and the State Employees Group Insurance Act of 1971 by this amendatory Act of the 98th 96th General Assembly), executive order or administrative regulation relating to wages, hours and conditions of employment and employment relations, the provisions of this Act or any collective bargaining agreement negotiated thereunder shall prevail and control. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Sections 28 and 28a of the Metropolitan Transit Authority Act, Sections 2.15 through 2.19 of the Regional Transportation Authority Act. The provisions of this Act are subject to the changes made by this amendatory Act of the 98th General Assembly, including Sections 14-106.5, 15-132.9, and 16-122.9 of the Illinois Pension Code, and Section 5 of the State Employees Group Insurance Act of 1971. Nothing in this Act shall be construed to replace the necessity of complaints against a sworn peace officer, as defined in Section 2(a) of the Uniform Peace Officer Disciplinary Act, from having a complaint supported by a sworn affidavit.

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

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

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

Section B-10. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the State Employees Group Insurance Act of 1971 is amended by changing Sections 6.9 and 6.10 and by adding 6.10A as follows:

(5 ILCS 375/6.9)

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

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

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

(c) Eligibility. All community college benefit recipients and community college dependent beneficiaries shall be eligible to participate in the program established under this Section, without any interruption or delay in coverage or limitation as to pre-existing medical conditions. Eligibility to participate shall be determined by the State Universities Retirement System. Eligibility information shall be communicated to the Department of Central Management Services in a format acceptable to the Department.

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

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

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

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program.

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

(1) For a community college benefit recipient, costs shall be an amount equal to the difference between the projected costs of health benefits under the program and projected contributions from community college districts, active contributors, and other income of the program. Other income of the program shall exclude contributions made by the State to retire unpaid claims of the program up to 75% of the total insurance rate shall be paid from the Community College Health Insurance Security Fund.

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

(f) Financing. All revenues arising from the administration of the health benefit program established under this Section shall be deposited into the Community College Health Insurance Security Fund, which is hereby created as a nonappropriated trust fund to be held outside the State Treasury, with the State Treasurer as custodian. Any interest earned on moneys in the Community College Health Insurance Security Fund shall be deposited into the Fund.

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

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

(h) Continuation of program. It is the intention of the General Assembly that the program of health benefits provided under this Section be maintained on an ongoing, affordable basis. The program of health benefits provided under this Section may be amended by the State and is not intended to be a pension or retirement benefit subject to protection under Article XIII, Section 5 of the Illinois Constitution.

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

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

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

(5 ILCS 375/6.10)

Sec. 6.10. Contributions to the Community College Health Insurance Security Fund.

(a) Beginning January 1, 1999, every active contributor of the State Universities Retirement System (established under Article 15 of the Illinois Pension Code) who (1) is a full-time employee of a community college district (other than a community college district subject to Article VII of the Public Community College Act) or an association of community college boards and (2) is not an employee as defined in Section 3 of this Act shall make contributions toward the cost of community college annuitant

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and survivor health benefits at the rate of 0.50% of salary. Beginning with the first State fiscal year to occur after the end of the election period specified in Section 15-132.9, the contribution rate under this subsection (a) shall be 1.25% of salary. Beginning with the second State fiscal year to occur after the end of the election period specified in Section 15-132.9, the contribution rate under this subsection (a) shall be a percentage of salary determined by the Department of Central Management Services, or its successor, by rule, which in each fiscal year shall not exceed 108% of the percentage of salary actually required to be contributed in the previous fiscal year. However, the required contribution rate determined by the Department or its successor under this subsection (a) shall equal the required contribution rate determined by the Department or its successor under subsection (b) of this Section.

These contributions shall be deducted by the employer and paid to the State Universities Retirement System as service agent for the Department of Central Management Services. The System may use the same processes for collecting the contributions required by this subsection that it uses to collect the contributions received from those employees under Section 15-157 of the Illinois Pension Code. An employer may agree to pick up or pay the contributions required under this subsection on behalf of the employee; such contributions shall be deemed to have been paid by the employee.

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

(b) Beginning January 1, 1999, every community college district (other than a community college district subject to Article VII of the Public Community College Act) or association of community college boards that is an employer under the State Universities Retirement System shall contribute toward the cost of the community college health benefits provided under Section 6.9 of this Act an amount equal to 0.50% of the salary paid to its full-time employees who participate in the State Universities Retirement System and are not members as defined in Section 3 of this Act. Beginning with the first State fiscal year to occur after the end of the election period specified in Section 15-132.9, the contribution rate under this subsection (b) shall be 1.25% of salary. Beginning with the second State fiscal year to occur after the end of the election period specified in Section 15-132.9, the contribution rate under this subsection (b) shall be a percentage of salary determined by the Department of Central Management Services, or its successor, by rule, which in each fiscal year shall not exceed 108% of the percentage of salary actually required to be contributed in the previous fiscal year. However, the required contribution rate determined by the Department or its successor under this subsection (b) shall equal the required contribution rate determined by the Department or its successor under subsection (a) of this Section.

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

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

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

(c) On or before November 15 of each year, the Board of Trustees of the State Universities Retirement System shall certify to the Governor, the Director of Central Management Services, and the State Comptroller its estimate of the total amount of contributions to be paid under subsection (a) of this Section for the next fiscal year, except that no certification shall be made under this subsection (c) on or after the effective date of the changes made to this Section by this amendatory Act of the 98th General Assembly. Beginning in fiscal year 2008, the amount certified shall be decreased or increased each year by the amount that the actual active employee contributions either fell short of or exceeded the estimate used by the Board in making the certification for the previous fiscal year. The State Universities Retirement System shall calculate the amount of actual active employee contributions in fiscal years 1999 through 2005. Based upon this calculation, the fiscal year 2008 certification shall include an amount equal to the cumulative amount that the actual active employee contributions either fell short of or exceeded the estimate used by the Board in making the certification for those fiscal years. The certification shall include a detailed explanation of the methods and information that the Board relied upon in preparing its estimate. As soon as possible after the effective date of this Section, the Board shall submit its estimate for fiscal year 1999.

(d) Beginning in fiscal year 1999, on the first day of each month, or as soon thereafter as may be practical, the State Treasurer and the State Comptroller shall transfer from the General Revenue Fund to the Community College Health Insurance Security Fund 1/12 of the annual amount appropriated for that fiscal year to the State Comptroller for deposit into the Community College Health Insurance Security Fund under Section 1.4 of the State Pension Funds Continuing Appropriation Act.

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

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

(5 ILCS 375/6.10A new)

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

Section B-12. If and only if any of the changes made by Part A of this Act to provisions in Article 2, 14, 15, or 16 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the State Employees Group Insurance Act of 1971 is amended by adding Section 6.16 as follows:

(5 ILCS 375/6.16 new)

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

(a) For purposes of this Section:

"Eligible Tier I employee" means, except as provided in subsection (g) of this Section, an individual who makes or is deemed to have made an election under paragraph (1) of subsection (a) of Section 2-110.3, 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code.

"Eligible Tier I retiree" means, except as provided in subsection (g) of this Section, an individual who makes or is deemed to have made an election under paragraph (1) of subsection (a-5) of Section 2-110.3, 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code.

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

(b) As adequate and legal consideration for making the election under paragraph (1) of subsection (a) or (a-5) of Section 2-110.3, 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code, as the case may be, each eligible Tier I employee and each eligible Tier I retiree shall receive a vested and enforceable contractual right to participate in a program of health benefits while he or she qualifies as an annuitant or retired employee. That right also extends to such a person's dependents and survivors who are eligible under the applicable program of health benefits.

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

(d) The vested and enforceable contractual right to a program of health benefits is not offered as, and

shall not be considered, a pension or retirement benefit under Article XIII, Section 5 of the Illinois Constitution, the Illinois Pension Code, or any subsequent or successor enactment providing pension benefits.

(e) Notwithstanding any other provision of this Act to the contrary, except subsection (g) of this Section, a Tier I employee or Tier I retiree who has made an election under paragraph (2) of subsection (a) or (a-5) of Section 2-110.3, 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code, as the case may be, shall not be entitled to participate in any program of health benefits under this Act as an annuitant or retired employee receiving a retirement annuity, regardless of any contrary election pursuant to any of those Sections under any other retirement system.

Notwithstanding any other provision of this Act to the contrary, except subsection (g) of this Section, a Tier I employee who is not entitled to participate in the program of health benefits as an annuitant or retired employee receiving a retirement annuity, due to an election under paragraph (2) of subsection (a) or (a-5) of Section 2-110.3, 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code, as the case may be, shall not be required to make contributions toward the program of health benefits while he or she is an employee or active contributor. However, an active employee may be required to make contributions toward health benefits he or she receives during active service.

(f) The Department shall coordinate with each retirement system administering an election in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the election of health benefits. Each System shall include information prepared by the Department in the required election packet. The Department shall make information available to Tier I employees and Tier I retirees through video materials, group presentations, consultation by telephone or other electronic means, or any combination of these methods.

(g) Nothing in this Section shall be construed as applying to a person who is eligible to make or who made the election under Section 15-135.1 of the Illinois Pension Code.

Section B-15. If and only if Section B-30, B-35, B-40, or B-45 of this Part B takes effect, then the Governor's Office of Management and Budget Act is amended by changing Sections 7 and 8 as follows:  
(20 ILCS 3005/7) (from Ch. 127, par. 417)

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

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

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

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

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

~~approved June 10, 1919, as amended.~~

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

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

Section B-20. If and only if Section B-30, B-35, B-40, or B-45 of this Part B takes effect, then the State Finance Act is amended by changing Section 13 and by adding Sections 24.12 and 24.13 as follows:

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

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

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

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

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

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

(30 ILCS 105/24.12 new)

Sec. 24.12. "State retirement contribution for annual normal cost" defined. The term "State retirement contribution for annual normal cost" means the portion of the total required State contribution to a retirement system for a fiscal year that represents the State's portion of the System's projected normal cost for that fiscal year, as determined and certified by the board of trustees of the retirement system in conformance with the applicable provisions of the Illinois Pension Code.

(30 ILCS 105/24.13 new)

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

Section B-22. If and only if Section A-15 is declared to be unconstitutional or otherwise invalid, then the Budget Stabilization Act is amended by changing Sections 20 and 25 as follows:

(30 ILCS 122/20)

Sec. 20. Pension Stabilization Fund.

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

(b) For each fiscal year when the General Assembly's appropriations and transfers or diversions as

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

(c) For each fiscal year through State fiscal year 2013, when the General Assembly's appropriations and transfers or diversions as required by law from general funds do not exceed 98% of the estimated general funds revenues pursuant to subsection (b) of Section 10, the Comptroller shall transfer from the General Revenue Fund as provided by this Section a total amount equal to 1.0% of the estimated general funds revenues to the Pension Stabilization Fund.

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

(c-15) The transfers made pursuant to subsection (c-10) of this Section shall continue through State fiscal year 2045 or until each of the designated retirement systems, as defined in Section 25, has achieved the funding ratio prescribed by law for that retirement system, whichever occurs first.

(d) The Comptroller shall transfer 1/12 of the total amount to be transferred each fiscal year under this Section into the Pension Stabilization Fund on the first day of each month of that fiscal year or as soon thereafter as possible; except that the final transfer of the fiscal year shall be made as soon as practical after the August 31 following the end of the fiscal year.

Until State fiscal year 2014, before ~~Before~~ the final transfer for a fiscal year is made, the Comptroller shall reconcile the estimated general funds revenues used in calculating the other transfers under this Section for that fiscal year with the actual general funds revenues for that fiscal year. The final transfer for the fiscal year shall be adjusted so that the total amount transferred under this Section for that fiscal year is equal to the percentage specified in subsection (b) or (c) of this Section, whichever is applicable, of the actual general funds revenues for that fiscal year. The actual general funds revenues for the fiscal year shall be calculated in a manner consistent with subsection (c) of Section 10 of this Act.

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

(30 ILCS 122/25)

Sec. 25. Transfers from the Pension Stabilization Fund.

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

- (1) the State Employees' Retirement System of Illinois;
- (2) the Teachers' Retirement System of the State of Illinois;
- (3) the State Universities Retirement System;
- (4) the Judges Retirement System of Illinois; and
- (5) the General Assembly Retirement System.

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

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

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

Payments to the designated retirement systems under this Section, transferred after the effective date of this amendatory Act of the 98th General Assembly, do not reduce and do not constitute payment of any portion of the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contribution under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code in any future year, until the designated retirement system has received payment of contributions pursuant to this Act.

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

Section B-25. If and only if Section B-35, B-40, or B-45 of this Part B takes effect, then the Illinois Pension Code is amended by adding Section 1-162 as follows:

(40 ILCS 5/1-162 new)

Sec. 1-162. Optional cash balance plan.

(a) Participation and Applicability. Beginning 12 months after the effective date of this Section, any Tier I employee who has made the election under paragraph (1) of subsection (a) or (a-5) of Section 14-106.5, 15-132.9, or 16-122.9 may elect to participate in the optional cash balance plan created under this Section.

The Board of Trustees of the applicable retirement system shall promulgate rules to create an annual election wherein a person eligible to participate in the optional cash balance plan may elect to participate, and an active employee who is a participant in the plan may elect to cease active participation. The election to cease active participation shall not disqualify the employee from eligibility to receive an interest credit under subsection (f), a distribution upon termination under subsection (f-10), a refund under subsection (f-15), a retirement annuity under subsection (g), or a survivor's annuity under subsection (k), or from eligibility to resume active participation in the optional cash balance plan in a subsequent year.

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

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

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

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

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

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

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

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

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

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

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

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

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credit shall be credited while an annuity based on the account is being paid. The interest credit amount shall be a percentage of the average quarterly balance in the cash balance account during that fiscal year, and shall be calculated on June 30.

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

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

(i) the assumed treasury rate, plus

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (1) minimum service or vesting requirements (other than as provided in this Section);
- (2) provisions limiting a retirement annuity to a specified percentage of salary;
- (3) provisions authorizing a minimum retirement or survivor's annuity or a supplemental annuity;
- (4) provisions authorizing any form of retirement annuity or survivor's annuity not authorized under this Section;
- (5) provisions authorizing a reversionary annuity (other than the survivor's annuity under subsection (g));
- (6) provisions authorizing a refund of employee contributions upon termination of service (other than upon the death of the participant without an eligible survivor) or any lump-sum payout in lieu of a retirement or survivor's annuity (other than the distribution under subsection (f-10) or the refund under subsection (f-15) of this Section;
- (7) provisions authorizing optional service credits or the payment of optional additional contributions (other than the optional employer contributions specifically authorized in this Section); or
- (8) a level income option.

The Retirement Systems Reciprocal Act (Article 20 of this Code) does not apply to participation in the

optional cash balance plan and does not affect the calculation of benefits payable under this Section.

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

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

(o) Actual Employer Contributions. Payment of employer contributions with respect to participants in the optional cash balance plan shall be the responsibility of the actual employer. Optional additional contributions by employers may be paid in any amount, but must be paid in the manner specified by the applicable retirement system.

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

(q) Qualified Plan Status. No provision of this Section shall be interpreted in a way that would cause the applicable retirement system to cease to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986.

Section B-28. If and only if any of the changes made in Part A of this Act to Sections 2-101, 2-105, or 2-107 of the Illinois Pension Code are declared to be unconstitutional or otherwise invalid, then the Illinois Pension Code is amended by changing Sections 2-101, 2-105, and 2-107 as follows:

(40 ILCS 5/2-101) (from Ch. 108 1/2, par. 2-101)

Sec. 2-101. Creation of system. A retirement system is created to provide retirement annuities, survivor's annuities and other benefits for certain members of the General Assembly, certain elected state officials, and their beneficiaries.

The system shall be known as the "General Assembly Retirement System". All its funds and property shall be a trust separate from all other entities, maintained for the purpose of securing payment of annuities and benefits under this Article.

Participation in the retirement system created under this Article is restricted to persons who become participants before January 1, 2014. Beginning on that date, the System shall not accept any new participants.

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

(40 ILCS 5/2-105) (from Ch. 108 1/2, par. 2-105)

Sec. 2-105. Member. "Member": Members of the General Assembly of this State, including persons who enter military service while a member of the General Assembly, and any person serving as Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, or Attorney General for the period of service in such office.

Any person who has served for 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate, or any combination thereof, may elect to become a member of this system while thenceforth engaged in such service by filing a written election with the board. Any person so electing shall be deemed an active member of the General Assembly for the purpose of validating and transferring any service credits earned under any of the funds and systems established under Articles 3 through 18 of this Code.

However, notwithstanding any other provision of this Article, a person shall not be deemed a member for the purposes of this Article unless he or she became a participant of the System before January 1, 2014.

(Source: P.A. 85-1008.)

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

Sec. 2-107. Participant. "Participant": Any member who elects to participate; and any former member who elects to continue participation under Section 2-117.1, for the duration of such continued participation. However, notwithstanding any other provision of this Article, a person shall not be deemed a participant for the purposes of this Article unless he or she became a participant of the System before January 1, 2014.

(Source: P.A. 86-1488.)

Section B-30. If and only if any of the changes made by Part A of this Act to provisions in Article 2 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings,

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or compensation is declared to be unconstitutional or otherwise invalid, then the Illinois Pension Code is amended by changing Sections 2-108, 2-119.1, 2-125, 2-134, and 2-162 and adding Sections 2-105.1, 2-105.2, 2-107.9, and 2-110.3 as follows:

(40 ILCS 5/2-105.1 new)

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

(40 ILCS 5/2-105.2 new)

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

(40 ILCS 5/2-107.9 new)

Sec. 2-107.9. Future increase in income. "Future increase in income": Any increase in income in any form offered for service as a member under this Article after the end of the election period specified in Section 2-110.3 that would qualify as "salary", as defined in Section 2-108, but for the fact that the increase in income was offered to the member on the condition that it not qualify as salary and was accepted by the member subject to that condition.

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

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

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

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

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

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

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

(40 ILCS 5/2-110.3 new)

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

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a) shall be made by each Tier I employee no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I employee under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a) within 60 days after becoming a Tier I employee;

(ii) a person who returns to active service as a Tier I employee under this Article later than 6 months after the effective date of this Section and has not yet made an election under this Section must make the election under this subsection (a) within 60 days after returning to active service as a Tier I employee; and

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

If a Tier I employee fails for any reason to make a required election under this subsection within the

time specified, then the employee shall be deemed to have made the election under paragraph (2) of this subsection.

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a-5) shall be made by each Tier I retiree no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I retiree under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a-5) within 60 days after becoming a Tier I retiree; and

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

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

(a-10) All elections under subsection (a) or (a-5) that are made or deemed to be made within 11 months after the effective date of this Section shall take effect 12 months after the effective date of this Section. Elections that are made or deemed to be made more than 11 months after the effective date of this Section shall take effect on the first day of the month following the month in which the election is made or deemed to be made.

(b) As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a) of this Section, any future increases in income offered for service as a member under this Article to a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall be offered expressly and irrevocably as constituting salary under Section 2-108.

As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a-5) of this Section, any future increases in income offered for service as a member under this Article to a Tier I retiree who returns to active service after having made the election under paragraph (1) of subsection (a-5) of this Section shall be offered expressly and irrevocably as constituting salary under Section 2-108.

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

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

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

Tier I employees and Tier I retirees who are subject to this Section shall be provided with an election packet containing information regarding their options, as well as the forms necessary to make the required election. Upon request, the System shall offer Tier I employees and Tier I retirees an opportunity to receive information from the System before making the required election. The

information may be provided through video materials, group presentations, individual consultation with a member or authorized representative of the System in person or by telephone or other electronic means, or any combination of those methods. The System shall not provide advice or counseling with respect to which election a Tier I employee or Tier I retiree should make or specific to the legal or tax circumstances of or consequences to the Tier I employee or Tier I retiree.

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

In no event shall the System, its staff, or the Board be held liable for any information given to a member, beneficiary, or annuitant regarding the elections under this Section. The System shall coordinate with the Illinois Department of Central Management Services and each other retirement system administering an election in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the election set forth in this Section.

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

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

(g) No provision of this Section shall be interpreted in a way that would cause the System to cease to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986.

(h) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I employees but not as applied to Tier I retirees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I employees but shall remain in full effect for Tier I retirees.

(i) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I retirees but not as applied to Tier I employees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I retirees but shall remain in full effect for Tier I employees.

(j) If an election created by this amendatory Act in any other Article of this Code or any change deriving from that election is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction, the invalidity of that provision shall not in any way affect the validity of this Section or the changes deriving from the election required under this Section.

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

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

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

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



average, all items, 1982-84 = 100.

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) If at least 50% of Tier I employees making an election under Section 2-110.3 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated to contribute to the System in each State fiscal year an amount not less than the sum required in Section 2-124 as that Section existed prior to the

effective date of this amendatory Act of the 98th General Assembly notwithstanding the changes made to Section 2-124 by Part A of this amendatory Act of the 98th General Assembly.

If at least 50% of Tier I employees making an election under Section 2-110.3 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated (i) to make the transfer identified in subsection (c-10) of Section 20 of the Budget Stabilization Act, (ii) to apportion the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act among the designated retirement systems in the same proportion as their respective portions of the total actuarial reserve deficiency of the designated retirement systems, as most recently determined by the Governor's Office of Management and Budget, and (iii) not to use the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act to satisfy any portion of the required State contributions due under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code.

The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

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

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

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

On or before January 15, 2013 and every January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-7) On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

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

On or before April 1, 2011, the Board shall recalculate and recertify to the Governor the amount of the

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required State contribution to the System for State fiscal year 2011, applying the changes made by Public Act 96-889 to the System's assets and liabilities as of June 30, 2009 as though Public Act 96-889 was approved on that date.

(b) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (d) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year. If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

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

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

(40 ILCS 5/2-162)

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

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

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

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

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

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

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

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

Section B-35. If and only if any of the changes made by Part A of this Act to provisions in Article 14

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of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Illinois Pension Code is amended by changing Sections 14-103.10, 14-114, 14-132, 14-133, 14-135.08, and 14-152.1 and by adding Sections 14-103.40, 14-103.41, 14-103.42, and 14-106.5 as follows:

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

Sec. 14-103.10. Compensation.

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/14-103.40 new)

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

(40 ILCS 5/14-103.41 new)

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

(40 ILCS 5/14-103.42 new)

Sec. 14-103.42. Future increase in income. "Future increase in income": Any increase in income in any form offered by a department to an employee under this Article after the end of the election period in Section 14-106.5 that would qualify as "compensation", as defined in Section 14-103.10, but for the fact that the department offered the increase in income to the employee on the condition that it not qualify as compensation and the employee accepted the increase in income subject to that condition. The

term "future increase in income" does not include an increase in income in any form that is paid to a Tier I employee under an employment contract or collective bargaining agreement that is in effect on the effective date of this Section but does include an increase in income in any form pursuant to an extension, amendment, or renewal of any such employment contract or collective bargaining agreement on or after the effective date of this amendatory Act of the 98th General Assembly.

(40 ILCS 5/14-106.5 new)

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

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a) shall be made by each Tier I employee no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I employee under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a) within 60 days after becoming a Tier I employee;

(ii) a person who returns to active service as a Tier I employee under this Article later than 6 months after the effective date of this Section and has not yet made an election under this Section must make the election under this subsection (a) within 60 days after returning to active service as a Tier I employee; and

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

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

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a-5) shall be made by each Tier I retiree no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I retiree under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a-5) within 60 days after becoming a Tier I retiree; and

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

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

(a-10) All elections under subsection (a) or (a-5) that are made or deemed to be made within 11 months after the effective date of this Section shall take effect 12 months after the effective date of this Section. Elections that are made or deemed to be made more than 11 months after the effective date of this Section shall take effect on the first day of the month following the month in which the election is made or deemed to be made.

(b) As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a) of this Section, any future increases in income offered by a department under this Article to a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall be offered expressly and irrevocably as constituting compensation under Section 14-103.10. In addition, a Tier I employee who has made the

election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162.

As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a-5) of this Section, any future increases in income offered by a department under this Article to a Tier I retiree who returns to active service after having made the election under paragraph (1) of subsection (a-5) of this Section shall be offered expressly and irrevocably as constituting compensation under Section 14-103.10. In addition, a Tier I retiree who returns to active service and has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162.

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

A Tier I retiree who makes the election under paragraph (2) of subsection (a-5) of this Section shall not be subject to items (i) and (ii) set forth in paragraph (1) of subsection (a-5) of this Section. However, any future increases in income offered by a department under this Article to a Tier I retiree who returns to active service and has made the election under paragraph (2) of subsection (a-5) of this Section shall be offered by the department expressly and irrevocably as not constituting compensation under Section 14-103.10, and the employee may not accept any future increase in income that is offered in violation of this requirement. In addition, a Tier I retiree who returns to active service and has made the election under paragraph (2) of subsection (a) of this Section shall not receive the right to participate in the optional cash balance plan established under Section 1-162.

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

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

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

In no event shall the System, its staff, or the Board be held liable for any information given to a member, beneficiary, or annuitant regarding the elections under this Section. The System shall coordinate with the Illinois Department of Central Management Services and each other retirement system administering an election in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the election set forth in this Section.

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

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

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

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

(h) No provision of this Section shall be interpreted in a way that would cause the System to cease to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986.

(i) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I employees but not as applied to Tier I retirees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I employees but shall remain in full effect for Tier I retirees.

(j) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I retirees but not as applied to Tier I employees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I retirees but shall remain in full effect for Tier I employees.

(k) If an election created by this amendatory Act in any other Article of this Code or any change deriving from that election is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction, the invalidity of that provision shall not in any way affect the validity of this Section or the changes deriving from the election required under this Section.

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

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

(a) Subject to the provisions of subsections (a-1) and (a-2), any ~~any~~ person receiving a retirement annuity under this Article who retires having attained age 60, or who retires before age 60 having at least 35 years of creditable service, or who retires on or after January 1, 2001 at an age which, when added to the number of years of his or her creditable service, equals at least 85, shall, on January 1 next following the first full year of retirement, have the amount of the then fixed and payable monthly retirement annuity increased 3%. Any person receiving a retirement annuity under this Article who retires before attainment of age 60 and with less than (i) 35 years of creditable service if retirement is before January 1, 2001, or (ii) the number of years of creditable service which, when added to the member's age, would equal 85, if retirement is on or after January 1, 2001, shall have the amount of the fixed and payable retirement annuity increased by 3% on the January 1 occurring on or next following (1) attainment of age 60, or (2) the first anniversary of retirement, whichever occurs later. However, for persons who receive the alternative retirement annuity under Section 14-110, references in this subsection (a) to attainment of age 60 shall be deemed to refer to attainment of age 55. For a person receiving early retirement incentives under Section 14-108.3 whose retirement annuity began after January 1, 1992 pursuant to an extension granted under subsection (e) of that Section, the first anniversary of retirement shall be deemed to be January 1, 1993. For a person who retires on or after June 28, 2001 and on or before October 1, 2001, and whose retirement annuity is calculated, in whole or in part, under Section 14-110 or subsection (g) or (h) of Section 14-108, the first anniversary of retirement shall be deemed to be January 1, 2002.

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

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

(a-1) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 14-106.5, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of that election shall be 3% or one-half of the annual unadjusted percentage increase, if any, in the Consumer Price Index-U for the 12 months ending with the preceding September, whichever is less, of the originally granted retirement annuity. For the purposes of this Section, "Consumer Price Index-U" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100.

(a-2) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who

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made the election under paragraph (1) of subsection (a) or (a-5) of Section 14-106.5, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after either the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of the election under paragraph (1) of subsection (a-5) of Section 14-106.5 a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

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

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

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

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

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

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

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

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

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

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

(c) If at least 50% of Tier I employees making an election under Section 14-106.5 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated to contribute to the System in each State fiscal year an amount not less than the sum required in Section 14-131 as that Section existed prior to the effective date of this amendatory Act of the 98th General Assembly notwithstanding the changes made to Section 14-131 by Part A of this amendatory Act of the 98th General Assembly.

If at least 50% of Tier I employees making an election under Section 2-110.3 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated (i) to make the transfer identified in subsection (c-10) of Section 20 of the Budget Stabilization Act, (ii) to apportion the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act among the designated retirement systems in the same proportion as their respective portions of the total actuarial reserve deficiency of the designated retirement systems, as most recently determined by the Governor's Office of Management and Budget, and (iii) not to use the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act to satisfy any portion of the required State contributions due under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code.

The obligations created under this subsection (c) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of

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Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

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

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

- (1) Covered employees, except as indicated below, 3.5% for retirement annuity, and 0.5% for a widow or survivors annuity;
- (2) Noncovered employees, except as indicated below, 7% for retirement annuity and 1% for a widow or survivors annuity;
- (3) Noncovered employees serving in a position in which "eligible creditable service" as defined in Section 14-110 may be earned, 1% for a widow or survivors annuity plus the following amount for retirement annuity: 8.5% through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5% in 2004 and thereafter;

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

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

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

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

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

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

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

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

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

(a-5) On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial

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assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions.

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

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

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

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

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

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

(40 ILCS 5/14-152.1)

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

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

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

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

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

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which the certification is made.

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

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

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

Section B-40. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Illinois Pension Code is amended by changing Sections 15-111, 15-136, 15-156, 15-157, 15-163, 15-165, and 15-198 and by adding Sections 15-108.1, 15-108.2, 15-112.1, and 15-132.9 as follows:

(40 ILCS 5/15-108.1 new)

Sec. 15-108.1. Tier I employee. "Tier I employee": An employee under this Article, other than a participant in the self-managed plan under Section 15-158.2, who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/15-108.2 new)

Sec. 15-108.2. Tier I retiree. "Tier I retiree": A former Tier I employee who is receiving a retirement annuity.

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

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

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

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

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

Notwithstanding any other provision of this Section, "earnings" does not include any future increase in income offered by an employer under this Article pursuant to the requirements of subsection (c) of Section 15-132.9 that is accepted by a Tier I employee, or a Tier I retiree returning to active service, who has made an election under paragraph (2) of subsection (a) or (a-5) of Section 15-132.9.

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

(40 ILCS 5/15-112.1 new)

Sec. 15-112.1. Future increase in income. "Future increase in income": Any increase in income in any form offered by an employer to an employee under this Article after the end of the election period in Section 15-132.9 that would qualify as "earnings", as defined in Section 15-111, but for the fact that the employer offered the increase in income to the employee on the condition that it not qualify as earnings

and the employee accepted the increase in income subject to that condition. The term "future increase in income" does not include an increase in income in any form that is paid to a Tier I employee under an employment contract or collective bargaining agreement that is in effect on the effective date of this Section but does include an increase in income in any form pursuant to an extension, amendment, or renewal of any such employment contract or collective bargaining agreement on or after the effective date of this amendatory Act of the 98th General Assembly.

(40 ILCS 5/15-132.9 new)

Sec. 15-132.9. Election by Tier I employees and Tier I retirees.

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a) shall be made by each Tier I employee no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I employee under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a) within 60 days after becoming a Tier I employee;

(ii) a person who returns to active service as a Tier I employee under this Article later than 6 months after the effective date of this Section and has not yet made an election under this Section must make the election under this subsection (a) within 60 days after returning to active service as a Tier I employee; and

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

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

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

(1) to agree to the following:

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

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

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

The election required under this subsection (a-5) shall be made by each Tier I retiree no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I retiree under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a-5) within 60 days after becoming a Tier I retiree; and

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

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

(a-10) All elections under subsection (a) or (a-5) that are made or deemed to be made within 11 months after the effective date of this Section shall take effect 12 months after the effective date of this Section. Elections that are made or deemed to be made more than 11 months after the effective date of this Section shall take effect on the first day of the month following the month in which the election is made or deemed to be made.

(b) As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a) of this Section, any future increases in income offered by an employer under this Article to a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall be offered expressly and irrevocably

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as constituting earnings under Section 15-111. In addition, a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162.

As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a-5) of this Section, any future increases in income offered by an employer under this Article to a Tier I retiree who returns to active service after having made the election under paragraph (1) of subsection (a-5) of this Section shall be offered expressly and irrevocably as constituting earnings under Section 15-111. In addition, a Tier I retiree who returns to active service and has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162.

(c) A Tier I employee who makes the election under paragraph (2) of subsection (a) of this Section shall not be subject to items (i) and (ii) set forth in paragraph (1) of subsection (a) of this Section. However, any future increases in income offered by an employer under this Article to a Tier I employee who has made the election under paragraph (2) of subsection (a) of this Section shall be offered by the employer expressly and irrevocably as not constituting earnings under Section 15-111, and the employee may not accept any future increase in income that is offered in violation of this requirement. In addition, a Tier I employee who has made the election under paragraph (2) of subsection (a) of this Section shall not receive the right to participate in the optional cash balance plan established under Section 1-162.

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

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

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

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

In no event shall the System, its staff, or the Board be held liable for any information given to a member, beneficiary, or annuitant regarding the elections under this Section. The System shall coordinate with the Illinois Department of Central Management Services and each other retirement system administering an election in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the election set forth in this Section.

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

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

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

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

(h) No provision of this Section shall be interpreted in a way that would cause the System to cease to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986.

(i) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I employees but not as applied to Tier I retirees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I employees but shall remain in full effect for Tier I retirees.

(j) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I retirees but not as applied to Tier I employees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I retirees but shall remain in full effect for Tier I employees.

(k) If an election created by this amendatory Act in any other Article of this Code or any change deriving from that election is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction, the invalidity of that provision shall not in any way affect the validity of this Section or the changes deriving from the election required under this Section.

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

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

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

Rule 1: The retirement annuity shall be 1.67% of final rate of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service.

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

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

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

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

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

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

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

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

Rule 3: The retirement annuity of a participant who is employed at least one-half time during the period on which his or her final rate of earnings is based, shall be equal to the participant's years of

service not to exceed 30, multiplied by (1) \$96 if the participant's final rate of earnings is less than \$3,500, (2) \$108 if the final rate of earnings is at least \$3,500 but less than \$4,500, (3) \$120 if the final rate of earnings is at least \$4,500 but less than \$5,500, (4) \$132 if the final rate of earnings is at least \$5,500 but less than \$6,500, (5) \$144 if the final rate of earnings is at least \$6,500 but less than \$7,500, (6) \$156 if the final rate of earnings is at least \$7,500 but less than \$8,500, (7) \$168 if the final rate of earnings is at least \$8,500 but less than \$9,500, and (8) \$180 if the final rate of earnings is \$9,500 or more, except that the annuity for those persons having made an election under Section 15-154(a-1) shall be calculated and payable under the portable retirement benefit program pursuant to the provisions of Section 15-136.4.

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

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

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

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

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

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

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

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

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

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

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

The General Assembly has adopted the changes set forth in Section 25 of this amendatory Act of the 91st General Assembly in recognition that the decision of the Appellate Court for the Fourth District in *Mattis v. State Universities Retirement System et al.* might be deemed to give some right to the plaintiff

in that case. The changes made by Section 25 of this amendatory Act of the 91st General Assembly are a legislative implementation of the decision of the Appellate Court for the Fourth District in *Mattis v. State Universities Retirement System et al.* with respect to that plaintiff.

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

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

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

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

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

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

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

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

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

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

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

(d-1) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 15-132.9, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of that election shall be 3% or one-half of the annual unadjusted percentage increase, if any, in the Consumer Price Index-U for the 12 months ending with the preceding September, whichever is less, of the originally granted retirement annuity. For the purposes of this Section, "Consumer Price Index-U" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100.

(d-2) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 15-132.9, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after either the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of the election under paragraph (1) of subsection (a-5) of Section 15-132.9 a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I



retiree meets the new eligibility requirements.

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

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

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

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

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

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

(40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

Sec. 15-156. Obligations of State; funding guarantees.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses in connection with the administration and operation thereof are obligations of the State of Illinois to the extent specified in this Article. The accumulated employee normal, additional and survivors insurance contributions credited to the accounts of active and inactive participants shall not be used to pay the State's share of the obligations.

(b) If at least 50% of Tier I employees making an election under Section 15-132.9 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated to contribute to the System in each State fiscal year an amount not less than the sum required in Section 15-155 as that Section existed prior to the effective date of this amendatory Act of the 98th General Assembly notwithstanding the changes made to Section 15-155 by Part A of this amendatory Act of the 98th General Assembly.

If at least 50% of Tier I employees making an election under Section 15-132.9 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated (i) to make the transfer identified in subsection (c-10) of Section 20 of the Budget Stabilization Act, (ii) to apportion the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act among the designated retirement systems in the same proportion as their respective portions of the total actuarial reserve deficiency of the designated retirement systems, as most recently determined by the Governor's Office of Management and Budget, and (iii) not to use the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act to satisfy any portion of the required State contributions due under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code.

The obligations created under this subsection (b) are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount

guaranteed under this subsection, the System may bring a mandamus action in the Circuit Court of Sangamon or Champaign County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

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

Sec. 15-157. Employee Contributions.

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

Each participant who is a police officer or firefighter shall make normal contributions of 8% of each payment of earnings applicable to employment as a police officer or firefighter under this system on or after September 1, 1981, unless he or she files with the board within 60 days after the effective date of this amendatory Act of 1991 or 60 days after the board receives notice that he or she is employed as a police officer or firefighter, whichever is later, a written notice waiving the retirement formula provided by Rule 4 of Section 15-136. This waiver shall be irrevocable. If a participant had met the conditions set forth in Section 15-136.1 prior to the effective date of this amendatory Act of 1991 but failed to make the additional normal contributions required by this paragraph, he or she may elect to pay the additional contributions plus compound interest at the effective rate. If such payment is received by the board, the service shall be considered as police officer service in calculating the retirement annuity under Rule 4 of Section 15-136. While performing service described in clause (i) or (ii) of Rule 4 of Section 15-136, a participating employee shall be deemed to be employed as a firefighter for the purpose of determining the rate of employee contributions under this Section.

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

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

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

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

(e) That fraction of a participant's total accumulated normal contributions, the numerator of which is

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equal to the number of years of service in excess of that which is required to qualify for the maximum retirement annuity, and the denominator of which is equal to the total service of the participant, shall be considered as accumulated additional contributions. The determination of the applicable maximum annuity and the adjustment in contributions required by this provision shall be made as of the date of the participant's retirement.

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

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

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

(40 ILCS 5/15-163) (from Ch. 108 1/2, par. 15-163)

Sec. 15-163. To consider applications and authorize payments.

To consider and pass on all certifications of employment and applications for annuities and benefits; to authorize the granting of annuities and benefits; and to limit or suspend any payment or payments, all in accordance with this Article.

(Source: Laws 1963, p. 161.)

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year ~~through until~~ November 15, 2011 the appropriation required from State funds for the purposes of this System for the following fiscal year. The certification under this subsection (a) shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year.~~

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

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

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

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

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year. The Board's certification must note, in a written response to the State Actuary, any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(b) The Board shall certify to the State Comptroller or employer, as the case may be, from time to time, by its president and secretary, with its seal attached, the amounts payable to the System from the various funds.

(c) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective

date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (b) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(d) So long as the payments received are the full amount lawfully vouchered under this Section, payments received by the System under this Section shall be applied first toward the employer contribution to the self-managed plan established under Section 15-158.2. Payments shall be applied second toward the employer's portion of the normal costs of the System, as defined in subsection (f) of Section 15-155. The balance shall be applied toward the unfunded actuarial liabilities of the System.

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).

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

(40 ILCS 5/15-198)

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

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

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

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

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

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

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

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

Section B-45. If and only if any of the changes made by Part A of this Act to provisions in Article 16 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Illinois Pension Code is amended by changing Sections 16-121, 16-133.1, 16-133.6, 16-136.1, 16-152, and 16-203 and by adding Sections 16-107.1, 16-107.2, 16-121.1, 16-122.9, 16-133.6, and 16-158.2 as follows:

(40 ILCS 5/16-107.1 new)

Sec. 16-107.1. Tier I employee. "Tier I employee": An employee under this Article who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/16-107.2 new)

Sec. 16-107.2. Tier I retiree. "Tier I retiree": A former Tier I employee who is receiving a retirement annuity.

(40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

Sec. 16-121. Salary. "Salary": The actual compensation received by a teacher during any school year and recognized by the system in accordance with rules of the board. For purposes of this Section, "school year" includes the regular school term plus any additional period for which a teacher is compensated and such compensation is recognized by the rules of the board.

Notwithstanding any other provision of this Section, "salary" does not include any future increase in income offered by an employer under this Article pursuant to the requirements of subsection (c) of Section 16-122.9 that is accepted by a Tier I employee, or a Tier I retiree returning to active service, who has made an election under paragraph (2) of subsection (a) or (a-5) of Section 16-122.9.

(Source: P.A. 84-1028.)

(40 ILCS 5/16-121.1 new)

Sec. 16-121.1. Future increase in income. "Future increase in income": Any increase in income in any form offered by an employer to a teacher under this Article after the end of the election period in Section 16-122.9 that would qualify as "salary", as defined in Section 16-121, but for the fact that the department offered the increase in income to the employee on the condition that it not qualify as compensation and the employee accepted the increase in income subject to that condition. The term "future increase in income" does not include an increase in income in any form that is paid to a Tier I employee under an employment contract or collective bargaining agreement that is in effect on the effective date of this Section but does include an increase in income in any form pursuant to an extension, amendment, or renewal of any such employment contract or collective bargaining agreement on or after the effective date of this amendatory Act of the 98th General Assembly.

(40 ILCS 5/16-122.9 new)

Sec. 16-122.9. Election by Tier I employees.

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

(1) to agree to the following:

(i) to have the amount of the automatic annual increases in his or her retirement annuity that are otherwise provided for in this Article calculated, instead, as provided in subsection (a-1) of Section 16-133.1 or subsection (b-1) of Section 16-136.1, whichever is applicable; and

(ii) to have his or her eligibility for automatic annual increases in retirement annuity postponed as provided in subsection (a-2) of Section 16-133.1 or subsection (b-2) of Section 16-136.1, whichever is applicable; or

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

The election required under this subsection (a) shall be made by each Tier I employee no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I employee under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a) within 60 days after becoming a Tier I employee; and

(ii) a person who returns to active service as a Tier I employee under this Article later than 6 months after the effective date of this Section and has not yet made an election under this Section must make the election under this subsection (a) within 60 days after returning to active service as a Tier I employee; and

(iii) a person who made the election under subsection (a-5) as a Tier I retiree remains bound by that

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election and shall not make a later election under this subsection (a).

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

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

(1) to agree to the following:

(i) to have the amount of the automatic annual increases in his or her retirement annuity that are otherwise provided for in this Article calculated, instead, as provided in subsection (a-1) of Section 16-133.1 or subsection (b-1) of Section 16-136.1, whichever is applicable; and

(ii) to have his or her eligibility for automatic annual increases in retirement annuity postponed as provided in subsection (a-2) of Section 16-133.1 or subsection (b-2) of Section 16-136.1, whichever is applicable; or

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

The election required under this subsection (a-5) shall be made by each Tier I retiree no earlier than 6 months after the effective date of this Section and no later than 11 months after the effective date of this Section, except that:

(i) a person who becomes a Tier I retiree under this Article later than 6 months after the effective date of this Section must make the election under this subsection (a-5) within 60 days after becoming a Tier I retiree; and

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

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

(a-10) All elections under subsection (a) that are made or deemed to be made within 11 months after the effective date of this Section shall take effect 12 months after the effective date of this Section. Elections that are made or deemed to be made more than 11 months after the effective date of this Section shall take effect on the first day of the month following the month in which the election is made or deemed to be made.

(b) As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a) of this Section, any future increases in income offered by an employer under this Article to a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall be offered expressly and irrevocably as constituting salary under Section 16-121. In addition, a Tier I employee who has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162. Finally, a Tier I employee, other than a Tier I retiree returning to active service as a Tier I employee, who has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to the early retirement without discount option under Section 16-133.6.

As adequate and legal consideration provided under this amendatory Act of the 98th General Assembly for making the election under paragraph (1) of subsection (a-5) of this Section, any future increases in income offered by an employer under this Article to a Tier I retiree who returns to active service after having made the election under paragraph (1) of subsection (a-5) of this Section shall be offered expressly and irrevocably as constituting salary under Section 16-121. In addition, a Tier I retiree who returns to active service and has made the election under paragraph (1) of subsection (a) of this Section shall receive the right to also participate in the optional cash balance plan established under Section 1-162.

(c) A Tier I employee who makes the election under paragraph (2) of subsection (a) of this Section shall not be subject to items (i) and (ii) set forth in paragraph (1) of subsection (a) of this Section. However, any future increases in income offered by an employer under this Article to a Tier I employee who has made the election under paragraph (2) of subsection (a) of this Section shall be offered by the employer expressly and irrevocably as not constituting salary under Section 16-121, and the employee may not accept any future increase in income that is offered in violation of this requirement. In addition, a Tier I employee who has made the election under paragraph (2) of subsection (a) of this Section shall not receive the right to participate in the optional cash balance plan established under Section 1-162. Finally, a Tier I employee who has made the election under paragraph (2) of subsection (a) of this Section shall not receive the right to the early retirement without discount option under Section 16-133.6.

A Tier I retiree who makes the election under paragraph (2) of subsection (a-5) of this Section shall

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not be subject to items (i) and (ii) set forth in paragraph (1) of subsection (a-5) of this Section. However, any future increases in income offered by an employer under this Article to a Tier I retiree who returns to active service and has made the election under paragraph (2) of subsection (a-5) of this Section shall be offered by the employer expressly and irrevocably as not constituting salary under Section 16-121, and the employee may not accept any future increase in income that is offered in violation of this requirement. In addition, a Tier I retiree who returns to active service and has made the election under paragraph (2) of subsection (a) of this Section shall not receive the right to participate in the optional cash balance plan established under Section 1-162.

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

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

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

In no event shall the System, its staff, or the Board be held liable for any information given to a member, beneficiary, or annuitant regarding the elections under this Section. The System shall coordinate with the Illinois Department of Central Management Services and each other retirement system administering an election in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the election set forth in this Section.

(e) Notwithstanding any other provision of law, an employer under this Article is required to offer any future increases in income expressly and irrevocably as not constituting "salary" under Section 16-121 to any Tier I employee, or Tier I retiree returning to active service, who has made an election under paragraph (2) of subsection (a) or (a-5) of Section 16-122.9. A Tier I employee, or Tier I retiree returning to active service, who has made an election under paragraph (2) of subsection (a) or (a-5) of Section 16-122.9 shall not accept any future increase in income that is offered by an employer under this Article in violation of the requirement set forth in this subsection.

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

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

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

(h) No provision of this Section shall be interpreted in a way that would cause the System to cease to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986.

(i) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I employees but not as applied to Tier I retirees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I employees but shall remain in full effect for Tier I retirees.

(j) If this Section is determined to be unconstitutional or otherwise invalid by a final unappealable decision of an Illinois court or a court of competent jurisdiction as applied to Tier I retirees but not as applied to Tier I employees, then this Section and the changes deriving from the election required under this Section shall be null and void as applied to Tier I retirees but shall remain in full effect for Tier I employees.

(k) If an election created by this amendatory Act in any other Article of this Code or any change deriving from that election is determined to be unconstitutional or otherwise invalid by a final

unappealable decision of an Illinois court or a court of competent jurisdiction, the invalidity of that provision shall not in any way affect the validity of this Section or the changes deriving from the election required under this Section.

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

(a) Each member with creditable service and retiring on or after August 26, 1969 is entitled to the automatic annual increases in annuity provided under this Section while receiving a retirement annuity or disability retirement annuity from the system.

An annuitant shall first be entitled to an initial increase under this Section on the January 1 next following the first anniversary of retirement, or January 1 of the year next following attainment of age 61, whichever is later. At such time, the system shall pay an initial increase determined as follows or as provided in subsections (a-1) and (a-2):

(1) 1.5% of the originally granted retirement annuity or disability retirement annuity multiplied by the number of years elapsed, if any, from the date of retirement until January 1, 1972, plus

(2) 2% of the originally granted annuity multiplied by the number of years elapsed, if any, from the date of retirement or January 1, 1972, whichever is later, until January 1, 1978, plus

(3) 3% of the originally granted annuity multiplied by the number of years elapsed from the date of retirement or January 1, 1978, whichever is later, until the effective date of the initial increase.

However, the initial annual increase calculated under this Section for the recipient of a disability retirement annuity granted under Section 16-149.2 shall be reduced by an amount equal to the total of all increases in that annuity received under Section 16-149.5 (but not exceeding 100% of the amount of the initial increase otherwise provided under this Section).

Following the initial increase, automatic annual increases in annuity shall be payable on each January 1 thereafter during the lifetime of the annuitant, determined as a percentage of the originally granted retirement annuity or disability retirement annuity for increases granted prior to January 1, 1990, and calculated as a percentage of the total amount of annuity, including previous increases under this Section, for increases granted on or after January 1, 1990, as follows: 1.5% for periods prior to January 1, 1972, 2% for periods after December 31, 1971 and prior to January 1, 1978, and 3% for periods after December 31, 1977, or as provided in subsections (a-1) and (a-2).

(a-1) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 16-122.9, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of that election shall be 3% or one-half of the annual unadjusted percentage increase, if any, in the Consumer Price Index-U for the 12 months ending with the preceding September, whichever is less, of the originally granted retirement annuity. For the purposes of this Section, "Consumer Price Index-U" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100.

(a-2) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 16-122.9, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after either the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of the election under paragraph (1) of subsection (a-5) of Section 16-122.9 a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(b) The automatic annual increases in annuity provided under this Section shall not be applicable unless a member has made contributions toward such increases for a period equivalent to one full year of creditable service. If a member contributes for service performed after August 26, 1969 but the member becomes an annuitant before such contributions amount to one full year's contributions based on the salary at the date of retirement, he or she may pay the necessary balance of the contributions to the system and be eligible for the automatic annual increases in annuity provided under this Section.

(c) Each member shall make contributions toward the cost of the automatic annual increases in annuity as provided under Section 16-152.

(d) An annuitant receiving a retirement annuity or disability retirement annuity on July 1, 1969, who subsequently re-enters service as a teacher is eligible for the automatic annual increases in annuity

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provided under this Section if he or she renders at least one year of creditable service following the latest re-entry.

(e) In addition to the automatic annual increases in annuity provided under this Section, an annuitant who meets the service requirements of this Section and whose retirement annuity or disability retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the annuity then being paid of one dollar per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity or disability retirement annuity began on or before January 1, 1977 shall receive an increase in the annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

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

(40 ILCS 5/16-133.6 new)

Sec. 16-133.6. Optional teacher early retirement without discount. A Tier I employee who makes an election under paragraph (1) of subsection (a) of Section 16-122.9, retires on or after the beginning of the first State fiscal year to occur after the end of the election period specified in Section 16-122.9, and applies for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required may elect, at the time of application for a retirement annuity, to make a one-time member contribution to the System and, thereby, avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of the election shall also obligate the last employer to make a one-time nonrefundable contribution to the System. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

The one-time member and employer contributions shall be a percentage of the cost of this benefit as determined by the System. However, when determining the one-time member and employer contributions, that part of a member's salary with the same employer which exceeds the annual salary rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 50% of the cost of the benefits as determined by the System. The employer contribution shall be at the rate of 50% of the cost of the benefits as determined by the System.

Upon receipt of the application and election, the System shall determine the one-time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The avoidance of the reduction in retirement annuity provided under this Section is not applicable until the member's contribution, if any, has been received by the System; however, the date that contribution is received shall not be considered in determining the effective date of retirement.

The number of members working for a single employer who may retire under this Section in any year may be limited at the option of the employer to a specified percentage of those eligible, not less than 10%, with the right to participate to be allocated among those applying on the basis of seniority in the service of the employer.

(40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

Sec. 16-136.1. Annual increase for certain annuitants.

(a) Any annuitant receiving a retirement annuity on June 30, 1969 and any member retiring after June 30, 1969 shall be eligible for the annual increases provided under this Section provided the annuitant is ineligible for the automatic annual increase in annuity provided under Section 16-133.1, and provided further that (1) retirement occurred at age 55 or over and was based on 5 or more years of creditable service or (2) if retirement occurred prior to age 55, the retirement annuity was based on 20 or more years of creditable service.

(b) Subject to the provisions of subsections (b-1) and (b-2), an annuitant entitled to increases under this Section shall be entitled to the initial increase as of the later of: (1) January 1 following attainment of age 65, (2) January 1 following the first anniversary of retirement, or (3) the first day of the month following receipt of the required qualifying contribution from the annuitant. The initial monthly increase shall be computed on the basis of the period elapsed between the later of the date of last retirement or attainment of age 50 and the date of qualification for the initial increase, at the rate of 1 1/2% of the original monthly retirement annuity per year for periods prior to September 1, 1971, and at the rate of 2% per year for periods between September 1, 1971 and September 1, 1978, and at the rate of 3% per year for periods thereafter.

Subject to the provisions of subsections (b-1) and (b-2), an An annuitant who has received an initial increase under this Section, shall be entitled, on each January 1 following the granting of the initial increase, to an increase of 3% of the original monthly retirement annuity for increases granted prior to January 1, 1990, and equal to 3% of the total annuity, including previous increases under this Section, for increases granted on or after January 1, 1990. The original monthly retirement annuity for computations under this subsection (b) shall be considered to be \$83.34 for any annuitant entitled to benefits under Section 16-134. The minimum original disability retirement annuity for computations under this subsection (b) shall be considered to be \$33.34 per month for any annuitant retired on account of disability.

(b-1) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 16-122.9, the amount of each automatic annual increase in retirement annuity occurring on or after the effective date of that election shall be 3% or one-half of the annual unadjusted percentage increase, if any, in the Consumer Price Index-U for the 12 months ending with the preceding September, whichever is less, of the originally granted retirement annuity. For the purposes of this Section, "Consumer Price Index-U" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100.

(b-2) Notwithstanding any other provision of this Article, for a Tier I employee or Tier I retiree who made the election under paragraph (1) of subsection (a) or (a-5) of Section 16-122.9, the monthly retirement annuity shall first be subject to annual increases on the January 1 occurring on or next after either the attainment of age 67 or the January 1 occurring on or next after the fifth anniversary of the annuity start date, whichever occurs earlier. If on the effective date of the election under paragraph (1) of subsection (a-5) of Section 16-122.9 a Tier I retiree has already received an annual increase under this Section but does not yet meet the new eligibility requirements of this subsection, the annual increases already received shall continue in force, but no additional annual increase shall be granted until the Tier I retiree meets the new eligibility requirements.

(c) An annuitant who otherwise qualifies for annual increases under this Section must make a one-time payment of 1% of the monthly final average salary for each full year of the creditable service forming the basis of the retirement annuity or, if the retirement annuity was not computed using final average salary, 1% of the original monthly retirement annuity for each full year of service forming the basis of the retirement annuity.

(d) In addition to other increases which may be provided by this Section, regardless of creditable service, annuitants not meeting the service requirements of Section 16-133.1 and whose retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service forming the basis of the retirement allowance. On January 1, 1982, annuitants whose retirement annuity began on or before January 1, 1977, shall receive an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

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

(40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

Sec. 16-152. Contributions by members.

(a) Each member shall make contributions for membership service to this System as follows:

(1) Effective July 1, 1998, contributions of 7.50% of salary towards the cost of the retirement annuity. Such contributions shall be deemed "normal contributions".

(2) Effective July 1, 1969, contributions of 1/2 of 1% of salary toward the cost of the automatic annual increase in retirement annuity provided under Section 16-133.1.

(3) Effective July 24, 1959, contributions of 1% of salary towards the cost of survivor benefits. Such contributions shall not be credited to the individual account of the member and shall not be subject to refund except as provided under Section 16-143.2.

(4) Effective July 1, 2005, contributions of 0.40% of salary toward the cost of the early retirement without discount option provided under Section 16-133.2. This contribution shall cease upon termination of the early retirement without discount option as provided in Section 16-176.

(a-1) In addition to the contributions required under subsection (a), a member who elects to participate in the optional cash balance plan under Section 1-162 shall pay to the System for the purpose of participating in the optional cash balance plan a contribution of 2% of each payment of compensation

received while he or she is a participant in the optional cash balance plan. These contributions shall not be used for the purpose of determining any benefit under this Article except as provided in the optional cash balance plan.

(b) The minimum required contribution for any year of full-time teaching service shall be \$192.

(c) Contributions shall not be required of any annuitant receiving a retirement annuity who is given employment as permitted under Section 16-118 or 16-150.1.

(d) A person who (i) was a member before July 1, 1998, (ii) retires with more than 34 years of creditable service, and (iii) does not elect to qualify for the augmented rate under Section 16-129.1 shall be entitled, at the time of retirement, to receive a partial refund of contributions made under this Section for service occurring after the later of June 30, 1998 or attainment of 34 years of creditable service, in an amount equal to 1.00% of the salary upon which those contributions were based.

(e) A member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall not be refunded if the member has elected early retirement without discount under Section 16-133.2 and has begun to receive a retirement annuity under this Article calculated in accordance with that election. Otherwise, a member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall be refunded according to whichever one of the following circumstances occurs first:

(1) The contributions shall be refunded to the member, without interest, within 120 days after the member's retirement annuity commences, if the member does not elect early retirement without discount under Section 16-133.2.

(2) The contributions shall be included, without interest, in any refund claimed by the member under Section 16-151.

(3) The contributions shall be refunded to the member's designated beneficiary (or if there is no beneficiary, to the member's estate), without interest, if the member dies without having begun to receive a retirement annuity under this Article.

(4) The contributions shall be refunded to the member, without interest, within 120 days after the early retirement without discount option provided under Section 16-133.2 is terminated under Section 16-176.

(Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

(40 ILCS 5/16-158.2 new)

Sec. 16-158.2. Obligations of State; funding guarantee. If at least 30% of Tier I employees making an election under Section 16-122.9 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated to contribute to the System in each State fiscal year an amount not less than the sum required in Section 16-158 as that Section existed prior to the effective date of this amendatory Act of the 98th General Assembly notwithstanding the changes made to Section 16-158 by Part A of this amendatory Act of the 98th General Assembly.

If at least 30% of Tier I employees making an election under Section 16-122.9 within 11 months after the effective date of that Section choose the option under paragraph (1) of subsection (a) of that Section, then the State shall be contractually obligated (i) to make the transfer identified in subsection (c-10) of Section 20 of the Budget Stabilization Act, (ii) to apportion the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act among the designated retirement systems in the same proportion as their respective portions of the total actuarial reserve deficiency of the designated retirement systems, as most recently determined by the Governor's Office of Management and Budget, and (iii) not to use the amounts transferred pursuant to subsection (c-10) of Section 20 of the Budget Stabilization Act to satisfy any portion of the required State contributions due under Article 2, 14, 15, 16, or 18 of the Illinois Pension Code.

The obligations created under this Section are contractual obligations protected and enforceable under Article I, Section 16 and Article XIII, Section 5 of the Illinois Constitution.

Notwithstanding any other provision of law, if the State fails to pay in a State fiscal year the amount guaranteed under this Section, the System may bring a mandamus action in the Circuit Court of Sangamon County to compel the State to make that payment, irrespective of other remedies that may be available to the System. In ordering the State to make the required payment, the court may order a reasonable payment schedule to enable the State to make the required payment without significantly imperiling the public health, safety, or welfare.

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

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

(40 ILCS 5/16-203)

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

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after June 1, 2005 (the effective date of Public Act 94-4). "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article by Public Act 95-910 or this amendatory Act of the 98th 95th General Assembly.

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

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

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

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

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

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

Section B-50. If and only if Section B-35, B-40, or B-45 of this Part B takes effect, then the School Code is amended by changing Sections 24-1 and 24-8 as follows:

(105 ILCS 5/24-1) (from Ch. 122, par. 24-1)

Sec. 24-1. Appointment-Salaries-Payment-School month-School term.) School boards shall appoint all teachers, determine qualifications of employment and fix the amount of their salaries subject to any limitation set forth in this Act and subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code. They shall pay the wages of teachers monthly, subject, however, to the provisions of Section 24-21. The school month shall be the same as the calendar month but by resolution the school board may adopt for its use a month of 20 days, including holidays. The school term shall consist of at least the minimum number of pupil attendance days required by Section 10-19, any additional legal school holidays, days of teachers' institutes, or equivalent professional educational experiences, and one or two days at the beginning of the school term when used as a teachers' workshop. (Source: P.A. 80-249.)

(105 ILCS 5/24-8) (from Ch. 122, par. 24-8)

Sec. 24-8. Minimum salary. In fixing the salaries of teachers, school boards shall pay those who serve on a full-time basis not less than a rate for the school year that is based upon training completed in a recognized institution of higher learning, as follows: for the school year beginning July 1, 1980 and thereafter, less than a bachelor's degree, \$9,000; 120 semester hours or more and a bachelor's degree, \$10,000; 150 semester hours or more and a master's degree, \$11,000.

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Based upon previous public school experience in this State or any other State, territory, dependency or possession of the United States, or in schools operated by or under the auspices of the United States, teachers who serve on a full-time basis shall have their salaries increased to at least the following amounts above the starting salary for a teacher in such district in the same classification: with less than a bachelor's degree, \$750 after 5 years; with 120 semester hours or more and a bachelor's degree, \$1,000 after 5 years and \$1,600 after 8 years; with 150 semester hours or more and a master's degree, \$1,250 after 5 years, \$2,000 after 8 years and \$2,750 after 13 years. However, any salary increase is subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code.

For the purpose of this Section a teacher's salary shall include any amount paid by the school district on behalf of the teacher, as teacher contributions, to the Teachers' Retirement System of the State of Illinois.

If a school board establishes a schedule for teachers' salaries based on education and experience, not inconsistent with this Section, all certificated nurses employed by that board shall be paid in accordance with the provisions of such schedule (subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code).

For purposes of this Section, a teacher who submits a certificate of completion to the school office prior to the first day of the school term shall be considered to have the grade stated in such certificate. (Source: P.A. 83-913.)

Section B-55. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the State Universities Civil Service Act is amended by changing Section 36d as follows:

(110 ILCS 70/36d) (from Ch. 24 1/2, par. 38b3)

Sec. 36d. Powers and duties of the Merit Board.

The Merit Board shall have the power and duty-

(1) To approve a classification plan prepared under its direction, assigning to each class positions of substantially similar duties. The Merit Board shall have power to delegate to its Director the duty of assigning each position in the classified service to the appropriate class in the classification plan approved by the Merit Board.

(2) To prescribe the duties of each class of positions and the qualifications required by employment in that class.

(3) To prescribe the range of compensation for each class or to fix a single rate of compensation for employees in a particular class; and to establish other conditions of employment which an employer and employee representatives have agreed upon as fair and equitable. The Merit Board shall direct the payment of the "prevailing rate of wages" in those classifications in which, on January 1, 1952, any employer is paying such prevailing rate and in such other classes as the Merit Board may thereafter determine. "Prevailing rate of wages" as used herein shall be the wages paid generally in the locality in which the work is being performed to employees engaged in work of a similar character. Subject to any applicable restrictions in Section 15-132.9 of the Illinois Pension Code, each ~~Each~~ employer covered by the University System shall be authorized to negotiate with representatives of employees to determine appropriate ranges or rates of compensation or other conditions of employment and may recommend to the Merit Board for establishment the rates or ranges or other conditions of employment which the employer and employee representatives have agreed upon as fair and equitable, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly. Any rates or ranges established prior to January 1, 1952, and hereafter, shall not be changed except in accordance with the procedures herein provided.

(4) To recommend to the institutions and agencies specified in Section 36e standards for hours of work, holidays, sick leave, overtime compensation and vacation for the purpose of improving conditions of employment covered therein and for the purpose of insuring conformity with the prevailing rate principal.

(5) To prescribe standards of examination for each class, the examinations to be related to the duties of such class. The Merit Board shall have power to delegate to the Director and his staff the preparation, conduct and grading of examinations. Examinations may be written, oral, by statement of training and experience, in the form of tests of knowledge, skill, capacity, intellect, aptitude; or, by any other method, which in the judgment of the Merit Board is reasonable and practical for any particular classification. Different examining procedures may be determined for the examinations in different classifications but all examinations in the same classification shall be uniform.

(6) To authorize the continuous recruitment of personnel and to that end, to delegate to the Director and his staff the power and the duty to conduct open and continuous competitive examinations for all classifications of employment.

(7) To cause to be established from the results of examinations registers for each class of positions in the classified service of the State Universities Civil Service System, of the persons who shall attain the minimum mark fixed by the Merit Board for the examination; and such persons shall take rank upon the registers as candidates in the order of their relative excellence as determined by examination, without reference to priority of time of examination.

(8) To provide by its rules for promotions in the classified service. Vacancies shall be filled by promotion whenever practicable. For the purpose of this paragraph, an advancement in class shall constitute a promotion.

(9) To set a probationary period of employment of no less than 6 months and no longer than 12 months for each class of positions in the classification plan, the length of the probationary period for each class to be determined by the Director.

(10) To provide by its rules for employment at regular rates of compensation of physically handicapped persons in positions in which the handicap does not prevent the individual from furnishing satisfactory service.

(11) To make and publish rules, to carry out the purpose of the State Universities Civil Service System and for examination, appointments, transfers and removals and for maintaining and keeping records of the efficiency of officers and employees and groups of officers and employees in accordance with the provisions of Sections 36b to 36q, inclusive, and said Merit Board may from time to time make changes in such rules.

(12) To appoint a Director and such assistants and other clerical and technical help as may be necessary efficiently to administer Sections 36b to 36q, inclusive. To authorize the Director to appoint an assistant resident at the place of employment of each employer specified in Section 36e and this assistant may be authorized to give examinations and to certify names from the regional registers provided in Section 36k.

(13) To submit to the Governor of this state on or before November 1 of each year prior to the regular session of the General Assembly a report of the University System's business and an estimate of the amount of appropriation from state funds required for the purpose of administering the University System.

(Source: P.A. 82-524.)

Section B-60. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the University of Illinois Act is amended by adding Section 85 as follows:

(110 ILCS 305/85 new)

Sec. 85. Future increases in income. The University of Illinois must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-65. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Southern Illinois University Management Act is amended by adding Section 70 as follows:

(110 ILCS 520/70 new)

Sec. 70. Future increases in income. Southern Illinois University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-70. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Chicago State University Law is amended by adding Section 5-180 as follows:

(110 ILCS 660/5-180 new)

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Sec. 5-180. Future increases in income. Chicago State University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-75. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Eastern Illinois University Law is amended by adding Section 10-180 as follows:

(110 ILCS 665/10-180 new)

Sec. 10-180. Future increases in income. Eastern Illinois University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-80. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Governors State University Law is amended by adding Section 15-180 as follows:

(110 ILCS 670/15-180 new)

Sec. 15-180. Future increases in income. Governors State University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-85. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Illinois State University Law is amended by adding Section 20-185 as follows:

(110 ILCS 675/20-185 new)

Sec. 20-185. Future increases in income. Illinois State University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-90. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Northeastern Illinois University Law is amended by adding Section 25-180 as follows:

(110 ILCS 680/25-180 new)

Sec. 25-180. Future increases in income. Northeastern Illinois University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-95. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Northern Illinois University Law is amended by adding Section 30-190 as follows:

(110 ILCS 685/30-190 new)

Sec. 30-190. Future increases in income. Northern Illinois University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-100. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Western Illinois University Law is amended by adding Section 35-185 as follows:

(110 ILCS 690/35-185 new)

Sec. 35-185. Future increases in income. Western Illinois University must not pay, offer, or agree to pay any future increase in income, as that term is defined in Section 15-132.9 of the Illinois Pension Code, to any person in a manner that violates any of those Sections.

Section B-105. If and only if any of the changes made by Part A of this Act to provisions in Article 15 of the Illinois Pension Code concerning (i) automatic annual increases, (ii) employee or member contributions, (iii) State or employer contributions, (iv) State funding guarantees, or (v) salary, earnings, or compensation is declared to be unconstitutional or otherwise invalid, then the Public Community College Act is amended by changing Sections 3-26 and 3-42 as follows:

(110 ILCS 805/3-26) (from Ch. 122, par. 103-26)

Sec. 3-26. (a) To make appointments and fix the salaries of a chief administrative officer, who shall be the executive officer of the board, other administrative personnel, and all teachers, but subject to any applicable restrictions in Section 15-132.9 of the Illinois Pension Code. In making these appointments and fixing the salaries, the board may make no discrimination on account of sex, race, creed, color or national origin.

(b) Upon the written request of an employee, to withhold from the compensation of that employee the membership dues of such employee payable to any specified labor organization as defined in the Illinois Educational Labor Relations Act. Under such arrangement, an amount shall be withheld for each regular payroll period which is equal to the prorata share of the annual membership dues plus any payments or contributions and the board shall pay such withholding to the specified labor organization within 10 working days from the time of the withholding.

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

(110 ILCS 805/3-42) (from Ch. 122, par. 103-42)

Sec. 3-42. To employ such personnel as may be needed, to establish policies governing their employment and dismissal, and to fix the amount of their compensation, subject to any applicable restrictions in Section 15-132.9 of the Illinois Pension Code. In the employment, establishment of policies and fixing of compensation the board may make no discrimination on account of sex, race, creed, color or national origin.

Residence within any community college district or outside any community college district shall not be considered:

(a) in determining whether to retain or not retain any employee of a community college employed prior to July 1, 1977 or prior to the adoption by the community college board of a resolution making residency within the community college district of some or all employees a condition of employment, whichever is later;

(b) in assigning, promoting or transferring any employee of a community college to an office or position employed prior to July 1, 1977 or prior to the adoption by the community college board of a resolution making residency within the community college district of some or all employees a condition of employment, whichever is later; or

(c) in determining the salary or other compensation of any employee of a community college.

(Source: P.A. 80-248.)

Section B-110. If and only if Section B-35, B-40, or B-45 of this Part B takes effect, then the Illinois Educational Labor Relations Act is amended by changing Sections 4 and 17 as follows:

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

Sec. 4. Employer rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages (but subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code), hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly. To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages (but subject to subject to any applicable restrictions in Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code), hours or conditions of employment about which they

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have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, but excluding the changes, the impact of changes, and the implementation of the changes set forth in this amendatory Act of the 98th General Assembly.

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

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

Sec. 17. Effect on other laws. In case of any conflict between the provisions of this Act and any other law (other than Section 14-106.5, 15-132.9, or 16-122.9 of the Illinois Pension Code), executive order or administrative regulation, the provisions of this Act shall prevail and control. The provisions of this Act are subject to any applicable restrictions in Section 14-106.5 of the Illinois Pension Code, as well as the changes, impact of changes, and implementation of changes set forth in this amendatory Act of the 98th General Assembly. Nothing in this Act shall be construed to replace or diminish the rights of employees established by Section 36d of "An Act to create the State Universities Civil Service System", approved May 11, 1905, as amended or modified.

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

Section B-200. The State Mandates Act is amended by adding Section 8.37 as follows:

(30 ILCS 805/8.37 new)

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

## PART C

Section C-999. Effective date. This Act takes effect upon becoming law, except that each of Sections B-5 through B-110 takes effect upon the date following the date upon which the contingency described in its introductory clause occurs."

### AMENDMENT NO. 2 TO SENATE BILL 1

AMENDMENT NO. 2. Amend Senate Bill 1, AS AMENDED, with reference to page and line numbers of Senate Amendment No. 1, on page 231, in line 1, immediately after the period, by inserting "The information in the election packet shall include a notice that states: "YOU ARE HEREBY ADVISED THAT THE PROGRAM OF HEALTH BENEFITS OFFERED IS FOR ACCESS TO A GROUP HEALTHCARE PLAN ADMINISTERED BY THE DEPARTMENT, AND YOU MAY BE REQUIRED TO PAY FOR THE FULL COST OF COVERAGE PROVIDED BY THE PLAN, INCLUDING ALL PREMIUM, DEDUCTIBLE, AND COPAY AMOUNTS.""

There being no further amendments, the foregoing Amendments Numbered 1 and 2 were ordered engrossed, and the bill, as amended, was ordered to a third reading.

### SENATE BILL RECALLED

On motion of Senator J. Cullerton, **Senate Bill No. 9** was recalled from the order of third reading to the order of second reading.

Senator J. Cullerton offered the following amendment and moved its adoption:

### AMENDMENT NO. 2 TO SENATE BILL 9

AMENDMENT NO. 2. Amend Senate Bill 9, AS AMENDED, with reference to page and line numbers of Senate Amendment No. 1 as follows:

on page 48, line 22, by replacing "affect" with "effect"; and

by replacing line 2 on page 49 through line 2 on page 50 with the following:

"(l) Each participating utility shall be deemed to have been in full compliance with all requirements of subsection (b) of this Section, subsection (c) of this Section, Section 16-108.6 of this Act, and all Commission orders entered pursuant to Sections 16-108.5 and 16-108.6 of this Act, up to and including the effective date of this amendatory Act of the 98th General Assembly. The Commission shall not undertake any investigation of such compliance and no penalty shall be assessed or adverse action taken against a participating utility for noncompliance with Commission orders associated with subsection (b)

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of this Section, subsection (c) of this Section, and Section 16-108.6 of this Act prior to such date. Each participating utility other than a combination utility shall be permitted, without penalty, a period of 12 months after such effective date to take actions required to ensure its infrastructure investment program is in compliance with subsection (b) of this Section and with Section 16-108.6 of this Act. Provided further:

(1) if this amendatory Act of the 98th General Assembly takes effect on or before June 15, 2013, the following subparagraphs shall apply to a participating utility other than a combination utility:

(A) if the Commission has initiated a proceeding pursuant to subsection (c) of Section 16-108.6 of this Act that is pending as of the effective date of this amendatory Act of the 98th General Assembly, then the order entered in such proceeding shall, after notice and hearing, accelerate the commencement of the meter deployment schedule approved in the final Commission order on rehearing entered in Docket No. 12-0298;

(B) if the Commission has entered an order pursuant to subsection (e) of Section 16-108.6 of this Act prior to the effective date of this amendatory Act of the 98th General Assembly that does not accelerate the commencement of the meter deployment schedule approved in the final Commission order on rehearing entered in Docket No. 12-0298, then the utility shall file with the Commission, within 45 days after such effective date, a plan for accelerating the commencement of the utility's meter deployment schedule approved in the final Commission order on rehearing entered in Docket No. 12-0298; the Commission shall reopen the proceeding in which it entered its order pursuant to subsection (e) of Section 16-108.6 of this Act and shall, after notice and hearing, enter an amendatory order that approves or approves as modified such accelerated plan within 90 days after the utility's filing; or

(C) if the Commission has not initiated a proceeding pursuant to subsection (e) of Section 16-108.6 of this Act prior to the effective date of this amendatory Act of the 98th General Assembly, then the utility shall file with the Commission, within 45 days after such effective date, a plan for accelerating the commencement of the utility's meter deployment schedule approved in the final Commission order on rehearing entered in Docket No. 12-0298 and the Commission shall, after notice and hearing, approve or approve as modified such plan within 90 days after the utility's filing;

(2) if this amendatory Act of the 98th General Assembly takes effect after June 15, 2013, then each participating utility other than a combination utility shall file with the Commission, within 45 days after such effective date, a plan for accelerating the commencement of the utility's meter deployment schedule approved in the final Commission order on rehearing entered in Docket No. 12-0298; the Commission shall reopen the most recent proceeding in which it entered an order pursuant to subsection (e) of Section 16-108.6 of this Act and within 90 days after the utility's filing shall, after notice and hearing, enter an amendatory order that approves or approves as modified such accelerated plan, provided that if there was no such prior proceeding the Commission shall open a new proceeding and within 90 days after the utility's filing shall, after notice and hearing, enter an order that approves or approves as modified such accelerated plan.

Any schedule for meter deployment approved by the Commission pursuant to subparagraphs (1) or (2) of this subsection (1) shall take into consideration procurement times for meters and other equipment and operational issues. Nothing in this amendatory Act of the 98th General Assembly shall shorten or extend the end dates for the 5-year or 10-year periods set forth in subsection (b) of this Section or Section 16-108.6 of this Act. Nothing in this subsection is intended to address whether a participating utility has, or has not, satisfied any or all of the metrics and performance goals established pursuant to subsection (f) of this Section."

The motion prevailed.

And the amendment was adopted and ordered printed.

There being no further amendments, the foregoing Amendment No. 2 was ordered engrossed, and the bill, as amended, was ordered to a third reading.

### READING BILL OF THE SENATE A THIRD TIME

On motion of Senator J. Cullerton, **Senate Bill No. 9** having been transcribed and typed and all amendments adopted thereto having been printed, was taken up and read by title a third time.

And the question being, "Shall this bill pass?" it was decided in the affirmative by the following vote:

YEAS 44; NAYS 9; Present 1.

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The following voted in the affirmative:

Althoff	Haine	Martinez	Rose
Bivins	Harris	McConaughay	Sandoval
Brady	Hastings	McGuire	Stadelman
Bush	Holmes	Morrison	Steans
Clayborne	Hunter	Mulroe	Syverson
Collins	Hutchinson	Muñoz	Trotter
Connelly	Jones, E.	Murphy	Van Pelt
Cullerton, T.	Koehler	Noland	Mr. President
Delgado	Kotowski	Oberweis	
Dillard	Landek	Radogno	
Forby	Link	Raoul	
Frerichs	Luechtefeld	Rezin	

The following voted in the negative:

Barickman	LaHood	McCarter
Cunningham	Manar	Silverstein
Duffy	McCann	Sullivan

The following voted present:

Bertino-Tarrant

This bill, having received the vote of a constitutional majority of the members elected, was declared passed, and all amendments not adopted were tabled pursuant to Senate Rule No. 5-4(a).

Ordered that the Secretary inform the House of Representatives thereof and ask their concurrence therein.

#### CONSIDERATION OF RESOLUTION ON SECRETARY'S DESK

Senator Muñoz moved that **Senate Resolution No. 143**, on the Secretary's Desk, be taken up for immediate consideration.

The motion prevailed.

Senator Muñoz moved that Senate Resolution No. 143 be adopted.

The motion prevailed.

And the resolution was adopted.

At the hour of 2:19 o'clock p.m., the Chair announced that the Senate stand at ease.

#### AT EASE

At the hour of 2:27 o'clock p.m., the Senate resumed consideration of business.

Senator Link, presiding.

#### REPORT FROM COMMITTEE ON ASSIGNMENTS

Senator Clayborne, Chairperson of the Committee on Assignments, during its March 14, 2013 meeting, reported the following Legislative Measures have been assigned to the indicated Standing Committees of the Senate:

Agriculture and Conservation: **Senate Floor Amendment No. 1 to Senate Bill 1589; Senate Floor Amendment No. 1 to Senate Bill 1620; Senate Bill 2362.**

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Appropriations II: **Senate Committee Amendment No. 1 to Senate Bill 1904.**

Education: **Senate Committee Amendment No. 1 to Senate Bill 2157.**

Executive: **Senate Committee Amendment No. 1 to Senate Bill 1788.**

Higher Education: **Senate Committee Amendment No. 1 to Senate Bill 1746; Senate Committee Amendment No. 1 to Senate Bill 2245.**

Human Services: **Senate Bills 1454 and 1893.**

Insurance: **Senate Bill 1626.**

Judiciary: **Senate Committee Amendment No. 1 to Senate Bill 31; Senate Committee Amendment No. 1 to Senate Bill 1443; Senate Committee Amendment No. 1 to Senate Bill 1615.**

Licensed Activities and Pensions: **Senate Committee Amendment No. 2 to Senate Bill 1217; Senate Committee Amendment No. 3 to Senate Bill 1217; Senate Bill 2266.**

Local Government: **Senate Committee Amendment No. 1 to Senate Bill 1474; Senate Committee Amendment No. 1 to Senate Bill 1691.**

Revenue: **Senate Committee Amendment No. 1 to Senate Bill 333; Senate Committee Amendment No. 1 to Senate Bill 1159.**

State Government and Veterans Affairs: **Senate Floor Amendment No. 2 to Senate Bill 1323; Senate Bill 1884.**

Transportation: **Senate Committee Amendment No. 1 to Senate Resolution 90.**

Senator Clayborne, Chairperson of the Committee on Assignments, during its March 14, 2013 meeting, reported that the Committee recommends that **Senate Bill No. 2356** be re-referred from the Subcommittee on Special Issues (EX) to the Committee on Transportation.

### READING BILL OF THE SENATE A SECOND TIME

On motion of Senator Hutchinson, **Senate Bill No. 1894** having been printed, was taken up, read by title a second time.

Senate Committee Amendment No. 1 was held in the Committee on Revenue.

The following amendment was offered in the Committee on Revenue, adopted and ordered printed:

#### AMENDMENT NO. 2 TO SENATE BILL 1894

AMENDMENT NO. 2. Amend Senate Bill 1894 by replacing everything after the enacting clause with the following:

"Section 5. The Property Tax Code is amended by changing Sections 15-170 and 15-175 as follows:  
(35 ILCS 200/15-170)

Sec. 15-170. Senior Citizens Homestead Exemption. An annual homestead exemption limited, except as described here with relation to cooperatives or life care facilities, to a maximum reduction set forth below from the property's value, as equalized or assessed by the Department, is granted for property that is occupied as a residence by a person 65 years of age or older who is liable for paying real estate taxes on the property and is an owner of record of the property or has a legal or equitable interest therein as evidenced by a written instrument, except for a leasehold interest, other than a leasehold interest of land on which a single family residence is located, which is occupied as a residence by a person 65 years or older who has an ownership interest therein, legal, equitable or as a lessee, and on which he or she is liable for the payment of property taxes. Before taxable year 2004, the maximum reduction shall be

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\$2,500 in counties with 3,000,000 or more inhabitants and \$2,000 in all other counties. For taxable years 2004 through 2005, the maximum reduction shall be \$3,000 in all counties. For taxable years 2006 and 2007, the maximum reduction shall be \$3,500. ~~For and, for taxable years 2008 through 2011 and thereafter, the maximum reduction is \$4,000 in all counties. For taxable year 2012, the maximum reduction is \$5,000 in counties with 3,000,000 or more inhabitants and \$4,000 in all other counties. For taxable years 2013 and thereafter, the maximum reduction is \$5,000 in all counties.~~

For land improved with an apartment building owned and operated as a cooperative, the maximum reduction from the value of the property, as equalized by the Department, shall be multiplied by the number of apartments or units occupied by a person 65 years of age or older who is liable, by contract with the owner or owners of record, for paying property taxes on the property and is an owner of record of a legal or equitable interest in the cooperative apartment building, other than a leasehold interest. For land improved with a life care facility, the maximum reduction from the value of the property, as equalized by the Department, shall be multiplied by the number of apartments or units occupied by persons 65 years of age or older, irrespective of any legal, equitable, or leasehold interest in the facility, who are liable, under a contract with the owner or owners of record of the facility, for paying property taxes on the property. In a cooperative or a life care facility where a homestead exemption has been granted, the cooperative association or the management firm of the cooperative or facility shall credit the savings resulting from that exemption only to the apportioned tax liability of the owner or resident who qualified for the exemption. Any person who willfully refuses to so credit the savings shall be guilty of a Class B misdemeanor. Under this Section and Sections 15-175, 15-176, and 15-177, "life care facility" means a facility, as defined in Section 2 of the Life Care Facilities Act, with which the applicant for the homestead exemption has a life care contract as defined in that Act.

When a homestead exemption has been granted under this Section and the person qualifying subsequently becomes a resident of a facility licensed under the Assisted Living and Shared Housing Act, the Nursing Home Care Act, the Specialized Mental Health Rehabilitation Act, or the ID/DD Community Care Act, the exemption shall continue so long as the residence continues to be occupied by the qualifying person's spouse if the spouse is 65 years of age or older, or if the residence remains unoccupied but is still owned by the person qualified for the homestead exemption.

A person who will be 65 years of age during the current assessment year shall be eligible to apply for the homestead exemption during that assessment year. Application shall be made during the application period in effect for the county of his residence.

Beginning with assessment year 2003, for taxes payable in 2004, property that is first occupied as a residence after January 1 of any assessment year by a person who is eligible for the senior citizens homestead exemption under this Section must be granted a pro-rata exemption for the assessment year. The amount of the pro-rata exemption is the exemption allowed in the county under this Section divided by 365 and multiplied by the number of days during the assessment year the property is occupied as a residence by a person eligible for the exemption under this Section. The chief county assessment officer must adopt reasonable procedures to establish eligibility for this pro-rata exemption.

The assessor or chief county assessment officer may determine the eligibility of a life care facility to receive the benefits provided by this Section, by affidavit, application, visual inspection, questionnaire or other reasonable methods in order to insure that the tax savings resulting from the exemption are credited by the management firm to the apportioned tax liability of each qualifying resident. The assessor may request reasonable proof that the management firm has so credited the exemption.

The chief county assessment officer of each county with less than 3,000,000 inhabitants shall provide to each person allowed a homestead exemption under this Section a form to designate any other person to receive a duplicate of any notice of delinquency in the payment of taxes assessed and levied under this Code on the property of the person receiving the exemption. The duplicate notice shall be in addition to the notice required to be provided to the person receiving the exemption, and shall be given in the manner required by this Code. The person filing the request for the duplicate notice shall pay a fee of \$5 to cover administrative costs to the supervisor of assessments, who shall then file the executed designation with the county collector. Notwithstanding any other provision of this Code to the contrary, the filing of such an executed designation requires the county collector to provide duplicate notices as indicated by the designation. A designation may be rescinded by the person who executed such designation at any time, in the manner and form required by the chief county assessment officer.

The assessor or chief county assessment officer may determine the eligibility of residential property to receive the homestead exemption provided by this Section by application, visual inspection, questionnaire or other reasonable methods. The determination shall be made in accordance with guidelines established by the Department.

In counties with 3,000,000 or more inhabitants, beginning in taxable year 2010, each taxpayer who

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has been granted an exemption under this Section must reapply on an annual basis. The chief county assessment officer shall mail the application to the taxpayer. In counties with less than 3,000,000 inhabitants, the county board may by resolution provide that if a person has been granted a homestead exemption under this Section, the person qualifying need not reapply for the exemption.

In counties with less than 3,000,000 inhabitants, if the assessor or chief county assessment officer requires annual application for verification of eligibility for an exemption once granted under this Section, the application shall be mailed to the taxpayer.

The assessor or chief county assessment officer shall notify each person who qualifies for an exemption under this Section that the person may also qualify for deferral of real estate taxes under the Senior Citizens Real Estate Tax Deferral Act. The notice shall set forth the qualifications needed for deferral of real estate taxes, the address and telephone number of county collector, and a statement that applications for deferral of real estate taxes may be obtained from the county collector.

Notwithstanding Sections 6 and 8 of the State Mandates Act, no reimbursement by the State is required for the implementation of any mandate created by this Section.

(Source: P.A. 96-339, eff. 7-1-10; 96-355, eff. 1-1-10; 96-1000, eff. 7-2-10; 96-1418, eff. 8-2-10; 97-38, eff. 6-28-11; 97-227, eff. 1-1-12; 97-813, eff. 7-13-12.)

(35 ILCS 200/15-175)

Sec. 15-175. General homestead exemption.

(a) Except as provided in Sections 15-176 and 15-177, homestead property is entitled to an annual homestead exemption limited, except as described here with relation to cooperatives, to a reduction in the equalized assessed value of homestead property equal to the increase in equalized assessed value for the current assessment year above the equalized assessed value of the property for 1977, up to the maximum reduction set forth below. If however, the 1977 equalized assessed value upon which taxes were paid is subsequently determined by local assessing officials, the Property Tax Appeal Board, or a court to have been excessive, the equalized assessed value which should have been placed on the property for 1977 shall be used to determine the amount of the exemption.

(b) Except as provided in Section 15-176, the maximum reduction before taxable year 2004 shall be \$4,500 in counties with 3,000,000 or more inhabitants and \$3,500 in all other counties. Except as provided in Sections 15-176 and 15-177, for taxable years 2004 through 2007, the maximum reduction shall be \$5,000, for taxable year 2008, the maximum reduction is \$5,500, and, for taxable years 2009 through 2011 and thereafter, the maximum reduction is \$6,000 in all counties. For taxable years 2012 and thereafter, the maximum reduction is \$7,000 in counties with 3,000,000 or more inhabitants and \$6,000 in all other counties. If a county has elected to subject itself to the provisions of Section 15-176 as provided in subsection (k) of that Section, then, for the first taxable year only after the provisions of Section 15-176 no longer apply, for owners who, for the taxable year, have not been granted a senior citizens assessment freeze homestead exemption under Section 15-172 or a long-time occupant homestead exemption under Section 15-177, there shall be an additional exemption of \$5,000 for owners with a household income of \$30,000 or less.

(c) In counties with fewer than 3,000,000 inhabitants, if, based on the most recent assessment, the equalized assessed value of the homestead property for the current assessment year is greater than the equalized assessed value of the property for 1977, the owner of the property shall automatically receive the exemption granted under this Section in an amount equal to the increase over the 1977 assessment up to the maximum reduction set forth in this Section.

(d) If in any assessment year beginning with the 2000 assessment year, homestead property has a pro-rata valuation under Section 9-180 resulting in an increase in the assessed valuation, a reduction in equalized assessed valuation equal to the increase in equalized assessed value of the property for the year of the pro-rata valuation above the equalized assessed value of the property for 1977 shall be applied to the property on a proportionate basis for the period the property qualified as homestead property during the assessment year. The maximum proportionate homestead exemption shall not exceed the maximum homestead exemption allowed in the county under this Section divided by 365 and multiplied by the number of days the property qualified as homestead property.

(e) The chief county assessment officer may, when considering whether to grant a leasehold exemption under this Section, require the following conditions to be met:

(1) that a notarized application for the exemption, signed by both the owner and the lessee of the property, must be submitted each year during the application period in effect for the county in which the property is located;

(2) that a copy of the lease must be filed with the chief county assessment officer by the owner of the property at the time the notarized application is submitted;

(3) that the lease must expressly state that the lessee is liable for the payment of

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- property taxes; and  
 (4) that the lease must include the following language in substantially the following form:

"Lessee shall be liable for the payment of real estate taxes with respect to the residence in accordance with the terms and conditions of Section 15-175 of the Property Tax Code (35 ILCS 200/15-175). The permanent real estate index number for the premises is (insert number), and, according to the most recent property tax bill, the current amount of real estate taxes associated with the premises is (insert amount) per year. The parties agree that the monthly rent set forth above shall be increased or decreased pro rata (effective January 1 of each calendar year) to reflect any increase or decrease in real estate taxes. Lessee shall be deemed to be satisfying Lessee's liability for the above mentioned real estate taxes with the monthly rent payments as set forth above (or increased or decreased as set forth herein)."

In addition, if there is a change in lessee, or if the lessee vacates the property, then the chief county assessment officer may require the owner of the property to notify the chief county assessment officer of that change.

This subsection (e) does not apply to leasehold interests in property owned by a municipality.

(f) "Homestead property" under this Section includes residential property that is occupied by its owner or owners as his or their principal dwelling place, or that is a leasehold interest on which a single family residence is situated, which is occupied as a residence by a person who has an ownership interest therein, legal or equitable or as a lessee, and on which the person is liable for the payment of property taxes. For land improved with an apartment building owned and operated as a cooperative or a building which is a life care facility as defined in Section 15-170 and considered to be a cooperative under Section 15-170, the maximum reduction from the equalized assessed value shall be limited to the increase in the value above the equalized assessed value of the property for 1977, up to the maximum reduction set forth above, multiplied by the number of apartments or units occupied by a person or persons who is liable, by contract with the owner or owners of record, for paying property taxes on the property and is an owner of record of a legal or equitable interest in the cooperative apartment building, other than a leasehold interest. For purposes of this Section, the term "life care facility" has the meaning stated in Section 15-170.

"Household", as used in this Section, means the owner, the spouse of the owner, and all persons using the residence of the owner as their principal place of residence.

"Household income", as used in this Section, means the combined income of the members of a household for the calendar year preceding the taxable year.

"Income", as used in this Section, has the same meaning as provided in Section 3.07 of the Senior Citizens and Disabled Persons Property Tax Relief Act, except that "income" does not include veteran's benefits.

(g) In a cooperative where a homestead exemption has been granted, the cooperative association or its management firm shall credit the savings resulting from that exemption only to the apportioned tax liability of the owner who qualified for the exemption. Any person who willfully refuses to so credit the savings shall be guilty of a Class B misdemeanor.

(h) Where married persons maintain and reside in separate residences qualifying as homestead property, each residence shall receive 50% of the total reduction in equalized assessed valuation provided by this Section.

(i) In all counties, the assessor or chief county assessment officer may determine the eligibility of residential property to receive the homestead exemption and the amount of the exemption by application, visual inspection, questionnaire or other reasonable methods. The determination shall be made in accordance with guidelines established by the Department, provided that the taxpayer applying for an additional general exemption under this Section shall submit to the chief county assessment officer an application with an affidavit of the applicant's total household income, age, marital status (and, if married, the name and address of the applicant's spouse, if known), and principal dwelling place of members of the household on January 1 of the taxable year. The Department shall issue guidelines establishing a method for verifying the accuracy of the affidavits filed by applicants under this paragraph. The applications shall be clearly marked as applications for the Additional General Homestead Exemption.

(j) In counties with fewer than 3,000,000 inhabitants, in the event of a sale of homestead property the homestead exemption shall remain in effect for the remainder of the assessment year of the sale. The assessor or chief county assessment officer may require the new owner of the property to apply for the homestead exemption for the following assessment year.

(k) Notwithstanding Sections 6 and 8 of the State Mandates Act, no reimbursement by the State is

required for the implementation of any mandate created by this Section.  
(Source: P.A. 97-689, eff. 6-14-12; 97-1125, eff. 8-28-12; revised 9-20-12.)

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

There being no further amendments, the foregoing Amendment No. 2 was ordered engrossed, and the bill, as amended, was ordered to a third reading.

## **RESOLUTIONS CONSENT CALENDAR**

### **SENATE RESOLUTION NO. 148**

Offered by Senator Dillard and all Senators:  
Mourns the death of Jack Allen Tosh of Elmhurst.

### **SENATE RESOLUTION NO. 149**

Offered by Senate Connelly and all Senators:  
Mourns the death of Chester J. "Chet" Rybicki.

### **SENATE RESOLUTION NO. 150**

Offered by Senator Haine and all Senators:  
Mourns the death of Clell Thomas Perotka of Godfrey.

### **SENATE RESOLUTION NO. 151**

Offered by Senators LaHood - Koehler and all Senators:  
Mourns the death of Judge Eugene Michael O'Brien of Peoria.

### **SENATE RESOLUTION NO. 152**

Offered by Senator Link and all Senators:  
Mourns the death of Robert E. "Bobby D" Deason, Sr.

### **SENATE RESOLUTION NO. 153**

Offered by Senator Link and all Senators:  
Mourns the death of Caroline Louise Edwards.

### **SENATE RESOLUTION NO. 154**

Offered by Senator Link and all Senators:  
Mourns the death of James Lee Walker, Jr.

### **SENATE RESOLUTION NO. 155**

Offered by Senator Link and all Senators:  
Mourns the death of Raymond W Wells of Waukegan.

### **SENATE RESOLUTION NO. 156**

Offered by Senators Barickman - Brady and all Senators:  
Mourns the death of Christopher "Chris" R. Brown of Hudson.

### **SENATE RESOLUTION NO. 158**

Offered by Senator Manar and all Senators:  
Mourns the death of Anne E. McElroy of Decatur.

### **SENATE RESOLUTION NO. 159**

Offered by Senator Manar and all Senators:  
Mourns the death of Robert Lee Banks, Sr., of Springfield.

### **SENATE RESOLUTION NO. 161**

Offered by Senators Althoff - McConaughay and all Senators:  
Mourns the death of Robert O. "Bob" Covey of Crystal Lake.



The Chair moved the adoption of the Resolutions Consent Calendar. The motion prevailed, and the resolutions were adopted.

**PRESENTATION OF RESOLUTION**

Senator Clayborne offered the following Senate Joint Resolution and, having asked and obtained unanimous consent to suspend the rules for its immediate consideration, moved its adoption:

**SENATE JOINT RESOLUTION NO. 28**

**RESOLVED, BY THE SENATE OF THE NINETY-EIGHTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, THE HOUSE OF REPRESENTATIVES CONCURRING HEREIN,** that when the two Houses adjourn on Thursday, March 14, 2013, the Senate stands adjourned until Tuesday, March 19, 2013 at 11:00 o'clock a.m., or until the call of the President; and the House of Representatives stands adjourned until Friday, March 15, 2013, and when it adjourns on that day, it stands adjourned until Tuesday, March 19, 2013, at 12:00 o'clock noon, or until the call of the Speaker.

The motion prevailed.

And the resolution was adopted.

Ordered that the Secretary inform the House of Representatives thereof and ask their concurrence therein.

At the hour of 2:34 o'clock p.m., pursuant to **Senate Joint Resolution No. 28**, the Chair announced the Senate stand adjourned until Tuesday, March 19, 2013, at 11:00 o'clock a.m., or until the call of the President.