

No. 118585

IN THE SUPREME COURT OF ILLINOIS

IN RE: PENSION LITIGATION)
) Appeal from the Circuit Court for the
) Seventh Judicial Circuit, Sangamon
) County, Illinois,
)
) Sangamon County Case Nos. 2014
) MR 1, 2014 CH 3, and 2014 CH 48;
) Cook County Case No. 2013 CH
) 28406; and Champaign County Case
) No. 2014 MR 207 (consolidated
) pursuant to Supreme Court Rule 384)
)
) The Honorable John W. Belz,
) Judge Presiding

**SEPARATE SUPPLEMENTAL APPENDIX
OF ISEA, RSEA, HEATON AND HARRISON
PLAINTIFFS-APPELLEES**

Gino L. DiVito
John M. Fitzgerald
Brian C. Hausmann
Uri B. Abt
TABET DIVITO & ROTHSTEIN LLC
209 South LaSalle Street, 7th Floor
Chicago, Illinois 60604

Michael D. Freeborn
John T. Shapiro
John E. Stevens
Dylan Smith
FREEBORN & PETERS LLP
311 S. Wacker Drive, Suite 3000
Chicago, Illinois 60606

Attorneys for Plaintiffs-Appellees in
Heaton v. Quinn (Cook County Case No.
2013 CH 28406)

Attorneys for Plaintiffs-Appellees in
*Harrison and We Are One Illinois
Coalition v. Quinn* (Sangamon County
Case No. 2014 CH 48)

Michael T. Reagan
LAW OFFICES OF MICHAEL T. REAGAN
633 La Salle Street, Suite 409
Ottawa, Illinois 61350-2924

Donald M. Craven
DONALD M. CRAVEN, P.C.
1005 North Seventh Street
Springfield, Illinois 62702

Attorney for Plaintiffs-Appellees in *RSEA
v. Quinn* (Sangamon County Case No.
2014 MR 1) and *ISEA v. Board of
Trustees of SERS* (Sangamon County
Case No. 2014 CH 3)

Attorney for Plaintiffs-Appellees in *ISEA
v. Board of Trustees of SERS* (Sangamon
County Case No. 2014 CH 3)

ORAL ARGUMENT REQUESTED

FILED

FEB 17 2015

**SUPREME COURT
CLERK**

TABLE OF CONTENTS

Tab	Description	Page(s)
1	Excerpts, Verbatim Transcript, Record of Proceedings, Sixth Illinois Constitutional Convention (June-July 1970)	SA 1-14
2	Excerpts, Report of the Illinois Public Employees Pension Laws Commission (1969)	SA 15-17
3	Excerpts, Proposed 1970 Constitution for the State of Illinois, Official Text with Explanation, Submitted by the Sixth Illinois Constitutional Convention (1970)	SA 18-20
4	Letter of Chairman E.B. Groen, Illinois Public Employees Pension Laws Commission, to Delegate Henry Green (dated Aug. 7, 1970) from Papers of Henry Green, Box 1, Folder 13 (University of Illinois, Urbana-Champaign, Illinois History and Lincoln Collection)	SA 21-23
5	United States Securities and Exchange Commission Cease and Desist Order, <i>In the Matter of Sate of Illinois</i> , File No. 3-15237 (dated March 11, 2013)	SA 24-34
6	Excerpts, Commission on Government Forecasting & Accountability Report "Illinois State Retirement Systems Financial Condition as of June 30, 2013" (dated March 2014)	SA 35-36
7	Excerpts, Senate Transcript, 98th General Assembly, First Special Session, Second Legislative Day (Dec. 3, 2013)	SA 37-54
8	Excerpts, House of Representatives Transcript, 98th General Assembly, First Special Session, Third Legislative Day (Dec. 3, 2013)	SA 55-62
9	Public Act 98-0599	SA 63-389

RECORD OF
PROCEEDINGS

* * *

*Sixth
Illinois
Constitutional
Convention*

* * *

DAILY JOURNALS

* * *

December 8, 1969-September 3, 1970

that is in conflict, then it would not be necessary to come back on this debate later on at first reading.

But this is up to the body. If you want to pass it over—Mr. Jenison?

MR. JENISON: Mr. President and fellow delegates, I would only report, in the temporary absence of our chairman and our vice-chairman, that the General Government Committee, in fact, has given considerable study to this matter—has, in fact, completed the tentative draft of a report which will reach the Convention next week. What action the delegate body takes, of course, is up to the delegate body, but that report has been completed, is in process, and will be before you next week.

MR. GERTZ: Mr. President?

PRESIDENT WITWER: Yes, Mr. Gertz?

MR. GERTZ: I would, in any event, suggest that we perfect sentence one and approve it and send it to Style and Drafting, because the second sentence is independent in the sense that it does not affect the validity or effect of the first sentence. And I think in the interest of getting on, we ought to do that.

PRESIDENT WITWER: Mr. Knuppel?

MR. KNUPPEL: In the interest of progressing, I'm going to move a division of the question and that the second sentence be held for further consideration in conjunction with any proposals that may be brought here by the General Government Committee; and I do this because I have amendments to offer only—and Mr. Wilson does, too—only to the second sentence, and I think it will expedite it.

PRESIDENT WITWER: It has been seconded by Mr. Shuman. Now, I understand we are merely passing over until next week—

MR. GERTZ: The second sentence.

PRESIDENT WITWER: Yes, the second sentence. Mr. Davis?

MR. DAVIS: A point of order here. Under our rules we cannot postpone to an indefinite date in this proceeding.

PRESIDENT WITWER: This is what we were talking about, Mr. Davis.

MR. DAVIS: Our Committee on General Government recommendation and report will probably be filed not later than next Tuesday. That would mean it could not be heard by this body for another week after that. I would therefore suggest that the motion to postpone here should be until perhaps the seventeenth of this month, with the understanding that when it is set for hearing, it will be set for hearing by the president at the same time as the General Government report on sovereign immunity.

PRESIDENT WITWER: Thank you. Will you accept that qualification, Mr. Knuppel, or Mr. Shuman?

MR. SHUMAN: I will accept it.

PRESIDENT WITWER: All right. We'll hear from Mr. Lennon now.

MR. A. LENNON: Well, I just wanted to ask a question. Do I understand that at some point, then, we will present our position rather than—this will kind of be at the tail end?

PRESIDENT WITWER: Yes, this will come up on Special Order in connection with that phase of the report of the General Government Committee; and it is to a specific week,

at least—you expect to have this before us week after next, Mr. Davis?

MR. DAVIS: Mr. President, at our meeting this noon it was indicated that our report would be ready for filing next week. It should be ready for hearing by this body the following week, so the seventeenth should give us ample time.

PRESIDENT WITWER: Thank you. Will the body please come to order? Gentlemen, will you please hold your conversations outside so we can hear what we are talking about over at this end, please?

MR. GERTZ: Mr. President, in the interest of comity—spelled c-o-m-i-t-y—the Bill of Rights Committee will accede to the request of General Government to withhold the second sentence without formal action being taken by this body, but I would now move that the first sentence be approved—

PRESIDENT WITWER: Now, just a minute. I think we should have the *Journal* clear on this and the date to which it's going over. Mr. Davis?

MR. DAVIS: Point of inquiry, Mr. President. Has there been a division?

PRESIDENT WITWER: There has been, by agreement, a division.

MR. DAVIS: Then I think we have a motion on the floor to postpone consideration of this second sentence until the seventeenth, with the understanding that the president will then set it for hearing on the same day as General Government's recommendation on our proposal on sovereign immunity.

PRESIDENT WITWER: Thank you. I think that is right, and we should act on that motion now, and then we'll have a clear *Journal* record on it. Are you ready? Those who will favor it will please say aye. Those opposed nay. It goes over, then, to the seventeenth, and will be on the General Orders.

MR. GERTZ: May I now move, Mr. President, for the approval of the first sentence on first reading and that it be sent to Style, Drafting, and Submission?

PRESIDENT WITWER: Well, we didn't invite any amendments on that.

MR. GERTZ: As I understand, no amendments have been tendered on first reading.

PRESIDENT WITWER: Are there any amendments? If not, this motion would be in order. You have heard the motion of the chairman. Seconded by Mr. Meek that the first sentence of section 14 be approved at first reading and submitted to Style, Drafting, and Submission.

Those who favor it, will please raise the hand. All right, will you lower the hands? Those opposed? It appears to have no opposition vote. This motion was carried by a vote of seventy-five, yea; no nays.

Now, Mr. Gertz, section 17?

MR. GERTZ: Yes. I take pleasure in introducing Father Lawlor to the assembly to discuss this particular section. Father Lawlor has been a chastening influence on the lawyers in our committee. He doesn't accept our interpretations of the law necessarily. We have all profited from his interrogations.

PRESIDENT WITWER: Father Lawlor?

FATHER LAWLOR: Mr. President, fellow delegates, chapter 17—section 17—deals with the right to assemble and petition. We have made very little in the way of change. The

original in the 1870 Constitution read as follows: "The people have the right to assemble in a peaceable manner to consult for the common good, to make known their opinions to their representatives, and to apply for redress of grievances."

We have made the addition of a comma and a phrase—the comma after the word "manner," and the phrase "to associate freely." The current reading then would be, "The people have the right to assemble in a peaceable manner, to associate freely, to consult for the common good, to make known their opinions to their representatives, and to apply for redress of grievances."

With the exceptions discussed below, the committee was satisfied with the guarantee phrase in the existing language.

Almost all state constitutions have a provision on the right to assemble and petition. The Federal Constitution in the First Amendment

Congress shall make no law respecting an establishment of religion or prohibiting the free exercise thereof, or abridging the freedom of speech or of the press or of the right of the people peaceably to assemble, and to petition the government for a redress of grievances.

The purpose of inserting a comma after the word "manner" was to assure that the right to assemble in a peaceable manner was an independent right, not subject to qualification by any of the succeeding phrases. Although most state constitutions—constitutional guarantees—appear to be qualified in the same manner as the existing version of section 17, seven states have expressed the right to assemble as an independent right. Thus the new version assures that the people have the right to assemble in a peaceable manner, even though their purpose is other than to consult for the common good, or to make known their opinions to their representatives, or to apply for redress of grievances.

The committee was unanimous on this change. The phrase "to associate freely" was inserted during discussion of a lengthy proposal on communication and association. This Proposal No. 461 was rejected by the committee. It read as follows:

The affirmative right of individuals, without prejudice to the common good, to publicly and privately communicate, freely organize, and associate with others for the purpose of protecting their inherent and inalienable rights of life, liberty, ownership of property, and the pursuit of happiness for maintaining or furthering their common-group cultural, social, and economic interests and standards shall forever be guaranteed by law. This affirmative right shall be understood to apply to all types of legitimate unions, guilds, societies, sects, parties, clubs, and other units to which the members freely and for honest and just purposes mutually choose to be identified with or to cooperate with each other, in particular civic, political, religious, patriotic, intellectual, esthetic, scientific, professional, trade, racial, ethnic, athletic, geographical, or similarly oriented groups. Malicious, deliberate, and unreasonable discrimination or exclusion based on prejudice such as race, color, religious belief, political creed, national ori-

gin, sex, or other factors totally unrelated to the purpose of the association shall be unlawful.

That was rejected, and the words, "to associate freely" were considered to pretty much cover the entire area of free association. The printed material from the *Chicago Times*, which was passed out to you a short while ago, lists a number of associations on this sheet that we have in the nation, and they are of all types, as the author or the headlines says, "Associations are as American as apple pie," and it is something that they quote Alexis deTocqueville,

Americans of all ages, all conditions, and all dispositions constantly form associations. They have not only commercial and manufacturing companies in which all take part, but associations of a thousand other kinds—religious, moral, serious, futile, general or restricted, enormous or diminutive.

We are simply attempting through the language to make explicit something that exists as an implicit right already in the life and in the constitution of the people.

There were several other proposals. Proposal No. 433 would have pared down the provision so that it only referred to the right peaceably to assemble and petition. Proposal No. 526 would have retained the existing provision unchanged. Proposal No. 275 would have made minor changes apparently consistent with the version approved by the Committee. Proposal No. 275 would also have directed the General Assembly to guarantee a system of franking privileges for citizens to communicate with state officials. A minority of four committee members would have adopted this suggestion.

There was a great amount of material actually, in Braden-Cohn, under this section 17. It takes us back historically to the 1818 and 1848 Constitutions, which stated that the people have a right to assemble together in a peaceable manner to consult for their common good, to instruct their representatives, and to apply to the General Assembly for redress of grievances. The 1870 proposal was in the form ultimately adopted without debate; the earlier provision referring to application to the General Assembly for redress of grievances was changed to delete entirely the reference to the General Assembly. One can only speculate that the Convention believed that—the right to be too narrowly stated or that the reference to the General Assembly was redundant. Whatever the reason, in the 1870 provision it is clearly more expansive than the earlier provisions in defining the right to petition for redress of grievances.

The right to assemble has been much in the public mind in recent years, because much of the assembling that has taken place has been of a rather unpeaceful nature—a rather riotous condition in many situations. While people did come together for reasons that they feel are perfectly legitimate, honest, and proper, frequently these have ended up in very serious conditions which have resulted in the loss of life, extensive damage to property, and so forth. We didn't get into this type of thing to any extent in our discussions that I recall. It's a matter that is much before the courts and being debated in the newspapers day by day. Many would be of a mind to place limitations; others feel that the very nature of freedom of speech and the right to assembly must face up to the right of people to express opinions that sometimes are not so pleasing to us, but which to

them are very important as an opportunity to get to the root of problems that they must face in their daily lives. This could be the right of unions, it could be the right of racial or national groups, it could be the right of religious groups, the right of students or parents; and, as we have noted, sometimes it takes a very unpopular and harmful turn as viewed by some. And yet, we live in an age of very strong feelings, an age that might be considered truly revolutionary in the departure from some of the established order of the past, some of the attitudes of the past.

This is about where I should stop, I guess. How capable I shall be of answering your questions, I don't know. But this is the way the committee voted through the proposal, and we would be pleased if you would accept it as such, and give it your approval.

PRESIDENT WITWER: Thank you. Mr. Parkhurst?

MR. PARKHURST: Father Lawlor, on the explanation of the committee proposal, on the second page, with regard to the adding of the phrase, "to associate freely," the explanation says, "A minority of the committee opposed this addition on the ground that the words were redundant in view of the existing guarantees and that the language might have unintended adverse effects." My question is, what did the minority of the committee feel would be the adverse effects of including this new language?

FATHER LAWLOR: I'd prefer that the minority would answer that. I proposed the particular No. 461 that they are talking about. I pleaded that there were no hidden evils in it, but some appeared to suspect that this was some type of discriminatory effort that would—that I was trying to slide through, and yet the last paragraph of it certainly talked against any kind of discrimination; but I would leave Mr. Gertz speak here.

MR. GERTZ: May I supplement what Father Lawlor said in one respect? Although there were differences of opinion on the part of the minority of the committee with respect to the inserted language, in the end I believe the committee was unanimous in the approval of the section, notwithstanding the reservations that some had.

The committee urges the acceptance of the provision. Always in the course of debate differences arise, and in the end we resolve those differences. The fact that we approved this provision indicates that, on balance, we feel it is wholly acceptable and ought to meet with the approval of the body.

PRESIDENT WITWER: Mr. Mathias?

MR. MATHIAS: In several instances really, recently, we have had some limitation upon the number of people that might assemble; in particular instances where they thought violence was threatened and that sort of thing, they limited the number of people that might assemble to five or ten or something of that sort. Is this intended to change that—the power of the local governmental officials to make such a limitation? Is this limited in any way?

FATHER LAWLOR: No. No, I think that comes under your general police power of the state and so forth, the right of the legislature to establish reasonable norms to control the proper functioning of society. I don't think that there is any intent whatever along that line.

PRESIDENT WITWER: Thank you. Mr. Parkhurst

had not concluded his statement.

MR. PARKHURST: Well, I asked my question, Mr. President, but what I really wanted to know was what were some of the considerations that the minority felt would have an adverse effect if this language were added, so we wouldn't have any mystery about it. I know there is no minority report on this proposal, but I was just trying to get before us what some of the considerations were. As far as I can tell, it would have no adverse effect. I just wondered what the other people thought about it.

PRESIDENT WITWER: Mr. Gertz?

MR. GERTZ: Leonard Foster wants to say something, but first I would like to say that obviously they couldn't have been earth-shaking, because I for one, who have a pretty good memory, have forgotten the reasons. And we all ended up unanimously approving the section, so apparently there were not strong feelings.

What happens in a situation like this is that when new words are proposed, your first reaction, if you have a particular temperament, is to oppose those words. Later on, on reflection, the words don't seem so terrible. And I don't see anything terrible or dangerous; as a matter of fact, I could see a good deal of benefit even in supposedly redundant phrases. It's good to know that in the free United States you can associate freely.

PRESIDENT WITWER: Mr. Foster, how's your recollection? (Laughter)

MR. FOSTER: Somewhat more detailed.

PRESIDENT WITWER: Will you go ahead?

MR. FOSTER: The question of this free association in the proposal—I believe it was No. 466—concerned a number of members of the committee. We had in mind, for example, Proposition 14 that was offered some years ago in the California Constitution. One of the arguments brought to the committee was that the people should have a right to preserve their cultural heritage, to preserve the traditions of their neighborhoods, and in—what it really amounted to, in the view of some members of the committee, was a form of discriminatory housing practice.

As Mr. Gertz said, we ironed this out to the point where we didn't quite see that we were endorsing it at this point. But it was something which we very much considered, because especially in the urban situation, the right of a man to associate freely with whom he chooses necessarily implies the right to exclude those people whom he chooses not to associate with. And we were very carefully trying to draw some balance there between the two rights.

PRESIDENT WITWER: Thank you. Mr. Shuman is next.

MR. SHUMAN: Mr. President, I would yield to Mr. Hutmacher if he has some more comment to make on that same question.

PRESIDENT WITWER: Mr. Hutmacher?

MR. HUTMACHER: Just so the—if this Convention is interested in the committee proceedings, as best I can recall, Proposal No. 461 is somewhat similar to what Leonard says. If I recall, originally I suggested that the addition of the words "to associate freely" might solve this problem. This—these suggested words were then asked of the proponent of Proposal

phrase, "subject to the police power of the state"?

MR. FOSTER: You are talking about section 6 of article 2?

MR. R. SMITH: That's right, "Searches and Seizures."

MR. FOSTER: I don't think it would change it one bit, since searches and seizures are an exercise of the police power and section 6 restricts that exercise.

MR. R. SMITH: But if we made that subject to the police power of the state, would there be a right?

MR. FOSTER: I would rather not answer that off the top of my head. I never considered this in conjunction with section 6.

MR. R. SMITH: Or section 7—are any of the proponents of this prepared to answer my question?

MR. FOSTER: I doubt it. We never considered it in conjunction with sections 6 and 7.

MR. R. SMITH: Well, what is your idea of what the bill of rights is? I assumed that the standard definition of a right was an area that was not subject to the police power of the state.

MR. FOSTER: That might be your standard definition. I wouldn't concur with it entirely. I think that the purpose of this section is to carve out a citizen's right to have some form of firearm and delimit the state's right to prohibit it entirely.

PRESIDENT WITWER: Mr. Hutmacher?

MR. HUTMACHER: I think the committee history will bear me out that just prior to the adoption of this provision the original form was that the right of the individual citizen to keep and bear arms shall not be infringed. There was a discussion in the committee, and then Delegate Arrigo stated that it might be much more readily acceptable and much easier to understand by stating explicitly that which has been found impliedly to rest with the state. On this basis, this additional language was prefaced to the remarks.

MR. R. SMITH: Matt, may I ask you what we would do to section 1 if we prefaced that with the statement, "subject to the police power of the state"—"All men are by nature free and independent"? Matt?

MR. HUTMACHER: I think I have explained the reason for this particular provision, and I would imagine that you can put "subject to the police power" for "due process"; and I think you run into a contradiction in this, because of the reason which I have stated. I think it has been answered by the committee hearings on this.

MR. R. SMITH: I think you just answered my question.

MR. FOSTER: I think, Mr. Smith, that you should point out that the freedom and independence of men granted under section 1 is subject to the police power of the state, and that exercise must be reasonable under certain circumstances, just as we went through this thing on habeas corpus. The state can suspend habeas corpus, impose martial law, take over your house, and do a lot of things; but they are going to have to be prepared to justify it.

Now you can go through this whole constitution and say, "What if we applied this to that section?" It applies to every section, whether it is stated or not, because the state's right to prepare—to provide for the public health, safety, welfare, and morals infringes on your right of free speech, infringes on your right of assembly, infringes on your right to be secure in your

own home. If a policeman follows you down the street and then you run into your house, he has the right to run in after you without a warrant; and that's an exercise of the police power of the state. So even though all these questions might seem to be beside the point, it applies to the whole bill of rights; and we have made it explicit on this one to make sure that nobody thinks we are trying to pull a fast one, and that we realize that the right to bear arms is subject to that specific restriction.

MR. R. SMITH: Then why say it—then why say, "subject to the police powers of the state," if it isn't necessary?

MR. FOSTER: Because in this particular instance we felt it desirable, although unnecessary.

MR. R. SMITH: Would you agree that—would you go along with striking that first phrase, "subject to the police powers of the state"?

MR. FOSTER: I won't go along with striking it. I may agree with you that it is redundant, but we think it is a useful redundancy.

PRESIDENT WITWER: Mr. Gertz is next.

MR. GERTZ: Mr. Foster, under that provision, would it be possible for the city or the state to ban all hand guns, except those in the hands of police officers?

MR. FOSTER: It would be possible to ban all hand guns, *including* those in the hands of police officers.

PRESIDENT WITWER: Now Mr. Durr?

MR. DURR: I think part of these questions that I would like to put to Delegate Foster were answered by him, but—so I will try and shorten it a little bit. As I understand the police power that is contemplated in this introductory phrase, it is the inherent power of organized society to protect itself from destruction and to protect its members from destruction. Is that more or less sort of a thumbnail description of it?

MR. FOSTER: Yes.

MR. DURR: And is one of the inherent requirements of the exercise of that power the reasonableness of it?

MR. FOSTER: Yes.

MR. DURR: Measured by the goals to be attained and by the amount of power to be asserted?

MR. FOSTER: I believe the Justices of the United States Supreme Court always talk about balancing the equities. The public right versus the private right.

MR. DURR: And would, then, the police power of the state pervade all of the provisions that we have been discussing for the last two weeks, including, "All men are by nature independent"—they are not independent to crush one another's skulls in with stones. The police power would intervene in that independence, wouldn't it?

MR. FOSTER: I believe it has been said that your right to extend your hand stops at the end of my nose.

MR. DURR: Yes, sir. And would the free exercise of religion perhaps be subject to the police power of the state? Perhaps for example, where religion included the administration to other people of hallucinatory drugs, such as some of our western Indians have—

MR. FOSTER: Yes.

MR. DURR: Would the freedom of speech be subject to the reasonable exercise of police power?

MR. FOSTER: You can't holler "fire" in a crowded

Anything else now while we are in plenary session? If not, Mr. Cicero moves that we now resolve ourselves again into a Committee of the Whole, seconded by Mr. Shuman. Those who favor it, please say aye. Those opposed, nay. It's carried.

We are now back in Committee of the Whole, and I believe, if I understand correctly, Mr. Lewis, we are on section 3, having to do with reapportionment.

MR. LEWIS: We are, Mr. President. I would suggest we start with section 3A, and Delegate Perona will handle that.

PRESIDENT WITWER: Thank you. Did you have a question, Mr. Green? Mr. Green?

MR. GREEN: Well, you previously wanted to do that section 16 before.

PRESIDENT WITWER: I beg your pardon?

MR. GREEN: Do you want to do it, or we can wait until then.

PRESIDENT WITWER: Mr. Lewis, section 16 is a new section? What is the wish of the committee?

MR. GREEN: It's up to the Chair. We don't care, Mr. President.

PRESIDENT WITWER: All right, let's do it, and then we will have one final thing, and that will be the reapportionment, and will you make your motion, Mr. Green? Does the clerk have it?

MR. GREEN: Would the clerk please read the proposed section 16?

PRESIDENT WITWER: Mr. Green has proposed section 16, and if you will read it, please.

CLERK: Amend the report of the Committee on Legislative Article by adding a new section as follows:

Section 16, entitled, 'Pension and Retirement Rights.' Membership in any pension or retirement system of the state or any local government or any agency or instrumentality of either shall be an enforceable, contractual relationship, the benefits of which shall not be diminished or impaired.

PRESIDENT WITWER: Thank you. Is it seconded? Seconded by Mr. Coleman. Are you ready, Mr. Green, to proceed?

MR. GREEN: Yes, sir. I will be very brief about this, but basically I think we are faced in constitutional writing with either granting powers or prohibiting powers, but here we have a consideration of a legislative power that the General Assembly really hasn't adhered to for a long, long while; and it is for this purpose that this amendment is offered.

Now, at the end of 1968 in Illinois we had more than 370,000 public employees who were participating in 374 pension funds in this state. In addition, there were more than 79,000 people who were already on retirement or disability or survivor's insurance benefits from these funds. So in Illinois at the end of 1968 we had approximately 500,000 people who were relying on the public employee pension plans in Illinois for their present and future security.

Now this amendment does two things: It first mandates a contractual relationship between the employer and the employee; and secondly, it mandates the General Assembly not to impair or diminish these rights.

Now, with regard to the first point, the Illinois courts have generally ruled that pension benefits under mandatory partici-

pation plans were in the nature of bounties which could be changed or even recalled as a matter of complete legislative discretion. And as a result in Illinois today we have public employees who are beginning to lose faith in the ability of the state and its political subdivisions to meet these benefit payments. This insecurity on the part of the public employees is really defeating the very purpose for which the retirement system was established, and this is one of the reasons why I personally request that the Convention adopt the provision which will guarantee these rights and direct the General Assembly to take the necessary steps to fund the pension obligations.

Now, just a little background with regard to what the General Assembly has done. In the past twenty-two years the unfunded accrued liabilities of these pension plans in Illinois have increased from about \$359,000,000 to almost \$2,500,000,000, and the unfunded accrued liabilities are real and are not theoretical obligations based upon service already rendered.

Despite the consistent warnings from the Pension Laws Commission, the current budgeting of pension costs necessary to ensure the financial stability of these funds, the General Assembly has failed to meet its commitments to finance the pension obligations on a sound basis. In 1967 the General Assembly approved Senate Bill 515 which provided for the appropriation to one state university retirement system, to at least equal to an amount which would be necessary to fund fully the current service costs and to cover the interest on the past service; and despite this legislative mandate, the General Assembly refused to appropriate the necessary funds. Now, during this two-year period alone the appropriations under this system were \$67,000,000 less than the minimum required by the senate bill.

Now, what we are proposing is being carried out in some other states by law. Our language is that language that is in the New York Constitution which was adopted in 1938, really under a similar circumstance. In 1938 you were about at the end of the Depression, but there was a great consideration on the part of the New York General Assembly to really cut out some of the money that they were giving to the pension programs in New York; and it was for this reason that the New York Constitution adopted the language that we are suggesting. Since that time, the state of New York—the pension funds for public employees have been fully funded, and so I think we have good reason to believe that this type of language will be a mandate to the General Assembly to do something which they have not previously done in some twenty-two years.

Now, we are not in any way suggesting that this \$2,500,000,000 that they are in arrears be brought up to date at any one time. The New York Constitution mandated that state to fully fund the program in two years. This would be a physical impossibility in Illinois.

I do believe that if we could contact the actuary of the programs, it may well be in the scheduling, we could come up with a scheduling to do it. But in lieu of a scheduling provision, I believe we have at least put the General Assembly on notice that these memberships are enforceable contracts and that they shall not be diminished or impaired.

Now, I would like to yield to Delegate Kinney for any further remarks.

PRESIDENT WITWER: Mrs. Kinney?

MRS. KINNEY: Thank you, Mr. President. I was interested in initiating this amendment and did it by requesting a ruling from the Rules Committee and from this Convention as to when it might appropriately be presented. The fact that it comes up now as an amendment to the legislative article should not deter you. Delegate Davis very kindly informed me that this ruling was made to allow its presentation at the first reading stage. But I would remind you that, of course, if adopted, it can be shifted to a more appropriate section of the constitution, perhaps falling into some category such as general government proposals fall into.

To establish the record as to intent, I should just like to briefly say that the word "enforceable" is meant to provide that the rights so established shall be subject to judicial proceedings and can be enforced through court action. The word "impaired" is meant to imply and to intend that if a pension fund would be on the verge of default or imminent bankruptcy, a group action could be taken to show that these rights should be preserved. The amendment does not mention whether benefits could be increased. It is definitely the intent that an increase in benefits would not be precluded. Many states tie their pension and retirement benefits into a cost of living and raise them from time to time. It is the intent that this amendment would permit so doing if the legislature at some future time should decide to do this.

Mr. Green's interest in this matter is a little different than mine. It is cosponsored by Delegate Green, myself, my codelegate, Anthony Peccarelli, and Mr. Zeglis. It has the support of a large number of other delegates—

PRESIDENT WITWER: Just a minute, please. Let's stay in order. Mrs. Kinney has the floor.

MRS. KINNEY: —it is supported by a large number of other delegates: Mr. Bottino, Mr. Fennoy, Mr. Nudelman, Mr. Gertz, Mr. Buford, Mr. Carey, Mrs. Howard, Mr. Hendren, my seatmate, David Kenney, Mr. Friedrich, Mr. Ron Smith, Mr. Klaus, Mr. Lyons, Mr. Daley, and Mr. Brown.

My interest in this particular amendment stems from my acquaintance with police officers and firemen. In prosecuting criminal cases I have many times had the occasion to have police officers as my witnesses. As you would all be aware from your mail and mine, they were much concerned about home rule proposals. In DuPage County there are approximately thirty-two small municipalities. The police officers and the police forces range anywhere from four-men forces to very large, well organized departments, having perhaps sixty employees. Their concern in the mail and in the personal calls that I received—because, as I say, I do know many of the officers personally, and over a long period of time—was that a home rule provision, if adopted by this Convention, might allow a municipality who preferred to use retirement money to repair the streets or some other thing, to abandon a pension system.

Now, I am sure that is not at all what was intended; but in any case many police officers are most concerned, and they have said to me that their salaries are very low, their duties can sometimes be unpleasant; and if they cannot rely on their pensions, they may as well leave now. I think that this would

simply be a means of giving them assurance that these benefits will not at some future date be eliminated on the part of municipalities who do contribute to these funds. Thank you.

PRESIDENT WITWER: Thank you, Mrs. Kinney. Mr. Coleman? Mr. Coleman waives. Mr. Kemp?

MR. KEMP: Thank you, Mr. President. Mr. President, ladies and gentlemen, I rise to support this measure, and I would share with you the fact that our civil servants—either state, municipal, or county—have a vested interest in these pension plans because all of those that I know of provide joint contribution from both the employer and the employee.

I would remind some of the members of this Convention that there have been municipalities in this state that have gone bankrupt, including the city that I come from. I can remember in the city of Chicago when my father was an employee of the city of Chicago that our family subsisted on script; but that I would also call to your attention that even during those times that those civil service employees who retired never had their pension altered or amended, even during those trying times during the days of the Depression.

The kind of interest that our civil servants have shown in this problem, whether they were members of unions or not, would include—over and above firemen and policemen—teachers who belong to the teachers' union and teachers who belong to the state association; it would include clerical employees; it would include semiprofessional employees. And in keeping with Mrs. Kinney's argument, I would remind you that the government or municipal employee is not notoriously overpaid, and that these pension plans oftentimes include, not only the worker, but the spouse at the death of the worker where that spouse then receives a lesser amount than that was originally intended for the person who is the employee.

It would seem to me, in the light of the mail that some of us have received, and particularly from the firemen around the state, that we have already been made aware of the kinds of concerns. I would presume that the purpose of this proposal is to make certain that irrespective of the financial condition of a municipality or even the state government, that those persons who have worked for often substandard wages over a long period of time could at least expect to live in some kind of dignity during their golden years; and I would urge that we support this obviously nonpartisan measure.

PRESIDENT WITWER: Thank you. Mr. Parkhurst?

MR. PARKHURST: Mr. President and fellow delegates; on the face of it, this innocuous little amendment sounds a lot like motherhood and strawberry shortcake. Actually, I think it is a culmination of a kind of a running battle by a special interest group of pension administrators in the state of Illinois that has been going on in the legislature for years and years and years; and it probably should be continued in the legislature.

Now, here's—it seems to me—the fallacy of trying to constitutionalize this sort of a thing. First of all, the background in the legislature has been that many people who are entitled to a pension which is administered or given at the state level have come to Springfield and said, "Our pension is not fully funded. Our actuary tells us that you will have to have \$2,200,000,000 in state money to put into a special fund to pay off the potential claims that may now be filed to get this

particular pension or that particular pension when the benefits become due and payable to the retirees."

And the legislature has said, "For Heaven's sake, we don't have \$2,200,000,000. Why can't you let us run it like the federal government runs the Social Security program, which is to pay the benefits out of the income as they become due." And the proponents of 100 percent funding have said, "Nope, that's not good enough. We want you to put all the money there right now, and not wait until the payment comes due before you wrestle up the money to make the payment."

Now, there has been a little compromise from that 100 percent position in the last several sessions—and I am sure Delegate Elward knows more about the current situation in the last session than I do—but I think Delegate Green pointed out a moment ago that the proponents of funding these pensions have said to the General Assembly, "Well, maybe you don't have \$2,200,000,000 or whatever the magic figure is, but at least you can begin to do it, so maybe you ought to put \$60,000,000 a session into the funding of these pensions and allocate it so that we get built up to 100 percent, instead of having the various funding percentages, ranging all the way from maybe 20 percent up to around 80 percent, depending upon which pension fund you are talking about."

Now, the trouble with this amendment is, as I read it, that you would eliminate the argument constitutionally. You would mandate the General Assembly to put in 100 percent of the money to pay anybody's pension on anybody's actuarial projection right now, because it says, "the benefits of which shall not be diminished or impaired." And you can bet your life that with the intent being, as Delegate Kinney said a moment ago, to have a collective action in case of impairment, somebody would run into the General Assembly or into court—worse yet—and say, "We're only at 23 percent. That other fellow over there is at 39 percent of what his actuary says should be the funding; and neither of them are at 100 percent, and make the General Assembly put up the money." That's what impairment means in terms of money at the state level. There just isn't that much money available. There is no history in the state of Illinois of impairing or diminishing or welching on any pension plans when they come due. If we are going to get to the point in the state of Illinois where we can't pay the pensions, we're down the drain anyway; and anything you put in this constitution is not going to change that one bit.

Now, what about diminished? Let's talk about that for a minute. Somebody alluded to cost of living a moment ago. Suppose this goes in the constitution. Suppose we have more inflation. Suppose we devalue the dollar in five years or ten years. Haven't we then diminished the pension funding and the pension rights of a pensioner, based upon today's dollars? Of course we have. So this is an admonition to the courts not to let them be diminished in terms of the general level of the economy or the value of the dollar, now or in the future. I submit that that is a kind of a left-handed way to increase their pension benefits and not let them ride with the value of the dollar in years to come.

Now, that's the state level. Now, think a minute about what this would do at the local level. We're just about to talk about home rule, maybe hopefully tomorrow. And when you think about funding, not impairing, not diminishing, any of the local

pensions of which there are a myriad in Illinois, at the local government level and finding the money from every municipality and every school district and everybody else at every local level of government, to put the money in the pot right now so those administrators can have their hands on it and administer it and invest it in their own little way, it seems to me you just aren't being sensible, because there isn't enough money in home rule with income taxes and licensing for revenue and personal property tax and everything else you can conceive of to raise that kind of money in every town and municipality in the state of Illinois.

This is a terribly, terribly mischievous amendment. It is the desire of a special interest group; it should be legislative; there is no history of impairment; there is no history of welching on any contracts; and to put it in the constitution is simply pandering to a group that haven't been able to have their way in the General Assembly.

PRESIDENT WITWER: Thank you. Mr. Thompson? Mr. Thompson waives. Mr. Elward?

MR. ELWARD: I should like to associate myself completely and word for word with the remarks of Delegate Parkhurst. This amendment is, I am sure, well founded, and there is no reason certainly to question the sincerity of those who offer it; but the mischief of the language and the interpretations here—let me cite a few cases beyond what Delegate Parkhurst referred to.

One of the things that's wrong with the pension systems of this state is that there are too many of them, and the trustees of the various pension systems—and I now include the policemen and the firemen, particularly the firemen, in downstate Illinois—have stubbornly refused over the years to consider any kind of voluntary or mandatory consolidation or reorganization or union together. And in some instances, ladies and gentlemen, particularly when we get down to the municipal level, you have almost as many trustees as you have beneficiaries, which is hardly a situation that can claim much confidence on the part of the general public.

Now, I have been able so far to restrain my admiration for the governor and he for me; but if ever there was a bust-the-budget constitutional amendment, this is it; because either it means a mandatory funding up to some percentage figure way beyond what the average is now, or it doesn't. If it doesn't mean it, it doesn't do anything; it isn't in line with what the groups want. If it does mean it, it means hundreds of millions of dollars more in next year's budget with the governor having no control over it. I, for one, even though not of his party, would not want to see any chief executive mandated into that position. This would, it seems to me, prohibit consolidation which hopefully, under economic pressures in times to come, the legislature can get some of these associations together. The idea of having hundreds of pension funds running around the state without the benefit of consolidation and the benefits that can come from consolidation and proper planning of their investments are just so ridiculous that those who claim they speak for the beneficiaries of the recipients are really, in my judgment, not serving their best interests.

What about the words "impairment" or "diminishing"? Supposing the General Assembly decides they want to cut the benefit for a surviving widow of a policeman in order to in-

crease the benefits of the minor children? Under this constitutional amendment that might well be prohibited; and yet all might agree that this, in the long run, would be the best or better social policy. What you are saying is that the present structure—which admittedly is not identical in each fund and which is surely far from the ideal in terms of justice and charity—the present structure is to be frozen in for all time to come.

I pass over without further discussion the funding question, the cost-of-living question, the whole question of inflation in the future. This is well-intentioned, but like so many other things that are well-intentioned, it has consequences far beyond this afternoon and today, and I for one must oppose it.

PRESIDENT WITWER: Mr. Borek?

MR. BOREK: Thank you, Mr. President. Ladies and gentlemen, I rise to speak against this amendment. The only reason why pension and retirement rights are in the present—people today enjoy them, because the 1870 Constitution said nothing about this. I think this is strictly legislative and certainly ought to be not put in the constitution.

Let's look at it this way: We're told on this floor that one out of every seven people are public employees. By this amendment we are doing special legislation protecting one out of seven. What happens to the six out of seven that do not get this constitutional guarantee? They've got to be resentful and vote against this.

May I remind you, too, that the tremendous competition between labor and management to offer better conditions for the employees might make the words "pension" and "retirement" as anachronistic as the Model T Ford fifty years from today. There might be completely new types of systems. To freeze this in the constitution might hurt the very, very people that we are trying to help at this time.

Finally, I would like to state that "diminished" or "impaired" indicates to me somehow that the treasury of the state of Illinois would guarantee 374 pension funds; should they go broke, they will reimburse them to the extent that they can operate.

I think this is a very bad amendment, and I am certainly talking against it. Thank you, Mr. President.

PRESIDENT WITWER: Thank you, Mr. Lyons?

VICE-PRESIDENT LYONS: Mr. President, let me start out by saying that numerous members of my family are beneficiaries of the Chicago Police Department Pension Fund. I was myself at one time a member of that estimable fund. I was also a member of the Pension Laws Commission, and I have been through the upfunding argument and all this other business that Delegate Parkhurst referred to, including the movement in the 1965 session of the General Assembly by a party other than my own to fully fund all the pension funds of the state, which would have cost a couple of billion dollars, as somebody has pointed out.

But I would like to ask one of the sponsors of the amendment—I am a cosponsor of it myself—I *thought* that the purpose of this amendment was to give protection to those people who felt that they needed protection for their pension rights in the event that sweeping home rule powers were given to local governments. I recall receiving a flurry of letters and telephone calls early in the session when the local government articles began to be introduced from police and fire associations who

were very fearful that a general grant of home rule powers to local governments might in some way impair their pension rights. I thought that all that this amendment was designed to do was to cure that. Now, if it does something else, or if the language needs to be cleaned up, that's one thing. But the genesis of the amendment, I thought, was simply to protect people who up until now have felt protected. I am aware of no movement to upfund all the funds—nobody's got that kind of money.

I would just appreciate an answer from somebody who feels that he knows.

PRESIDENT WITWER: Mr. Parkhurst?

MR. PARKHURST: Perhaps I can furnish at least part of the answer. Delegate Lyons is quite right, that when the flurry of letters and messages and delegations came to the Local Government Committee, the interest of those people was, as you have described it, Tom, to be sure that home rule did not give to municipalities or anybody else that had home rule the power to invade a pension fund, change the administration system—

VICE-PRESIDENT LYONS: Or just abolish it.

MR. PARKHURST: —or abolish it completely. That was the fear that those people had.

Now, at that point we spent much time—Delegate Zeglis was involved in this and others—talking with delegations from the police and fire pensions primarily. And it was, I think, made clear to them—and there was no further contact after awhile—it was made clear to them that under the system of guaranteeing to the state, under the pre-emption system which is contained in 3.2B of the Local Government Committee report, which says:

The General Assembly may provide by general law for the exercise of any power or function by the state, and when such a law specifically provides that the power or function may be exercised exclusively by the state, units of local government shall not exercise it.

We spelled this out, talked to them about it, and indicated that this was such a power that had been exercised by the state, and all these local pensions were matters of statutory creation; and that unless the legislature decided to not make that power exclusively the state's and permit that power already exercised by statute to be exercised by the local units of government, we had nothing to worry about. And they were content that certainly the legislature wasn't going to give to City "X" or City "Y" or City "Z" or County Zilch the right to invade their pension administration and their pension systems—now—wait a minute—

PRESIDENT WITWER: Just a minute.

MR. PARKHURST: —I am answering the question, I think. And then—

PRESIDENT WITWER: Now, wait a minute. Just a minute. A point of order has been raised, and you have reached the end of a sentence now. May I hear the point of order.

MR. KEMP: Mr. Chairman, unless my hearing is faulty, I believe that Mr. Lyons asked as to whether or not the proponents of this proposal had an argument—or had an answer to his specific question. I now suggest that by his arguments—

well put before this Convention—that Mr. Parkhurst is not a proponent and is now reengaging in the argument that he made before; and it seems to me that the people who would be entitled to answer Lyon's question would either be Mrs. Kinney, Mr. Green, or some of the other people whose names appear on this proposal.

PRESIDENT WITWER: All right. Now, Mr. Kemp, may I rule on your point of order? Mr. Lyons did initially ask advise from any of the sponsors; but then he broadened his question to ask a matter of the Home Rule Governments Committee, and the impact on its initial work as evidenced by a flood of communications of concern. I think you are going to hear from both.

Now, Mr. Parkhurst, will you complete your statement, and then we will hear from the sponsor on the other branch of the question raised by Mr. Lyons, and everybody will be happy.

MR. PARKHURST: Yes, Mr. President.

PRESIDENT WITWER: Thank you.

MR. PARKHURST: The furor that descended upon the Local Government Committee was, I thought, pacified and settled and solved by the answer I have just given you. Now, this is not a proposal that goes to the local government article; this is an amendment that goes to the legislative article and covers not only local governments, but retirement systems of the state. It does refer to benefits being diminished or impaired, as many people have commented on, including myself; and it is a broader concept—much broader than that narrow concept that was brought before our committee. That, I think, is a fair answer.

PRESIDENT WITWER: Thank you. Now, if there is a sponsor that would like to respond. Would you like to repeat that question now to Mr. Kemp?

VICE-PRESIDENT LYONS: Yes, I would, Mr. President. The question is, am I wrong in my supposition that the purpose of this amendment is only to provide security to people who now feel that they are secure in the event that sweeping home rule powers are given to local governments? That's what I thought this thing was designed to do.

MRS. KINNEY: Yes, you are right, Mr. Lyons. That is what it is designed to do. Benefits not being diminished really refers to this situation: If a police officer accepted employment under a provision where he was entitled to retire at two-thirds of his salary after twenty years of service, that could not subsequently be changed to say he was entitled to only one-third of his salary after thirty years of service, or perhaps entitled to nothing. That is the thrust of the word "diminished." It was not intended to require 100 percent funding or 50 percent or 30 percent funding or get into any of those problems, aside from the very slim area where a court might judicially determine that imminent bankruptcy would really be impairment.

Now, if the word "impairment" bothers people, I suggest, if it is the wish of the Convention, that word could be deleted, and the rest of the amendment could stand. It is also not intended to get into freezing in a system of trustees or persons who would administer the various funds. That is not touched upon or contemplated in this amendment.

As I said before, it is also not intended to preclude greater

benefits for beneficiaries, pensioners, or their dependents at some future time. It is simply to give them a basic protection against abolishing their rights completely or changing the terms of their rights after they have embarked upon the employment—to lessen them.

VICE-PRESIDENT LYONS: Well, Mr. President, then I should like to speak in favor of the amendment, because I am not shocked at the notion of vesting contractual rights in beneficiaries of pension funds. As a matter of fact, in the last few sessions of the United States Congress there have been proposed numerous legislative enactments directly bearing on this subject, because there is thought to be an immense need in this country for just this kind of protection, not only in the public, but also in the field of private employees.

Therefore, I am not shocked at the notion of vesting contractual—enforceable contractual rights in these pension beneficiaries, if that is all that this thing is designed to do.

We now have heard from the proponents who have represented that that is the limit of the scope of this amendment. It does not refer to upfunding, nor does it seek to establish some sort of an administrative elite to administer these various funds. All that it seeks to do, as I read the thing, is simply to grant protection to people who feel that the protection they now feel they have might in some sense be impaired in the event that local governments move into these fields which heretofore were the preserve of the state.

PRESIDENT WITWER: Thank you, Mr. Lyons. Mr. Peccarelli is next.

MR. PECCARELLI: If I were as knowledgeable as Delegate Green, as scholarly as Delegate Kinney, or the orator as is Delegate Kemp, I would say all the things that they have said. Being none of those three things, I would just ask you to take what they have said and consider it and emphasize what they have said and ask that you vote for the amendment.

PRESIDENT WITWER: Thank you, Mr. Whalen?

MR. WHALEN: Mr. President and fellow delegates, I agree with Delegate Kinney, that as I read section 16, it doesn't require the funding of any pensions, and therefore the whole question of funding is irrelevant to the issue of whether we should adopt the provision.

One thing that does concern me, however, about section 16 is that it chooses to characterize pensions and the right to a pension as a contractual interest of the person receiving the benefit.

Under the existing Illinois law there is one line of cases which characterizes pension benefits as being contractual rights, and another line of cases which characterizes pension benefits as being proprietary rights of the person receiving the benefit.

Under section 16, what we would have done is lock in the contractual line of cases into the constitution, and I am not so sure that that in the end would benefit the people that we seek to benefit by this provision, because particularly in bankruptcy it seems to me, which was the concern of Delegate Kemp, the benefit—the person receiving the pension benefits would stand a better chance of receiving full payment if the benefit were characterized as proprietary rather than contractual; and, therefore, I think that what, in fact, we may be doing by this provision is derogating in some way the rights of pensioners.

I would add another point in response to Delegate Kemp and Delegate Lyons; and that is that section 16 in no way vests any pension rights for pensioners. All it does is say that the pension is a contractual interest which the pensioner has; and the line of cases again has repeatedly held that this is a contractual right and may be subject to any contingency built into the contract. Therefore, they can be a contractual right subject to the vestment, if you will, or any other kind of contingency. So I am afraid that in the long run that this section 16 may derogate the very rights that the proponents are trying to foster here.

I would suggest that, rather than take the approach of section 16, what we, in fact, might do is turn to section 14 of the bill of rights, which the Committee of the Whole has already passed on first reading, and that says that no ex post facto law or law impairing the obligation of contracts or making any irrevocable grant of special privileges or immunity shall be passed. It seems to me that the contract clause gives the pensioner the protection against the diminishing or impairing of his contractual rights, which the proponents of this amendment seek to achieve. But if they want to give some kind of hortatory assurance to the pensioners, the place to do it would be in section 14, just by saying no law shall be passed which shall impair the obligation of pensions; and I think that would achieve the end. Additionally, it wouldn't raise the problem of characterizing all pensions as contractual rights rather than proprietary rights; because I think in the long run it may be more advisable for the pensioner to have a proprietary right here.

Therefore, I would oppose this amendment, and I would hope that at the appropriate time in the bill of rights some amendment could be added that would just add the word "or pensions" after the word "contracts" in the contract clause.

PRESIDENT WITWER: Thank you, Mr. Whalen. I see our good friend, Bill Day, and Mrs. Day leaving the gallery, and I wouldn't want them to get away without a recognition of their presence. (Applause) As you know, Mr. Day is the long-time Chairman of the Illinois Legislative Council, and the council has been invaluable in its service to us. I am glad you were only shifting locations and that you are going to stay awhile. Thank you very much. We are delighted to have you with us.

And now we have further debate, and there are a number on the list here. Mr. Woods is next.

MR. WOODS: Mr. President, this amendment literally bristles with potential for confusion, and it has strong special-interest overtones.

PRESIDENT WITWER: Thank you, Mr. Weisberg?

MR. WEISBERG: Thank you, Mr. President. I just wanted to say briefly that I feel that the Convention is not really in a position to make a reasonable judgment about the many kinds of questions that have been raised about the proper interpretation and consequences of this amendment. It's interesting to hear the present and former members of the legislature give us some insight into the dispute that apparently has long some history in Illinois here.

I would like to echo the suggestion that Mr. Whalen made that not only that we take this up in connection with the impairment of contracts clause in section 14 of the bill of rights, but that it seems to me that before we do that, that it is very

important that we be given a definitive statement in writing by the sponsors of this proposal as to exactly what it is intended to do. To take it up for the first time in the way in which it is proposed we do it now seems to me to really invite us to walk up a swamp blindfolded.

PRESIDENT WITWER: Thank you. Now, we have been on this for quite a long time. We have three more on the list, and then perhaps we can vote. Mr. S. Johnson?

MR. S. JOHNSON: Thank you, Mr. President. I, too, got an avalanche of letters on the home rule part of this, and I looked into the problem, and as I recalled it—and Delegate Kinney mentioned that this was what she was attempting to get at—as I recall the problem, it was this: that the police and firemen pensioners have now in the statute a provision which requires or permits them to levy a tax if for some reason the pension doesn't provide enough income to pay the beneficiaries. Then they can go to the local government taxing bodies and levy a tax to make sure that the benefits are paid. Now, this is what they wish to protect, and this is what they felt the home rule provision might take away from them, as I recall the problem.

Now, maybe I am wrong about that, but that's the way it seems to come through to me. Now, if that is the case, I think we've gone into something far broader than that simple protection here, and this is what worries me a little bit about this amendment. Until such time as it can be narrowed down to that, or just discarded entirely, I think I would have to oppose it.

PRESIDENT WITWER: Thank you, Mr. Davis?

MR. DAVIS: Mr. President, ladies and gentlemen, I don't know whether I served on Pensions and Personnel in the senate for ten or twelve years, but it was one or the other. This is an extremely complex area. I think that we would be making a serious mistake to adopt this language without consulting at least with the actuary who advises the Pension Laws Commission of the state. I think that we would be far better off to reject this proposal and to place something in the bill of rights which would be hortatory in nature and perhaps give reassurance to the people who are involved here that their rights are vested and they will continue to be vested; but I think to adopt this in this language may very well, as Mr. Whalen has so well pointed out, do harm to the very people that we are attempting to protect.

PRESIDENT WITWER: Thank you, Mr. Bottino?

MR. BOTTINO: Mr. President and fellow delegates, as one of the signers of this proposal, I want to say that I think—and I believe this sincerely—that Mr. Whalen's proposal and suggestion is not only the right thing, but the thing that will satisfy a good number of people.

I, too, sat through a couple of sessions of the legislature and had these people who were concerned on pensions, and some of us are, too, as members of the teaching profession, and representative—or Delegate Parkhurst has given part of the story. I say part of it because I think it would be just as bad, you might say, to have the state fund completely all of its share of the pension systems, but the other side of it is, as Mr. Parkhurst and other members of the legislature may know, that participants in these pension systems have been leery for years of the fact that the—this matter of the amount the state has

appropriated has been made a political football, in a sense. In other words, in order to balance budgets, you see, the party in power would just use the amount of the state contribution to help balance budgets, and this had gotten to the point where many of the so-called pensioners under this system were very concerned; and I think this is the reason that pressure is constantly being placed on the legislature to at least put a fair amount of state resources into guaranteeing payment of pensions. But I just want to rise in support of Delegate Whalen's suggestion.

PRESIDENT WITWER: Thank you. Now I believe we should hear in summation from Mr. Green. Since this is a new section, I doubt that it's one that requires hearing from the committee.

MR. GREEN: Well, in tackling Delegate Elward and Delegate Parkhurst, I guess we didn't have a Charlie Coleman "merely bill" here.

In answer to the contractual status, one of the overwhelming reasons to mandate this contractual status is based on a Supreme Court decision from New Jersey in 1964 that has a very, very similar pension problem to that of Illinois.

In a Supreme Court decision, in ruling—or rejecting—an appeal to attach a contractual status to a plan of mandatory participation—and this is the interesting part—it stated that all these funds had in common the promise of inevitable doom. The reason was that the annual revenues in New Jersey were not related to the ultimate cost of pension benefits; so that while current income might suffice for the earlier pensioners, the day had to come when little or nothing would remain for others, even of their own contributions to the fund. Now this, ladies and gentlemen, is basically what the people of Illinois—or the public employees of Illinois—are very fearful of.

In answer to Delegate Parkhurst's question with regard to the diminishing aspect of it—the cost of living—any of you who know when you buy an insurance policy you're going to get back what that contract says. Now if the dollar isn't worth but twenty-seven cents when you get it back, there is absolutely no reason why you have any recourse against that insurance company.

What we are trying to merely say is that if you mandate the public employees in the state of Illinois to put in their 5 percent or 8 percent or whatever it may be monthly, and you say when you employ these people, "Now, if you do this, when you reach sixty-five, you will receive \$287 a month," that is, in fact, is what you will get.

Now, I would like to read what the General Assembly says in their laws with regard to contributions by the state, and see if you feel they have lived up to it:

The total amount of state contributions applicable to any fiscal year shall be the sum of the amounts estimated to be required on the basis of the actuarial tables adopted by the board.

Now, actuarial tables are not different in each of 374 pension plans. You can get one that will be universal across the nation. If you are eighty-seven years old an actuarial table will tell you how long you will live; and that is what these pension contributions are based on. What we are trying to do is to mandate the General Assembly to do what they have not done by statute. I would further submit that the only one of 374

pension programs that is fully funded in the state of Illinois is that of the General Assembly, and I think that's very odd. (Laughter)

Now, I think they either ought to live up to the laws that they pass or that very quickly we ought to stop when we are hiring public employees by telling them that they have any retirement rights in the state of Illinois. If we are going to tell a policeman or a school teacher that, "Yes, if you will work for us for your thirty years or until whenever you reach retirement age, that you will receive this," if the state of Illinois and its municipalities are going to play insurance company and live up to these contributions, then they ought to live by their own rules. And this is all in the world this mandate is doing.

In closing, I would further say it was done in 1938 by these exact words in the state of New York. It has worked; and you all know there is certainly a lot wrong in New York state, but from the standpoint of its public employee pension program, it is fully funded, it has not bankrupted the state to do it, and all is right with the world where this language has been used. Thank you very much.

PRESIDENT WITWER: Thank you. Now, we are on the Green-Kinney-et al. amendment, having to do with the addition of section 16. Mrs. Kinney, did you wish to be heard in summation, also?

MRS. KINNEY: Yes, I would like to, Mr. Chairman.

PRESIDENT WITWER: All right, I am sure the body would be glad to hear from you.

MRS. KINNEY: Well, I would say that I would wonder when the appropriate time to raise this in the bill of rights would be, since first reading has already come and gone and this wasn't mentioned. That is why I sought a specific ruling as to when it might be raised.

PRESIDENT WITWER: Well, Mrs. Kinney, if you are asking the Chair—

MRS. KINNEY: No, I am just commenting, Mr. President, thank you. I might say that Mr. Green and I in proposing this amendment consulted with the counsel to Mr. Whalen's committee, and the issue of proprietary rights perhaps being more advantageous was not raised at that time or not at all until it was commented upon upon the floor.

But I would say that the New York Constitution adopted such a provision in 1938, and this amendment is substantially the same language as the New York Constitution presently has. The thrust of it is that people who do accept employment will not find at a future time that they are not entitled to the benefits they thought they were when they accepted the employment.

PRESIDENT WITWER: Mrs. Kinney, may I interrupt? Gentlemen, ladies, please give Mrs. Kinney the courtesy of a full hearing.

MRS. KINNEY: Thank you. Mr. Green and I did discuss the term "vesting" with Mr. Kanter, the counsel to the Committee on Style and Drafting, and we thought that it would be quite fair if a person undertook employment under a statute that provided for a contingency for lowering the benefits at some future time, that this was, indeed, the contract that he had accepted. All we are seeking to do is to guarantee that people will have the rights that were in force at the time they entered into the agreement to become an employee, and as Mr.

Green has said, if the benefits are \$100 a month in 1971, they should be not less than \$100 a month in 1990.

I would ask for a roll call vote on this, if nine other delegates will support me, Mr. President.

PRESIDENT WITWER: There are nine who support your request. There will be a roll call. And now before we start the call of the roll, the question is whether we shall adopt proposed section 16, captioned "Pension and Retirement Rights" on the motion of Mr. Green and others. And those who will favor adoption of section 16 will answer yea or yes on the roll call. Those who are opposed to section 16 being adopted will answer nay or no. Mr. Clerk, kindly call the roll.

(Whereupon the roll was called by the clerk and the following delegates gave an explanation of their vote.)

MR. BOTTINO: I would like to explain that I am voting no with the understanding that we are going Mr. Whalen's route.

MR. MAROLDA: I am going to vote yes, but I would like to say this: We are concentrating so much on pensions, I will say this, that in the next four or five years our Social Security will be better than pensions. Thank you.

MR. STAHL: My vote is "pass," Mr. President and fellow delegates. Although not currently a municipal employee, I must report that I have over \$7,000 in a municipal employees' pension fund on deposit, and therefore I pass.

MR. WEISBERG: Mr. President, I am voting no. I would like to explain that while I think that public employees are entitled to reasonable protection for the rights that are the subject of this amendment, it seems to me that it is undesirable to attempt to do this in this manner, which I think may invite a great deal of uncertainty, litigation for some years to determine its meaning and effect, and perhaps hold out the illusion of protection without the reality of protection, which I think only the legislature can give.

MR. WHALEN: Mr. President and fellow delegates, my vote is no. I voted for the right of public employees to organize. I think public employees have the right to have their pension benefits protected. I think that the majority here has unwittingly actually deprived public employees of some of the current rights that they now have.

PRESIDENT WITWER: May I have the leave of the body to explain my vote from up here, or shall I go downstairs. No objection?

VOCIES: Leave.

PRESIDENT WITWER: I am voting yes in the hope that the points which Mr. Whalen has raised will be properly protected in the work of the Style and Drafting Committee and that there will be an affirmation that this does not direct or control funding. I vote yes.

Mr. Davis?

MR. DAVIS: Mr. President, I am sorry, I was out of the room when my name was called, and I would like to vote, and I vote no, and in doing so, I sincerely believe that I am safeguarding the interests of those who are protected under public employee pension funds. I just hope that the action of this Convention in this regard will not react in a bad and serious way on those people. Thank you.

PRESIDENT WITWER: Thank you. Any other votes? Persons out of the room? Mr. Madigan? Mr. Madigan votes

yes, and Mrs. Anderson? Mrs. Anderson, no. Mr. Laurino? How do you vote, sir?

MR. LAURINO: Yes.

PRESIDENT WITWER: Yes on Mr. Laurino. Mr. Arrigo?

MR. ARRIGO: Yes.

PRESIDENT WITWER: Mr. Kenney?

MR. KENNEY: Thank you, Mr. President. I am sorry I was in the telephone booth earlier, and I wish to explain my vote. I wish to vote "pass" and explain that as a member of the State University's Retirement System I feel I should not express a yea or nay vote.

PRESIDENT WITWER: Thank you. Any others who would like to vote at this time. Mr. Kelley?

MR. KELLEY: I would like to change my vote from no to "pass."

PRESIDENT WITWER: Thank you. Mr. Cicero?

MR. CICERO: Thank you, Mr. President. Change my vote from no to "present," please.

PRESIDENT WITWER: Thank you. I guess that's it. Now, Mr. Clerk, roll call is closed. Just a minute, we haven't announced it. Mr. Stemberk, do you wish to announce your vote?

MR. STEMBERK: Yes. After a little bit of deliberation, I have considered the fact that I do have a vested interest in having a pension. I would like to change my vote from yes to "pass."

PRESIDENT WITWER: Thank you. And Mr. Alexander? I beg your pardon?

VICE-PRESIDENT ALEXANDER: No to "present."

PRESIDENT WITWER: Mr. Alexander changes his vote from no to "present." Mr. Orlando?

MR. ORLANDO: Mr. President, I, too—

PRESIDENT WITWER: Just a minute—one at a time here. I guess the clerk hasn't caught up with these rapid changes, not being a computer. Are you caught up now, Mr. Clerk? All right. Now, Mr. Orlando is next.

MR. ORLANDO: Mr. President, I wanted to change my vote from yes to "pass." I, too, have an interest in this matter and therefore feel I should not vote on it.

PRESIDENT WITWER: All right. Now, are we ready? Mr. Fogal?

MR. FOGAL: I wish to change mine from yes to "present." I have the same interest.

PRESIDENT WITWER: Mr. Fogal, yes to "present." Mr. Armstrong?

MR. ARMSTRONG: I suppose I have an interest as a teacher. My heart says I should continue to vote yes, but if my colleagues are passing, perhaps I should vote "pass" also.

PRESIDENT WITWER: All right. That is taken care of. Mr. Lyons?

VICE-PRESIDENT LYONS: Well, I am a member of a couple of pension funds, and I voted yes, and I persist in that vote. (Applause)

PRESIDENT WITWER: Now, Mr. Buford?

MR. BUFORD: Mr. President, I suppose I have been getting retirement benefits from the Teachers' Pension Fund longer than anybody, and I want to protect it. That's the reason I voted yes.

PRESIDENT WITWER: Thank you. Now, just a minute. Mr. Kemp, do you have a point of order?

MR. KEMP: I thought the polls were closed. If you will permit me, Mr. President, I thought I understood you to say that the polls were closed long before people began changing their votes from "pass" to yes and yes to no.

PRESIDENT WITWER: Now, Mr. Kemp—

MR. KEMP: I call a point of order.

PRESIDENT WITWER: All right, you made your point of order. Now, will you permit me to answer it, sir? The rule is, even though I may have made the statement informally, that the polls have closed because I thought everybody had stopped. The *Rules* of Roberts—and they bind us—permit a change of vote until such time as the roll call is announced. So your point of order is not sustained.

Mr. Woods?

MR. WOODS: Mr. President, may I thank you and Mr. Roberts, too.

PRESIDENT WITWER: Well, you don't have to thank me. You thank Mr. Roberts. Now, just a minute. Mr. Armstrong?

MR. ARMSTRONG: "Pass" to yes.

PRESIDENT WITWER: All right. The roll call has not as yet been announced. And now when I say the roll call is closed, it is with the understanding that nobody is up seeking to make a change, and that is all we had in mind, Mr. Kemp. Now, I guess nobody is up, and I am going to announce the roll call, and this locks it up.

Those voting in the affirmative were:

Armstrong	Hendren	Lennon, W.	Peccarelli
Arrigo	Howard	Leon	Pechous
Brown	Hunter	Lyons	Peterson
Buford	Jaskula	Madigan	Pughstley
Carey	Jenison	Marolda	Raby
Coleman	Johnsen	McCracken	Rachunas
Cooper	Kemp	Miska	Reum
Downen	Kinney	Netsch	Rigney
Durr	Klaus	Nicholson	Rosewell
Evans	Knuppel	Nudelman	Smith, R.
Fennoy	Laurino	Ozinga	Thompson
Friedrich	Lawlor	Pappas	Tomei
Gertz	Leahy	Parker, C.	Witwer
Gierach	Lennon, A.	Patch	Zeglis
Green			

Ayes-57

Those voting in the negative were:

Anderson	Foster	Mathias	Tecson
Borek	Johnson	Meek	Weisberg
Bottino	Kamin	Miller	Wenum
Butler	Karns	Mullen	Whalen
Canfield	Keegan	Parkhurst	Willer
Connor	Ladd	Scott	Wilson
Davis	Lewis	Shuman	Woods
Dove	Macdonald	Smith, E.	Wymore
Elward	Martin	Sommerschild	Yordy

Nays-36

Those voting "pass":

Kelley	Orlando	Stemberk	Strunck
Kenney	Stahl		Pass-6

Those voting "present":			
Alexander	Cicero	Fogal	
			Present-3

PRESIDENT WITWER: This has passed. The vote was yea, fifty-seven; nay, thirty-six; three, present; and six, "pass."

Now, any further amendments on this section? If not, the motion, please. Motion, Mrs. Howard? We have a motion or we should have from Mr. Green. Mr. Green makes the motion that this now be approved at first reading and submitted to Style and Drafting. It has been seconded by Mr. Lyons. Are you ready? Those who favor it, please raise their hand. Now, if you will lower your hands, please, those who are opposed. Section 16, as heretofore voted on, is approved and submitted to Style and Drafting at first reading by a vote of yea, seventy-five, nay, four.

Now, Mrs. Howard?

May I suggest that we—we are sort of pointing toward the idea that perhaps today we can complete the report of the Legislative Committee, and this means, of course, working this evening; and the job of reapportionment is still open.

Mrs. Howard, do you have something to tell us at this point?

MRS. HOWARD: Mr. President and fellow delegates, Delegates Canfield, Fogal, Knuppel, and Kinney join me in an amendment, a new section to the legislative article, calling for a United Assembly, which is a new concept for a legislature. In view of Delegate Karns's comments earlier today of not presenting matters which stood no chance of passage, I queried quite a few of the delegates to see if there was any chance of it passing. There was great interest in the idea, but very honestly, the votes were not there for passage, so I was going to move that it just be made a part of the record of the Convention; but since that time I had five or six delegates ask me to please present it so that we can ask some questions on it and debate the issue. Now, I will take leave of the Convention as to what they want to do on this, or whether you want to take up reapportionment first, or what your feeling is on it.

PRESIDENT WITWER: Well, do you think it is going to take very long, Mrs. Howard?

MRS. HOWARD: That will depend on the questions that will be coming from the delegates.

PRESIDENT WITWER: You have the privilege, as a member of this body, to make any motion that is germane, if you care to do it; and I think we ought to get it out of the way before we go into reapportionment, which will be our final job today, and I think we ought to stay with reapportionment until we are finished. So whatever time is taken on this will by necessity have to come out of reapportionment, or we will have to lengthen the work day to make adjustments. So, what is your motion, Mrs. Howard?

MRS. HOWARD: Well, in view of the nods around the room from some of the delegates, I presume the amendment had best be presented. I have written out the arguments. They are on everybody's desk, so perhaps someone could take a few

121
REPORT

of the

**ILLINOIS PUBLIC EMPLOYEES
PENSION LAWS COMMISSION**

*Submitted pursuant to Article 22, Division B
of the "Illinois Pension Code", approved
March 18, 1963. Chapter 108½ of the
Illinois Revised Statutes*

1969



State of Illinois
RICHARD D. OGILVIE
Governor

7419759

SA015

TABLE 2
Assets and Liabilities of the Pension Funds
and Rate of Funding

Name of Fund	Net Present Assets	Accrued Liability	Unfunded Accrued Liability	Rate of Funding
STATE-FINANCED				
1. Judges Retirement System.....	\$ 8,127,013	\$ 25,150,863	\$ 17,023,860	32.1%
2. State Universities.....	148,565,710	316,268,430	167,701,712	47.0
3. State Teachers.....	466,062,172	1,165,879,560	699,817,308	40.0
4. State Employees.....	200,751,685	466,304,215	265,632,630	43.0
5. General Assembly.....	4,645,929	6,778,855	2,132,926	60.5
COOK COUNTY				
6. County Employees.....	76,075,716	125,643,420	49,567,704	60.5
7. Forest Preserve District.....	4,822,310	6,661,489	1,839,179	72.4
CHICAGO SANITARY DISTRICT				
8. Sanitary District.....	30,718,269	61,181,468	30,463,189	50.2
CITY OF CHICAGO				
9. Chicago Police.....	109,735,921	317,503,216	207,767,295	34.6
10. Chicago Firemen.....	98,550,563	194,794,882	96,244,319	50.6
11. Laborers.....	84,463,908	103,140,930	18,677,030	81.9
12. Municipal Employees.....	241,803,697	425,060,467	183,256,760	56.9
13. Teachers.....	177,810,104	544,591,922	366,773,718	32.7
CHICAGO PARK DISTRICT				
14. Park Employees.....	72,913,008	81,420,716	8,507,708	89.6
OTHER				
15. Downstate Police (229 Funds).....	42,741,990	124,866,404	82,024,414	33.8
16. Downstate Firemen (129 Funds).....	20,546,028	107,649,489	87,103,461	19.1
17. Municipal Employees (Outside Chicago).....	236,315,545	399,187,591	162,872,146	59.2
TOTALS	\$2,024,157,656	\$4,472,164,005	\$2,448,906,349	45.3%

TABLE 3
Membership Statistics and Annual Salaries

STATE-FINANCED Funds	Number of Active Participants	Annual Salaries	Number of Beneficiaries	Annual Benefit and Pension Payments
1. Judges.....	609	\$13,077,034	143	\$ 578,754
2. State Universities.....	29,331	240,597,391	2,711	7,714,780
3. State Teachers.....	109,657	602,365,965	16,986	42,881,767
4. State Employees.....	60,200	401,251,488	9,627	17,009,712
5. General Assembly.....	313	2,581,000	128	210,094
COOK COUNTY				
6. County Employees.....	13,178	91,539,511	2,916	3,943,777
7. Forest Preserve District.....	370	2,440,656	181	229,312
8. Chicago Sanitary District.....	2,023	19,167,888	1,322	2,724,254
CITY OF CHICAGO				
9. Chicago Police.....	11,635	97,163,767	6,696	12,988,521
10. Chicago Firemen.....	4,708	41,539,488	2,858	6,254,152
11. Laborers.....	8,102	52,268,304	2,695	3,206,274
12. Municipal Employees.....	20,802	155,335,516	6,655	15,977,041
13. Teachers.....	26,986	245,187,155	7,235	26,903,166
14. Chicago Park District.....	4,062	28,573,512	1,929	2,957,753
OTHER				
15. Downstate Police (229 Funds).....	5,001	37,382,016	1,744	4,373,953
16. Downstate Firemen (129 Funds).....	3,372	25,005,565	1,521	3,246,177
17. Municipal Employees (Outside Chicago).....	72,138	274,028,197	11,957	12,206,902
TOTALS	372,487	\$2,489,504,473	79,303	\$163,106,391

salary constitutes the average for any five consecutive years within the last ten years of service.

Employees' contributions. The jointly contributory form of financing pensions is one of the basic characteristics of pension funds for public employees. This feature is found in all pension funds in Illinois and for public employees elsewhere. It recognizes that both the employees and employer have a mutuality of interest in the operation of the pension fund. The requirement of employee contributions puts emphasis on personal thrift and individual responsibility. Joint contributions also assure greater financial stability.

The standard employee contribution rate in Illinois funds for retirement annuity purposes established by recommendation of prior Commissions is 6% of salary. An additional 1% is contributed towards survivors' pensions. These standards are satisfactory, as a minimum, for all employees except policemen and firemen. In the latter groups, a higher rate is justified because of a larger benefit expectancy. For the present, a minimum rate of 8% of salary is recommended.

Where any funds have failed to come up to these standards, it is recommended that their pension laws be revised to the recommended levels.

Financing the employer's obligation. The inadequacy of the provisions for financing the employer's share of the cost contained in the pension laws enacted many years ago has resulted in large unfunded accrued liabilities. The revenue provisions have not been sufficiently flexible to meet the increasing costs occasioned by salary increases and additions to membership. The method of financing the employer's obligation by means of fixed tax levies or arbitrary state appropriations is outmoded and fails to provide revenues sufficient to meet not only the accruing service cost but also interest on the accrued liability.

In the case of state-financed pension funds, appropriations of grossly insufficient amounts unrelated to accruing requirements, mean only a deferment of the obligation. Allocations of funds by the state have been below mandatory statutory requirements as expressly provided in the governing laws. One of the recommendations of the Commission is that legislative

bills providing for improved benefits requiring greater costs should include a specified increase in appropriation to meet such increase in costs.

Impractical financing policy. In each instance, the financial policy is inconsistent with the accruing character of the pension obligation and merely tends to shift and aggravate the cost burden to future generations. In neither case is the allocation related to the actual needs of the particular pension fund. Thus, the true nature of the obligation is obscured. Furthermore, it has resulted in a lack of interest by public officials in an area of governmental finance which is vitally related to the overall fiscal policies and problems of the state and its political subdivisions. That pension costs are basically a part of personal service expense is evident. It is, therefore, perplexing why no effort has been made to equate these two factors in the treatment of governmental finance problems by the officials dealing with budget matters.

The Commission has consistently recommended a change in the revenue provisions for the pension funds to a realistic and practical method whereby the employer's obligation would be provided for in departmental budgets as a part of personal service cost. The cost of pensions to government would then be expressed in accordance with its real concept. Per capita cost of pensions would be known in the case of all employees. This cost should be taken into account in the formulation of salary schedules, as it should be. An effective control over these costs would thus be established. This procedure could conceivably result in an eventual decrease in governmental expenditures.

Investment policy. Due to the trust character of a pension fund, a well-defined investment authority is recommended. The preservation of the corpus of the fund is important but increase in investment income and possible capital appreciation also are factors in a realistic investment policy. Investments should be confined to the highest types of securities, involving a minimum of administrative discretion, and under specific statutory limitations. While the investment authority applicable to insurance companies, savings banks and trust companies might be extended to pension funds, a more restricted

THIS IS THE OFFICIAL PUBLICATION OF THE
 PROPOSED 1970 CONSTITUTION BY THE SIXTH ILLINOIS CONSTITUTIONAL CONVENTION
 AS ADOPTED ON SEPTEMBER 3, 1970.
 ITS PUBLICATION IS REQUIRED BY PUBLIC ACT 76-40
 AND MADE POSSIBLE BY AN APPROPRIATION BY THE ILLINOIS GENERAL ASSEMBLY

Proposed
1970 CONSTITUTION
for the
STATE of ILLINOIS

OFFICIAL TEXT WITH EXPLANATION

Submitted by the
 Sixth Illinois Constitutional Convention.

THIS PROPOSED CONSTITUTION WILL BE SUBMITTED
 TO THE VOTERS OF ILLINOIS AT A SPECIAL ELECTION
 ON DECEMBER 15, 1970.

7112386



TABLE OF CONTENTS

	Page		Page
ADDRESS TO THE PEOPLE.....	2	FINANCE, ARTICLE VIII.....	14
SAMPLE BALLOT.....	3	REVENUE, ARTICLE IX.....	14
INTRODUCTION.....	5	EDUCATION, ARTICLE X.....	16
PREAMBLE.....	5	ENVIRONMENT, ARTICLE XI.....	16
BILL OF RIGHTS, ARTICLE I.....	5	MILITIA, ARTICLE XII.....	16
THE POWERS OF THE STATE, ARTICLE II.....	7	GENERAL PROVISIONS, ARTICLE XIII.....	16
SUFFRAGE AND ELECTIONS, ARTICLE III.....	7	CONSTITUTIONAL REVISION, ARTICLE XIV.....	17
THE LEGISLATURE, ARTICLE IV.....	7	TRANSITION SCHEDULE.....	17
THE EXECUTIVE, ARTICLE V.....	9	ADOPTION SCHEDULE.....	18
THE JUDICIARY, ARTICLE VI.....	11	DELEGATES TO THE SIXTH ILLINOIS CONSTITUTIONAL CONVENTION.....	23
LOCAL GOVERNMENT, ARTICLE VII.....	12		

(Continued from Page 2)

The Governor is to have greater veto powers—to reduce the amounts specified in appropriation acts, and to propose changes in acts submitted for his consideration. He also is to have authority to reorganize executive agencies and to reassign functions among them.

The Judiciary Article. Even though the judicial Article of the present Constitution has been in effect only since January 1, 1964, the Convention sought to perfect it in the light of experience. A plan for judges of the Supreme, Appellate and Circuit Courts to be nominated by primary election or by petition, instead of party convention, and elected at general or special elections as the General Assembly shall determine, is offered as a separate question to the voters. The question of appointing judges at all levels, by the Governor from nominees submitted by Judicial Nominating Commissions, is also offered separately to the voters. The plan which the electors favor will be placed in the new Constitution if it is approved. If the new Constitution is approved but neither plan for choosing judges is approved, then the applicable provisions of the 1962 Judicial Article will remain in effect. The vote required to retain a judge in office at the end of his term is increased from a simple majority to three-fifths.

A Judicial Inquiry Board is to have authority to receive or initiate complaints against judges, and to investigate the same. The Board may file such complaints with the Courts Commission, and if it does, the Board shall prosecute the complaint. The impeachment power of the General Assembly over judges is confirmed. The mandatory appellate jurisdiction of the Supreme Court is reduced; and the Supreme Court is given authority to assign constitutional appeals of lesser import to the appellate courts, thus relieving itself of this burden. Provisions for filling vacancies in judicial positions are prescribed. Permission is granted for two or more counties to join for the purpose of electing a single state attorney. The Clerk of the Supreme Court, and the clerks of the Appellate courts, shall be appointed by the respective courts. Circuit court clerks may be elected or appointed, as the General Assembly directs.

The Local Government Article. The heart of the Local Government Article is in its provisions for home rule, a concept not included in the present Constitution. Home rule units are defined as any county having a chief executive, elected by the voters, and any municipality having a population of more than 25,000. Any smaller municipality may in referendum elect to become a home rule unit; and any home rule unit may in referendum elect to give up home rule status. Home rule units have wide discretion as to the powers and functions each will exercise and perform. The General Assembly only by a three-fifths vote may limit or deny strictly local powers to home rule units; but by a simple majority may limit or deny to home rule units any power which is exercised concurrently or exclusively by the State. Home rule units may exercise much discretion in regard to their governmental structures and offices.

Changes other than those relating to home rule are included. All counties and municipalities have greater flexibility in providing services. Traditionally rigid county governments may be reorganized following referendum or Board action. Wide latitude in intergovernmental cooperation is permitted.

The Finance Article. This is a totally new Article which has no counterpart in the present Constitution. It is concerned with better management of the taxpayer's money. It declares financial records of State and local governments to be open to the public. It provides for a balanced executive budget, to be prepared each year by the Governor, and to extend to all the

financial affairs of the State. The General Assembly is to appoint an Auditor General, for a term of ten years, who will have charge of the audit of all aspects of State finance. Uniform systems of local governmental accounting are to be provided by the General Assembly.

The Revenue Article. Here the Convention sought to provide a structure upon which the General Assembly could build an equitable and adequate tax system. Any income tax is limited to a non-graduated tax. A corporate income tax rate may not exceed the rate on individual persons, by more than the ratio of eight to five. Neither of these limitations is contained in the present Constitution. Real property may be classified for ad valorem tax purposes in counties of more than 200,000 persons. With such classification the ratio of the highest to the lowest level of assessment may not exceed two-and-one-half to one, and real property used in farming shall be assessed at a level not higher than single family residential property.

The ad valorem tax on personal property is made dependent, insofar as individuals are concerned, on the amendment which is to be voted on at the November 3, 1970 general election, which would prohibit the personal property tax "as to individuals". Any remaining personal property tax is to be abolished by 1979, and the loss of revenue to local governments is to be replaced by a statewide tax, imposed on the class or classes relieved of ad valorem taxation upon personal property subsequent to any prohibition brought about by the adoption of the amendment to be voted on in 1970.

Exemption from and credits for taxation are authorized, such as food in relation to a sales tax, and homesteads and rent credits in relation to the tax on real property. Debt secured by the full faith and credit of the State requires approval either by three-fifths of the General Assembly or in a popular referendum. Debt to be repaid from revenue generated by the object for which the debt was incurred, such as a dormitory or toll highway, is to depend on approval by a simple majority of the General Assembly.

The Education Article. The Convention was greatly concerned with improving and equalizing opportunities for education. The education of all persons to the limit of their capacities is declared to be a fundamental goal of the people of the State. Education through the secondary school is to be free, with such further free education as the General Assembly may provide. The State is to have primary responsibility for the costs of public education. A State Board of Education is authorized, with members to be either elected or appointed, or a combination of the two, as the General Assembly may direct. The Board is to appoint the chief state education officer.

The Environment Article. Pressing needs of the time were recognized in this Article, which has no parallel in the present Constitution. The maintenance of a healthful environment is declared to be the public policy of the State, and the right and duty of each person. The individual is given legal standing so that he may enforce this right through appropriate legal proceedings.

The General Provisions Article. Here a miscellany of items considered to be in the public interest were brought together. A sworn statement of economic interests is required of all candidates for and holders of state office, and of all members of Constitutional Boards and Commissions. A similar requirement may be imposed by the General Assembly on local candidates and officials. All such statements are to be open to public inspection.

The provisions of state and local governmental pension

and retirement systems shall not have their benefits reduced. Membership in such systems shall be a valid contractual relationship.

Public transportation is declared to be an essential public service, which the General Assembly may by law assist. Public funds may be granted to private agencies for the provision of public transportation services.

The requirement of a referendum for changes in the banking laws has been deleted. Any law authorizing branch banking, however, would require an extraordinary majority of the legislature.

The Constitutional Revision Article. A primary difficulty with the present Constitution is in amending it. Thus an effort is made to make the process of constitutional change more workable. By a three-fifths vote of each house, the General Assembly may propose amendments to the Constitution or place the question of calling a constitutional convention on the ballot. Either proposition may be approved by three-fifths of those voting on the question or a simple majority of those taking part in the general election. The greater ease of amendment which is proposed is clear, since the present Constitution specifies a two-thirds approval in the General Assembly for such questions, and also requires for adoption, two-thirds of those voting on a proposed amendment, or a simple majority of those voting in the election. The question of calling a convention shall automatically be placed on the general election ballot, by the Secretary of State, at the end of any twenty-year period in which it has not been submitted to the people by the General Assembly. No such provision is in the present Constitution.

Amendments to the Article on the Legislature, of a structural or procedural nature, may be proposed by petition, with signatures at least equal in number to eight percent of the total vote for Governor in the preceding election. Thus a reluctance on the part of the General Assembly to propose changes in its own domain can be overcome.

The Deletion of Sections and Articles. In preparing a new Constitution the Convention deleted much material because of its obsolescence or constitutional irrelevancy. The boundaries Article is deleted because determination of the boundaries of the State is a matter of Federal Law, not of the State Constitution.

In addition to deletions, the Convention has improved the directness and simplicity of the language of many of the provisions carried over into a new Constitution. The proposed document is shorter by 5,000 words than the one now in effect. While no member of the Convention would insist that it has written a perfect Constitution, most are of the opinion that their product is an attempt better to meet the needs of their era.

The Convention asks the People for their support of the proposed new Constitution in the coming referendum. For all items which are separately submitted it recommends, in addition, the most careful public scrutiny. Throughout the Convention, its members have been obliged, while seeking to serve the public interest, to realize that no single point-of-view could dominate any question, nor could any interest or faction have its will consistently prevail. In a State so diverse as Illinois, only the spirit of compromise has made it possible for many problems to be solved. The Convention asks the People to view its product in the same spirit—with the idea that while it is not in every respect ideal from a given point-of-view, it is from any vantage point far better suited than is the Constitution of 1870 to serve the future needs of the State.

ARTICLE XI
ENVIRONMENT

SECTION 1. PUBLIC POLICY--LEGISLATIVE RESPONSIBILITY

The public policy of the State and the duty of each person is to provide and maintain a healthful environment for the benefit of this and future generations.

This section is new. It states that it is the duty of the State and each person to provide and maintain a healthful environment and that the General Assembly shall enact laws to carry out this duty.

environmental or private, through appropriate legal proceedings subject to reasonable limitation and regulation as the General Assembly may provide by law.

SECTION 2. RIGHTS OF INDIVIDUALS

Each person has the right to a healthful environment. Each person may enforce this right against any party, gov-

This section is new. It provides that everyone may enforce his right to a healthful environment through legal proceedings which the General Assembly may regulate.

ARTICLE XII
MILITIA

SECTION 1. MEMBERSHIP

The State militia consists of all able-bodied persons residing in the State except those exempted by law.

SECTION 3. ORGANIZATION, EQUIPMENT AND DISCIPLINE

The General Assembly shall provide by law for the organization, equipment and discipline of the militia in conformity with the laws governing the armed forces of the United States.

shall hold their commissions for such time as may be provided by law.

This is a revision of Article XII, Section 1 of the 1870 Constitution. It eliminates discrimination against women, eliminates the age requirement, and continues all legal exemptions.

This is substantially the same as Article XII, Section 3 and Article V, Section 14 of the 1870 Constitution.

SECTION 2. SUBORDINATION OF MILITARY POWER

The military shall be in strict subordination to the civil power.

This is substantially the same as Article XII, Section 2 of the 1870 Constitution.

SECTION 5. PRIVILEGE FROM ARREST

Except in cases of treason, felony or breach of peace, persons going to, returning from or on militia duty are privileged from arrest.

This is the same as Article II, Section 15 of the 1870 Constitution.

SECTION 4. COMMANDER-IN-CHIEF AND OFFICERS

(a) The Governor is commander-in-chief of the organized militia, except when they are in the service of the United States. He may call them out to enforce the laws, suppress insurrection or repel invasion.

This is substantially the same as Article XII, Section 4 of the 1870 Constitution.

(b) The Governor shall commission militia officers who

ARTICLE XIII
GENERAL PROVISIONS

SECTION 1. DISQUALIFICATION FOR PUBLIC OFFICE

A person convicted of a felony, bribery, perjury or other infamous crimes shall be ineligible to hold an office created by this Constitution. Eligibility may be restored as provided by law.

SECTION 3. OATH OR AFFIRMATION OF OFFICE

Each prospective holder of a State office or other State position created by this Constitution, before taking office, shall take and subscribe to the following oath or affirmation:

This section is new and self-explanatory.

"I do solemnly swear (affirm) that I will support the Constitution of the United States, and the Constitution of the State of Illinois, and that I will faithfully discharge the duties of the office of to the best of my ability."

SECTION 6. CORPORATIONS

Corporate charters shall be granted, amended, dissolved, or extended only pursuant to general laws.

This is a revision of Article IV, Section 4 of the 1870 Constitution. Persons convicted of the enumerated crimes cannot hold office created by the Constitution unless the General Assembly restores eligibility.

This expands Article V, Section 25 of the 1870 Constitution, by requiring the same oath for all state officers whose offices are created by the Constitution.

This section revises Article XI, Section 1 and replaces Article XI, Sections 2 and 3 of the 1870 Constitution. It permits the granting of corporate charters only by general laws.

SECTION 2. STATEMENT OF ECONOMIC INTERESTS

All candidates for or holders of state offices and all members of a Commission or Board created by this Constitution shall file a verified statement of their economic interests, as provided by law. The General Assembly by law may impose a similar requirement upon candidates for, or holders of, offices in units of local government and school districts.

SECTION 4. SOVEREIGN IMMUNITY ABOLISHED

Except as the General Assembly may provide by law, sovereign immunity in this State is abolished.

SECTION 7. PUBLIC TRANSPORTATION

Public transportation is an essential public purpose for which public funds may be expended. The General Assembly by law may provide for, aid, and assist public transportation, including the granting of public funds or credit to any corporation or public authority authorized to provide public transportation within the State.

This reverses Article IV, Section 26 of the 1870 Constitution by permitting anyone to sue the State, as provided by law.

This section is new. It states that public transportation is an essential public service which the State can provide or assist. This includes granting public funds or credit to any corporation or public authority providing public transportation services.

SECTION 5. PENSION AND RETIREMENT RIGHTS

Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.

SECTION 8. BRANCH BANKING

Branch banking shall be authorized only by law approved by three-fifths of the members voting on the question or a majority of the members elected, whichever is greater, in each house of the General Assembly.

This section is new. It requires each candidate for, or holder of, a state office, and any member of a state commission or board, to disclose any significant financial interests. The General Assembly may extend this requirement to local officials.

This section replaces Article XI, Sections 5, 6, 7, and 8 of the 1870 Constitution, and is self-explanatory.

State of Illinois
Richard B. Ogilvie, Governor

Box 1, Folder 13

ILLINOIS PUBLIC EMPLOYEES PENSION LAWS COMMISSION

Suite 1507, 14 E. Jackson Boulevard
Chicago, Illinois 60604

922-4573
ADDRESS ALL COMMUNICATION
TO THE SECRETARY

August 7, 1970

Officers

Senator E. B. Groen
Chairman

Gordon Franklin
1st Vice Chairman

Representative W. Robert Blair
2nd Vice Chairman

Senator Sam Romano
Secretary

Mr. Henry Green
608 W. Pennsylvania Avenue
Urbana, Illinois

Dear Mr. Green:

PROPOSAL FOR CONTRACTUAL VESTING OF PENSIONS

I understand that there is presently before the Constitutional Convention a proposal for establishing a contractual right in a pension under a pension or retirement system maintained for public employees, reading as follows:

"Membership in any pension or retirement system of the state or any local government, or any agency or instrumentality of either, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

This Commission has been dealing with the subject of pensions for public employees for 25-years. During this period, the Commission has been concerned with the accrued rights of employees under these retirement systems, particularly with respect to the pension and benefit expectancies. It has consistently maintained a policy that would insure the promised benefits to the employees. This policy has been reaffirmed over the years by both the Commission and the State Legislature, without any reservations.

It would seem, therefore, that an inflexible provision of the kind proposed is unnecessary. In our opinion, it would only serve to curtail the powers of the Legislature and limit its authority. Its rigid aspects may

Senators

E. B. Groen
Walter P. Hoffelder
John J. Lanigan
Edward A. Nihill
Sam Romano

Representatives

W. Robert Blair
John G. Fary
Donald A. Henss
Norbert G. Springer
Frank C. Wolf

Public Members

Peter Barrett
Rubin G. Cohn
Richard J. Frankenstein, Jr.
Gordon Franklin
Noble W. Lee

A. A. Weinberg
Actuary

Mr. Henry Green

-2-

August 7, 1970

actually prove harmful to the employees and may operate adversely, if reasonable modifications for the preservation of these systems in such areas as rates of contribution, conditions for retirement or financing may be found to be necessary.

The subject was thoroughly explored at a meeting of the Commission held in Springfield last April, at which all such proposals were reviewed in the presence of representatives of the several sponsors thereof. The Commission was asked to submit a proposal to the Constitutional Convention bearing its endorsement.

Its judgment at the time was that no such action was necessary, since it may not be in the best interests of the participants of these systems in the long run. No such proposal, therefore, was submitted to the Convention.

In view of the fact that a proposal of this kind has been filed with your body, I should like to propose, on behalf of the Commission, a revised version thereof, which should lend some flexibility to the provision and, at the same time, accomplish the objectives which the employees are seeking. The revised proposal which we are offering reads as follows:

"Subject to the authority of the General Assembly to enact reasonable modifications in employee rates of contribution, minimum service requirements and other provisions pertaining to the fiscal soundness of the retirement systems, membership in any pension or retirement system of the state or any local government, or any agency or instrumentality of either, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

The foregoing version will not completely foreclose the authority of the General Assembly to make desirable changes in some of the basic provisions and would still preserve the pension and benefit expectancies of the members of these systems.

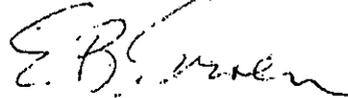
Mr. Henry Green

-3-

August 7, 1970

On behalf of the Commission, which is vitally interested in the maintenance of a viable and meaningful pension policy for public employees in this State, and which over the years has proposed many constructive changes in these plans, to the decided advantage of the employees and resulting in a more effective operation of these systems, I urge the adoption of this revised version of the proposal for contractual vesting of pensions.

Sincerely yours,



E. B. Groen,
Chairman

EBG:o

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9389 / March 11, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15237

In the Matter of

STATE OF ILLINOIS,

Respondent.

ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT
TO SECTION 8A OF THE
SECURITIES ACT OF 1933, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), against the State of Illinois (the "State," "Illinois," or "Respondent").

II.

In anticipation of the institution of these proceedings, the State has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, the State consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and the State's Offer, the Commission finds that:

Summary

1. In connection with multiple bond offerings raising over \$2.2 billion from approximately 2005 through early 2009, the State of Illinois misled bond investors about the

adequacy of its statutory plan to fund its pension obligations and the risks created by the State's underfunding of its pension systems.¹

2. The State omitted to disclose in preliminary and final official statements material information regarding the structural underfunding of its pension systems and the resulting risks to the State's financial condition. Enacted in 1994, the Illinois Pension Funding Act (the "Statutory Funding Plan") established a pension contribution schedule that was not sufficient to cover both (1) the cost of benefits accrued in the current year and (2) a payment to amortize the plans' unfunded actuarial liability. This methodology structurally underfunded the State's pension obligations and backloaded the majority of pension contributions far into the future. The resulting systematic underfunding imposed significant stress on the pension systems and on the State's ability to meet its competing obligations.

3. During this same time period, the State also misled investors about the effect of changes to the Statutory Funding Plan, including substantially reduced pension contributions in 2006 and 2007 ("Pension Holidays"). Although the State's preliminary and final official statements disclosed the fact of the Pension Holidays and other legislative amendments to the plan, Illinois did not disclose the effect of those changes on the contribution schedule or on the State's ability to meet its pension obligations.

Respondent

4. Illinois possesses all powers, functions, rights, privileges, and immunities authorized by the United States Constitution, the Illinois Constitution, and the State's laws, including the power to issue debt.

Pension Funding in Illinois

5. The pension systems of Illinois currently are among the lowest-funded plans in the nation. As of 2011, the systems collectively were underfunded by \$83 billion, and system assets covered only 43 percent of system liabilities. The State's current funding deficit was created in significant part by the State's historical failure to fund its pension systems in a manner to avoid the growth of the unfunded liability.

6. The State of Illinois provides funding for five retirement systems that pay pension benefits upon retirement, death, or disability to public employees and their beneficiaries. The five systems are the Teachers' Retirement System of the State of Illinois, the State Universities Retirement System of Illinois, the State Employees' Retirement System of Illinois, the Judges' Retirement System of Illinois, and the General Assembly Retirement System, State of Illinois. Generally speaking, the systems are all defined-benefit plans that require contributions by employees and employers, with a significant portion funded by the State.

¹ These bonds are general obligation bonds, which are backed by the full faith and credit of the State.

7. Until 1981, the State funded pensions by covering the out-of-pocket costs associated with benefits as they came due. Employee contributions and investment income funded a reserve for future benefits. This approach had no relation to actuarial calculations of liability and was abandoned in 1982 during a period of fiscal stress. Without a remedial plan in place, state contributions were held relatively constant from 1982 to 1995. As a result of level contributions and rising costs, by 1995 the pension systems were significantly underfunded. In the aggregate, system assets covered only 50 percent of actuarial accrued liabilities, which had grown to approximately \$20 billion.

8. In an effort to address this imbalance, the Illinois General Assembly enacted the Statutory Funding Plan in 1994. Effective in 1995, this Statutory Funding Plan established a fifty-year schedule intended to achieve a 90 percent funded ratio for each system by 2045.² The Statutory Funding Plan called for the State to meet this target by contributing a level percentage of payroll each year sufficient to reach this goal. Under the level percentage of payroll method, amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. Each year, actuaries for each pension system would use demographic and other data and various assumptions to calculate actuarial value of assets, actuarial accrued liability, and the State's contributions based on the statutory requirements and objectives. Rather than requiring the immediate funding of plan contributions calculated in this manner, the legislature phased in the State's contribution over a fifteen-year "ramp" period. During the ramp period, the Statutory Funding Plan required that the percentage of payroll increase each year such that, by 2010, the State would be contributing the level percentage of payroll required under the plan for 2011 to 2045. At the conclusion of the ramp period in 2010, the Statutory Funding Plan required the State to contribute a level percentage of state payroll in order to achieve the 2045 target.

9. Rather than controlling the State's growing pension burden, the Statutory Funding Plan's contribution schedule increased the unfunded liability, underfunded the State's pension obligations, and deferred pension funding. This resulting underfunding of the pension systems ("Structural Underfunding") enabled the State to shift the burden associated with its pension costs to the future and, as a result, created significant financial stress and risks for the State.

a. For the majority of the years under the Statutory Funding Plan, the State's annual required contributions were insufficient to prevent the growth of its unfunded liability. Specifically, the statutory contributions were not sufficient to cover both (1) the cost of pension benefits earned by public employees by virtue of their service in the current year ("the normal cost") and (2) a payment to amortize the accumulated amount of pension liabilities that have been deemed earned but are not funded (the unfunded actuarial accrued liability, or "UAAL") for an identified group of plan participants. The normal cost and amortization payment collectively are referred to as the actuarially required contribution ("ARC"). The State's pension contributions were calculated in accordance with State law, not in accordance with the ARC, and therefore the

² The funded ratio, which is one measure of the financial health of a pension plan, is the actuarial value of assets expressed as a percentage of the actuarial accrued liability. A 100 percent funded ratio means that existing assets cover the present value of future benefits to be paid by the systems.

Statutory Funding Plan deferred funding of the State's pension obligations and compounded its pension burden.

b. The 90 percent funding target allowed the State to amortize the UAAL in a manner that would not eliminate it entirely. By failing to amortize the UAAL completely, the State was able to lower its contributions. However, by assuring that some portion of the UAAL would remain outstanding, it also increased the economic cost of the pensions and delayed the cash outlays necessary to fulfill its pension obligations.

c. The State's plan also spread costs over fifty years, in contrast to the thirty-year amortization period adopted by the pension plans of most other states. The longer amortization period extended the amount of time required to pay down the UAAL, reducing the State's annual statutory contributions while increasing the real cost of the pensions over time.

d. The State's phased contributions during the fifteen-year ramp period accelerated the growth of the UAAL during this time period and amplified the burden and risk associated with the State's plan.

e. In contrast to the ARC, which typically is calculated using the closed group approach, contributions under the Statutory Funding Plan are calculated using an open group method, which spreads the cost of providing benefits over existing and new entrants. The Illinois approach requires actuaries to estimate pension benefits for employees to be hired far into the future, particularly given the State's use of a 2045 target date.

f. The State's use of the projected unit credit ("PUC") actuarial cost method compounded the risk of the Statutory Funding Plan. The PUC method, used by Illinois and a minority of states, allocates a higher portion of retirement costs closer to retirement, while the entry age normal ("EAN") method, used by a substantial majority of public sector plans, averages those same costs evenly over the pensioner's period of employment. Compared to an EAN approach, the PUC method results in less funding for active employees, accumulates assets more slowly, produces more volatile measures of contribution rates, and results in rising rather than level contribution rates.

10. From 1996 to 2010, the State's unfunded liability increased by \$57 billion. The State's insufficient contributions under the Statutory Funding Plan were the primary driver of this increase, outweighing other causal factors, such as market performance and changes in benefits. This Structural Underfunding created significant financial risks for the State:

a. Although the most significant effects of this Structural Underfunding materialize in the future, the pension shortfall already has imposed a severe strain on the finances of the Illinois government, and pension costs are affecting the State's ability to manage other significant obligations. In April 2012, the State acknowledged that the pension shortfall is "one of the most difficult problems that Illinois government has faced for more than three decades," and "[u]nsustainable pension costs are squeezing core programs in education, public safety, and human services, in addition to limiting [the State's] ability to pay [its] bills."

b. The State understood that the Structural Underfunding put the plan at serious risk and that the State likely would not be able to afford the level of contributions required to reach

90 percent funding. As explained by one of the system's actuaries in 2009, "[t]he perpetual underfunding puts the plan at serious risk for ultimate exhaustion of the trust, leaving the responsibility for the payment of benefits elsewhere." He observed further that "[t]he plan is in significant funding peril unless the contributions recommended under the actuarially required contribution can be made." Similarly, a pension consultant retained by the Governor's Office of Management and Budget ("GOMB") wrote in August 2009 that "the Illinois pension system is now so underfunded that the State likely [would] never be able to afford the level of contributions required to ever reach 90 percent funding." Other documents generated by GOMB reflected serious concerns about the financial strain produced by the State's unfunded pension obligations. This information was not disclosed to bond investors in bond offering documents.

c. The Structural Underfunding of the pension systems and the State's increasing inability to afford contributions created the significant risk that the State would be unable to satisfy its competing obligations. This underfunding also compromised the creditworthiness of the State and increased the State's financing costs.

Underfunding of the State's Pension Obligations

11. In its bond offering documents from 1995 to 2010, the State disclosed that Illinois funded its pension obligations through the Statutory Funding Plan, which according to the State provided for funding "necessary" or "sufficient" to achieve 90 percent funding of liabilities in 2045. Specifically, official statements disclosed that the Statutory Funding Plan "created a 50-year funding schedule of the Retirement Systems which requires the State to contribute each year, starting with Fiscal Year 2011, the level percentage of payroll sufficient to cause the assets of the Retirement Systems to equal 90 percent of the total accrued liabilities by the end of Fiscal Year 2045. In Fiscal Years 1997 through 2010, contributions as a percentage of payroll are increased each year such that by Fiscal Year 2010, the contribution rate is at the same level as required for years 2011 through 2045."

12. The State also disclosed statistics regarding the systems' assets and liabilities and other information. Among other things, the State provided, for an historical five-year period, the actuarial assets and liabilities for each of the pension systems, as prescribed by state law; the UAAL, which is one measure of the funded status of pension plans; the funded ratio, which is the actuarial value of assets as a percentage of the actuarial accrued liability; and summary financial statements for each of the pension systems. The State's official statements also reviewed recent legislation affecting pension funding and demographic data for participants in the pension systems.

13. The State did not disclose that contributions required by the Statutory Funding Plan significantly underfunded the State's pension obligations and deferred pension funding into the future.

a. The State did not disclose in its official statements its failure to contribute to the full amount of the ARC and the consequences of not funding the full amount of the ARC.³

³ The State's comprehensive annual financial reports ("CAFRs"), which the official statements incorporated by reference, compared the calculation of the contribution under the

b. The State also did not disclose that multiple aspects of the Statutory Funding Plan deferred pension contributions and increased the burden associated with the pension plans. For instance, the State did not explain the implications of its decision to spread costs over fifty years, the fifteen-year ramp period, and 90 percent funding target.

c. The State did not inform investors that other aspects of the State's funding method, such as the State's use of the PUC method, delayed contributions and increased the unfunded liability.

d. In its official statements, the State cited a number of factors that, in the past, contributed to the increase in unfunded pension liability, such as statutory benefit enhancements and market performance, but did not disclose that the State's insufficient contributions were the primary driver of the increase.

e. The State disclosed that its UAAL could increase in the future by virtue of a variety of factors, such as a decrease in the performance of investments and changes in legislation, actuarial assumptions, inflation, benefits, or the State's contribution rate. However, the State misleadingly omitted to disclose the primary driver of the increase—the insufficient contributions mandated by the Statutory Funding Plan.

14. The State also failed to disclose the risks created by the Structural Underfunding.

a. The State failed to disclose the effect of its unfunded pension systems on the State's ability to manage other obligations. The State also did not inform investors that rising pension costs could continue to affect its ability to satisfy its commitments in the future. In contrast, the State included multiple metrics to assist potential investors' evaluation of the burden associated with the State's bond offerings and obligations.

b. Although the State understood that the Structural Underfunding could risk the eventual exhaustion of the pension systems' funds and that the State likely would not be able to afford the level of contributions required by the Statutory Funding Plan, it did not disclose that the State's inability to make its contributions increased the investment risk to bondholders. The State did not identify or discuss how this underfunding compromised the State's creditworthiness or increased its financing costs.

Failure to Adhere to the Statutory Funding Plan

15. As described above, the Statutory Funding Plan set contribution requirements at a level that failed to control the growth of the unfunded liability until the latter years of the plan. Nevertheless, the State did not meet the requirements of the plan as enacted in 1995. Beginning in 2005, the State amended the Statutory Funding Plan, lowering these already deficient contributions, or borrowed to cover its payments. This modification to the original Statutory

Statutory Funding Plan to a contribution calculated in accordance with generally accepted accounting principles. However, the CAFR disclosures did not describe the risks and implications of the Statutory Funding Plan and deviations from that plan.

Funding Plan created further risk to the pension systems and the financial condition of the State. The State misled investors about the effect of these changes on the State's financial condition and, in particular, the impact of the Pension Holidays instituted in 2006 and 2007.

16. On June 1, 2005, the State legislatively enacted Pension Holidays, lowering the contribution in 2006 and 2007 by 56 and 45 percent, respectively. The Pension Holidays had the dual effect of increasing the UAAL and further delaying payment of the deferred portion of the contribution to a future fiscal year.

17. Contrary to the State's CAFRs, which stated that the Pension Holidays would be offset by increased contributions from 2008 to 2010, the 2005 amendment to the Statutory Funding Plan did not require increased contributions in 2008 through 2010 to offset the reduced contributions in 2006 and 2007. Instead, the statute required contributions from 2008 to 2010 to be "increased in equal annual increments from the required State contribution for State fiscal year 2007." In other words, the Illinois legislature mandated a resumption of the ramp period from the reduced 2006 and 2007 levels, not an increase in the 2008, 2009, and 2010 contribution levels to offset those reduced contributions.

18. Although the State disclosed the basic fact of these reduced contributions, the State did not disclose that each of these deviations exacerbated the Structural Underfunding, deferred contributions further into the future, impaired the ability of the State to meet its pension obligations, and negatively impacted the State's creditworthiness.

19. Due to the State's failure to adhere to the original Statutory Funding Plan prior to the conclusion of the ramp period, the State should have known that it likely would have significant difficulty making the required contributions in the future. In addition, the State should have known that its disclosures regarding the Structural Underfunding and the related risks were inadequate.

Significance to Potential Investors

20. The funding of pension obligations is a significant aspect of the State's budget and financial status. Reasonable investors would have considered information regarding the State's Structural Underfunding of its pensions, the risks created by that underfunding, and the financial condition of the pension plans to be important factors in the investment decision-making process. Reasonable investors would have viewed such information as significantly altering the total mix of information available regarding the State's financial condition and the State's future financial prospects. Such information allows investors to weigh and price the risk associated with the State's debt obligations.

21. Concern about the State's pension financing was a significant factor prompting downgrades of the State's credit rating from 2010 to 2012. For example, on June 4, 2010, Moody's lowered the State's general obligation bond rating based on the State's increased reliance on non-recurring measures. A significant factor cited by Moody's was the fiscal pressure caused by the State's pension funding burden, and, for the first time, Moody's provided additional detail regarding the State's funding challenges and difficulty complying with its pension law in recent years.

22. Certain events ultimately revealed the State's Structural Underfunding of pensions and the risks associated with the underfunding. For example, on January 21, 2011, the State included enhanced pension disclosures released in a preliminary official statement for a general obligation offering on February 11, 2011. Following this event and others, the risk premium associated with Illinois bonds rose, causing the spread between the yield on Illinois bonds relative to other AAA-rated municipal bonds to widen.

Institutional Failures

23. The State's misleading disclosures resulted from, among other things, various institutional failures. The State failed to adopt or implement sufficient controls, policies, or procedures designed to ensure that material information was assembled and communicated to individuals responsible for disclosure determinations, to train personnel involved in the disclosure process adequately, or to retain disclosure counsel. As a result, the State lacked proper mechanisms to identify and incorporate into its official statements relevant information held by the pension systems and other bodies within the State.

24. GOMB, which managed the issuance of debt for the State, coordinated the drafting, review, and revision of the bond disclosure documents, including the section regarding pension funding. GOMB's procedures were inadequate for ensuring that material information concerning State Pension Funds or the State's financing of State Pension Funds was disclosed and accurate in bond offering documents. The State failed to implement sufficient policies and procedures, to conduct adequate training, or to consult securities disclosure counsel to ensure adequate disclosure. Relying on prior "carryover" disclosures and "page-turn" reviews during group conference calls, the State and its advisors did not scrutinize the institutionalized description of the Plan adequately and made little affirmative effort to collect potentially pertinent information from knowledgeable sources—in particular, actuaries for the pension systems and the State's Commission on Government Forecasting and Accountability ("COGFA").

25. Within GOMB, the team responsible for managing the disclosure process purported to rely on its consultants, underwriters, underwriter's counsel, and bond counsel to identify and evaluate the need for additional disclosures. Those parties, however, relied on the State to do the same. The result was a process in which no one person fully accepted responsibility for identifying and analyzing potential pension disclosures.

Remedial Measures

26. The State has taken significant steps to correct these process deficiencies and enhance its pension disclosures. Among other things, the State issued enhanced disclosures; retained disclosure counsel; instituted written policies and procedures, disclosure controls, and training programs; and designated a disclosure committee.

a. In the State's April 2009 bond offering documents, the State provided a hyperlink to a February 2009 COGFA monthly briefing in which COGFA provided certain negative information regarding, among other things, the decline in the State's pension system assets.

b. In June 2009, the State commissioned a Pension Modernization Task Force to evaluate the benefit structure, costs, and funding of the State's pension systems. The task force

met from June to November 2009 and issued a report in November 2009. The report contained detailed information about the history of pension investments, benefits, and funding and reflected the views of various experts. In its official statement for the January 2010 offering, the State included a hyperlink to the task force report in the pension section.

c. In late 2009, the State made a series of personnel changes in the GOMB, including in its most senior positions. These new officers worked to formalize the disclosure and underwriting process.

d. In March 2010, COGFA produced a report on the funded status of the pension systems as of June 30, 2009. The report contained certain historical and projected information regarding the State's funding of its pensions.

e. Promptly following the Commission's settled action against the State of New Jersey in August 2010,⁴ the State began to implement a series of remedial measures. The State retained disclosure counsel, significantly enhanced disclosures in the pension section of its bond offering documents, developed training materials, and added formal disclosure controls regarding pension disclosures. The State also designated a disclosure committee responsible for collecting information from relevant sources, evaluating the State's disclosure obligations, and approving bond offering disclosures. Prior to dissemination of official statements, the committee ensures that the disclosures are reviewed by the pension systems, COGFA, the Office of the Comptroller, the Office of the Treasurer, and the Office of the Illinois Attorney General.

f. These steps culminated with significant corrective disclosures in connection with an offering in February 2011, the State's first offering since the Commission's settled action against the State of New Jersey. In particular, the State disclosed contrasts between contributions determined under the Illinois Statutory Funding Plan and the costs implied by standard actuarial methods and assumptions and Government Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The State also discussed the effect of such deviations on the State's ability to meet its pension obligations and included the projected funded status of the pension systems. Finally, the State disclosed the effect of amendments to its Statutory Funding Plan on its ability to fund its pension obligations and the State's financial condition. The State's disclosures also included an extensive discussion of the background of the pension systems, history of contributions to the pension systems, the financial condition of the plans, projections of funded status, substantive references to additional sources of information, and a discussion of disclosure policies and procedures.

Legal Discussion

27. Issuers of municipal securities are responsible for the accuracy of their disclosure documents. Proper disclosure allows investors to understand and evaluate the financial health of the municipality in which they invest. The Commission has repeatedly emphasized that disclosure

⁴ *In re* State of New Jersey, Securities Act Release No. 33-9135 (Aug. 18, 2010).

in municipal debt offerings may be rendered materially misleading due to the omission of other material facts.

28. The antifraud provisions of Section 17(a) of the Securities Act prohibit fraudulent or deceptive practices in the offer or sale of securities by the issuers of municipal securities. Section 17(a) of the Securities Act prohibits obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. A fact is material if there is a substantial likelihood that a reasonable investor would have viewed the information as “having significantly altered the ‘total mix’ of information available.” *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438, 449 (1976). To the extent the omitted information relates to contingent future events, materiality depends upon “a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event in light of the totality of circumstances.” *Basic, Inc. v. Levinson*, 485 U.S. 224, 238 (1988). Negligence is sufficient to prove violations of Section 17(a)(2) or (3) of the Securities Act. *Aaron v. SEC*, 446 U.S. 680, 696-97 (1980).

Violations

29. As a result of the negligent conduct described above, the State violated Sections 17(a)(2) and 17(a)(3) of the Securities Act. Specifically, in numerous bond offerings from approximately 2005 through March 2009, the State misled bond investors by omitting to disclose information about the adequacy of its statutory plan to fund its pension obligations and the risks created by the State’s Structural Underfunding of its pension obligations. During this same time period, the State also misled bond investors about the effect of changes to that plan, including the Pension Holidays in 2006 and 2007.

30. The State was aware of the Structural Underfunding and the potential effects of the underfunding. However, due largely to institutional failures, the State misled investors by omitting to disclose material information, rendering certain statements misleading, in bond offering documents regarding the State’s ability to fund its pension obligations or the impact of the State’s pension obligations on the State’s financial condition.

Remedial Acts

31. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by the State, as described in Paragraph 26, and cooperation afforded the Commission staff during the investigation.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in the State's Offer.

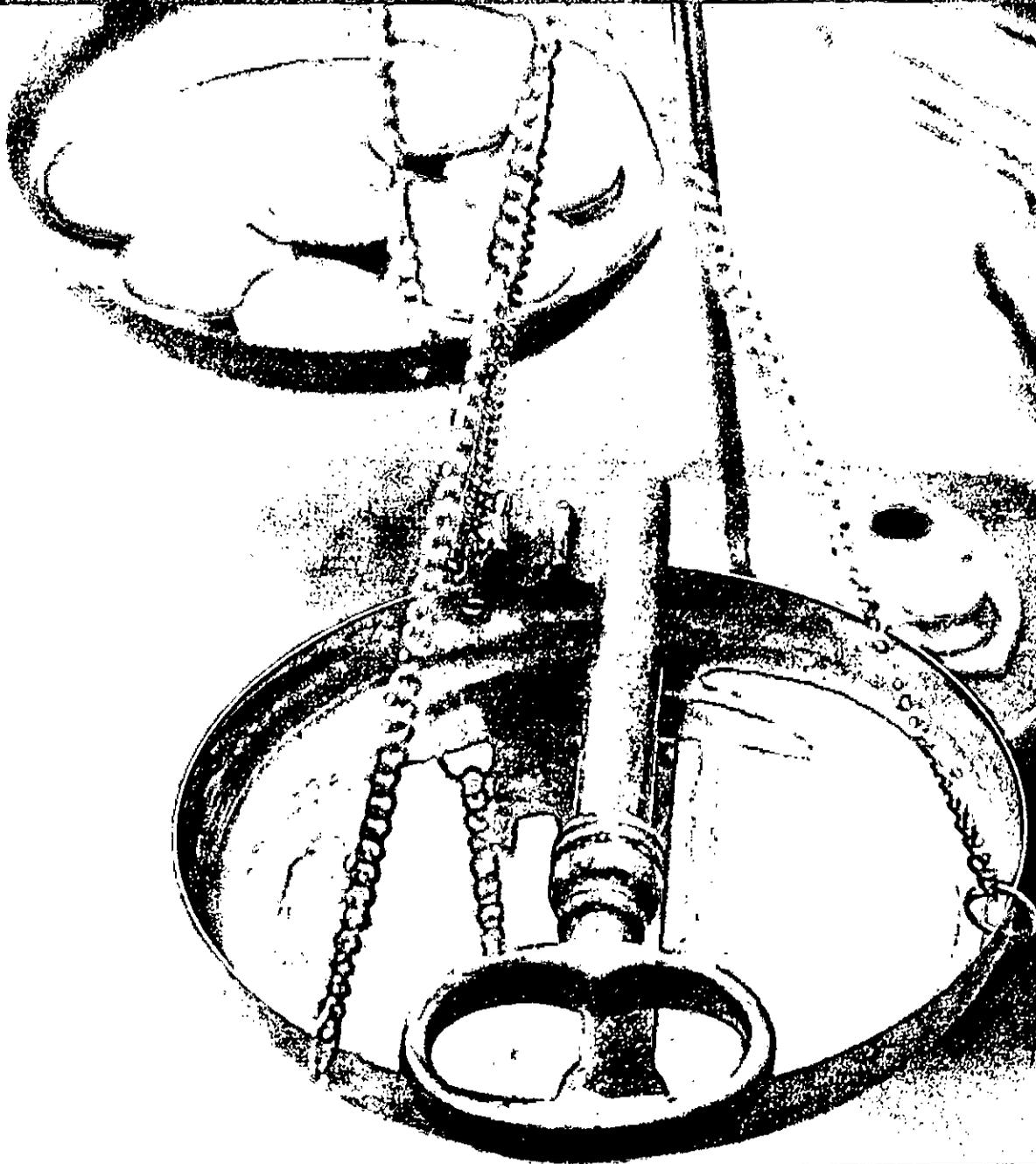
Accordingly, it is hereby ORDERED that, pursuant to Section 8A of the Securities Act, the State of Illinois shall cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

By the Commission.

Elizabeth M. Murphy
Secretary

Illinois State Retirement Systems

Financial Condition as of
June 30, 2013



Commission on Government Forecasting & Accountability
March 2014

TABLE 4

Summary of Financial Condition State Retirement Systems Combined Assets at Market Value / Without Asset Smoothing FY 2013 (\$ in Millions)				
System	Accrued Liability	Market Assets	Unfunded Liability	Funded Ratio
TRS	\$93,887.0	\$39,858.8	\$54,028.2	42.5%
SERS	\$34,720.8	\$12,400.3	\$22,320.5	35.7%
SURS	\$34,373.1	\$15,037.1	\$19,336.0	43.7%
JRS	\$2,156.8	\$643.3	\$1,513.5	29.8%
GARS	\$320.5	\$54.3	\$266.2	17.0%
TOTAL	\$165,458.2	\$67,993.8	\$97,464.4	41.1%

The funded ratios for each of the five State retirement systems may be compared to the aggregate funded ratio of 41.1% for the five systems. Although the Judges' Retirement System and the General Assembly Retirement System have the poorest funded ratios, these two systems are much smaller and their unfunded liabilities are thus more manageable than the three larger systems.

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

SB0001	Conference	3
Senate to Order-Senator Sullivan		1
Communications from the President		1
Journal-Postponed		1
Senate Stands at Ease/Reconvenes		2
Committee Reports		2
Senate Stands in Recess/Reconvenes		3
Adjournment		53

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

PRESIDING OFFICER: (SENATOR SULLIVAN)

The First Special Session of the Senate of the 98th General Assembly will please come to order. Mr. Secretary, Communications from the President.

SECRETARY ANDERSON:

Letter dated December 3rd, 2013.

Dear Mr. Secretary - Pursuant to Rule 2-10, I am scheduling Special Session No. 1 to convene on December 3rd, 2013, to consider Senate Bill 1.

Sincerely, John J. Cullerton, Senate President.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Mr. Secretary, Reading -- Reading and Approval of the Journal.

SECRETARY ANDERSON:

Senate Journal of Wednesday, June 19th, 2013.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hunter.

SENATOR HUNTER:

Mr. President, I move to postpone the reading and approval of the Journal just read by the Secretary, pending arrival of the printed transcript.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Thank you. Senator Hunter moves to postpone the approval of -- the reading -- moves to postpone -- the approval of -- the reading and approval of the Journal, pending the arrival of the printed transcripts. There being no objection, so ordered. The Senate will stand at ease for a few minutes to allow the Committee on Assignments to meet. Will all members of the Committee on Assignments please come to the President's Anteroom? All members of the Committee on Assignments to the President's Anteroom. The

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

Seeing -- seeing no objection, the motion is granted. Ladies and Gentlemen, the Senate now stands in recess to the call of the Chair. After the Senate Democrat and Republican Caucuses, the Senate will reconvene for the purposes of Floor action. The Senate stands in recess to the call of the Chair.

(SENATE STANDS IN RECESS/SENATE RECONVENES)

PRESIDING OFFICER: (SENATOR SULLIVAN)

The First Special Senate -- Special Senate -- Special Session of the Senate will now come to order. Ladies and Gentlemen, Supplemental Calendar No. 1 has been distributed. Conference Committee Reports. On that Supplemental Calendar, we have Senate Bill 1. Mr. Secretary, do you have on file a conference committee report on Senate Bill 1?

SECRETARY ANDERSON:

Yes. First Conference Committee Report to Senate Bill 1.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Thank you, Mr. President. Ladies and Gentlemen of the Senate, with this Conference Committee Report to Senate Bill 1, the General Assembly can finally break the political stalemate that has held up changes to the pension systems, not only between the House and the Senate, but also between competing views within each one of the four caucuses. I want to thank the Leaders in this Chamber, Leader Radogno and Senate President Cullerton, for finishing the work that the conference committee -- and I'd like to thank the conference committee members, Senator Murphy, Senator Brady,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

Senators Holmes and Senators (sic) Biss, as well as the Representatives in the House, for helping and sacrificing their summers and their fall to try to move this forward. I ask that you support this bipartisan package of pension changes. Each provision of this bill has been heavily negotiated by the conference committee members and the four Legislative Leaders. Some provisions were sought by House Democrats, some were sought by House Republicans, some sought by Senate Republicans, and some sought by the Senate Democrats. All told, the provisions in this bill are all part of an integral bipartisan package. Before talking about what's in the -- in the -- in the bill, it's important to understand where we are currently with pension fund funding and how we got to this point. According to the actuaries for the five systems, the crude unfunded liabilities for fiscal year 2013 was 97.4 billion. And the systems have sufficient assets on hand to cover only forty-one percent of their total projected liabilities, based on current actuarial assumptions. In June -- on June 27th, COGFA staff testified before the conference committee that about ninety percent of these current unfunded pension liabilities accrued between fiscal years 1985 and 2012. According to COGFA's analysis, 47.2 of that overall 87.2 billion-dollar growth in unfunded liabilities came from the State not contributing what it should have contributed to the retirement systems. Stock market losses was the next single-largest cause, accounting for about 16.5 percent of the -- the growth in liabilities. Changes in actuarial assumptions, such as people living longer than expected, were responsible for about 10.1 percent. And benefit increases for public officials and employees accounted for about 9.3 percent of that growth. And employee salary increases were less than

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

expected by the system actuaries over the period and actually reduced the systems' unfunded accrued liabilities by over five hundred and thirty-five million. COGA -- COGFA -- and the COGFA analysis further found that the remaining 17.5 percent in growth in unfunded liabilities was attributable to certain miscellaneous factors. In sum, COGFA's analysis revealed that the primary cause of these current unfunded accrued liabilities was one of funding, primarily the failure by past General Assemblies and Governors to properly fund these retirement systems. I served on the 2009 Pension Modernization Task Force. And COGFA quoted the report from that task force that said, in part, the reality is that the primary cause of the State funded (sic) (unfunded) liability is Illinois' decades-long failure to make its full actuarial required employer contribution to the five pension systems. For whatever the reason, we are where we are now and we can stay cemented in disagreement and decide that we will do nothing; however, this will have its impact on the priorities that we all -- we all think are important - funding education, social services, public safety, and the like, higher education. In total, the bill is projected to save the State a hundred and sixty billion dollars in contributions between now and fiscal year 2045. The bill reduces the State's unfunded liability by 21.4 billion. The bill lowers the cost of living adjustment for members and retirees from the current three percent compounded to a formula based on the member's length of service. The new COLA would be equal to three percent of the lesser of the member's annuity or a thousand dollars for members that were not coordinated with Social Security, or eight hundred for members that were coordinated with Social Securities (sic), times their years of service. This eight-hundred- or

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

thousand-dollar amount will increase each year by full CPI. Members that have not retired will have a staggered COLA delay based on their age. They will miss between one and five COLAs. The retirement age for members that are forty-five years or -- forty-five years old or younger will be increased on a sliding scale, but by no more than five years sliding down. For forty-five, an extra four months, and for every year sliding down, adding four months, till reaching the cap of five years. The bill institutes a salary cap for pension purposes that is equal to the Tier II salary cap, which is currently a hundred and nine thousand nine hundred and seventy-one dollars. However, members currently earning more than this amount are grandfathered in at their current salary. Tier I employees will have their employee contributions reduced by one percent of payroll as of July 1, 2014. The bill creates an optional defined contribution plan that is designed to be cost-neutral and that will be capped at five percent participation. The bill changes the State's funding goal from ninety percent funded in 2045 to a hundred percent funding by 2044. The State will also make additional payments to the pension systems. Starting in fiscal year 2016, the State will contribute ten percent of the savings generated by this bill back into the systems. Additionally, the State will contribute three hundred and sixty-four million in fiscal year 2019 and one billion in fiscal year 2020 and -- and -- and each calendar year -- in each year thereafter. These amounts will be used to reduce the unfunded liability, but will not reduce future contributions until the system is a hundred percent funded. The retirement systems will have the ability to sue the Comptroller if the Comptroller fails to make the contributions or transfers required by law. However,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

the General Assembly retains the ability to change the funding schedule, and therefore change the payment for any given fiscal year, by changing the law. Finally, the bill addresses some perceived abuses, such as allowing non-governmental entities participate in the -- in -- in the public pension systems. Ladies and Gentlemen, this has been a long and difficult process coming to this point. I do not sit before you and suggest to present to you a perfect bill. But in the difficult work that we have to do, on the difficult votes that we have to take, perfection is never achieved. However, we have the worst unfunded liability in the United States of America and we can't continue to be cemented into a stalemate. Your constituents elect you to be responsible and to steer our State in a better direction. We cannot continue to be the embarrassment of the nation. We must act to steer -- steer out ship in the right direction and I urge an Aye vote on this bill.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Thank you. Is there any discussion? Senator Noland, for what purpose do you rise?

SENATOR NOLAND:

Thank you, Mr. President. To the bill.

PRESIDING OFFICER: (SENATOR SULLIVAN)

To the bill, Senator Noland.

SENATOR NOLAND:

Thank you, Mr. President. I, first of all, want to commend, applaud, on behalf of the people of all of Illinois, thank the conference committee, principally Senator Raoul, President Cullerton, and everyone who has put in so much time on this very difficult issue. It's not easy for me to speak in opposition to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

question?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Indicates he will yield. Senator Delgado.

SENATOR DELGADO:

Thank you. And I want to commend the sponsor and all the folks that have been put in this situation. But from the sponsor, as we go down this road on -- on this compromise bill with this wonderful conference committee, which -- and then of course, we don't see a compromise bill, but a bill that's then led by the Leaders of both Chambers, and -- but at the end of the day, is there a provision in there somewhere now that's also now even maybe, I call a piling on as to a collective bargaining point that's somewhere in there at the bottom, if you will, suggesting that collective bargaining for the labor unions will be pretty much eliminated other than for pick up purposes?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

This -- this bill does not eliminate collective bargaining. What this bill makes clear is that the -- the things achieved by this bill cannot be undone by way of collective bargaining. So collective bargaining cannot impact the things with regards to the pension.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Delgado.

SENATOR DELGADO:

Thank you. That's the best answer I've gotten yet for that question, Senator. So I do appreciate that. To the bill: As we sit here, I've served in both Chambers for fifteen years now. I

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

PRESIDING OFFICER: (SENATOR SULLIVAN)

Thank you. Further discussion? Senator Hutchinson, for what purpose do you rise?

SENATOR HUTCHINSON:

Thank you, Mr. President. Will the sponsor yield?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Indicates he will yield. Senator Hutchinson.

SENATOR HUTCHINSON:

I have been studying. I've listened to all these remarks from everyone. I had -- I worked out some questions just because -- I need to apologize in advance that I am a law student, as well as a Senator. So this is going to go to court and I'm trying to keep this clear in my head as to what happens when this goes to court. So I had a couple of questions I wanted to ask as a result of that. Am I correct that the legislation intends to and will have a direct and substantial impact on the benefits of current employees and retirees by reducing their benefits?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yes. You are correct.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

Is it also correct that this legislation is not part of some broader legislative program that addresses topics other than pensions and primarily reducing pension benefits?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

SENATOR RAOUL:

Yes. That's correct.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

We have about seven hundred thousand current Tier 1 employees and there's 12.8 million people in the State. So we're only talking about five percent of the people in this State that this bill is targeted to. Is -- I mean, is it fair to say that?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yeah, approximately that.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

I know that one of the objectives of this legislation is really to improve the State's credit rating. Is that correct? I mean, that's why we're here.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

It -- it's one of -- one of -- one of the State's fiscal issues, yes, and one -- one of the objectives.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

So, then, is it fair to say that we are sacrificing a substantial amount of people's pension benefits to protect the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

State's finances?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yeah, I -- you know, that's a harsh characterization, but -- but I -- I suppose yes.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

When we talk about COGFA's testimony before the conference committee which explained that the State pension system's unfunded liabilities grew by over eight-seven billion dollars between '85 and 2012, they found that the primary cause of that was the failure of past General Assemblies and Governors to properly fund the pension system over several decades. So it's fair for us to say that we know how we got here and we know exactly how we got here. That's been debated over and over and over again. Would you agree with that?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yeah, as I indicated in my opening remarks, those -- that history has compounded the problem.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

The bill's legislative statement states in the fourth paragraph that this "is intended to address fiscal issues facing the State and its retirement systems in a manner that's feasible".

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

So, by using the word "feasible", does that mean that there are other feasible alternatives to this bill?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Certainly there are. I mean, certainly, you know, as has been mentioned, a lot of these levers are -- are levers that can be tweaked one way or the other, and there are other proposals that were entertained by the conference committee. But -- but, you know, we're trying to move from a stalemate. So, yes, there are other alternatives, but, you know, this is an effort to move from a -- from a stalemate.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

So one of those alternatives was -- would have been to pass Senate Bill 2404 or a modified version of it?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yes. We -- you know, as we passed 2404 before, it went nowhere in the House. We could have done an alternative of it. We could have done a great many of things, but this is what we've -- we've -- come to a compromise on to move -- move the State forward.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

Would another alternative be the proposal that the Center for

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

Tax and Budget Accountability outlined before the conference committee, which would have re-amortized the current unfunded liabilities to a new gradual lever (sic) dollar payment schedule to achieve well over eighty percent by 2059?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yes. The Center of Tax -- the center that you talked about, they came before the conference committee, as well as did -- did others with -- with different proposals. So that -- that and many other things could have been possible alternatives.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

There's another statement in the legislative statement that says, "Having considered other alternatives that would not involve changes to the retirement systems, the General Assembly has determined that the fiscal problems facing the State and its retirement systems cannot be solved without making some changes to the structure of the retirement systems." What does that mean, about considering other alternatives not involving changes to the retirement systems?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

I believe that phrase just reflects the climate of the General Assembly. And it makes it -- it reflects the fact that it's unlikely that the General Assembly would consider, at this time, increased revenues or the necessary cuts that -- that would achieve

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

this.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

So we should be clear that that statement should not mean -- or does not mean that we've exhausted every other thing that we could have done to solve this issue.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

As I've indicated before, there -- there -- there was all sorts of proposals and there are all sorts of different things; however, we've reached a point of stalemate and I think this pathway is a -- the most feasible pathway to move us forward.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

The last sentence of the fourth paragraph of the legislative statement says, "As a result, this amendatory Act requires more fiscal responsibility of the State, while minimizing the impact on current and retired State employees." Is the last phrase of that sentence referring to the fact that the legislation is actually reducing the pension benefits of current employees and retirees?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Can you restate that? I'm sorry.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

SENATOR HUTCHINSON:

The last sentence of the fourth paragraph says that "As a result, this amendatory Act requires more fiscal responsibility of the State, while minimizing the impact on current and retired State employees." Is the last phrase of that sentence referring to the fact that the legislation is reducing the pension benefits of current employees and retirees?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yes.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

So that phrase also states that the legislation is "minimizing the impact on current and retired State employees". So by using "minimizing", does that mean that the legislation is somehow the least restrictive means available to us?

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Raoul.

SENATOR RAOUL:

Yeah, I -- you know, I don't know what the least restrictive means are. I -- I think what we're doing just reflects what the political climate is. Again, I've -- I've -- I've said, time and again, that we've been cemented in a stalemate, and I, for my part, don't want to see the State sink as a result of that stalemate. So, it may not be the least restrictive means, but the political climate, I believe, allows for us to -- to -- to take the step that we're -- we're hopefully now taking.

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

PRESIDING OFFICER: (SENATOR SULLIVAN)

Senator Hutchinson.

SENATOR HUTCHINSON:

Thank you. Thank you very much, Senator Raoul. And briefly to the bill: This is -- because this is a heart-wrenching decision and because I have so much respect for how -- how much work has gone into this by so many people, I'm not going to stand here and use a whole lot of hyperbole to talk about the people who are going to vote Yes on this bill. I'm standing here because I'm going to vote No on this bill. And it's really simple. During the 1970 Constitutional Convention, the delegate that carried this, her name was Helen Kinney, and she specifically said that the intention was simply to give public employees a basic protection against abolishing their rights completely or changing the terms of their rights after they've embarked upon employment, or lessening them. That was why the phrase was included. That was why it was debated as much as it was. That is why it is in the same Constitution that I raised my right hand and swore to uphold, along with the United States Constitution. I cannot abrogate my responsibility for that here today. This is -- if this were only about picking the bill that saves the most money, we'd all pick the bill that saves the most money. We'd all do that. But it's not. It's about taking people's retirement benefits right when they need 'em the most, after they have worked hard and earned those benefits. They earn those benefits. And if we don't respect the basic modicum of contract law, then we have a whole lot of other problems that we have to solve. Like maybe we could just rewrite all those underwater mortgages. Those are contracts. Last time I checked banks and chambers didn't want us to do that, because those are

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

contracts. Those contracts are sacrosanct. This contract is not. I have a problem with that. This -- for those people who say we're not constitutional lawyers, we don't know what's going to happen, I'm not a constitutional lawyer - I'm -- I'm really not - but I can read, and it's in the Constitution. Please vote No.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Thank you. Our last speaker seeking recognition, Leader Radogno. For what purpose do you rise?

SENATOR RADOGNO:

Thank you, Mr. President. To the bill: Well, like many speakers before me, I want to start by thanking the numerous people that have been involved in this process and put in a tremendous amount of work, both Members as well as staff. I particularly want to thank President Cullerton, as well as the Leaders in the House. This certainly has not been an easy negotiation. We're very cognizant of the fact that this is not just a numbers issue, but it's a people issue as well. To address some of the previous speakers' concerns, however, I do not believe we can possibly begin to address the financial situation of this State if we don't address the pension system. The fact of the matter is, a lot -- a lot has been made over the fact that this is not a perfect bill, but it is a good bill and it is one that has meaningful reforms in it and it's one that saves a meaningful amount of money, both in the short term and in the long term. This is the one opportunity that we have to finally, finally address the most important economic issues that are facing this State, and that includes our credit ratings, our financial position, our jobs climate, and, frankly, our reputation in the global economy. This is one opportunity we have today to finally bring some stability and

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
FIRST SPECIAL SESSION
SENATE TRANSCRIPT

2nd Legislative Day

12/3/2013

predictability to Illinois, to the budget, to the very retirees, who I understand that we are impacting. They will be able to count on the benefits once we pass this bill. This will help our vendors. It will help our job creators, who are looking to invest here, because we have so many other assets in this State. During this process, certainly some people wanted more, some people wanted less and, quite frankly, some people want this to be a political issue, which it should not be. Remember, this is a result of bipartisan and bicameral negotiations. It should be a model for how we approach other issues going forward. This is clearly not the only step we need to take. This will stabilize the pension systems, but, as has been pointed out, we have numerous other budgetary problems. The issue's been raised, why does only a small amount of the savings go towards the reinvesting in the pension system? Because we want to be in a position to be able to sunset the tax increase and to fund the other critical services that we have to fund in this State. There's a lot of reasons to vote No on this bill. A lot of excuses that can be made: The constitutionality, to which I say, let's get it to the Supreme Court and that will be answered once and for all; the transparency issue, which I think is -- is a weak argument; the process, that maybe there's a better way to do this. But we have one opportunity today. Interestingly, today is Illinois' birthday, and I think that the best possible birthday present that we could give this State and the people who live in it is a vote for comprehensive pension reform. I challenge everyone here to seize this moment and vote Yes on this important bill. Thank you.

PRESIDING OFFICER: (SENATOR SULLIVAN)

Thank you, Leader Radogno. Senator Raoul, to close.

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Speaker Turner: "Members, regular Session will now be in recess.

And we will move to convene the First Conference Committee... First Special Session and Representative Currie moves that we use the Attendance Roll Call from the First Special Session. I'm sorry, I'm sorry. Representative Currie moves that we use the Attendance Roll Call from the regular Session for the First Special Session. Any objections? Seeing no objections, we'll use the... the Motion would carries. On page 2 of the Calendar, on the Order of Conference Committee Reports, there appears Senate Bill 1. The Chair recognizes... the Chair recognizes Speaker Madigan."

Madigan: "Mr. Speaker and Ladies and Gentlemen of the House, I come before you today to present the Conference Committee Report on Senate Bill 1. This is a comprehensive pension reform package that will lead to fiscal stability for the state and its pension systems. Based on the actuarial analysis prepared by the systems, we estimate that this proposal will save the state approximately \$160 billion over the next 30 years and immediately reduce our unfunded liability by at least 20 percent. There are several changes that will impact current and retired employees. Let me make it clear that all of the changes in this Bill are prospective. We are not asking the systems to reduce current payments received by retired employees. Number one, future annual adjustments will be based on a retiree's years of service and the full CPI. Let me repeat, full CPI. The annual increase will be equal to 3 percent of years of service multiplied by \$1 thousand for those who are not coordinated with Social Security and \$800 for those coordinated with Social Security. The \$1,800

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

amounts will be adjusted each year by the full CPI. Those with an annuity less than their years of service multiply by one thousand or 800 dollars or whatever the amount is at the time of retirement will receive a COLA equal to 3 percent compounded each year until their annuity reaches that amount. In some cases, a person's annuity will never reach that magic number and they will continue to receive the 3 percent compounded COLA for life. For example, any noncoordinated retiree who worked for at least 20 years and retired with a final average salary of at least \$42 thousand will not see any changes to their COLA. Next, current employees will miss between one and five annual adjustments depending on age. Next, the Tier II pensionable salary cap will apply prospectively. The legislation grandfathered in salaries that currently exceed the cap and that will exceed the cap based on raises in a collective bargaining agreement. Next, the retirement age will be increased for those 45 years of age and under. For each year a member is under 46, the retirement age will be increased by four months up to five years. Next, employees will contribute 1 percent less... less of their salary toward their pension. With these changes, the state will adopt an actuarially sound funding schedule that will reduce the unfunded liability and establish level contributions. The new schedule will achieve 100 percent funding of the retirement systems no later than the end of fiscal year 2044. In addition to the annual contributions, the state will commit to providing supplemental funding for the retirement systems. Beginning in FY16, 10 percent of the annual savings resulting from pension reform will be contributed to the systems. In

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

FY19, the state will contribute an additional 364 million and 1 billion annually until the systems reach 100 percent funding. These contributions will be pure add-ons, which means that the state's annual contributions will not be reduced by these amounts. If the state fails to make the annual contribution or a supplemental contribution, a retirement system will have the ability to file an action in the Illinois Supreme Court to force the state to meet its obligations. There are several other important parts of the Bill worth mentioning. One, all pension matters with the exception of pension pickups that local school districts are removed from collective bargaining. Two, employees will have the option to join a defined contribution plan. Three, state pension systems will be prohibited from using pension funds to subsidize health care costs. I think it's important that we understand why we're here today talking about a change in the Pension Code. We're here today because the cost of the present state systems are simply too rich for the resources available to the State of Illinois to pay for those systems in addition to meeting our obligations in areas such as education and social services. And it's important to note that the cost of these pensions have grown in recent years and will continue to grow. As an example, in FY08, the percentage of GRF appropriations dedicated to the pensions was 6 percent. Two years later in FY10, it was 12 percent. Two years later in FY12, it was 14 percent. In the current budget, FY14, it's 20 percent. It's estimated that in FY30 it will be 23.5 percent. In FY40, it'll be 25.9 percent. In FY45, it'll be 26.2 percent. Next, we ought to compare ourselves to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

what happens in our surrounding states. The surrounding states are more or less the same as Illinois. There are differences, but they're more or less the same as Illinois and what we know is that Illinois leads the region in the amount of state-source revenue that we dedicate to our pensions. So as an example, we dedicate 14 percent of our state-source revenue to pensions. Kentucky contributes 11.6 percent; Indiana, 6.9 percent; Missouri, 4.9 percent; Iowa, 1.6 percent; Wisconsin, 1.3 percent. So, we lead the region but not in the category where we wish to lead. That gives us the background reason why we're here today and why we're contemplating this change. I think it's important to review a little history of this year and how we arrived at where we are today. We began this calendar year last January knowing we had a severe problem with our pension systems. In the Democratic Caucus, we engaged in intense education program. We dedicated numerous caucuses to learning and understanding the problems with the funding of the pension system. And then all of us engaged in a series of test votes right here on the floor where certain elements of this Bill were offered as an Amendment to a Bill. They were debated and we voted. And through that voting, we improved the education and the understanding of the serious nature of this problem. Next, the House passed the House Pension Bill, generally referred to as Senate Bill 1. In my judgment, House passage to that Bill set the high bar of achievement in this exercise. Let's not forget, given the amount of money that we're dedicating to the cost of the pensions, given where we stand in the region, we're here today discussing the issue because of the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

cost. And what we want to do is to get cost savings because of the... as a result of this Bill and that's where the House Bill set the high bar of \$163 billion of cost savings. Later in the spring, the Senate passed Senate Bill 2404. It also changed the Pension Code, but the cost savings in that Bill were in the neighborhood of \$58 billion. And so, again, we're involved in this exercise to achieve cost savings for the pension systems. House action had saved 163 billion; Senate action had saved 58 billion. I was severely criticized because I would not permit the calling of Senate Bill 2404. And I declined to call the Bill because I wanted to shake the issue. I wanted people to have some time to understand the difference in cost savings between the two Bills and to understand that our goal is to achieve the most cost savings feasible as a result of the legislation. In the last few weeks, I engaged in shuttle diplomacy with Senator Cullerton, Representative Durkin, Senator Radogno. We had some very fruitful discussions in negotiations and at the end of those negotiations, I made two suggestions. The first suggestion was designed to meet a Senate Democratic objective. The Senate Democrats throughout this discussion had stated their strong interest in protecting the interest of workers and they wanted to minimize the impact on workers as it would relate to the change in the COLA. So going back to the House Bill, House action. In the House Bill we provided that going forward the COLA would be flat, it wouldn't change and that's where we achieved the great amount of our savings. Through the summer in the Conference Committee, there was discussion about adjusting the COLA by one half of the Consumer Price Index

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

and at one point, there was discussion about a floor and a cap. But despite that suggestion in the Conference Committee, Senate Democrats continued to press their case to improve the functioning of the COLA. And so, it was my suggestion that we go to the full Consumer Price Index as an inflation adjuster on the COLA. That suggestion was accepted by the Senate Democrats. The same time Representative Durkin and Senator Radogno, to their credit, insisted.. insisted very strongly that we continue to achieve a meaningful level of savings as a result of the Bill. You may recall, House action had saved 163 billion. The position of Mr. Durkin and Senator Radogno was that they would accept nothing less than 160 billion in savings. And to their credit, because they stood their ground, they got their wish in the negotiations. We did that because of my second suggestion which was to provide for supplemental funding where the Bill provides that 10 percent of the savings coming out of the Bill will be dedicated to the pension systems and thereby, the Bill provides over \$160 billion in savings. I want to also compliment Mr. Durkin, in particular, along with Senator Radogno, for insisting that there be a strong legislative intent in the Bill. This was another matter of great contention in the negotiations among the Leaders. And Mr. Durkin, in particular, demanded that there be legislative intent and that there'd be very strong legislative content and again, he got his wish and I stood with him and with Senator Radogno so that we have the strong legislative intent in the Bill that we think should be in the Bill. Let me speak a little bit to the message that will come out of this Bill. We begin, as we all know, something's got

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

to be done. Something's got to be done. We can't go on dedicating so much of our resources to this one sector, pensions. Throughout the discussions there was a very strong interest in protecting long-term, low-income workers; long-term, low-income workers. That's done in this Bill because the Bill provides that up to a threshold level there's no change, no change. We talked at length about the cost or what's referred to as the 3 percent compounded COLA. That's been identified as the chief cause of the financial problem. For the long-term, low-income worker up to a threshold level, no change. It's still there. So, if you're abiding interest is long-term, low-income workers, you should vote 'yes' because they're protected in the Bill. Once the annuity hits the threshold level, the system changes and there's a COLA present and the COLA's pegged to the full Consumer Price Index just as the Social Security system is pegged to the full CPI. So, the message coming out of the Bill is there must be a change. We will protect the long-term, low-income workers, but for the remainder, there'll be little different than the vast majority of the nation which is enrolled in the Social Security system. That's the message coming out of the Bill. And then to those that would object that too much of a cost savings comes from benefit reductions, it's simply not true. Everyone's been provided with charts that shows very conclusively that there's close to an equal division between benefit reductions and supplemental appropriations or new money being put in by the government, not exactly 50 percent. Benefit reductions are a tad under 50 percent; supplemental appropriations are a tad over 50 percent. But the message is

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

this is not a one-sided Bill. There will be changes here, much needed changes. But this Bill is a well-thought-out, well-balanced Bill that deserves the support of this Body, the State Senate and the approval of Governor Quinn. And I would recommend an 'aye' vote."

Speaker Turner: "Speaker Madigan moves to adopt the First Conference Committee Report on Senate Bill 1. Is there any discussion? With that, we have Representative Verschoore."

Verschoore: "I was wanting to ask questions. I'm sorry. I'll ask questions after it's adopted."

Speaker Turner: "Now's the time to ask."

Verschoore: "Okay. I had this in caucus and I want it to be part of the record. As far as the part where the pensions are not going to be able to be negotiated anymore and they said that they can do that... legally they can do that. I thought it was a subject, you know, a subject of bargaining, but it isn't I have been told. But as far as wages, and I was told that in caucus that wages were not part of this and would not be part of it, that that's separate from public sector as far as private sector. Is that correct?"

Madigan: "Well, let me answer your question by saying that there's nothing in this Bill that would change the ability of governments and unions to bargain wages and conditions of employment."

Verschoore: "Nothing in this Bill, but..."

Madigan: "Correct. And I want to state my own personal view, which I shared with you in our caucus, that my view is that wages and conditions of employment ought to be bargained privately and publicly."

AN ACT concerning public employee benefits.

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

Section 1. Legislative statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5 ILCS 315/7.5 new)

Sec. 7.5. Duty to bargain regarding pension amendments.

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

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

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

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

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

Sec. 15. Act Takes Precedence.

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

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

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

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

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

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

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

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

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

(1) Personal services

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

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

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

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

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

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

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

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

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

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

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

(12) Contingencies;

(13) Reserve;

(14) Interest;

(15) Awards and Grants;

(16) Debt Retirement;

(17) Non-Cost Charges;

(18) State retirement contribution for annual normal cost;

(19) State retirement contribution for unfunded accrued liability;

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

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

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

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

(30 ILCS 105/24.12 new)

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

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

(30 ILCS 105/24.13 new)

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

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

(30 ILCS 122/20)

Sec. 20. Pension Stabilization Fund.

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

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

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

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

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

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

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

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

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

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

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

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

(30 ILCS 122/25)

Sec. 25. Transfers from the Pension Stabilization Fund.

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

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

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

Illinois;

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

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

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

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

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

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

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

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

(40 ILCS 5/1-103.3)

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

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

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

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

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

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

(40 ILCS 5/2-105.1 new)

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

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

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

(40 ILCS 5/2-105.2 new)

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

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

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

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

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

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

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

Notwithstanding any other provision of this Code, the

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

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

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

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

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

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

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

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

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

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

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

For a participant who first becomes a participant of this

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

in subsection (a-1).

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

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

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

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

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

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

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

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

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

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

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

Sec. 2-124. Contributions by State.

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

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

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

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

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

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

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

\$4,157,000.

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

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

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

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

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

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

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

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

Notwithstanding any other provision of this Section, the

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

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

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

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

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

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

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

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

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

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

this Article.

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 2-126. Contributions by participants.

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

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

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

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

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

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

corresponding employer contributions, as calculated by the System.

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

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

(40 ILCS 5/2-126.5 new)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/2-162)

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/2-165 new)

Sec. 2-165. Defined contribution plan.

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

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

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

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

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

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

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

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

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

survivors.

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

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

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

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

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

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

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

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

financial advisors.

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

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

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

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

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

is necessary to ensure cost neutrality.

(40 ILCS 5/2-166 new)

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

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

Sec. 7-109. Employee.

(1) "Employee" means any person who:

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

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

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

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

(c) Holds an elective office in a municipality,

instrumentality thereof or participating instrumentality.

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

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

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

2. Articles 15 and 16 of this Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

instrumentality; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding the foregoing, any participating

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

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

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

regular interest rate.

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

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

7. For retroactive service: Any employee who could have

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Creditable service - amount:

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

2. A seasonal employee shall be given 12 months of

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

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

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

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

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

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

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

Sec. 9-219. Computation of service.

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

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

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

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

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

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

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

specified in item (2) shall be waived.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 9-220. Basis of service credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 14-103.10. Compensation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/14-103.40 new)

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

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

Sec. 14-104.3. Notwithstanding provisions contained in

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

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

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

Sec. 14-106. Membership service credit.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

subsection (b) are increased by 16 months.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

compensation for each year of service.

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

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

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

eligible if coordination were not applicable.

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

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

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

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

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

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

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

(k) (Blank).

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

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

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

Sec. 14-110. Alternative retirement annuity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

subsection (a) are increased by 28 months.

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

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

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

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

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

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

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

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

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

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

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

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

- (15) investigator for the Office of the State's Attorneys Appellate Prosecutor;
- (16) Commerce Commission police officer;
- (17) arson investigator;
- (18) State highway maintenance worker.

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

(c) For the purposes of this Section:

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

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

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

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

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

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

A person who became employed as an investigator for the

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

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

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

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

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

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

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

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

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

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

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

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

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

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

status.

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

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

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

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

218(d)(8)(D), and 218(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

of this amendatory Act of the 98th General Assembly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 14-115. Supplemental Annuity.

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/14-131)

Sec. 14-131. Contributions by State.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

eff. 6-19-13.)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) Each security employee of the Department of

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

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

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

(40 ILCS 5/14-133.5 new)

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

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

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

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

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

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

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

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

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

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

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

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

Public Act 098-0599

SB0001 Enrolled

LRB098 05457 JDS 35491 b

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

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

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

(40 ILCS 5/14-152.1)

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/14-155 new)

Sec. 14-155. Defined contribution plan.

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

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

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

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

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

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

(4) The defined contribution plan shall require 5 years

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

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

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

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

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

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

offering these benefits and any applicable administrative fees.

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

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/14-156 new)

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

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

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

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

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

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

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

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

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

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

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

Sec. 15-107. Employee.

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

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

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

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

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

(3) is on a military leave of absence;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 15-111. Earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) "Effective rate of interest": For a fiscal year concluding no later than June 30, 2014, the ~~The~~ interest rate for all or any part of a fiscal year that is determined by the board based on factors including the system's past and expected investment experience; historical and expected fluctuations in the market value of investments; the desirability of minimizing volatility in the effective rate of interest from year to year; and the provision of reserves for anticipated losses upon sales, redemptions, or other disposition of investments and for variations in interest experience; except that for the purpose of determining the accumulated normal contributions used in calculating retirement annuities under Rule 2 of Section 15-136, the effective rate of interest shall be determined by the State Comptroller rather than the board. For a fiscal year concluding no later than June 30, 2014, the ~~The~~ State Comptroller shall determine the effective rate of interest to be used for this purpose using the factors listed above, and shall certify to the board and the Commission on Government Forecasting and Accountability the rate to be used for this purpose for fiscal year 2006 as soon as possible after the

effective date of this amendatory Act of the 94th General Assembly, and for each fiscal year thereafter no later than the January 31 immediately preceding the start of that fiscal year.

For a fiscal year that begins on or after July 1, 2014, the effective rate of interest for a given fiscal year shall be equal to the interest rate of 30-year United States Treasury bonds as of the beginning of that given fiscal year, plus 75 basis points. This effective rate of interest shall not be used in determining the prescribed rate of interest as defined in paragraph (1) of this Section.

(3) The change made to this Section by Public Acts 90-65 and 90-511 is a clarification of existing law.

(Source: P.A. 94-4, eff. 6-1-05; 94-982, eff. 6-30-06.)

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

Sec. 15-135. Retirement annuities - Conditions.

(a) This subsection (a) applies only to a Tier 1 member. A participant who retires in one of the following specified years with the specified amount of service is entitled to a retirement annuity at any age under the retirement program applicable to the participant:

35 years if retirement is in 1997 or before;

34 years if retirement is in 1998;

33 years if retirement is in 1999;

32 years if retirement is in 2000;

31 years if retirement is in 2001;

30 years if retirement is in 2002 or later.

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

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

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

(a-3) Notwithstanding subsection (a) of this Section, for a Tier 1 member who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required retirement age under subsection (a) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

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

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

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

(4) If he or she is at least age 43 but less than age 44

on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

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

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

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

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

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

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

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

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

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

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

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

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

Notwithstanding Section 1-103.1, this subsection (a-3) applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-5) A Tier 2 member is entitled to a retirement annuity upon written application if he or she has attained age 67 and has at least 10 years of service credit and is otherwise eligible under the requirements of this Article. A Tier 2 member who has attained age 62 and has at least 10 years of service credit and is otherwise eligible under the requirements of this Article may elect to receive the lower retirement annuity provided in subsection (b-5) of Section 15-136 of this Article.

(b) The annuity payment period shall begin on the date

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

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

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12; 98-92, eff. 7-16-13.)

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

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

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

Rule 1: The retirement annuity shall be 1.67% of final rate

of earnings for each of the first 10 years of service, 1.90% for each of the next 10 years of service, 2.10% for each year of service in excess of 20 but not exceeding 30, and 2.30% for each year in excess of 30; or for persons who retire on or after January 1, 1998, 2.2% of the final rate of earnings for each year of service.

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

(i) the normal annuity which can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014), by the accumulated normal contributions as of the date the annuity begins;

(ii) an annuity from employer contributions of an amount equal to that which can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) from the accumulated normal contributions made by the participant under Section 15-113.6 and Section 15-113.7 plus 1.4 times all other accumulated normal contributions made by the participant; and

(iii) the annuity that can be provided on an actuarially equivalent basis (using the effective rate of interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) from the entire contribution made by the participant under Section 15-113.3.

Notwithstanding any other provision of this Rule 2, a participant's retirement annuity calculated under this Rule 2 shall not be less than the retirement annuity that participant would have received under this Rule 2 had he or she retired during the fiscal year preceding the effective date of this amendatory Act of the 98th General Assembly.

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

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

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

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

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

Rule 4: A participant who is at least age 50 and has 25 or more years of service as a police officer or firefighter, and a

participant who is age 55 or over and has at least 20 but less than 25 years of service as a police officer or firefighter, shall be entitled to a retirement annuity of 2 1/4% of the final rate of earnings for each of the first 10 years of service as a police officer or firefighter, 2 1/2% for each of the next 10 years of service as a police officer or firefighter, and 2 3/4% for each year of service as a police officer or firefighter in excess of 20. The retirement annuity for all other service shall be computed under Rule 1. A Tier 2 member is eligible for a retirement annuity calculated under Rule 4 only if that Tier 2 member meets the service requirements for that benefit calculation as prescribed under this Rule 4 in addition to the applicable age requirement under subsection (a-5) of Section 15-135.

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

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

officer or firefighter, from the date of that transfer until the employee's next termination of service with the University of Illinois.

(b) For a Tier 1 member, the retirement annuity provided under Rules 1 and 3 above shall be reduced by $1/2$ of 1% for each month the participant is under age 60 at the time of retirement. However, this reduction shall not apply in the following cases:

(1) For a disabled participant whose disability benefits have been discontinued because he or she has exhausted eligibility for disability benefits under clause (6) of Section 15-152;

(2) For a participant who has at least the number of years of service required to retire at any age under subsection (a) of Section 15-135; or

(3) For that portion of a retirement annuity which has been provided on account of service of the participant during periods when he or she performed the duties of a police officer or firefighter, if these duties were performed for at least 5 years immediately preceding the date the retirement annuity is to begin.

(b-5) The retirement annuity of a Tier 2 member who is retiring after attaining age 62 with at least 10 years of service credit shall be reduced by $1/2$ of 1% for each full month that the member's age is under age 67.

(c) The maximum retirement annuity provided under Rules 1,

2, 4, and 5 shall be the lesser of (1) the annual limit of benefits as specified in Section 415 of the Internal Revenue Code of 1986, as such Section may be amended from time to time and as such benefit limits shall be adjusted by the Commissioner of Internal Revenue, and (2) 80% of final rate of earnings.

(d) This subsection (d) is subject to subsections (d-1) and (d-2). A Tier 1 member whose status as an employee terminates after August 14, 1969 shall receive automatic increases in his or her retirement annuity as follows:

Effective January 1 immediately following the date the retirement annuity begins, the annuitant shall receive an increase in his or her monthly retirement annuity of 0.125% of the monthly retirement annuity provided under Rule 1, Rule 2, Rule 3, or Rule 4 contained in this Section, multiplied by the number of full months which elapsed from the date the retirement annuity payments began to January 1, 1972, plus 0.1667% of such annuity, multiplied by the number of full months which elapsed from January 1, 1972, or the date the retirement annuity payments began, whichever is later, to January 1, 1978, plus 0.25% of such annuity multiplied by the number of full months which elapsed from January 1, 1978, or the date the retirement annuity payments began, whichever is later, to the effective date of the increase.

The annuitant shall receive an increase in his or her monthly retirement annuity on each January 1 thereafter during

the annuitant's life of 3% of the monthly annuity provided under Rule 1, Rule 2, Rule 3, or Rule 4 contained in this Section. The change made under this subsection by P.A. 81-970 is effective January 1, 1980 and applies to each annuitant whose status as an employee terminates before or after that date.

Beginning January 1, 1990, all automatic annual increases payable under this Section shall be calculated as a percentage of the total annuity payable at the time of the increase, including all increases previously granted under this Article.

The change made in this subsection by P.A. 85-1008 is effective January 26, 1988, and is applicable without regard to whether status as an employee terminated before that date.

(d-1) Notwithstanding subsection (d), but subject to the provisions of subsection (d-2), all automatic increases payable under subsection (d) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase subject to this subsection, the amount of that increase shall be prorated if less than one year has elapsed since retirement.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (d-1) shall be increased on each January

1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (d-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (d-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(d-2) Notwithstanding subsections (d) and (d-1), for an active or inactive Tier 1 member who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the automatic annual increase payable under subsection (d) the second January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the automatic annual increase payable under subsection (d) the second, fourth, and sixth January

following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the automatic annual increase payable under subsection (d) the second, fourth, sixth, and eighth January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act;

(4) the automatic annual increase payable under subsection (d) the second, fourth, sixth, eighth, and tenth January following the date the retirement annuity begins shall be equal to 0% of the total annuity payable at the time of the increase, if he or she is less than age 44 on the effective date of this amendatory Act.

(d-5) A retirement annuity of a Tier 2 member shall receive annual increases on the January 1 occurring either on or after the attainment of age 67 or the first anniversary of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted

percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(e) If, on January 1, 1987, or the date the retirement annuity payment period begins, whichever is later, the sum of the retirement annuity provided under Rule 1 or Rule 2 of this Section and the automatic annual increases provided under the preceding subsection or Section 15-136.1, amounts to less than the retirement annuity which would be provided by Rule 3, the retirement annuity shall be increased as of January 1, 1987, or the date the retirement annuity payment period begins, whichever is later, to the amount which would be provided by Rule 3 of this Section. Such increased amount shall be considered as the retirement annuity in determining benefits provided under other Sections of this Article. This paragraph applies without regard to whether status as an employee terminated before the effective date of this amendatory Act of 1987, provided that the annuitant was employed at least one-half time during the period on which the final rate of earnings was based.

(f) A participant is entitled to such additional annuity as may be provided on an actuarially equivalent basis, by any accumulated additional contributions to his or her credit. However, the additional contributions made by the participant toward the automatic increases in annuity provided under this

Section shall not be taken into account in determining the amount of such additional annuity.

(g) If, (1) by law, a function of a governmental unit, as defined by Section 20-107 of this Code, is transferred in whole or in part to an employer, and (2) a participant transfers employment from such governmental unit to such employer within 6 months after the transfer of the function, and (3) the sum of (A) the annuity payable to the participant under Rule 1, 2, or 3 of this Section (B) all proportional annuities payable to the participant by all other retirement systems covered by Article 20, and (C) the initial primary insurance amount to which the participant is entitled under the Social Security Act, is less than the retirement annuity which would have been payable if all of the participant's pension credits validated under Section 20-109 had been validated under this system, a supplemental annuity equal to the difference in such amounts shall be payable to the participant.

(h) On January 1, 1981, an annuitant who was receiving a retirement annuity on or before January 1, 1971 shall have his or her retirement annuity then being paid increased \$1 per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity began on or before January 1, 1977, shall have his or her retirement annuity then being paid increased \$1 per month for each year of creditable service.

(i) On January 1, 1987, any annuitant whose retirement

annuity began on or before January 1, 1977, shall have the monthly retirement annuity increased by an amount equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(j) For participants to whom subsection (a-3) of Section 15-135 applies, the references to age 50, 55, and 62 in this Section are increased as provided in subsection (a-3) of Section 15-135.

(Source: P.A. 97-933, eff. 8-10-12; 97-968, eff. 8-16-12; 98-92, eff. 7-16-13.)

(40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

Sec. 15-155. Employer contributions.

(a) The State of Illinois shall make contributions by appropriations of amounts which, together with the other employer contributions from trust, federal, and other funds, employee contributions, income from investments, and other income of this System, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (a-1).

(a-1) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of the State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through ~~2014~~ 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable

employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at the rate required under this Section.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is \$166,641,900.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2007 is \$252,064,100.

For each of State fiscal years 2008 through 2009, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is \$702,514,000 and shall be made from the State Pensions Fund and proceeds of bonds sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2010, (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Notwithstanding any other provision of this Article, the

total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to Section 15-165 and shall be made from the State Pensions Fund and proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the General Revenue Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Beginning in State fiscal year 2045, the minimum contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total liabilities of the System.

~~Beginning in State fiscal year 2046, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.~~

Amounts received by the System pursuant to Section 25 of the Budget Stabilization Act or Section 8.12 of the State Finance Act in any fiscal year do not reduce and do not constitute payment of any portion of the minimum State contribution required under this Article in that fiscal year. Such amounts shall not reduce, and shall not be included in the calculation of, the required State contributions under this Article in any future year until the System has reached a

funding ratio of at least 100% ~~90%~~. A reference in this Article to the "required State contribution" or any substantially similar term does not include or apply to any amounts payable to the System under Section 25 of the Budget Stabilization Act.

Notwithstanding any other provision of this Section, the required State contribution for State fiscal year 2005 and for fiscal year 2008 and each fiscal year thereafter through State fiscal year 2014, as calculated under this Section and certified under Section 15-165, shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003

for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(b) If an employee is paid from trust or federal funds, the employer shall pay to the Board contributions from those funds which are sufficient to cover the accruing normal costs on behalf of the employee. However, universities having employees who are compensated out of local auxiliary funds, income funds, or service enterprise funds are not required to pay such contributions on behalf of those employees. The local auxiliary funds, income funds, and service enterprise funds of universities shall not be considered trust funds for the purpose of this Article, but funds of alumni associations, foundations, and athletic associations which are affiliated with the universities included as employers under this Article and other employers which do not receive State appropriations are considered to be trust funds for the purpose of this Article.

(b-1) The City of Urbana and the City of Champaign shall each make employer contributions to this System for their respective firefighter employees who participate in this System pursuant to subsection (h) of Section 15-107. The rate of contributions to be made by those municipalities shall be determined annually by the Board on the basis of the actuarial assumptions adopted by the Board and the recommendations of the actuary, and shall be expressed as a percentage of salary for

each such employee. The Board shall certify the rate to the affected municipalities as soon as may be practical. The employer contributions required under this subsection shall be remitted by the municipality to the System at the same time and in the same manner as employee contributions.

(c) Through State fiscal year 1995: The total employer contribution shall be apportioned among the various funds of the State and other employers, whether trust, federal, or other funds, in accordance with actuarial procedures approved by the Board. State of Illinois contributions for employers receiving State appropriations for personal services shall be payable from appropriations made to the employers or to the System. The contributions for Class I community colleges covering earnings other than those paid from trust and federal funds, shall be payable solely from appropriations to the Illinois Community College Board or the System for employer contributions.

(d) Beginning in State fiscal year 1996, the required State contributions to the System shall be appropriated directly to the System and shall be payable through vouchers issued in accordance with subsection (c) of Section 15-165, except as provided in subsection (g).

(e) The State Comptroller shall draw warrants payable to the System upon proper certification by the System or by the employer in accordance with the appropriation laws and this Code.

(f) Normal costs under this Section means liability for

pensions and other benefits which accrues to the System because of the credits earned for service rendered by the participants during the fiscal year and expenses of administering the System, but shall not include the principal of or any redemption premium or interest on any bonds issued by the Board or any expenses incurred or deposits required in connection therewith.

(g) If the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 6%, the participant's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. The System may require the employer to provide any pertinent information or documentation.

Whenever it determines that a payment is or may be required under this subsection (g), the System shall calculate the amount of the payment and bill the employer for that amount.

The bill shall specify the calculations used to determine the amount due. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to the System in writing for a recalculation. The application must specify in detail the grounds of the dispute and, if the employer asserts that the calculation is subject to subsection (h) or (i) of this Section, must include an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of subsection (h) or (i). Upon receiving a timely application for recalculation, the System shall review the application and, if appropriate, recalculate the amount due.

The employer contributions required under this subsection (g) may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill.

(h) This subsection (h) applies only to payments made or salary increases given on or after June 1, 2005 but before July 1, 2011. The changes made by Public Act 94-1057 shall not require the System to refund any payments received before July 31, 2006 (the effective date of Public Act 94-1057).

When assessing payment for any amount due under subsection (g), the System shall exclude earnings increases paid to participants under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

When assessing payment for any amount due under subsection (g), the System shall exclude earnings increases paid to a participant at a time when the participant is 10 or more years from retirement eligibility under Section 15-135.

When assessing payment for any amount due under subsection (g), the System shall exclude earnings increases resulting from overload work, including a contract for summer teaching, or overtime when the employer has certified to the System, and the System has approved the certification, that: (i) in the case of overloads (A) the overload work is for the sole purpose of academic instruction in excess of the standard number of instruction hours for a full-time employee occurring during the academic year that the overload is paid and (B) the earnings increases are equal to or less than the rate of pay for academic instruction computed using the participant's current salary rate and work schedule; and (ii) in the case of overtime, the overtime was necessary for the educational mission.

When assessing payment for any amount due under subsection (g), the System shall exclude any earnings increase resulting from (i) a promotion for which the employee moves from one

classification to a higher classification under the State Universities Civil Service System, (ii) a promotion in academic rank for a tenured or tenure-track faculty position, or (iii) a promotion that the Illinois Community College Board has recommended in accordance with subsection (k) of this Section. These earnings increases shall be excluded only if the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions.

(i) When assessing payment for any amount due under subsection (g), the System shall exclude any salary increase described in subsection (h) of this Section given on or after July 1, 2011 but before July 1, 2014 under a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005 but before July 1, 2011. Notwithstanding any other provision of this Section, any payments made or salary increases given after June 30, 2014 shall be used in assessing payment for any amount due under subsection (g) of this Section.

(j) The System shall prepare a report and file copies of the report with the Governor and the General Assembly by January 1, 2007 that contains all of the following information:

(1) The number of recalculations required by the changes made to this Section by Public Act 94-1057 for each

employer.

(2) The dollar amount by which each employer's contribution to the System was changed due to recalculations required by Public Act 94-1057.

(3) The total amount the System received from each employer as a result of the changes made to this Section by Public Act 94-4.

(4) The increase in the required State contribution resulting from the changes made to this Section by Public Act 94-1057.

(k) The Illinois Community College Board shall adopt rules for recommending lists of promotional positions submitted to the Board by community colleges and for reviewing the promotional lists on an annual basis. When recommending promotional lists, the Board shall consider the similarity of the positions submitted to those positions recognized for State universities by the State Universities Civil Service System. The Illinois Community College Board shall file a copy of its findings with the System. The System shall consider the findings of the Illinois Community College Board when making determinations under this Section. The System shall not exclude any earnings increases resulting from a promotion when the promotion was not submitted by a community college. Nothing in this subsection (k) shall require any community college to submit any information to the Community College Board.

(l) For purposes of determining the required State

contribution to the System, the value of the System's assets shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

(m) For purposes of determining the required State contribution to the system for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the system's actuarially assumed rate of return.

(Source: P.A. 97-813, eff. 7-13-12; 98-92, eff. 7-16-13; 98-463, eff. 8-16-13.)

(40 ILCS 5/15-156) (from Ch. 108 1/2, par. 15-156)

Sec. 15-156. Obligations of State; funding guarantees.

(a) The payment of (1) the required State contributions, (2) all benefits granted under this system and (3) all expenses in connection with the administration and operation thereof are obligations of the State of Illinois to the extent specified in this Article. The accumulated employee normal, additional and survivors insurance contributions credited to the accounts of active and inactive participants shall not be used to pay the

State's share of the obligations.

(b) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 15-155 and the State fails to pay that voucher within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (b) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of

Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 15-155.

(c) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law, if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System

files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (c) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (c) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(d) Any payments and transfers required to be made by the State pursuant to subsection (b) or (c) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity.

Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

(Source: P.A. 83-1440.)

(40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

Sec. 15-157. Employee Contributions.

(a) Except as provided in subsection (a-5), each ~~Each~~ participating employee shall make contributions towards the retirement benefits payable under the retirement program applicable to the employee from each payment of earnings applicable to employment under this system on and after the date of becoming a participant as follows: Prior to September 1, 1949, 3 1/2% of earnings; from September 1, 1949 to August 31, 1955, 5%; from September 1, 1955 to August 31, 1969, 6%; from September 1, 1969, 6 1/2%. These contributions are to be considered as normal contributions for purposes of this Article.

Except as provided in subsection (a-5), each ~~Each~~ participant who is a police officer or firefighter shall make normal contributions of 8% of each payment of earnings applicable to employment as a police officer or firefighter under this system on or after September 1, 1981, unless he or

she files with the board within 60 days after the effective date of this amendatory Act of 1991 or 60 days after the board receives notice that he or she is employed as a police officer or firefighter, whichever is later, a written notice waiving the retirement formula provided by Rule 4 of Section 15-136. This waiver shall be irrevocable. If a participant had met the conditions set forth in Section 15-132.1 prior to the effective date of this amendatory Act of 1991 but failed to make the additional normal contributions required by this paragraph, he or she may elect to pay the additional contributions plus compound interest at the effective rate. If such payment is received by the board, the service shall be considered as police officer service in calculating the retirement annuity under Rule 4 of Section 15-136. While performing service described in clause (i) or (ii) of Rule 4 of Section 15-136, a participating employee shall be deemed to be employed as a firefighter for the purpose of determining the rate of employee contributions under this Section.

(a-5) Beginning July 1, 2014, in lieu of the contribution otherwise required under subsection (a), each Tier 1 member, other than a Tier 1 member who is a police officer or firefighter, shall contribute 6% of earnings toward the retirement benefits payable under the retirement programs applicable to the employee from each payment of earnings applicable to employment under this system.

Beginning July 1, 2014, in lieu of the contribution

otherwise required under subsection (a), each Tier 1 member who is a police officer or firefighter shall contribute 7.5% of each payment of earnings applicable to employment as a police officer or firefighter under this system, unless he or she has filed a waiver with the board pursuant to subsection (a).

The contributions required under this subsection (a-5) are to be considered normal contributions for the purposes of this Article.

(b) Starting September 1, 1969 and, in the case of Tier 1 members, ending on June 30, 2014, each participating employee shall make additional contributions of 1/2 of 1% of earnings to finance a portion of the cost of the annual increases in retirement annuity provided under Section 15-136, except that with respect to participants in the self-managed plan this additional contribution shall be used to finance the benefits obtained under that retirement program.

(c) In addition to the amounts described in subsections (a) and (b) of this Section, each participating employee shall make contributions of 1% of earnings applicable under this system on and after August 1, 1959. The contributions made under this subsection (c) shall be considered as survivor's insurance contributions for purposes of this Article if the employee is covered under the traditional benefit package, and such contributions shall be considered as additional contributions for purposes of this Article if the employee is participating in the self-managed plan or has elected to participate in the

portable benefit package and has completed the applicable one-year waiting period. Contributions in excess of \$80 during any fiscal year beginning before August 31, 1969 and in excess of \$120 during any fiscal year thereafter until September 1, 1971 shall be considered as additional contributions for purposes of this Article.

(d) If the board by board rule so permits and subject to such conditions and limitations as may be specified in its rules, a participant may make other additional contributions of such percentage of earnings or amounts as the participant shall elect in a written notice thereof received by the board.

(e) That fraction of a participant's total accumulated normal contributions, the numerator of which is equal to the number of years of service in excess of that which is required to qualify for the maximum retirement annuity, and the denominator of which is equal to the total service of the participant, shall be considered as accumulated additional contributions. The determination of the applicable maximum annuity and the adjustment in contributions required by this provision shall be made as of the date of the participant's retirement.

(f) Notwithstanding the foregoing, a participating employee shall not be required to make contributions under this Section after the date upon which continuance of such contributions would otherwise cause his or her retirement annuity to exceed the maximum retirement annuity as specified

in clause (1) of subsection (c) of Section 15-136.

(g) A participating employee may make contributions for the purchase of service credit under this Article.

(h) A Tier 2 member shall not make contributions on earnings that exceed the limitation as prescribed under subsection (b) of Section 15-111 of this Article.

(Source: P.A. 98-92, eff. 7-16-13.)

(40 ILCS 5/15-157.5 new)

Sec. 15-157.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a) The Board shall certify to the Governor on or before November 15 of each year until November 15, 2011 the appropriation required from State funds for the purposes of this System for the following fiscal year. The certification under this subsection (a) shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year and the projected State cost for the self-managed plan for that fiscal year.

On or before May 1, 2004, the Board shall recalculate and

recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

On or before July 1, 2005, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2006, taking into account the changes in required State contributions made by this amendatory Act of the 94th General Assembly.

On or before April 1, 2011, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2011, applying the changes made by Public Act 96-889 to the System's assets and liabilities as of June 30, 2009 as though Public Act 96-889 was approved on that date.

(a-5) On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial

assumptions that the Board must consider before finalizing its certification of the required State contributions. On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The Board's certification must note, in a written response to the State Actuary, any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-10) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial

assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

(b) The Board shall certify to the State Comptroller or employer, as the case may be, from time to time, by its chairperson and secretary, with its seal attached, the amounts payable to the System from the various funds.

(c) Beginning in State fiscal year 1996, on or as soon as possible after the 15th day of each month the Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration

the transfer to the System under subsection (b) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this Section, the difference shall be paid from the General Revenue Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(d) So long as the payments received are the full amount lawfully vouchered under this Section, payments received by the System under this Section shall be applied first toward the employer contribution to the self-managed plan established under Section 15-158.2. Payments shall be applied second toward the employer's portion of the normal costs of the System, as defined in subsection (f) of Section 15-155. The balance shall be applied toward the unfunded actuarial liabilities of the System.

(e) In the event that the System does not receive, as a result of legislative enactment or otherwise, payments sufficient to fully fund the employer contribution to the self-managed plan established under Section 15-158.2 and to

fully fund that portion of the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1), then any payments received shall be applied proportionately to the optional retirement program established under Section 15-158.2 and to the employer's portion of the normal costs of the System, as calculated in accordance with Section 15-155(a-1).

(Source: P.A. 97-694, eff. 6-18-12; 98-92, eff. 7-16-13.)

(40 ILCS 5/15-198)

Sec. 15-198. Application and expiration of new benefit increases.

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after the effective date of this amendatory Act of the 94th General Assembly. "New benefit increase", however, does not include any benefit increase resulting from the changes made by this amendatory Act of the 98th General Assembly.

(b) Notwithstanding any other provision of this Code or any subsequent amendment to this Code, every new benefit increase is subject to this Section and shall be deemed to be granted only in conformance with and contingent upon compliance with the provisions of this Section.

(c) The Public Act enacting a new benefit increase must identify and provide for payment to the System of additional funding at least sufficient to fund the resulting annual increase in cost to the System as it accrues.

Every new benefit increase is contingent upon the General Assembly providing the additional funding required under this subsection. The Commission on Government Forecasting and Accountability shall analyze whether adequate additional funding has been provided for the new benefit increase and shall report its analysis to the Public Pension Division of the Department of Insurance ~~Financial and Professional Regulation~~. A new benefit increase created by a Public Act that does not include the additional funding required under this subsection is null and void. If the Public Pension Division determines that the additional funding provided for a new benefit increase under this subsection is or has become inadequate, it may so certify to the Governor and the State Comptroller and, in the absence of corrective action by the General Assembly, the new benefit increase shall expire at the end of the fiscal year in which the certification is made.

(d) Every new benefit increase shall expire 5 years after its effective date or on such earlier date as may be specified in the language enacting the new benefit increase or provided under subsection (c). This does not prevent the General Assembly from extending or re-creating a new benefit increase by law.

(e) Except as otherwise provided in the language creating the new benefit increase, a new benefit increase that expires under this Section continues to apply to persons who applied and qualified for the affected benefit while the new benefit increase was in effect and to the affected beneficiaries and alternate payees of such persons, but does not apply to any other person, including without limitation a person who continues in service after the expiration date and did not apply and qualify for the affected benefit while the new benefit increase was in effect.

(Source: P.A. 94-4, eff. 6-1-05.)

(40 ILCS 5/15-200 new)

Sec. 15-200. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 members. The System shall determine the 5% cap by the number of active Tier 1 members on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 members

who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 member of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan. An active Tier 1 member who elects to cease accruing benefits in his or her defined benefit plan shall be prohibited from purchasing service credit on or after the date of his or her election. A Tier 1 member making the irrevocable election provided under this Section shall not receive interest accruals to his or her Rule 2 benefit on or after the date of his or her election.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as other participants under this Article as determined by the System.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of earnings and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 members in the defined benefit plan for that year, as determined by the System and expressed as a percentage of earnings, and shall

be no lower than 3% of earnings. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for the defined disability benefits available to other participants under this Article. If it does, the System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments handled by the System as well as private sector investment options.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 members of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible Tier 1 employee may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 member who is eligible to participate in the defined contribution plan. The System shall mail information

describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan, including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the member's defined benefits at retirement or earlier termination of service and the value of the member's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 employees who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the

98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined contribution plan and the System's plans for informing eligible Tier 1 members about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) If an active Tier 1 member has not made an election under Section 15-134.5 of this Code, then the plan prescribed under this Section shall not apply to that Tier 1 member and that Tier 1 member shall remain eligible to make the election prescribed under Section 15-134.5.

(i) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost is necessary to ensure cost neutrality.

(40 ILCS 5/15-201 new)

Sec. 15-201. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes

inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 member participating in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to recover the amounts in the participant's defined contribution accounts.

(40 ILCS 5/16-106) (from Ch. 108 1/2, par. 16-106)

Sec. 16-106. Teacher. "Teacher": The following individuals, provided that, for employment prior to July 1, 1990, they are employed on a full-time basis, or if not full-time, on a permanent and continuous basis in a position in which services are expected to be rendered for at least one school term:

(1) Any educational, administrative, professional or other staff employed in the public common schools included within this system in a position requiring certification under the law governing the certification of teachers;

(2) Any educational, administrative, professional or other staff employed in any facility of the Department of Children and Family Services or the Department of Human Services, in a position requiring certification under the law governing the certification of teachers, and any person who (i) works in such a position for the Department of Corrections, (ii) was a member of this System on May 31,

1987, and (iii) did not elect to become a member of the State Employees' Retirement System pursuant to Section 14-108.2 of this Code; except that "teacher" does not include any person who (A) becomes a security employee of the Department of Human Services, as defined in Section 14-110, after June 28, 2001 (the effective date of Public Act 92-14), or (B) becomes a member of the State Employees' Retirement System pursuant to Section 14-108.2c of this Code;

(3) Any regional superintendent of schools, assistant regional superintendent of schools, State Superintendent of Education; any person employed by the State Board of Education as an executive; any executive of the boards engaged in the service of public common school education in school districts covered under this system of which the State Superintendent of Education is an ex-officio member;

(4) Any employee of a school board association operating in compliance with Article 23 of the School Code who is certificated under the law governing the certification of teachers, provided that he or she becomes such an employee before the effective date of this amendatory Act of the 98th General Assembly;

(5) Any person employed by the retirement system who:

(i) was an employee of and a participant in the system on August 17, 2001 (the effective date of Public Act 92-416), or

(ii) becomes an employee of the system on or after August 17, 2001;

(6) Any educational, administrative, professional or other staff employed by and under the supervision and control of a regional superintendent of schools, provided such employment position requires the person to be certificated under the law governing the certification of teachers and is in an educational program serving 2 or more districts in accordance with a joint agreement authorized by the School Code or by federal legislation;

(7) Any educational, administrative, professional or other staff employed in an educational program serving 2 or more school districts in accordance with a joint agreement authorized by the School Code or by federal legislation and in a position requiring certification under the laws governing the certification of teachers;

(8) Any officer or employee of a statewide teacher organization or officer of a national teacher organization who is certified under the law governing certification of teachers, provided: (i) the individual had previously established creditable service under this Article, (ii) the individual files with the system an irrevocable election to become a member before the effective date of this amendatory Act of the 97th General Assembly, (iii) the individual does not receive credit for such service under any other Article of this Code, and (iv) the individual

first became an officer or employee of the teacher organization and becomes a member before the effective date of this amendatory Act of the 97th General Assembly;

(9) Any educational, administrative, professional, or other staff employed in a charter school operating in compliance with the Charter Schools Law who is certificated under the law governing the certification of teachers;

(10) Any person employed, on the effective date of this amendatory Act of the 94th General Assembly, by the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code who is required by the Macon-Piatt Regional Office of Education to hold a teaching certificate, provided that the Macon-Piatt Regional Office of Education makes an election, within 6 months after the effective date of this amendatory Act of the 94th General Assembly, to have the person participate in the system. Any service established prior to the effective date of this amendatory Act of the 94th General Assembly for service as an employee of the Macon-Piatt Regional Office of Education in a birth-through-age-three pilot program receiving funds under Section 2-389 of the School Code shall be considered service as a teacher if employee and employer contributions have been received by the system and the system has not refunded those contributions.

An annuitant receiving a retirement annuity under this Article or under Article 17 of this Code who is employed by a board of education or other employer as permitted under Section 16-118 or 16-150.1 is not a "teacher" for purposes of this Article. A person who has received a single-sum retirement benefit under Section 16-136.4 of this Article is not a "teacher" for purposes of this Article.

(Source: P.A. 97-651, eff. 1-5-12; 98-463, eff. 8-16-13.)

(40 ILCS 5/16-106.4 new)

Sec. 16-106.4. Tier 1 member. "Tier 1 member": A member under this Article who first became a member or participant before January 1, 2011 under any reciprocal retirement system or pension fund established under this Code other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, or 18 of this Code.

(40 ILCS 5/16-112) (from Ch. 108 1/2, par. 16-112)

Sec. 16-112. Regular interest.

"Regular interest":

(a) For computations based upon prior service credits, interest at the following rates compounded annually: For periods prior to July 1, 1947, 4% per year; for periods from July 1, 1947 through June 30, 1971, 3% per year; for periods from July 1, 1971 through June 30, 1977 at the rate of 4% per year; for periods from July 1, 1977 through June 30, 1981, 5%

per year; for periods after June 30, 1981 through June 30, 2014, 6% per year.

(b) For computations based upon membership service credits, interest at the following rates, compounded annually: For periods prior to July 1, 1971, 3% per year; for periods from July 1, 1971 through June 30, 1977, 4% per year; for periods from July 1, 1977 through June 30, 1981, 5% per year; for periods after June 30, 1981 through June 30, 2014, 6% per year.

(c) For a fiscal year that begins on or after July 1, 2014, for all computations, the interest rate of 30-year United States Treasury bonds on July 1 of that given fiscal year, plus 75 basis points.

(Source: P.A. 83-1440.)

(40 ILCS 5/16-121) (from Ch. 108 1/2, par. 16-121)

Sec. 16-121. Salary. "Salary": The actual compensation received by a teacher during any school year and recognized by the system in accordance with rules of the board. For purposes of this Section, "school year" includes the regular school term plus any additional period for which a teacher is compensated and such compensation is recognized by the rules of the board.

In the case of a person who first becomes a member on or after the effective date of this amendatory Act of the 98th General Assembly, "salary" shall not include any payment for unused sick or vacation time.

Notwithstanding any other provision of this Code, the annual salary of a Tier 1 member for the purposes of this Code shall not exceed, for periods of service on or after the effective date of this amendatory Act of the 98th General Assembly, the greater of (i) the annual limitation determined from time to time under subsection (b-5) of Section 1-160 of this Code, (ii) the annualized salary of the Tier 1 member on that effective date, or (iii) the annualized salary of the Tier 1 member immediately preceding the expiration, renewal, or amendment of an employment contract or collective bargaining agreement in effect on that effective date.

(Source: P.A. 84-1028.)

(40 ILCS 5/16-127) (from Ch. 108 1/2, par. 16-127)

Sec. 16-127. Computation of creditable service.

(a) Each member shall receive regular credit for all service as a teacher from the date membership begins, for which satisfactory evidence is supplied and all contributions have been paid.

(b) The following periods of service shall earn optional credit and each member shall receive credit for all such service for which satisfactory evidence is supplied and all contributions have been paid as of the date specified:

(1) Prior service as a teacher.

(2) Service in a capacity essentially similar or equivalent to that of a teacher, in the public common

schools in school districts in this State not included within the provisions of this System, or of any other State, territory, dependency or possession of the United States, or in schools operated by or under the auspices of the United States, or under the auspices of any agency or department of any other State, and service during any period of professional speech correction or special education experience for a public agency within this State or any other State, territory, dependency or possession of the United States, and service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety, for a period not exceeding the lesser of 2/5 of the total creditable service of the member or 10 years. The maximum service of 10 years which is allowable under this paragraph shall be reduced by the service credit which is validated by other retirement systems under paragraph (i) of Section 15-113 and paragraph 1 of Section 17-133. Credit granted under this paragraph may not be used in determination of a retirement annuity or disability benefits unless the member has at least 5 years of creditable service earned subsequent to this employment with one or more of the following systems: Teachers' Retirement System of the State of Illinois, State Universities Retirement System, and the Public School Teachers' Pension and Retirement Fund of Chicago. Whenever such service credit exceeds the maximum allowed for all

purposes of this Article, the first service rendered in point of time shall be considered. The changes to this subdivision (b)(2) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

(3) Any periods immediately following teaching service, under this System or under Article 17, (or immediately following service prior to February 1, 1951 as a recreation worker for the Illinois Department of Public Safety) spent in active service with the military forces of the United States; periods spent in educational programs that prepare for return to teaching sponsored by the federal government following such active military service; if a teacher returns to teaching service within one calendar year after discharge or after the completion of the educational program, a further period, not exceeding one calendar year, between time spent in military service or in such educational programs and the return to employment as a teacher under this System; and a period of up to 2 years of active military service not immediately following employment as a teacher.

The changes to this Section and Section 16-128 relating to military service made by P.A. 87-794 shall apply not

only to persons who on or after its effective date are in service as a teacher under the System, but also to persons whose status as a teacher terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the System received written notification of the annuitant's intent to purchase the credit, if payment of all the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under P.A. 87-794 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

Credit for military service shall be determined as follows: if entry occurs during the months of July, August, or September and the member was a teacher at the end of the immediately preceding school term, credit shall be granted from July 1 of the year in which he or she entered service;

if entry occurs during the school term and the teacher was in teaching service at the beginning of the school term, credit shall be granted from July 1 of such year. In all other cases where credit for military service is allowed, credit shall be granted from the date of entry into the service.

The total period of military service for which credit is granted shall not exceed 5 years for any member unless the service: (A) is validated before July 1, 1964, and (B) does not extend beyond July 1, 1963. Credit for military service shall be granted under this Section only if not more than 5 years of the military service for which credit is granted under this Section is used by the member to qualify for a military retirement allotment from any branch of the armed forces of the United States. The changes to this subdivision (b)(3) made by Public Act 86-272 shall apply not only to persons who on or after its effective date (August 23, 1989) are in service as a teacher under the System, but also to persons whose status as such a teacher terminated prior to such effective date, whether or not such person is an annuitant on that date.

(4) Any periods served as a member of the General Assembly.

(5)(i) Any periods for which a teacher, as defined in Section 16-106, is granted a leave of absence, provided he or she returns to teaching service creditable under this

System or the State Universities Retirement System following the leave; (ii) periods during which a teacher is involuntarily laid off from teaching, provided he or she returns to teaching following the lay-off; (iii) periods prior to July 1, 1983 during which a teacher ceased covered employment due to pregnancy, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the pregnancy and submits evidence satisfactory to the Board documenting that the employment ceased due to pregnancy; and (iv) periods prior to July 1, 1983 during which a teacher ceased covered employment for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age, provided that the teacher returned to teaching service creditable under this System or the State Universities Retirement System following the adoption and submits evidence satisfactory to the Board documenting that the employment ceased for the purpose of adopting an infant under 3 years of age or caring for a newly adopted infant under 3 years of age. However, total credit under this paragraph (5) may not exceed 3 years.

Any qualified member or annuitant may apply for credit under item (iii) or (iv) of this paragraph (5) without regard to whether service was terminated before the effective date of this amendatory Act of 1997. In the case

of an annuitant who establishes credit under item (iii) or (iv), the annuity shall be recalculated to include the additional service credit. The increase in annuity shall take effect on the date the System receives written notification of the annuitant's intent to purchase the credit, if the required evidence is submitted and the required contribution paid within 60 days of that notification, otherwise on the first annuity payment date following the System's receipt of the required evidence and contribution. The increase in an annuity recalculated under this provision shall be included in the calculation of automatic annual increases in the annuity accruing after the effective date of the recalculation.

Optional credit may be purchased under this subsection (b) (5) for periods during which a teacher has been granted a leave of absence pursuant to Section 24-13 of the School Code. A teacher whose service under this Article terminated prior to the effective date of P.A. 86-1488 shall be eligible to purchase such optional credit. If a teacher who purchases this optional credit is already receiving a retirement annuity under this Article, the annuity shall be recalculated as if the annuitant had applied for the leave of absence credit at the time of retirement. The difference between the entitled annuity and the actual annuity shall be credited to the purchase of the optional credit. The remainder of the purchase cost of the optional credit shall

be paid on or before April 1, 1992.

The change in this paragraph made by Public Act 86-273 shall be applicable to teachers who retire after June 1, 1989, as well as to teachers who are in service on that date.

(6) For a person who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly, any ~~Any~~ days of unused and uncompensated accumulated sick leave earned by a teacher. The service credit granted under this paragraph shall be the ratio of the number of unused and uncompensated accumulated sick leave days to 170 days, subject to a maximum of 2 years of service credit. Prior to the member's retirement, each former employer shall certify to the System the number of unused and uncompensated accumulated sick leave days credited to the member at the time of termination of service. The period of unused sick leave shall not be considered in determining the effective date of retirement. A member is not required to make contributions in order to obtain service credit for unused sick leave.

Credit for sick leave shall, at retirement, be granted by the System for any retiring regional or assistant regional superintendent of schools who first becomes a member before the effective date of this amendatory Act of the 98th General Assembly at the rate of 6 days per year of creditable service or portion thereof established while

serving as such superintendent or assistant superintendent.

(7) Periods prior to February 1, 1987 served as an employee of the Illinois Mathematics and Science Academy for which credit has not been terminated under Section 15-113.9 of this Code.

(8) Service as a substitute teacher for work performed prior to July 1, 1990.

(9) Service as a part-time teacher for work performed prior to July 1, 1990.

(10) Up to 2 years of employment with Southern Illinois University - Carbondale from September 1, 1959 to August 31, 1961, or with Governors State University from September 1, 1972 to August 31, 1974, for which the teacher has no credit under Article 15. To receive credit under this item (10), a teacher must apply in writing to the Board and pay the required contributions before May 1, 1993 and have at least 12 years of service credit under this Article.

(b-1) A member may establish optional credit for up to 2 years of service as a teacher or administrator employed by a private school recognized by the Illinois State Board of Education, provided that the teacher (i) was certified under the law governing the certification of teachers at the time the service was rendered, (ii) applies in writing on or after August 1, 2009 and on or before August 1, 2012, (iii) supplies satisfactory evidence of the employment, (iv) completes at

least 10 years of contributing service as a teacher as defined in Section 16-106, and (v) pays the contribution required in subsection (d-5) of Section 16-128. The member may apply for credit under this subsection and pay the required contribution before completing the 10 years of contributing service required under item (iv), but the credit may not be used until the item (iv) contributing service requirement has been met.

(c) The service credits specified in this Section shall be granted only if: (1) such service credits are not used for credit in any other statutory tax-supported public employee retirement system other than the federal Social Security program; and (2) the member makes the required contributions as specified in Section 16-128. Except as provided in subsection (b-1) of this Section, the service credit shall be effective as of the date the required contributions are completed.

Any service credits granted under this Section shall terminate upon cessation of membership for any cause.

Credit may not be granted under this Section covering any period for which an age retirement or disability retirement allowance has been paid.

(Source: P.A. 96-546, eff. 8-17-09.)

(40 ILCS 5/16-132) (from Ch. 108 1/2, par. 16-132)

Sec. 16-132. Retirement annuity eligibility.

(a) A member who has at least 20 years of creditable service is entitled to a retirement annuity upon or after

attainment of age 55. A member who has at least 10 but less than 20 years of creditable service is entitled to a retirement annuity upon or after attainment of age 60. A member who has at least 5 but less than 10 years of creditable service is entitled to a retirement annuity upon or after attainment of age 62. A member who (i) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (ii) has earned at least 5 years of contributing creditable service as an employee of a department as defined in Section 14-103.04, and (iii) retires on or after January 1, 2001 is entitled to a retirement annuity upon or after attainment of an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

A member who is eligible to receive a retirement annuity of at least 74.6% of final average salary and will attain age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

(b) Notwithstanding subsection (a) of this Section, for a Tier 1 member who begins receiving a retirement annuity under this Section on or after July 1, 2014, the required retirement age under subsection (a) is increased as follows, based on the Tier 1 member's age on June 1, 2014:

(1) If he or she is at least age 46 on June 1, 2014, then the required retirement ages under subsection (a) remain unchanged.

(2) If he or she is at least age 45 but less than age 46 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 4 months.

(3) If he or she is at least age 44 but less than age 45 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 8 months.

(4) If he or she is at least age 43 but less than age 44 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 12 months.

(5) If he or she is at least age 42 but less than age 43 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 16 months.

(6) If he or she is at least age 41 but less than age 42 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 20 months.

(7) If he or she is at least age 40 but less than age 41 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 24 months.

(8) If he or she is at least age 39 but less than age 40 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 28 months.

(9) If he or she is at least age 38 but less than age 39 on June 1, 2014, then the required retirement ages under

subsection (a) are increased by 32 months.

(10) If he or she is at least age 37 but less than age 38 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 36 months.

(11) If he or she is at least age 36 but less than age 37 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 40 months.

(12) If he or she is at least age 35 but less than age 36 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 44 months.

(13) If he or she is at least age 34 but less than age 35 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 48 months.

(14) If he or she is at least age 33 but less than age 34 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 52 months.

(15) If he or she is at least age 32 but less than age 33 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 56 months.

(16) If he or she is less than age 32 on June 1, 2014, then the required retirement ages under subsection (a) are increased by 60 months.

Notwithstanding Section 1-103.1, this subsection (b) applies without regard to whether or not the Tier 1 member is in active service under this Article on or after the effective date of this amendatory Act of the 98th General Assembly.

(c) A member meeting the above eligibility conditions is entitled to a retirement annuity upon written application to the board setting forth the date the member wishes the retirement annuity to commence. However, the effective date of the retirement annuity shall be no earlier than the day following the last day of creditable service, regardless of the date of official termination of employment.

(d) To be eligible for a retirement annuity, a member shall not be employed as a teacher in the schools included under this System or under Article 17, except (i) as provided in Section 16-118 or 16-150.1, (ii) if the member is disabled (in which event, eligibility for salary must cease), or (iii) if the System is required by federal law to commence payment due to the member's age; the changes to this sentence made by Public Act 93-320 ~~this amendatory Act of the 93rd General Assembly~~ apply without regard to whether the member terminated employment before or after its effective date.

(Source: P.A. 93-320, eff. 7-23-03.)

(40 ILCS 5/16-133) (from Ch. 108 1/2, par. 16-133)

Sec. 16-133. Retirement annuity; amount.

(a) The amount of the retirement annuity shall be (i) in the case of a person who first became a teacher under this Article before July 1, 2005, the larger of the amounts determined under paragraphs (A) and (B) below, or (ii) in the case of a person who first becomes a teacher under this Article

on or after July 1, 2005, the amount determined under the applicable provisions of paragraph (B):

(A) An amount consisting of the sum of the following:

(1) An amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the member's accumulated contributions at the time of retirement; and

(2) The sum of (i) the amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the member's accumulated contributions representing service prior to July 1, 1947, and (ii) the amount that can be provided on an actuarially equivalent basis (using the rate of regular interest in effect at the time of retirement for retirements occurring on or after July 1, 2014) by the amount obtained by multiplying 1.4 times the member's accumulated contributions covering service subsequent to June 30, 1947; and

(3) If there is prior service, 2 times the amount that would have been determined under subparagraph (2) of paragraph (A) above on account of contributions which would have been made during the period of prior

service creditable to the member had the System been in operation and had the member made contributions at the contribution rate in effect prior to July 1, 1947.

Notwithstanding any other provision of this paragraph (A), a teacher's retirement annuity calculated under this paragraph (A) shall not be less than the retirement annuity that teacher would have received under this paragraph (A) had he or she retired during the fiscal year preceding the effective date of this amendatory Act of the 98th General Assembly.

This paragraph (A) does not apply to a person who first becomes a teacher under this Article on or after July 1, 2005.

(B) An amount consisting of the greater of the following:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 16-129.1: 1.67% of final average salary for each of the first 10 years of creditable service, 1.90% of final average salary for each year in excess of 10 but not exceeding 20, 2.10% of final average salary for each year in excess of 20 but not exceeding 30, and 2.30% of final average salary for each year in excess of 30; and

For creditable service earned on or after July 1, 1998 by a member who has at least 24 years of creditable service on July 1, 1998 and who does not

elect to augment service under Section 16-129.1: 2.2% of final average salary for each year of creditable service earned on or after July 1, 1998 but before the member reaches a total of 30 years of creditable service and 2.3% of final average salary for each year of creditable service earned on or after July 1, 1998 and after the member reaches a total of 30 years of creditable service; and

For all other creditable service: 2.2% of final average salary for each year of creditable service; or

(2) 1.5% of final average salary for each year of creditable service plus the sum \$7.50 for each of the first 20 years of creditable service.

The amount of the retirement annuity determined under this paragraph (B) shall be reduced by 1/2 of 1% for each month that the member is less than age 60 at the time the retirement annuity begins. However, this reduction shall not apply (i) if the member has at least 35 years of creditable service, or (ii) if the member retires on account of disability under Section 16-149.2 of this Article with at least 20 years of creditable service, or (iii) if the member (1) has earned during the period immediately preceding the last day of service at least one year of contributing creditable service as an employee of a department as defined in Section 14-103.04, (2) has earned at least 5 years of contributing creditable service as an

employee of a department as defined in Section 14-103.04, (3) retires on or after January 1, 2001, and (4) retires having attained an age which, when added to the number of years of his or her total creditable service, equals at least 85. Portions of years shall be counted as decimal equivalents.

(b) For purposes of this Section, final average salary shall be the average salary for the highest 4 consecutive years within the last 10 years of creditable service as determined under rules of the board. The minimum final average salary shall be considered to be \$2,400 per year.

In the determination of final average salary for members other than elected officials and their appointees when such appointees are allowed by statute, that part of a member's salary for any year beginning after June 30, 1979 which exceeds the member's annual full-time salary rate with the same employer for the preceding year by more than 20% shall be excluded. The exclusion shall not apply in any year in which the member's creditable earnings are less than 50% of the preceding year's mean salary for downstate teachers as determined by the survey of school district salaries provided in Section 2-3.103 of the School Code.

(c) In determining the amount of the retirement annuity under paragraph (B) of this Section, a fractional year shall be granted proportional credit.

(d) The retirement annuity determined under paragraph (B)

of this Section shall be available only to members who render teaching service after July 1, 1947 for which member contributions are required, and to annuitants who re-enter under the provisions of Section 16-150.

(e) The maximum retirement annuity provided under paragraph (B) of this Section shall be 75% of final average salary.

(f) A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of final average salary if the member is qualified to receive a retirement annuity equal to at least 74.6% of final average salary under this Article or as proportional annuities under Article 20 of this Code.

(Source: P.A. 94-4, eff. 6-1-05.)

(40 ILCS 5/16-133.1) (from Ch. 108 1/2, par. 16-133.1)

Sec. 16-133.1. Automatic annual increase in annuity.

(a) This subsection (a) is subject to subsections (a-1) and (a-2). Each member with creditable service and retiring on or after August 26, 1969 is entitled to the automatic annual increases in annuity provided under this Section while receiving a retirement annuity or disability retirement annuity from the system.

An annuitant shall first be entitled to an initial increase under this Section on the January 1 next following the first anniversary of retirement, or January 1 of the year next

following attainment of age 61, whichever is later. At such time, the system shall pay an initial increase determined as follows:

(1) 1.5% of the originally granted retirement annuity or disability retirement annuity multiplied by the number of years elapsed, if any, from the date of retirement until January 1, 1972, plus

(2) 2% of the originally granted annuity multiplied by the number of years elapsed, if any, from the date of retirement or January 1, 1972, whichever is later, until January 1, 1978, plus

(3) 3% of the originally granted annuity multiplied by the number of years elapsed from the date of retirement or January 1, 1978, whichever is later, until the effective date of the initial increase.

However, the initial annual increase calculated under this Section for the recipient of a disability retirement annuity granted under Section 16-149.2 shall be reduced by an amount equal to the total of all increases in that annuity received under Section 16-149.5 (but not exceeding 100% of the amount of the initial increase otherwise provided under this Section).

Following the initial increase, automatic annual increases in annuity shall be payable on each January 1 thereafter during the lifetime of the annuitant, determined as a percentage of the originally granted retirement annuity or disability retirement annuity for increases granted prior to January 1,

1990, and calculated as a percentage of the total amount of annuity, including previous increases under this Section, for increases granted on or after January 1, 1990, as follows: 1.5% for periods prior to January 1, 1972, 2% for periods after December 31, 1971 and prior to January 1, 1978, and 3% for periods after December 31, 1977.

(a-1) Notwithstanding subsection (a), but subject to the provisions of subsection (a-2), all automatic increases payable under subsection (a) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase under subsection (a) that is subject to this subsection:

(i) if more than one year has elapsed from the date of retirement to the effective date of the initial increase under this Section, the applicable percentage shall be the sum of the percentages for each such elapsed year; and

(ii) in the case of a disability retirement annuity granted under Section 16-149.2, the initial increase shall be subject to the reduction provided in subsection (a) for increases previously received under Section 16-149.5.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (a-1) shall be increased on each January

1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (a-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the System by November 1 of each year.

This subsection (a-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(a-2) Notwithstanding subsections (a) and (a-1), for an active or inactive Tier 1 member who has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the

increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (a) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (a-2) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b) The automatic annual increases in annuity provided under this Section shall not be applicable unless a member has made contributions toward such increases for a period equivalent to one full year of creditable service. If a member contributes for service performed after August 26, 1969 but the member becomes an annuitant before such contributions amount to one full year's contributions based on the salary at the date of retirement, he or she may pay the necessary balance of the contributions to the system and be eligible for the automatic annual increases in annuity provided under this Section.

(c) Each member shall make contributions toward the cost of the automatic annual increases in annuity as provided under Section 16-152.

(d) An annuitant receiving a retirement annuity or disability retirement annuity on July 1, 1969, who subsequently re-enters service as a teacher is eligible for the automatic annual increases in annuity provided under this Section if he or she renders at least one year of creditable service following the latest re-entry.

(e) In addition to the automatic annual increases in annuity provided under this Section, an annuitant who meets the service requirements of this Section and whose retirement annuity or disability retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the annuity then being paid of one dollar per month for each year of creditable service. On January 1, 1982, an annuitant whose retirement annuity or disability retirement annuity began on or before January 1, 1977 shall receive an increase in the annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(Source: P.A. 91-927, eff. 12-14-00.)

(40 ILCS 5/16-133.2) (from Ch. 108 1/2, par. 16-133.2)

Sec. 16-133.2. Early retirement without discount.

(a) A member retiring after June 1, 1980 and on or before June 30, 2005 (or as provided in subsection (b) of this Section), and applying for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, may elect at the time of application for a retirement annuity, to make a one time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of the election shall also obligate the last employer to make a one time non-refundable contribution to the System. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

The one time member and employer contributions shall be a percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's

salary with the same employer which exceeds the annual salary rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 7% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. If a member is at least age 55 and has at least 34 years of creditable service, no member or employer contribution for the early retirement option shall be required. The employer contribution shall be at the rate of 20% for each year the member is under age 60.

Upon receipt of the application and election, the System shall determine the one time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The provisions of this subsection (a) providing for the avoidance of the reduction in retirement annuity shall not be applicable until the member's contribution, if any, has been received by the System; however, the date such contributions are received shall not be considered in determining the effective date of retirement.

The number of members working for a single employer who may retire under this subsection or subsection (b) in any year may be limited at the option of the employer to a specified percentage of those eligible, not less than 30%, with the right

to participate to be allocated among those applying on the basis of seniority in the service of the employer.

(b) The provisions of subsection (a) of this Section shall remain in effect for a member retiring after June 30, 2005 and on or before July 1, 2007, provided that the member satisfies both of the following requirements:

(1) the member notified his or her employer of intent to retire under this Article on or before the effective date of this amendatory Act of the 94th General Assembly under the terms of a contract or collective bargaining agreement entered into, amended, or renewed with the employer on or before the effective date of this amendatory Act of the 94th General Assembly; and

(2) the effective date of the member's retirement is on or before July 1, 2007.

The member's employer must give evidence of the member's notification by providing to the System:

(i) a copy of the member's notification to the employer or the record of that notification;

(ii) an affidavit signed by the member and the employer, verifying the notification; and

(iii) any additional documentation that the System may require.

(c) Except as otherwise provided in subsection (b), and subject to the provisions of Section 16-176, a member retiring on or after July 1, 2005 and on or before June 30, 2013 (or

January 1, 2014 in the case of a member who has filed a notice of intent to retire with his or her employer on or before June 30, 2013 and attains age 55 during the period July 1, 2013 through December 31, 2013), and applying for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, and whose last day of teaching is on or before June 30, 2013, may elect at the time of application for a retirement annuity, to make a one-time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of the election shall also obligate the last employer to make a one-time nonrefundable contribution to the System. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

The one-time member and employer contributions shall be a percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's salary with the same employer which exceeds the annual salary

rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 11.5% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. The employer contribution shall be at the rate of 23.5% for each year the member is under age 60.

Upon receipt of the application and election, the System shall determine the one-time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The avoidance of the reduction in retirement annuity provided under this subsection (c) is not applicable until the member's contribution, if any, has been received by the System; however, the date that contribution is received shall not be considered in determining the effective date of retirement.

The number of members working for a single employer who may retire under this subsection (c) in any year may be limited at the option of the employer to a specified percentage of those eligible, not less than 10%, with the right to participate to be allocated among those applying on the basis of seniority in the service of the employer.

For persons not qualifying for the early retirement without discount option under this subsection (c), the option is extended for 3 years under subsection (d), but subject to the

changes in eligibility, conditions, and required contributions provided in that subsection.

(d) A member who is not eligible for the early retirement without discount option under subsection (c) may qualify for the early retirement without discount option under this subsection (d) if the member (1) retires on or after July 1, 2013 and before July 1, 2016, (2) applies for a retirement annuity within 6 months of the last day of teaching for which retirement contributions were required, and (3) receives a certification of eligibility under this subsection from the member's last employer. Substitute teachers wishing to exercise this election must teach 85 or more days in one school term with one employer, who shall be deemed the last employer for purposes of this Section. The last day of teaching with that employer must be within 6 months of the date of application for retirement. All substitute teaching credit applied toward the required 85 days must be earned after June 30, 1990.

A qualifying member may elect at the time of application for a retirement annuity to make a one-time member contribution to the System and thereby avoid the reduction in the retirement annuity for retirement before age 60 specified in paragraph (B) of Section 16-133. The exercise of this election shall also obligate the last employer to make a one-time nonrefundable contribution to the System.

The one-time member and employer contributions shall be a

percentage of the retiring member's highest annual salary rate used in the determination of the average salary for retirement annuity purposes. However, when determining the one-time member and employer contributions, that part of a member's salary with the same employer which exceeds the annual salary rate for the preceding year by more than 20% shall be excluded. The member contribution shall be at the rate of 14.4% for the lesser of the following 2 periods: (1) for each year that the member is less than age 60; or (2) for each year that the member's creditable service is less than 35 years. The employer contribution shall be at the rate of 29.3% for each year the member is under age 60.

Upon receipt of the application, election, and certification of eligibility, the System shall determine the one-time employee and employer contributions required. The member contribution shall be credited to the individual account of the member and the employer contribution shall be credited to the Benefit Trust Reserve. The avoidance of the reduction in retirement annuity provided under this subsection (d) is not applicable until the member's contribution has been received by the System; however, the date that contribution is received shall not be considered in determining the effective date of retirement.

Eligibility to retire under this subsection (d) shall require the approval of the member's last employer under this Article, granted in accordance with criteria adopted by that

employer with the mutual consent of the bargaining agent of a majority of the members employed by that employer. If the employer grants its approval for a member to retire under this subsection (d), the employer shall submit a certification of eligibility for the member in a manner prescribed by the System.

The early retirement without discount option under this subsection (d) terminates on July 1, 2016.

For participants to whom subsection (b) of Section 16-132 applies, the references to age 60 in this subsection are increased as provided in subsection (b) of Section 16-132.

(Source: P.A. 98-42, eff. 6-28-13.)

(40 ILCS 5/16-136.1) (from Ch. 108 1/2, par. 16-136.1)

Sec. 16-136.1. Annual increase for certain annuitants. (a) Any annuitant receiving a retirement annuity on June 30, 1969 and any member retiring after June 30, 1969 shall be eligible for the annual increases provided under this Section provided the annuitant is ineligible for the automatic annual increase in annuity provided under Section 16-133.1, and provided further that (1) retirement occurred at age 55 or over and was based on 5 or more years of creditable service or (2) if retirement occurred prior to age 55, the retirement annuity was based on 20 or more years of creditable service.

(b) This subsection (b) is subject to subsections (b-1) and (b-2). An annuitant entitled to increases under this Section

shall be entitled to the initial increase as of the later of:
(1) January 1 following attainment of age 65, (2) January 1 following the first anniversary of retirement, or (3) the first day of the month following receipt of the required qualifying contribution from the annuitant. The initial monthly increase shall be computed on the basis of the period elapsed between the later of the date of last retirement or attainment of age 50 and the date of qualification for the initial increase, at the rate of 1 1/2% of the original monthly retirement annuity per year for periods prior to September 1, 1971, and at the rate of 2% per year for periods between September 1, 1971 and September 1, 1978, and at the rate of 3% per year for periods thereafter.

An annuitant who has received an initial increase under this Section, shall be entitled, on each January 1 following the granting of the initial increase, to an increase of 3% of the original monthly retirement annuity for increases granted prior to January 1, 1990, and equal to 3% of the total annuity, including previous increases under this Section, for increases granted on or after January 1, 1990. The original monthly retirement annuity for computations under this subsection (b) shall be considered to be \$83.34 for any annuitant entitled to benefits under Section 16-134. The minimum original disability retirement annuity for computations under this subsection (b) shall be considered to be \$33.34 per month for any annuitant retired on account of disability.

(b-1) Notwithstanding subsection (b), but subject to the provisions of subsection (b-2), all automatic increases payable under subsection (b) on or after the effective date of this amendatory Act of the 98th General Assembly shall be calculated as 3% of the lesser of (1) the total annuity payable at the time of the increase, including previous increases granted, or (2) \$1,000 multiplied by the number of years of creditable service upon which the annuity is based; however, in the case of an initial increase under subsection (b) that is subject to this subsection, if more than one year has elapsed from the date of retirement to the effective date of the initial increase under this Section, the applicable percentage shall be the sum of the percentages for each such elapsed year.

Beginning January 1, 2016, the \$1,000 referred to in item (2) of this subsection (b-1) shall be increased on each January 1 by the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the preceding September; these adjustments shall be cumulative and compounded. For the purposes of this subsection (b-1), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new dollar amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and

made available to the System by November 1 of each year.

This subsection (b-1) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(b-2) Notwithstanding subsections (b) and (b-1), for an active or inactive Tier 1 member who is subject to this Section and has not begun to receive a retirement annuity under this Article before July 1, 2014:

(1) the second automatic annual increase payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 50 on the effective date of this amendatory Act;

(2) the second, fourth, and sixth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 47 but less than age 50 on the effective date of this amendatory Act;

(3) the second, fourth, sixth, and eighth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at the time of the increase if he or she is at least age 44 but less than age 47 on the effective date of this amendatory Act; and

(4) the second, fourth, sixth, eighth, and tenth automatic annual increases payable under subsection (b) shall be at the rate of 0% of the total annuity payable at

the time of the increase if he or she is less than age 44 on the effective date of this amendatory Act.

For the purposes of Section 1-103.1, this subsection (b-2) is applicable without regard to whether the person is in service on or after the effective date of this amendatory Act of the 98th General Assembly.

(c) An annuitant who otherwise qualifies for annual increases under this Section must make a one-time payment of 1% of the monthly final average salary for each full year of the creditable service forming the basis of the retirement annuity or, if the retirement annuity was not computed using final average salary, 1% of the original monthly retirement annuity for each full year of service forming the basis of the retirement annuity.

(d) In addition to other increases which may be provided by this Section, regardless of creditable service, annuitants not meeting the service requirements of Section 16-133.1 and whose retirement annuity began on or before January 1, 1971 shall receive, on January 1, 1981, an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service forming the basis of the retirement allowance. On January 1, 1982, annuitants whose retirement annuity began on or before January 1, 1977, shall receive an increase in the retirement annuity then being paid of one dollar per month for each year of creditable service.

On January 1, 1987, any annuitant whose retirement annuity

began on or before January 1, 1977, shall receive an increase in the monthly retirement annuity equal to 8¢ per year of creditable service times the number of years that have elapsed since the annuity began.

(Source: P.A. 86-273.)

(40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

Sec. 16-152. Contributions by members.

(a) Except as provided in subsection (a-5), each ~~Each~~ member shall make contributions for membership service to this System as follows:

(1) Effective July 1, 1998, contributions of 7.50% of salary towards the cost of the retirement annuity. Such contributions shall be deemed "normal contributions".

(2) Effective July 1, 1969 and, in the case of Tier 1 members, ending on June 30, 2014, contributions of 1/2 of 1% of salary toward the cost of the automatic annual increase in retirement annuity provided under Section 16-133.1.

(3) Effective July 24, 1959, contributions of 1% of salary towards the cost of survivor benefits. Such contributions shall not be credited to the individual account of the member and shall not be subject to refund except as provided under Section 16-143.2.

(4) Effective July 1, 2005, contributions of 0.40% of salary toward the cost of the early retirement without

discount option provided under Section 16-133.2. This contribution shall cease upon termination of the early retirement without discount option as provided in Section 16-133.2.

(a-5) Beginning July 1, 2014, in lieu of the contribution otherwise required under paragraph (1) of subsection (a), each Tier 1 member shall contribute 7% of salary towards the cost of the retirement annuity. Contributions made pursuant to this subsection (a-5) shall be deemed "normal contributions".

(b) The minimum required contribution for any year of full-time teaching service shall be \$192.

(c) Contributions shall not be required of any annuitant receiving a retirement annuity who is given employment as permitted under Section 16-118 or 16-150.1.

(d) A person who (i) was a member before July 1, 1998, (ii) retires with more than 34 years of creditable service, and (iii) does not elect to qualify for the augmented rate under Section 16-129.1 shall be entitled, at the time of retirement, to receive a partial refund of contributions made under this Section for service occurring after the later of June 30, 1998 or attainment of 34 years of creditable service, in an amount equal to 1.00% of the salary upon which those contributions were based.

(e) A member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall not be refunded if the member has elected early

retirement without discount under Section 16-133.2 and has begun to receive a retirement annuity under this Article calculated in accordance with that election. Otherwise, a member's contributions toward the cost of early retirement without discount made under item (a)(4) of this Section shall be refunded according to whichever one of the following circumstances occurs first:

(1) The contributions shall be refunded to the member, without interest, within 120 days after the member's retirement annuity commences, if the member does not elect early retirement without discount under Section 16-133.2.

(2) The contributions shall be included, without interest, in any refund claimed by the member under Section 16-151.

(3) The contributions shall be refunded to the member's designated beneficiary (or if there is no beneficiary, to the member's estate), without interest, if the member dies without having begun to receive a retirement annuity under this Article.

(4) The contributions shall be refunded to the member, without interest, if the early retirement without discount option provided under subsection (d) of Section 16-133.2 is terminated. In that event, the System shall provide to the member, within 120 days after the option is terminated, an application for a refund of those contributions.

(Source: P.A. 98-42, eff. 6-28-13; 98-92, eff. 7-16-13; revised

7-23-13.)

(40 ILCS 5/16-152.5 new)

Sec. 16-152.5. Use of contributions for health care subsidies. The System shall not use any contribution received by the System under this Article to provide a subsidy for the cost of participation in a retiree health care program.

(40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

Sec. 16-158. Contributions by State and other employing units.

(a) The State shall make contributions to the System by means of appropriations from the Common School Fund and other State funds of amounts which, together with other employer contributions, employee contributions, investment income, and other income, will be sufficient to meet the cost of maintaining and administering the System on a 100% ~~90%~~ funded basis in accordance with actuarial recommendations by the end of State fiscal year 2044.

The Board shall determine the amount of State contributions required for each fiscal year on the basis of the actuarial tables and other assumptions adopted by the Board and the recommendations of the actuary, using the formula in subsection (b-3).

(a-1) Annually, on or before November 15 through ~~until~~ November 15, 2011, the Board shall certify to the Governor the

amount of the required State contribution for the coming fiscal year. The certification under this subsection (a-1) shall include a copy of the actuarial recommendations upon which it is based ~~and shall specifically identify the System's projected State normal cost for that fiscal year.~~

On or before May 1, 2004, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2005, taking into account the amounts appropriated to and received by the System under subsection (d) of Section 7.2 of the General Obligation Bond Act.

On or before July 1, 2005, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2006, taking into account the changes in required State contributions made by this amendatory Act of the 94th General Assembly.

On or before April 1, 2011, the Board shall recalculate and recertify to the Governor the amount of the required State contribution to the System for State fiscal year 2011, applying the changes made by Public Act 96-889 to the System's assets and liabilities as of June 30, 2009 as though Public Act 96-889 was approved on that date.

(a-5) On or before November 1 of each year, beginning November 1, 2012, the Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification of the amount of the required State contribution to the System

for the next fiscal year, along with all of the actuarial assumptions, calculations, and data upon which that proposed certification is based. On or before January 1 of each year, beginning January 1, 2013, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification of the required State contributions.

On or before January 15, 2013 and each January 15 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the required State contribution for the next fiscal year. The certification shall include a copy of the actuarial recommendations upon which it is based and shall specifically identify the System's projected State normal cost for that fiscal year. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the fiscal impact of not following the State Actuary's recommended changes on the required State contribution.

(a-10) For purposes of Section (c-5) of Section 20 of the Budget Stabilization Act, on or before November 1 of each year beginning November 1, 2014, the Board shall determine the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the

best and most recent available data but based on the law in effect on May 31, 2014. The Board shall submit to the State Actuary, the Governor, and the General Assembly a proposed certification, along with the relevant law, actuarial assumptions, calculations, and data upon which that certification is based. On or before January 1, 2015 and every January 1 thereafter, the State Actuary shall issue a preliminary report concerning the proposed certification and identifying, if necessary, recommended changes in actuarial assumptions that the Board must consider before finalizing its certification. On or before January 15, 2015 and every January 1 thereafter, the Board shall certify to the Governor and the General Assembly the amount of the State contribution to the System that would have been required for the next fiscal year if this amendatory Act of the 98th General Assembly had not taken effect, using the best and most recent available data but based on the law in effect on May 31, 2014. The Board's certification must note any deviations from the State Actuary's recommended changes, the reason or reasons for not following the State Actuary's recommended changes, and the impact of not following the State Actuary's recommended changes.

(b) Through State fiscal year 1995, the State contributions shall be paid to the System in accordance with Section 18-7 of the School Code.

(b-1) Beginning in State fiscal year 1996, on the 15th day of each month, or as soon thereafter as may be practicable, the

Board shall submit vouchers for payment of State contributions to the System, in a total monthly amount of one-twelfth of the required annual State contribution certified under subsection (a-1). From the effective date of this amendatory Act of the 93rd General Assembly through June 30, 2004, the Board shall not submit vouchers for the remainder of fiscal year 2004 in excess of the fiscal year 2004 certified contribution amount determined under this Section after taking into consideration the transfer to the System under subsection (a) of Section 6z-61 of the State Finance Act. These vouchers shall be paid by the State Comptroller and Treasurer by warrants drawn on the funds appropriated to the System for that fiscal year.

If in any month the amount remaining unexpended from all other appropriations to the System for the applicable fiscal year (including the appropriations to the System under Section 8.12 of the State Finance Act and Section 1 of the State Pension Funds Continuing Appropriation Act) is less than the amount lawfully vouchered under this subsection, the difference shall be paid from the Common School Fund under the continuing appropriation authority provided in Section 1.1 of the State Pension Funds Continuing Appropriation Act.

(b-2) Allocations from the Common School Fund apportioned to school districts not coming under this System shall not be diminished or affected by the provisions of this Article.

(b-3) For State fiscal years 2015 through 2044, the minimum contribution to the System to be made by the State for each

fiscal year shall be an amount determined by the System to be equal to the sum of (1) the State's portion of the projected normal cost for that fiscal year, plus (2) an amount sufficient to bring the total assets of the System up to 100% of the total actuarial liabilities of the System by the end of State fiscal year 2044. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2044 and shall be determined under the projected unit cost method for fiscal year 2015 and under the entry age normal actuarial cost method for fiscal years 2016 through 2044.

For State fiscal years 2012 through ~~2014~~ 2045, the minimum contribution to the System to be made by the State for each fiscal year shall be an amount determined by the System to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of State fiscal year 2045. In making these determinations, the required State contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

For State fiscal years 1996 through 2005, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments so that by State fiscal year 2011, the State is contributing at

the rate required under this Section; except that in the following specified State fiscal years, the State contribution to the System shall not be less than the following indicated percentages of the applicable employee payroll, even if the indicated percentage will produce a State contribution in excess of the amount otherwise required under this subsection and subsection (a), and notwithstanding any contrary certification made under subsection (a-1) before the effective date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77% in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY 2003; and 13.56% in FY 2004.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2006 is \$534,627,700.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2007 is \$738,014,500.

For each of State fiscal years 2008 through 2009, the State contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required State contribution for State fiscal year 2007, so that by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2010 is \$2,089,268,000 and shall be made from the proceeds of bonds

sold in fiscal year 2010 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the Common School Fund in fiscal year 2010, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable.

Notwithstanding any other provision of this Article, the total required State contribution for State fiscal year 2011 is the amount recertified by the System on or before April 1, 2011 pursuant to subsection (a-1) of this Section and shall be made from the proceeds of bonds sold in fiscal year 2011 pursuant to Section 7.2 of the General Obligation Bond Act, less (i) the pro rata share of bond sale expenses determined by the System's share of total bond proceeds, (ii) any amounts received from the Common School Fund in fiscal year 2011, and (iii) any reduction in bond proceeds due to the issuance of discounted bonds, if applicable. This amount shall include, in addition to the amount certified by the System, an amount necessary to meet employer contributions required by the State as an employer under paragraph (e) of this Section, which may also be used by the System for contributions required by paragraph (a) of Section 16-127.

Beginning in State fiscal year 2045, the minimum State contribution for each fiscal year shall be the amount needed to maintain the total assets of the System at 100% of the total actuarial liabilities of the System.

~~Beginning in State fiscal year 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 2014, as calculated under this Section and certified under subsection (a-1), shall not exceed an amount equal to (i) the amount of the required State contribution that would have been calculated under this Section for that fiscal year if the System had not received any payments under subsection (d) of Section 7.2 of the General Obligation Bond Act, minus (ii) the portion of the State's total debt service

payments for that fiscal year on the bonds issued in fiscal year 2003 for the purposes of that Section 7.2, as determined and certified by the Comptroller, that is the same as the System's portion of the total moneys distributed under subsection (d) of Section 7.2 of the General Obligation Bond Act. In determining this maximum for State fiscal years 2008 through 2010, however, the amount referred to in item (i) shall be increased, as a percentage of the applicable employee payroll, in equal increments calculated from the sum of the required State contribution for State fiscal year 2007 plus the applicable portion of the State's total debt service payments for fiscal year 2007 on the bonds issued in fiscal year 2003 for the purposes of Section 7.2 of the General Obligation Bond Act, so that, by State fiscal year 2011, the State is contributing at the rate otherwise required under this Section.

(c) Payment of the required State contributions and of all pensions, retirement annuities, death benefits, refunds, and other benefits granted under or assumed by this System, and all expenses in connection with the administration and operation thereof, are obligations of the State.

If members are paid from special trust or federal funds which are administered by the employing unit, whether school district or other unit, the employing unit shall pay to the System from such funds the full accruing retirement costs based upon that service, as determined by the System. Employer contributions, based on salary paid to members from federal

funds, may be forwarded by the distributing agency of the State of Illinois to the System prior to allocation, in an amount determined in accordance with guidelines established by such agency and the System.

(d) Effective July 1, 1986, any employer of a teacher as defined in paragraph (8) of Section 16-106 shall pay the employer's normal cost of benefits based upon the teacher's service, in addition to employee contributions, as determined by the System. Such employer contributions shall be forwarded monthly in accordance with guidelines established by the System.

However, with respect to benefits granted under Section 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8) of Section 16-106, the employer's contribution shall be 12% (rather than 20%) of the member's highest annual salary rate for each year of creditable service granted, and the employer shall also pay the required employee contribution on behalf of the teacher. For the purposes of Sections 16-133.4 and 16-133.5, a teacher as defined in paragraph (8) of Section 16-106 who is serving in that capacity while on leave of absence from another employer under this Article shall not be considered an employee of the employer from which the teacher is on leave.

(e) Beginning July 1, 1998, every employer of a teacher shall pay to the System an employer contribution computed as follows:

(1) Beginning July 1, 1998 through June 30, 1999, the employer contribution shall be equal to 0.3% of each teacher's salary.

(2) Beginning July 1, 1999 and thereafter, the employer contribution shall be equal to 0.58% of each teacher's salary.

The school district or other employing unit may pay these employer contributions out of any source of funding available for that purpose and shall forward the contributions to the System on the schedule established for the payment of member contributions.

These employer contributions are intended to offset a portion of the cost to the System of the increases in retirement benefits resulting from this amendatory Act of 1998.

Each employer of teachers is entitled to a credit against the contributions required under this subsection (e) with respect to salaries paid to teachers for the period January 1, 2002 through June 30, 2003, equal to the amount paid by that employer under subsection (a-5) of Section 6.6 of the State Employees Group Insurance Act of 1971 with respect to salaries paid to teachers for that period.

The additional 1% employee contribution required under Section 16-152 by this amendatory Act of 1998 is the responsibility of the teacher and not the teacher's employer, unless the employer agrees, through collective bargaining or otherwise, to make the contribution on behalf of the teacher.

If an employer is required by a contract in effect on May 1, 1998 between the employer and an employee organization to pay, on behalf of all its full-time employees covered by this Article, all mandatory employee contributions required under this Article, then the employer shall be excused from paying the employer contribution required under this subsection (e) for the balance of the term of that contract. The employer and the employee organization shall jointly certify to the System the existence of the contractual requirement, in such form as the System may prescribe. This exclusion shall cease upon the termination, extension, or renewal of the contract at any time after May 1, 1998.

(f) If the amount of a teacher's salary for any school year used to determine final average salary exceeds the member's annual full-time salary rate with the same employer for the previous school year by more than 6%, the teacher's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in salary that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. If a teacher's salary for the 2005-2006 school year is used to determine final average salary under this subsection (f), then

the changes made to this subsection (f) by Public Act 94-1057 shall apply in calculating whether the increase in his or her salary is in excess of 6%. For the purposes of this Section, change in employment under Section 10-21.12 of the School Code on or after June 1, 2005 shall constitute a change in employer. The System may require the employer to provide any pertinent information or documentation. The changes made to this subsection (f) by this amendatory Act of the 94th General Assembly apply without regard to whether the teacher was in service on or after its effective date.

Whenever it determines that a payment is or may be required under this subsection, the System shall calculate the amount of the payment and bill the employer for that amount. The bill shall specify the calculations used to determine the amount due. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to the System in writing for a recalculation. The application must specify in detail the grounds of the dispute and, if the employer asserts that the calculation is subject to subsection (g) or (h) of this Section, must include an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of that subsection. Upon receiving a timely application for recalculation, the System shall review the application and, if appropriate, recalculate the amount due.

The employer contributions required under this subsection

(f) may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill.

(g) This subsection (g) applies only to payments made or salary increases given on or after June 1, 2005 but before July 1, 2011. The changes made by Public Act 94-1057 shall not require the System to refund any payments received before July 31, 2006 (the effective date of Public Act 94-1057).

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to teachers under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases paid to a teacher at a time when the teacher is 10 or more years from retirement eligibility under Section 16-132 or 16-133.2.

When assessing payment for any amount due under subsection (f), the System shall exclude salary increases resulting from overload work, including summer school, when the school district has certified to the System, and the System has approved the certification, that (i) the overload work is for

the sole purpose of classroom instruction in excess of the standard number of classes for a full-time teacher in a school district during a school year and (ii) the salary increases are equal to or less than the rate of pay for classroom instruction computed on the teacher's current salary and work schedule.

When assessing payment for any amount due under subsection (f), the System shall exclude a salary increase resulting from a promotion (i) for which the employee is required to hold a certificate or supervisory endorsement issued by the State Teacher Certification Board that is a different certification or supervisory endorsement than is required for the teacher's previous position and (ii) to a position that has existed and been filled by a member for no less than one complete academic year and the salary increase from the promotion is an increase that results in an amount no greater than the lesser of the average salary paid for other similar positions in the district requiring the same certification or the amount stipulated in the collective bargaining agreement for a similar position requiring the same certification.

When assessing payment for any amount due under subsection (f), the System shall exclude any payment to the teacher from the State of Illinois or the State Board of Education over which the employer does not have discretion, notwithstanding that the payment is included in the computation of final average salary.

(h) When assessing payment for any amount due under

subsection (f), the System shall exclude any salary increase described in subsection (g) of this Section given on or after July 1, 2011 but before July 1, 2014 under a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005 but before July 1, 2011. Notwithstanding any other provision of this Section, any payments made or salary increases given after June 30, 2014 shall be used in assessing payment for any amount due under subsection (f) of this Section.

(i) The System shall prepare a report and file copies of the report with the Governor and the General Assembly by January 1, 2007 that contains all of the following information:

(1) The number of recalculations required by the changes made to this Section by Public Act 94-1057 for each employer.

(2) The dollar amount by which each employer's contribution to the System was changed due to recalculations required by Public Act 94-1057.

(3) The total amount the System received from each employer as a result of the changes made to this Section by Public Act 94-4.

(4) The increase in the required State contribution resulting from the changes made to this Section by Public Act 94-1057.

(j) For purposes of determining the required State contribution to the System, the value of the System's assets

shall be equal to the actuarial value of the System's assets, which shall be calculated as follows:

As of June 30, 2008, the actuarial value of the System's assets shall be equal to the market value of the assets as of that date. In determining the actuarial value of the System's assets for fiscal years after June 30, 2008, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

(k) For purposes of determining the required State contribution to the system for a particular year, the actuarial value of assets shall be assumed to earn a rate of return equal to the system's actuarially assumed rate of return.

(Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff. 6-18-12; 97-813, eff. 7-13-12.)

(40 ILCS 5/16-158.2 new)

Sec. 16-158.2. Obligations of State; funding guarantee.

(a) Beginning July 1, 2014, the State shall be obligated to contribute to the System in each State fiscal year an amount not less than the sum of (i) the State's normal cost for the year and (ii) the portion of the unfunded accrued liability assigned to that year by law. Notwithstanding any other provision of law, if the State fails to pay an amount required under this subsection, it shall be the obligation of the Board

to seek payment of the required amount in compliance with the provisions of this Section and, if the amount remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required payment.

If the System submits a voucher for contributions required under Section 16-158 and the State fails to pay that voucher within 90 days of its receipt, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the amount remains unpaid the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to satisfy the voucher.

This subsection (a) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to pay a voucher for the contributions required under Section 16-158.

(b) Beginning in State fiscal year 2016, the State shall be obligated to make the transfers set forth in subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amounts in accordance with Section 25 of the Budget Stabilization Act. Notwithstanding any other provision of law,

if the State fails to transfer an amount required under this subsection or to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act, it shall be the obligation of the Board to seek transfer or payment of the required amount in compliance with the provisions of this Section and, if the required amount remains untransferred or the required payment remains unpaid, to bring a mandamus action in the Supreme Court of Illinois to compel the State to make the required transfer or payment or both, as the case may be.

If the State fails to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act or a payment to the System required under Section 25 of that Act, the Board shall submit a written request to the Comptroller seeking payment. A copy of the request shall be filed with the Secretary of State, and the Secretary of State shall provide a copy to the Governor and General Assembly. No earlier than the 16th day after the System files the request with the Comptroller and Secretary of State, if the required amount remains untransferred or the required payment remains unpaid, the Board shall commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make the required transfer or payment or both, as the case may be.

This subsection (b) constitutes an express waiver of the State's sovereign immunity solely to the extent that it permits

the Board to commence a mandamus action in the Supreme Court of Illinois to compel the Comptroller to make a transfer required under subsection (c-5) or (c-10) of Section 20 of the Budget Stabilization Act and to pay to the System its proportionate share of the transferred amount in accordance with Section 25 of the Budget Stabilization Act.

The obligations created by this subsection (b) expire when all of the requirements of subsections (c-5) and (c-10) of Section 20 of the Budget Stabilization Act and Section 25 of the Budget Stabilization Act have been met.

(c) Any payments and transfers required to be made by the State pursuant to subsection (a) or (b) are expressly subordinate to the payment of the principal, interest, and premium, if any, on any bonded debt obligation of the State or any other State-created entity, either currently outstanding or to be issued, for which the source of repayment or security thereon is derived directly or indirectly from tax revenues collected by the State or any other State-created entity. Payments on such bonded obligations include any statutory fund transfers or other prefunding mechanisms or formulas set forth, now or hereafter, in State law or bond indentures, into debt service funds or accounts of the State related to such bond obligations, consistent with the payment schedules associated with such obligations.

Sec. 16-203. Application and expiration of new benefit increases.

(a) As used in this Section, "new benefit increase" means an increase in the amount of any benefit provided under this Article, or an expansion of the conditions of eligibility for any benefit under this Article, that results from an amendment to this Code that takes effect after June 1, 2005 (the effective date of Public Act 94-4). "New benefit increase", however, does not include any benefit increase resulting from the changes made to this Article by Public Act 95-910 or by this amendatory Act of the 98th ~~95th~~ General Assembly.

(b) Notwithstanding any other provision of this Code or any subsequent amendment to this Code, every new benefit increase is subject to this Section and shall be deemed to be granted only in conformance with and contingent upon compliance with the provisions of this Section.

(c) The Public Act enacting a new benefit increase must identify and provide for payment to the System of additional funding at least sufficient to fund the resulting annual increase in cost to the System as it accrues.

Every new benefit increase is contingent upon the General Assembly providing the additional funding required under this subsection. The Commission on Government Forecasting and Accountability shall analyze whether adequate additional funding has been provided for the new benefit increase and shall report its analysis to the Public Pension Division of the

Department of Insurance ~~Financial and Professional Regulation~~.
A new benefit increase created by a Public Act that does not include the additional funding required under this subsection is null and void. If the Public Pension Division determines that the additional funding provided for a new benefit increase under this subsection is or has become inadequate, it may so certify to the Governor and the State Comptroller and, in the absence of corrective action by the General Assembly, the new benefit increase shall expire at the end of the fiscal year in which the certification is made.

(d) Every new benefit increase shall expire 5 years after its effective date or on such earlier date as may be specified in the language enacting the new benefit increase or provided under subsection (c). This does not prevent the General Assembly from extending or re-creating a new benefit increase by law.

(e) Except as otherwise provided in the language creating the new benefit increase, a new benefit increase that expires under this Section continues to apply to persons who applied and qualified for the affected benefit while the new benefit increase was in effect and to the affected beneficiaries and alternate payees of such persons, but does not apply to any other person, including without limitation a person who continues in service after the expiration date and did not apply and qualify for the affected benefit while the new benefit increase was in effect.

(Source: P.A. 94-4, eff. 6-1-05; 95-910, eff. 8-26-08.)

(40 ILCS 5/16-205 new)

Sec. 16-205. Defined contribution plan.

(a) By July 1, 2015, the System shall prepare and implement a voluntary defined contribution plan for up to 5% of eligible active Tier 1 members. The System shall determine the 5% cap by the number of active Tier 1 members on the effective date of this Section. The defined contribution plan developed under this Section shall be a plan that aggregates employer and employee contributions in individual participant accounts which, after meeting any other requirements, are used for payouts after retirement in accordance with this Section and any other applicable laws.

As used in this Section, "defined benefit plan" means the retirement plan available under this Article to Tier 1 members who have not made the election authorized under this Section.

(1) Under the defined contribution plan, an active Tier 1 member of this System could elect to cease accruing benefits in the defined benefit plan under this Article and begin accruing benefits for future service in the defined contribution plan. Service credit under the defined contribution plan may be used for determining retirement eligibility under the defined benefit plan. An active Tier 1 member who elects to cease accruing benefits in his or her defined benefit plan shall be prohibited from

purchasing service credit on or after the date of his or her election. A Tier 1 member making the irrevocable election provided under this Section shall not receive interest accruals to his or her benefit under paragraph (A) of subsection (a) of Section 16-133 on or after the date of his or her election.

(2) Participants in the defined contribution plan shall pay employee contributions at the same rate as Tier 1 members in this System who do not participate in the defined contribution plan.

(3) State contributions shall be paid into the accounts of all participants in the defined contribution plan at a uniform rate, expressed as a percentage of salary and determined for each year. This rate shall be no higher than the employer's normal cost for Tier 1 members in the defined benefit plan for that year, as determined by the System and expressed as a percentage of salary, and shall be no lower than 0% of salary. The State shall adjust this rate annually.

(4) The defined contribution plan shall require 5 years of participation in the defined contribution plan before vesting in State contributions. If the participant fails to vest in them, the State contributions, and the earnings thereon, shall be forfeited.

(5) The defined contribution plan may provide for participants in the plan to be eligible for the defined

disability benefits available to other participants under this Article. If it does, the System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering such benefits.

(6) The defined contribution plan shall provide a variety of options for investments. These options shall include investments in a fund created by the System and managed in accordance with legal and fiduciary standards, as well as investment options otherwise available.

(7) The defined contribution plan shall provide a variety of options for payouts to retirees and their survivors.

(8) To the extent authorized under federal law and as authorized by the System, the plan shall allow former participants in the plan to transfer or roll over employee and vested State contributions, and the earnings thereon, into other qualified retirement plans.

(9) The System shall reduce the employee contributions credited to the member's defined contribution plan account by an amount determined by the System to cover the cost of offering these benefits and any applicable administrative fees.

(b) Only persons who are active Tier 1 members of the System on the effective date of this Section are eligible to participate in the defined contribution plan. Participation in

the defined contribution plan shall be limited to the first 5% of eligible persons who elect to participate. The election to participate in the defined contribution plan is voluntary and irrevocable.

(c) An eligible Tier 1 employee may irrevocably elect to participate in the defined contribution plan by filing with the System a written application to participate that is received by the System prior to its determination that 5% of eligible persons have elected to participate in the defined contribution plan.

When the System first determines that 5% of eligible persons have elected to participate in the defined contribution plan, the System shall provide notice to previously eligible employees that the plan is no longer available and shall cease accepting applications to participate.

(d) The System shall make a good faith effort to contact each active Tier 1 member who is eligible to participate in the defined contribution plan. The System shall mail information describing the option to join the defined contribution plan to each of these employees to his or her last known address on file with the System. If the employee is not responsive to other means of contact, it is sufficient for the System to publish the details of the option on its website.

Upon request for further information describing the option, the System shall provide employees with information from the System before exercising the option to join the plan,

including information on the impact to their vested benefits or non-vested service. The individual consultation shall include projections of the member's defined benefits at retirement or earlier termination of service and the value of the member's account at retirement or earlier termination of service. The System shall not provide advice or counseling with respect to whether the employee should exercise the option. The System shall inform Tier 1 employees who are eligible to participate in the defined contribution plan that they may also wish to obtain information and counsel relating to their option from any other available source, including but not limited to labor organizations, private counsel, and financial advisors.

(e) In no event shall the System, its staff, its authorized representatives, or the Board be liable for any information given to an employee under this Section. The System may coordinate with the Illinois Department of Central Management Services and other retirement systems administering a defined contribution plan in accordance with this amendatory Act of the 98th General Assembly to provide information concerning the impact of the option set forth in this Section.

(f) Notwithstanding any other provision of this Section, no person shall begin participating in the defined contribution plan until it has attained qualified plan status and received all necessary approvals from the U.S. Internal Revenue Service.

(g) The System shall report on its progress under this Section, including the available details of the defined

contribution plan and the System's plans for informing eligible Tier 1 members about the plan, to the Governor and the General Assembly on or before January 15, 2015.

(h) The intent of this amendatory Act of the 98th General Assembly is to ensure that the State's normal cost of participation in the defined contribution plan is similar, and if possible equal, to the State's normal cost of participation in the defined benefit plan, unless a lower State's normal cost is necessary to ensure cost neutrality.

(40 ILCS 5/16-206 new)

Sec. 16-206. Defined contribution plan; termination. If the defined contribution plan is terminated or becomes inoperative pursuant to law, then each participant in the plan shall automatically be deemed to have been a contributing Tier 1 member in the System's defined benefit plan during the time in which he or she participated in the defined contribution plan, and for that purpose the System shall be entitled to recover the amounts in the participant's defined contribution accounts.

(40 ILCS 5/17-116) (from Ch. 108 1/2, par. 17-116)

Sec. 17-116. Service retirement pension.

(a) Each teacher having 20 years of service upon attainment of age 55, or who thereafter attains age 55 shall be entitled to a service retirement pension upon or after attainment of age

55; and each teacher in service on or after July 1, 1971, with 5 or more but less than 20 years of service shall be entitled to receive a service retirement pension upon or after attainment of age 62.

(b) The service retirement pension for a teacher who retires on or after June 25, 1971, at age 60 or over, shall be calculated as follows:

(1) For creditable service earned before July 1, 1998 that has not been augmented under Section 17-119.1: 1.67% for each of the first 10 years of service; 1.90% for each of the next 10 years of service; 2.10% for each year of service in excess of 20 but not exceeding 30; and 2.30% for each year of service in excess of 30, based upon average salary as herein defined.

(2) For creditable service earned on or after July 1, 1998 by a member who has at least 30 years of creditable service on July 1, 1998 and who does not elect to augment service under Section 17-119.1: 2.3% of average salary for each year of creditable service earned on or after July 1, 1998.

(3) For all other creditable service: 2.2% of average salary for each year of creditable service.

(c) When computing such service retirement pensions, the following conditions shall apply:

1. Average salary shall consist of the average annual rate of salary for the 4 consecutive years of validated

service within the last 10 years of service when such average annual rate was highest. In the determination of average salary for retirement allowance purposes, for members who commenced employment after August 31, 1979, that part of the salary for any year shall be excluded which exceeds the annual full-time salary rate for the preceding year by more than 20%. In the case of a member who commenced employment before August 31, 1979 and who receives salary during any year after September 1, 1983 which exceeds the annual full time salary rate for the preceding year by more than 20%, an Employer and other employers of eligible contributors as defined in Section 17-106 shall pay to the Fund an amount equal to the present value of the additional service retirement pension resulting from such excess salary. The present value of the additional service retirement pension shall be computed by the Board on the basis of actuarial tables adopted by the Board. If a member elects to receive a pension from this Fund provided by Section 20-121, his salary under the State Universities Retirement System and the Teachers' Retirement System of the State of Illinois shall be considered in determining such average salary. Amounts paid after the effective date of this amendatory Act of 1991 for unused vacation time earned after that effective date shall not under any circumstances be included in the calculation of average salary or the annual rate of salary

for the purposes of this Article.

2. Proportionate credit shall be given for validated service of less than one year.

3. For retirement at age 60 or over the pension shall be payable at the full rate.

4. For separation from service below age 60 to a minimum age of 55, the pension shall be discounted at the rate of 1/2 of one per cent for each month that the age of the contributor is less than 60, but a teacher may elect to defer the effective date of pension in order to eliminate or reduce this discount. This discount shall not be applicable to any participant who has at least 34 years of service or a retirement pension of at least 74.6% of average salary on the date the retirement annuity begins.

5. No additional pension shall be granted for service exceeding 45 years. Beginning June 26, 1971 no pension shall exceed the greater of \$1,500 per month or 75% of average salary as herein defined.

6. Service retirement pensions shall begin on the effective date of resignation, retirement, the day following the close of the payroll period for which service credit was validated, or the time the person resigning or retiring attains age 55, or on a date elected by the teacher, whichever shall be latest.

7. A member who is eligible to receive a retirement pension of at least 74.6% of average salary and will attain

age 55 on or before December 31 during the year which commences on July 1 shall be deemed to attain age 55 on the preceding June 1.

8. A member retiring after the effective date of this amendatory Act of 1998 shall receive a pension equal to 75% of average salary if the member is qualified to receive a retirement pension equal to at least 74.6% of average salary under this Article or as proportional annuities under Article 20 of this Code.

9. In the case of a person who first becomes a participant on or after the effective date of this amendatory Act of the 98th General Assembly, payments for unused sick or vacation time shall not be used in the calculation of average salary.

(Source: P.A. 90-566, eff. 1-2-98; 90-582, eff. 5-27-98.)

(40 ILCS 5/17-134) (from Ch. 108 1/2, par. 17-134)

Sec. 17-134. Contributions for leaves of absence; military service; computing service. In computing service for pension purposes the following periods of service shall stand in lieu of a like number of years of teaching service upon payment therefor in the manner hereinafter provided: (a) time spent on a leave of absence granted by the employer; (b) service with teacher or labor organizations based upon special leaves of absence therefor granted by an Employer; (c) a maximum of 5 years spent in the military service of the United States, of

which up to 2 years may have been served outside the pension period; (d) unused sick days at termination of service to a maximum of 244 days; (e) time lost due to layoff and curtailment of the school term from June 6 through June 21, 1976; and (f) time spent after June 30, 1982 as a member of the Board of Education, if required to resign from an administrative or teaching position in order to qualify as a member of the Board of Education.

(1) For time spent on or after September 6, 1948 on sabbatical leaves of absence or sick leaves, for which salaries are paid, an Employer shall make payroll deductions at the applicable rates in effect during such periods.

(2) For time spent on a leave of absence granted by the employer for which no salaries are paid, teachers desiring credit therefor shall pay the required contributions at the rates in effect during such periods as though they were in teaching service. If an Employer pays salary for vacations which occur during a teacher's sick leave or maternity or paternity leave without salary, vacation pay for which the teacher would have qualified while in active service shall be considered part of the teacher's total salary for pension purposes. No more than 36 months of leave credit may be allowed any person during the entire term of service. Sabbatical leave credit shall be limited to the time the person on leave without salary under an Employer's

rules is allowed to engage in an activity for which he receives salary or compensation.

(3) For time spent prior to September 6, 1948, on sabbatical leaves of absence or sick leaves for which salaries were paid, teachers desiring service credit therefor shall pay the required contributions at the maximum applicable rates in effect during such periods.

(4) For service with teacher or labor organizations authorized by special leaves of absence, for which no payroll deductions are made by an Employer, teachers desiring service credit therefor shall contribute to the Fund upon the basis of the actual salary received from such organizations at the percentage rates in effect during such periods for certified positions with such Employer. To the extent the actual salary exceeds the regular salary, which shall be defined as the salary rate, as calculated by the Board, in effect for the teacher's regular position in teaching service on September 1, 1983 or on the effective date of the leave with the organization, whichever is later, the organization shall pay to the Fund the employer's normal cost as set by the Board on the increment. Notwithstanding any other provision of this subdivision (4), teachers are only eligible for credit for service under this subdivision (4) if the special leave of absence begins before January 5, 2012 (the effective date of Public Act 97-651) ~~this amendatory Act of the 97th~~

~~General Assembly.~~

(5) For time spent in the military service, teachers entitled to and desiring credit therefor shall contribute the amount required for each year of service or fraction thereof at the rates in force (a) at the date of appointment, or (b) on return to teaching service as a regularly certified teacher, as the case may be; provided such rates shall not be less than \$450 per year of service. These conditions shall apply unless an Employer elects to and does pay into the Fund the amount which would have been due from such person had he been employed as a teacher during such time. In the case of credit for military service not during the pension period, the teacher must also pay to the Fund an amount determined by the Board to be equal to the employer's normal cost of the benefits accrued from such service, plus interest thereon at 5% per year, compounded annually, from the date of appointment to the date of payment.

The changes to this Section made by Public Act 87-795 shall apply not only to persons who on or after its effective date are in service under the Fund, but also to persons whose status as a teacher terminated prior to that date, whether or not the person is an annuitant on that date. In the case of an annuitant who applies for credit allowable under this Section for a period of military service that did not immediately follow employment, and who

has made the required contributions for such credit, the annuity shall be recalculated to include the additional service credit, with the increase taking effect on the date the Fund received written notification of the annuitant's intent to purchase the credit, if payment of all the required contributions is made within 60 days of such notice, or else on the first annuity payment date following the date of payment of the required contributions. In calculating the automatic annual increase for an annuity that has been recalculated under this Section, the increase attributable to the additional service allowable under this amendatory Act of 1991 shall be included in the calculation of automatic annual increases accruing after the effective date of the recalculation.

The total credit for military service shall not exceed 5 years, except that any teacher who on July 1, 1963, had validated credit for more than 5 years of military service shall be entitled to the total amount of such credit.

(6) For persons who first become teachers before the effective date of this amendatory Act of the 98th General Assembly, a maximum of 244 unused sick days credited to his account by an Employer on the date of termination of employment. Members, upon verification of unused sick days, may add this service time to total creditable service.

(7) In all cases where time spent on leave is

creditable and no payroll deductions therefor are made by an Employer, persons desiring service credit shall make the required contributions directly to the Fund.

(8) For time lost without pay due to layoff and curtailment of the school term from June 6 through June 21, 1976, as provided in item (e) of the first paragraph of this Section, persons who were contributors on the days immediately preceding such layoff shall receive credit upon paying to the Fund a contribution based on the rates of compensation and employee contributions in effect at the time of such layoff, together with an additional amount equal to 12.2% of the compensation computed for such period of layoff, plus interest on the entire amount at 5% per annum from January 1, 1978 to the date of payment. If such contribution is paid, salary for pension purposes for any year in which such a layoff occurred shall include the compensation recognized for purposes of computing that contribution.

(9) For time spent after June 30, 1982, as a nonsalaried member of the Board of Education, if required to resign from an administrative or teaching position in order to qualify as a member of the Board of Education, an administrator or teacher desiring credit therefor shall pay the required contributions at the rates and salaries in effect during such periods as though the member were in service.

Effective September 1, 1974, the interest charged for validation of service described in paragraphs (2) through (5) of this Section shall be compounded annually at a rate of 5% commencing one year after the termination of the leave or return to service.

(Source: P.A. 97-651, eff. 1-5-12.)

(40 ILCS 5/20-106) (from Ch. 108 1/2, par. 20-106)

Sec. 20-106. Final average salary.

(a) "Final average salary": The average (or other) salary which is considered by a participating system in determining the amount of the retirement annuity or survivor's annuity.

(b) Earnings credits under all participating systems shall be considered by each system in determining final average salary, but subject to the limitations imposed by this amendatory Act of the 98th General Assembly for a participant in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code. In calculating a proportional retirement or survivor's annuity based on these earnings credits, the participating system shall apply any limitations on earnings for annuity purposes that are imposed by the Article governing the system.

(Source: P.A. 88-593, eff. 8-22-94.)

(40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

Sec. 20-121. Calculation of proportional retirement

annuities.

(a) Upon retirement of the employee, a proportional retirement annuity shall be computed by each participating system in which pension credit has been established on the basis of pension credits under each system. The computation shall be in accordance with the formula or method prescribed by each participating system which is in effect at the date of the employee's latest withdrawal from service covered by any of the systems in which he has pension credits which he elects to have considered under this Article. However, the amount of any retirement annuity payable under the self-managed plan established under Section 15-158.2 of this Code or under the defined contribution plan established under Article 2, 14, 15, or 16 of this Code depends solely on the value of the participant's vested account balances and is not subject to any proportional adjustment under this Section.

(a-5) For persons who participate in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply, the pension credits established under the defined contribution plan may be considered in determining eligibility for or the amount of the defined benefit retirement annuity that is payable by any other participating system.

(b) Combined pension credit under all retirement systems subject to this Article shall be considered in determining whether the minimum qualification has been met and the formula

or method of computation which shall be applied, except as may be otherwise provided with respect to vesting in State or employer contributions in a defined contribution plan. If a system has a step-rate formula for calculation of the retirement annuity, pension credits covering previous service which have been established under another system shall be considered in determining which range or ranges of the step-rate formula are to be applicable to the employee.

(c) Interest on pension credit shall continue to accumulate in accordance with the provisions of the law governing the retirement system in which the same has been established during the time an employee is in the service of another employer, on the assumption such employee, for interest purposes for pension credit, is continuing in the service covered by such retirement system.

(Source: P.A. 91-887, eff. 7-6-00.)

(40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

Sec. 20-123. Survivor's annuity. The provisions governing a retirement annuity shall be applicable to a survivor's annuity. Appropriate credits shall be established for survivor's annuity purposes in those participating systems which provide survivor's annuities, according to the same conditions and subject to the same limitations and restrictions herein prescribed for a retirement annuity. If a participating system has no survivor's annuity benefit, or if the survivor's

annuity benefit under that system is waived, pension credit established in that system shall not be considered in determining eligibility for or the amount of the survivor's annuity which may be payable by any other participating system.

For persons who participate in the self-managed plan established under Section 15-158.2 or the portable benefit package established under Section 15-136.4, pension credit established under Article 15 may be considered in determining eligibility for or the amount of the survivor's annuity that is payable by any other participating system, but pension credit established in any other system shall not result in any right to a survivor's annuity under the Article 15 system.

For persons who participate in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply, the pension credits established under the defined contribution plan may be considered in determining eligibility for or the amount of the defined benefit survivor's annuity that is payable by any other participating system, but pension credits established in any other system shall not result in any right to or increase in the value of a survivor's annuity under the defined contribution plan, which depends solely on the options chosen and the value of the participant's vested account balances and is not subject to any proportional adjustment under this Section.

(Source: P.A. 91-887, eff. 7-6-00.)

(40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

Sec. 20-124. Maximum benefits.

(a) In no event shall the combined retirement or survivors annuities exceed the highest annuity which would have been payable by any participating system in which the employee has pension credits, if all of his pension credits had been validated in that system.

If the combined annuities should exceed the highest maximum as determined in accordance with this Section, the respective annuities shall be reduced proportionately according to the ratio which the amount of each proportional annuity bears to the aggregate of all such annuities.

(b) In the case of a participant in the self-managed plan established under Section 15-158.2 of this Code to whom the provisions of this Article apply:

(i) For purposes of calculating the combined retirement annuity and the proportionate reduction, if any, in a retirement annuity other than one payable under the self-managed plan, the amount of the Article 15 retirement annuity shall be deemed to be the highest annuity to which the annuitant would have been entitled if he or she had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

(ii) For purposes of calculating the combined

survivor's annuity and the proportionate reduction, if any, in a survivor's annuity other than one payable under the self-managed plan, the amount of the Article 15 survivor's annuity shall be deemed to be the highest survivor's annuity to which the survivor would have been entitled if the deceased employee had participated in the traditional benefit package as defined in Section 15-103.1 rather than the self-managed plan.

(iii) Benefits payable under the self-managed plan are not subject to proportionate reduction under this Section.

(c) In the case of a participant in a defined contribution plan established under Article 2, 14, 15, or 16 of this Code to whom the provisions of this Article apply:

(i) For purposes of calculating the combined retirement annuity and the proportionate reduction, if any, in a defined benefit retirement annuity, any benefit payable under the defined contribution plan shall not be considered.

(ii) For purposes of calculating the combined survivor's annuity and the proportionate reduction, if any, in a defined benefit survivor's annuity, any benefit payable under the defined contribution plan shall not be considered.

(iii) Benefits payable under a defined contribution plan established under Article 2, 14, 15, or 16 of this Code are not subject to proportionate reduction under this

Section.

(Source: P.A. 91-887, eff. 7-6-00.)

(40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

Sec. 20-125. Return to employment - suspension of benefits. If a retired employee returns to employment which is covered by a system from which he is receiving a proportional annuity under this Article, his proportional annuity from all participating systems shall be suspended during the period of re-employment, except that this suspension does not apply to any distributions payable under the self-managed plan established under Section 15-158.2 or under a defined contribution plan established under Article 2, 14, 15, or 16 of this Code.

The provisions of the Article under which such employment would be covered shall govern the determination of whether the employee has returned to employment, and if applicable the exemption of temporary employment or employment not exceeding a specified duration or frequency, for all participating systems from which the retired employee is receiving a proportional annuity under this Article, notwithstanding any contrary provisions in the other Articles governing such systems.

(Source: P.A. 91-887, eff. 7-6-00.)

Section 20. The Illinois Educational Labor Relations Act is amended by changing Sections 4 and 17 and by adding Section

10.5 as follows:

(115 ILCS 5/4) (from Ch. 48, par. 1704)

Sec. 4. Employer rights. Employers shall not be required to bargain over matters of inherent managerial policy, which shall include such areas of discretion or policy as the functions of the employer, standards of services, its overall budget, the organizational structure and selection of new employees and direction of employees. Employers, however, shall be required to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except as provided in Section 10.5. To preserve the rights of employers and exclusive representatives which have established collective bargaining relationships or negotiated collective bargaining agreements prior to the effective date of this Act, employers shall be required to bargain collectively with regard to any matter concerning wages, hours or conditions of employment about which they have bargained for and agreed to in a collective bargaining agreement prior to the effective date of this Act, except as provided in Section 10.5.

(Source: P.A. 83-1014.)

(115 ILCS 5/10.5 new)

Sec. 10.5. Duty to bargain regarding pension amendments.

(a) Notwithstanding any provision of this Act, employers shall not be required to bargain over matters affected by the changes, the impact of changes, and the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or Article 1 of that Code as it applies to those Articles, made by this amendatory Act of the 98th General Assembly, or over any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, which are prohibited subjects of bargaining; nor shall the changes, the impact of changes, or the implementation of changes made to Article 14, 15, or 16 of the Illinois Pension Code, or to Article 1 of that Code as it applies to those Articles, by this amendatory Act of the 98th General Assembly or any other provision of Article 14, 15, or 16 of the Illinois Pension Code, or of Article 1 of that Code as it applies to those Articles, be subject to interest arbitration or any award issued pursuant to interest arbitration. The provisions of this Section shall not apply to an employment contract or collective bargaining agreement that is in effect on the effective date of this amendatory Act of the 98th General Assembly. However, any such contract or agreement that is subsequently modified, amended, or renewed shall be subject to the provisions of this Section. The provisions of this Section shall also not apply to the ability of an employer and employee representative to bargain collectively with regard to the pick up of employee

contributions pursuant to Section 14-133.1, 15-157.1, or 16-152.1 of the Illinois Pension Code.

(b) Nothing in this Section, however, shall be construed as otherwise limiting any of the obligations and requirements applicable to each employer under any of the provisions of this Act, including, but not limited to, the requirement to bargain collectively with regard to policy matters directly affecting wages, hours and terms and conditions of employment as well as the impact thereon upon request by employee representatives, except for the matters deemed prohibited subjects of bargaining under subsection (a) of this Section. Nothing in this Section shall further be construed as otherwise limiting any of the rights of employees or employee representatives under the provisions of this Act, except for matters deemed prohibited subjects of bargaining under subsection (a) of this Section.

(c) In case of any conflict between this Section and any other provisions of this Act or any other law, the provisions of this Section shall control.

(115 ILCS 5/17) (from Ch. 48, par. 1717)

Sec. 17. Effect on other laws. Except as provided in Section 10.5, in ~~in~~ case of any conflict between the provisions of this Act and any other law, executive order or administrative regulation, the provisions of this Act shall prevail and control. Except as provided in Section 10.5, nothing ~~Nothing~~ in this Act shall be construed to replace or

diminish the rights of employees established by Section 36d of "An Act to create the State Universities Civil Service System", approved May 11, 1905, as amended or modified.

(Source: P.A. 83-1014.)

Section 95. The State Mandates Act is amended by adding Section 8.37 as follows:

(30 ILCS 805/8.37 new)

Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 98th General Assembly.

Section 97. Severability and inseverability. The provisions of this Act are severable under Section 1.31 of the Statute on Statutes, except that the changes made to Sections 20 and 25 of the Budget Stabilization Act and to subsections (a), (a-1), (a-2), (b), and (d) of Section 2-119.1, subsections (d), (d-1), and (d-2) of Section 15-136, subsection (a-10) of Section 16-158, and Sections 2-124, 2-125, 2-126, 2-134, 2-165, 14-114, 14-115, 14-131, 14-132, 14-133, 14-135.08, 14-155, 15-155, 15-156, 15-157, 15-165, 15-200, 16-133.1, 16-136.1, 16-152, 16-158, 16-158.2, 16-205, 20-106, 20-121, 20-123, 20-124, and 20-125 of the Illinois Pension Code are mutually dependent and inseverable from one another but are severable

Public Act 098-0599

SB0001 Enrolled

LRB098 05457 JDS 35491 b

from any other provision of this Act.