



## 98TH GENERAL ASSEMBLY

### State of Illinois

### 2013 and 2014

### HB1271

by Rep. André M. Thapedi

#### SYNOPSIS AS INTRODUCED:

- 40 ILCS 5/1-160
- 40 ILCS 5/1-163 new
- 40 ILCS 5/2-124 from Ch. 108 1/2, par. 2-124
- 40 ILCS 5/14-131
- 40 ILCS 5/15-155 from Ch. 108 1/2, par. 15-155
- 40 ILCS 5/16-158 from Ch. 108 1/2, par. 16-158
- 40 ILCS 5/18-131 from Ch. 108 1/2, par. 18-131
- 30 ILCS 805/8.37 new

Amends the Illinois Pension Code. Creates a Tier III benefit package applicable to persons who first begin participating in one of the State-funded retirement systems on or after July 1, 2014. Provides for retirement benefits and certain employee contribution changes that supersede the corresponding provisions of the applicable retirement system. Provides that those retirement benefits may be annually increased or decreased in response to the retirement system's investment earnings. Changes the amount of the required State contributions and, in the State Universities and Downstate Teacher Articles, requires the actual employers to make contributions to amortize any unfunded liabilities arising out of their employees who are Tier III participants. Provides that, when the State's total debt service obligation for certain pension bonds has ended, any funds remaining available for the payment of that debt service shall be distributed to the 5 State-funded retirement systems, to be used to reduce their unfunded actuarial liabilities. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB098 06357 EFG 36399 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning public employee benefits.

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

4 Section 1. Legislative findings. The General Assembly  
5 hereby finds that:

6 (1) the last two decades of the Twentieth Century saw  
7 simultaneously robust growth in bond and stock markets,  
8 which boosted funding for promised benefits;

9 (2) there was a tendency, as a result, to spend that  
10 newfound wealth by granting higher benefits or by providing  
11 employers substantial contribution reductions;

12 (3) benefit levels were raised to what now appear to be  
13 unsustainable levels, given prevailing financial  
14 constraints;

15 (4) current required contributions are higher than the  
16 State budget can tolerate during current severe economic  
17 distress, and near-term reductions will not reduce  
18 ultimate costs, but distribute them differently, creating  
19 an intergenerational debt transfer;

20 (5) financial markets will offer fewer and  
21 lower-returning investment opportunities; and

22 (6) many funds and plan sponsors are interested in less  
23 volatility after the experiences of the past decade.

1 Section 5. The Illinois Pension Code is amended by changing  
2 Sections 1-160, 2-124, 14-131, 15-155, 16-158, and 18-131 and  
3 by adding Section 1-163 as follows:

4 (40 ILCS 5/1-160)

5 Sec. 1-160. Tier II provisions ~~Provisions~~ applicable to  
6 certain new hires.

7 (a) The provisions of this Section apply to a person who,  
8 on or after January 1, 2011, first becomes a member or a  
9 participant under any reciprocal retirement system or pension  
10 fund established under this Code, other than a retirement  
11 system or pension fund established under Article 2, 3, 4, 5, 6,  
12 or 18 of this Code, notwithstanding any other provision of this  
13 Code to the contrary, but do not apply (i) to any self-managed  
14 plan established under this Code, (ii) to any person with  
15 respect to service as a sheriff's law enforcement employee  
16 under Article 7, (iii) to any person with respect to service  
17 for which the person is subject to the Tier III benefit package  
18 established under Section 1-163, or (iv) to any participant of  
19 the retirement plan established under Section 22-101.

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

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

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

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

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

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

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

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

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

1 price index-u for the 12 months ending with the September  
2 preceding each November 1, including all previous adjustments.

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

12 (c) A member or participant is entitled to a retirement  
13 annuity upon written application if he or she has attained age  
14 67 and has at least 10 years of service credit and is otherwise  
15 eligible under the requirements of the applicable Article.

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

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

25 (e) Any retirement annuity or supplemental annuity shall be  
26 subject to annual increases on the January 1 occurring either

1 on or after the attainment of age 67 or the first anniversary  
2 of the annuity start date, whichever is later. Each annual  
3 increase shall be calculated at 3% or one-half the annual  
4 unadjusted percentage increase (but not less than zero) in the  
5 consumer price index-u for the 12 months ending with the  
6 September preceding each November 1, whichever is less, of the  
7 originally granted retirement annuity. If the annual  
8 unadjusted percentage change in the consumer price index-u for  
9 the 12 months ending with the September preceding each November  
10 1 is zero or there is a decrease, then the annuity shall not be  
11 increased.

12 (f) The initial survivor's or widow's annuity of an  
13 otherwise eligible survivor or widow of a retired member or  
14 participant who first became a member or participant on or  
15 after January 1, 2011 shall be in the amount of 66 2/3% of the  
16 retired member's or participant's retirement annuity at the  
17 date of death. In the case of the death of a member or  
18 participant who has not retired and who first became a member  
19 or participant on or after January 1, 2011, eligibility for a  
20 survivor's or widow's annuity shall be determined by the  
21 applicable Article of this Code. The initial benefit shall be  
22 66 2/3% of the earned annuity without a reduction due to age. A  
23 child's annuity of an otherwise eligible child shall be in the  
24 amount prescribed under each Article if applicable. Any  
25 survivor's or widow's annuity shall be increased (1) on each  
26 January 1 occurring on or after the commencement of the annuity

1 if the deceased member died while receiving a retirement  
2 annuity or (2) in other cases, on each January 1 occurring  
3 after the first anniversary of the commencement of the annuity.  
4 Each annual increase shall be calculated at 3% or one-half the  
5 annual unadjusted percentage increase (but not less than zero)  
6 in the consumer price index-u for the 12 months ending with the  
7 September preceding each November 1, whichever is less, of the  
8 originally granted survivor's annuity. If the annual  
9 unadjusted percentage change in the consumer price index-u for  
10 the 12 months ending with the September preceding each November  
11 1 is zero or there is a decrease, then the annuity shall not be  
12 increased.

13 (g) The benefits in Section 14-110 apply only if the person  
14 is a State policeman, a fire fighter in the fire protection  
15 service of a department, or a security employee of the  
16 Department of Corrections or the Department of Juvenile  
17 Justice, as those terms are defined in subsection (c) ~~(b)~~ of  
18 Section 14-110. A person who meets the requirements of this  
19 Section is entitled to an annuity calculated under the  
20 provisions of Section 14-110, in lieu of the regular or minimum  
21 retirement annuity, only if the person has withdrawn from  
22 service with not less than 20 years of eligible creditable  
23 service and has attained age 60, regardless of whether the  
24 attainment of age 60 occurs while the person is still in  
25 service.

26 (h) If a person who first becomes a member or a participant

1 of a retirement system or pension fund subject to this Section  
2 on or after January 1, 2011 is receiving a retirement annuity  
3 or retirement pension under that system or fund and becomes a  
4 member or participant under any other system or fund created by  
5 this Code and is employed on a full-time basis, except for  
6 those members or participants exempted from the provisions of  
7 this Section under subsection (a) of this Section, then the  
8 person's retirement annuity or retirement pension under that  
9 system or fund shall be suspended during that employment. Upon  
10 termination of that employment, the person's retirement  
11 annuity or retirement pension payments shall resume and be  
12 recalculated if recalculation is provided for under the  
13 applicable Article of this Code.

14 If a person who first becomes a member of a retirement  
15 system or pension fund subject to this Section on or after  
16 January 1, 2012 and is receiving a retirement annuity or  
17 retirement pension under that system or fund ~~and~~ accepts on a  
18 contractual basis a position to provide services to a  
19 governmental entity from which he or she has retired, then that  
20 person's annuity or retirement pension earned as an active  
21 employee of the employer shall be suspended during that  
22 contractual service. A person receiving an annuity or  
23 retirement pension under this Code shall notify the pension  
24 fund or retirement system from which he or she is receiving an  
25 annuity or retirement pension, as well as his or her  
26 contractual employer, of his or her retirement status before



1 accepting contractual employment. A person who fails to submit  
2 such notification shall be guilty of a Class A misdemeanor and  
3 required to pay a fine of \$1,000. Upon termination of that  
4 contractual employment, the person's retirement annuity or  
5 retirement pension payments shall resume and, if appropriate,  
6 be recalculated under the applicable provisions of this Code.

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

12 (j) In the case of a conflict between the provisions of  
13 this Section and any other provision of this Code, the  
14 provisions of this Section shall control.

15 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;  
16 97-609, eff. 1-1-12.)

17 (40 ILCS 5/1-163 new)

18 Sec. 1-163. Tier III benefit package.

19 (a) This Section may be referred to as the "Tier III  
20 benefit package", and a person subject to this Section may be  
21 referred to as a "Tier III participant" of the applicable  
22 retirement system.

23 This Section creates the Tier III benefit package,  
24 consisting of retirement benefits (and certain employee  
25 contribution changes) that supersede the corresponding

1 provisions of the applicable Article of this Code for Tier III  
2 participants, including without limitation provisions relating  
3 to minimum retirement annuity or automatic annual increases in  
4 retirement annuity. The other provisions of the applicable  
5 Article of this Code continue to apply to Tier III participants  
6 and their survivors and beneficiaries, including without  
7 limitation those relating to eligibility, survivor benefits,  
8 and refunds; except that in the case of an irreconcilable  
9 conflict between this Section and the provisions of the  
10 applicable Article, the provisions of this Section shall  
11 control.

12 (b) The provisions of this Section apply to a person who,  
13 on or after July 1, 2014, first begins participating in a  
14 retirement system established under Article 2, 14, 15, 16, or  
15 18 of this Code, with respect to that person's participation in  
16 the applicable retirement system.

17 (c) As used in this Section:

18 "Final average salary" means the average monthly (or  
19 annual) salary obtained by dividing the participant's total  
20 salary, compensation, or earnings as determined under the  
21 applicable Article of this Code for the final 36 months of  
22 service by the number of months (or years) of service in that  
23 period.

24 "Interest at the experienced rate" means the interest rate  
25 for all or any part of a fiscal year that is determined by the  
26 board of the applicable retirement system to represent the

1 actual investment earnings of the system; or, if those actual  
2 earnings are not yet known, then the projected rate of earnings  
3 based on factors including the system's past and expected  
4 investment experience, historical and expected fluctuations in  
5 the market value of investments, the desirability of minimizing  
6 volatility in the effective rate of interest from year to year,  
7 and the provision of reserves for anticipated losses upon sale,  
8 redemption, or other disposition of investments and for  
9 variations in interest experience.

10 (d) In lieu of the retirement annuity otherwise provided  
11 for under the applicable Article of this Code, a Tier III  
12 participant, upon reaching eligibility for a retirement  
13 annuity under the applicable Article, shall instead be entitled  
14 to receive an initial retirement annuity determined as provided  
15 in this Section, consisting of whichever of the following is  
16 higher:

17 (1) The defined benefit calculation, which shall  
18 consist of 1.6% of final average salary for each year of  
19 service.

20 (2) The defined contribution calculation, which shall  
21 consist of the annuity that can be provided on an  
22 actuarially equivalent basis from the sum of (i) the  
23 participant's contributions to the applicable retirement  
24 system, plus (ii) the total of the State and actual  
25 employer contributions to the applicable retirement system  
26 with respect to the participant, plus (iii) interest at the

1 experienced rate on the amounts specified in items (i) and  
2 (ii), calculated to the date of retirement.

3 (e) The retirement annuity shall be subject to annual  
4 post-retirement adjustments on each January 1, in an amount  
5 determined by the applicable retirement system, based solely on  
6 the retirement system's investment return for the previous  
7 fiscal year. If the experienced investment return exceeds the  
8 assumed rate, the annuity may be increased, and if the  
9 experienced investment return is less than the assumed rate,  
10 the annuity may be decreased. The increase or decrease shall be  
11 a percentage of the annuity amount then payable, and shall be a  
12 uniform percentage for all Tier III participants receiving a  
13 retirement annuity from the applicable retirement system on the  
14 annual adjustment date. Any increase in annuity is a  
15 non-guaranteed dividend and is not guaranteed to continue  
16 beyond the next annual adjustment date.

17 (f) For a Tier III participant, the required employee  
18 contributions otherwise specified in the applicable Article  
19 shall be subject to annual adjustments on each January 1, in an  
20 amount determined by the applicable retirement system, based  
21 solely on the retirement system's investment return for the  
22 previous fiscal year. If the experienced investment return  
23 exceeds the assumed rate, the employee contribution rate may be  
24 increased, and if the experienced investment return is less  
25 than the assumed rate, the employee contribution rate may be  
26 decreased. The increase or decrease shall be a percentage of

1 the participant's salary, compensation, or earnings, and shall  
2 be a uniform percentage for all Tier III participants under the  
3 applicable retirement system. Any increase or decrease in  
4 employee contribution rates shall apply equally to the required  
5 State or employer contribution rate.

6 A Tier III participant who does not participate in Social  
7 Security with respect to his or her Tier III service may elect  
8 to contribute an additional 7.65% of each payment of salary,  
9 compensation, or earnings for retirement annuity in order to  
10 increase the amount of annuity available under the defined  
11 contribution calculation.

12 (g) The participant's employer may agree to pay some or all  
13 of the employee contribution, depending on the employer's  
14 contribution plan or collective bargaining agreements.

15 (h) Affected retirement systems may adopt rules and  
16 procedures as necessary or useful for the effective  
17 implementation of this Section.

18  
19 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

20 Sec. 2-124. Contributions by State.

21 (a) The State shall make contributions to the System by  
22 appropriations of amounts which, together with the  
23 contributions of participants, interest earned on investments,  
24 and other income will meet the cost of maintaining and  
25 administering the System on a 90% funded basis in accordance

1 with actuarial recommendations.

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

7 (c) For State fiscal year 2015 and thereafter, the minimum  
8 contribution to the System to be made by the State for each  
9 fiscal year shall be an amount determined by the System to be  
10 equal to the sum of the following:

11 (1) representing the State's portion of the projected  
12 normal cost for that fiscal year relating to Tier III  
13 participants under Section 1-163, a percentage of the  
14 applicable Tier III participant payroll equal to the Tier  
15 III participant contribution rate, as annually adjusted  
16 under Section 1-163, plus a matching 7.65% of payroll for  
17 each participant who elects to make the optional employee  
18 contribution authorized for participants ineligible for  
19 Social Security; plus

20 (2) the State's portion of the projected normal cost  
21 for that fiscal year relating to participants other than  
22 Tier III participants; plus

23 (3) an amount sufficient to amortize the unfunded  
24 accrued liability of the System under a rolling 30-yr  
25 amortization period. In making these determinations, the  
26 required State contribution under this item (3) shall be

1       calculated each year as a level percentage of payroll and  
2       shall be determined under the projected unit credit  
3       actuarial cost method.

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

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

19      Notwithstanding any other provision of this Article, the  
20      total required State contribution for State fiscal year 2006 is  
21      \$4,157,000.

22      Notwithstanding any other provision of this Article, the  
23      total required State contribution for State fiscal year 2007 is  
24      \$5,220,300.

25      For each of State fiscal years 2008 through 2009, the State  
26      contribution to the System, as a percentage of the applicable

1 employee payroll, shall be increased in equal annual increments  
2 from the required State contribution for State fiscal year  
3 2007, so that by State fiscal year 2011, the State is  
4 contributing at the rate otherwise required under this Section.

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

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

26 ~~Beginning in State fiscal year 2046, the minimum State~~



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

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

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

1 7.2, as determined and certified by the Comptroller, that is  
2 the same as the System's portion of the total moneys  
3 distributed under subsection (d) of Section 7.2 of the General  
4 Obligation Bond Act. In determining this maximum for State  
5 fiscal years 2008 through 2010, however, the amount referred to  
6 in item (i) shall be increased, as a percentage of the  
7 applicable employee payroll, in equal increments calculated  
8 from the sum of the required State contribution for State  
9 fiscal year 2007 plus the applicable portion of the State's  
10 total debt service payments for fiscal year 2007 on the bonds  
11 issued in fiscal year 2003 for the purposes of Section 7.2 of  
12 the General Obligation Bond Act, so that, by State fiscal year  
13 2011, the State is contributing at the rate otherwise required  
14 under this Section. When the State's total debt service  
15 obligation for those bonds has ended, any funds remaining  
16 available for the payment of that debt service shall be  
17 distributed to this System and the 4 other State-funded  
18 retirement systems, in the same proportion as the total moneys  
19 distributed under subsection (d) of Section 7.2 of the General  
20 Obligation Bond Act, to be used to reduce their unfunded  
21 actuarial liabilities.

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

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

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

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

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

14 (40 ILCS 5/14-131)

15 Sec. 14-131. Contributions by State.

16 (a) The State shall make contributions to the System by  
17 appropriations of amounts which, together with other employer  
18 contributions from trust, federal, and other funds, employee  
19 contributions, investment income, and other income, will be  
20 sufficient to meet the cost of maintaining and administering  
21 the System on a 90% funded basis in accordance with actuarial  
22 recommendations.

23 For the purposes of this Section and Section 14-135.08,  
24 references to State contributions refer only to employer  
25 contributions and do not include employee contributions that

1 are picked up or otherwise paid by the State or a department on  
2 behalf of the employee.

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

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

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

25 (c) Contributions shall be made by the several departments  
26 for each pay period by warrants drawn by the State Comptroller

1 against their respective funds or appropriations based upon  
2 vouchers stating the amount to be so contributed. These amounts  
3 shall be based on the full rate certified by the Board under  
4 Section 14-135.08 for that fiscal year. From the effective date  
5 of this amendatory Act of the 93rd General Assembly through the  
6 payment of the final payroll from fiscal year 2004  
7 appropriations, the several departments shall not make  
8 contributions for the remainder of fiscal year 2004 but shall  
9 instead make payments as required under subsection (a-1) of  
10 Section 14.1 of the State Finance Act. The several departments  
11 shall resume those contributions at the commencement of fiscal  
12 year 2005.

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

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

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

15 (e) For State fiscal year 2015 and each fiscal year  
16 thereafter, the minimum contribution to the System to be made  
17 by the State for each fiscal year shall be the sum of the  
18 following:

19 (1) representing the State's portion of the projected  
20 normal cost for that fiscal year relating to Tier III  
21 participants under Section 1-163, a percentage of the  
22 applicable Tier III participant payroll equal to the Tier  
23 III participant contribution rate, as annually adjusted  
24 under Section 1-163, plus a matching 7.65% of payroll for  
25 each participant who elects to make the optional employee  
26 contribution authorized for participants ineligible for

1       Social Security; plus

2           (2) the State's portion of the projected normal cost  
3       for that fiscal year relating to participants other than  
4       Tier III participants; plus

5           (3) an amount sufficient to amortize the unfunded  
6       accrued liability of the System under a rolling 30-ye  
7       amortization period. In making these determinations, the  
8       required State contribution under this item (3) shall be  
9       calculated each year as a level percentage of payroll and  
10       shall be determined under the projected unit credit  
11       actuarial cost method.

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

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

1 fiscal year 1998, for all purposes of this Code and any other  
2 law of this State, the certified percentage of the applicable  
3 employee payroll shall be 5.052% for employees earning eligible  
4 creditable service under Section 14-110 and 6.500% for all  
5 other employees, notwithstanding any contrary certification  
6 made under Section 14-135.08 before the effective date of this  
7 amendatory Act of 1997, and (ii) in the following specified  
8 State fiscal years, the State contribution to the System shall  
9 not be less than the following indicated percentages of the  
10 applicable employee payroll, even if the indicated percentage  
11 will produce a State contribution in excess of the amount  
12 otherwise required under this subsection and subsection (a):  
13 9.8% in FY 1999; 10.0% in FY 2000; 10.2% in FY 2001; 10.4% in FY  
14 2002; 10.6% in FY 2003; and 10.8% in FY 2004.

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

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

21 For each of State fiscal years 2008 through 2009, the State  
22 contribution to the System, as a percentage of the applicable  
23 employee payroll, shall be increased in equal annual increments  
24 from the required State contribution for State fiscal year  
25 2007, so that by State fiscal year 2011, the State is  
26 contributing at the rate otherwise required under this Section.



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

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

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

26           Amounts received by the System pursuant to Section 25 of

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

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

1 fiscal years 2008 through 2010, however, the amount referred to  
2 in item (i) shall be increased, as a percentage of the  
3 applicable employee payroll, in equal increments calculated  
4 from the sum of the required State contribution for State  
5 fiscal year 2007 plus the applicable portion of the State's  
6 total debt service payments for fiscal year 2007 on the bonds  
7 issued in fiscal year 2003 for the purposes of Section 7.2 of  
8 the General Obligation Bond Act, so that, by State fiscal year  
9 2011, the State is contributing at the rate otherwise required  
10 under this Section. When the State's total debt service  
11 obligation for those bonds has ended, any funds remaining  
12 available for the payment of that debt service shall be  
13 distributed to this System and the 4 other State-funded  
14 retirement systems, in the same proportion as the total moneys  
15 distributed under subsection (d) of Section 7.2 of the General  
16 Obligation Bond Act, to be used to reduce their unfunded  
17 actuarial liabilities.

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

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

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

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

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

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

1 Revenue Fund as soon as practicable after the certification.

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

25 (k) For fiscal years 2012 and 2013 only, after the  
26 submission of all payments for eligible employees from personal

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

20 (Source: P.A. 96-43, eff. 7-15-09; 96-45, eff. 7-15-09;  
21 96-1000, eff. 7-2-10; 96-1497, eff. 1-14-11; 96-1511, eff.  
22 1-27-11; 96-1554, eff. 3-18-11; 97-72, eff. 7-1-11; 97-732,  
23 eff. 6-30-12.)

24 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)  
25 Sec. 15-155. Employer contributions.

1           (a) The State of Illinois shall make contributions by  
2 appropriations of amounts which, together with the other  
3 employer contributions from trust, federal, and other funds,  
4 employee contributions, income from investments, and other  
5 income of this System, will be sufficient to meet the cost of  
6 maintaining and administering the System on a 90% funded basis  
7 in accordance with actuarial recommendations.

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

13           (a-1) For State fiscal year 2015 and thereafter, the  
14 minimum contribution to the System to be made by the State for  
15 each fiscal year shall be an amount determined by the System to  
16 be equal to the sum of the following:

17           (1) representing the State's portion of the projected  
18 normal cost for that fiscal year relating to Tier III  
19 participants under Section 1-163, a percentage of the  
20 applicable Tier III participant payroll equal to the Tier  
21 III participant contribution rate, as annually adjusted  
22 under Section 1-163, plus a matching 7.65% of payroll for  
23 each participant who elects to make the optional employee  
24 contribution authorized for participants ineligible for  
25 Social Security; plus

26           (2) the State's portion of the projected normal cost



1 for that fiscal year relating to participants other than  
2 Tier III participants; plus

3 (3) an amount determined by the Board, sufficient to  
4 amortize, under a rolling 30-yr amortization period, the  
5 unfunded accrued liability of the System not relating to  
6 Tier III participants. In making these determinations, the  
7 required State contribution under this item (3) shall be  
8 calculated each year as a level percentage of payroll and  
9 shall be determined under the projected unit credit  
10 actuarial cost method.

11 For State fiscal year 2015 and thereafter, the actual  
12 employer shall contribute to the System an amount determined by  
13 the Board, sufficient to amortize, under a rolling 30-yr  
14 amortization period, the unfunded accrued liability of the  
15 System relating to Tier III participants of that employer.

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

26 For State fiscal years 1996 through 2005, the State

1 contribution to the System, as a percentage of the applicable  
2 employee payroll, shall be increased in equal annual increments  
3 so that by State fiscal year 2011, the State is contributing at  
4 the rate required under this Section.

5 Notwithstanding any other provision of this Article, the  
6 total required State contribution for State fiscal year 2006 is  
7 \$166,641,900.

8 Notwithstanding any other provision of this Article, the  
9 total required State contribution for State fiscal year 2007 is  
10 \$252,064,100.

11 For each of State fiscal years 2008 through 2009, the State  
12 contribution to the System, as a percentage of the applicable  
13 employee payroll, shall be increased in equal annual increments  
14 from the required State contribution for State fiscal year  
15 2007, so that by State fiscal year 2011, the State is  
16 contributing at the rate otherwise required under this Section.

17 Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2010 is  
19 \$702,514,000 and shall be made from the State Pensions Fund and  
20 proceeds of bonds sold in fiscal year 2010 pursuant to Section  
21 7.2 of the General Obligation Bond Act, less (i) the pro rata  
22 share of bond sale expenses determined by the System's share of  
23 total bond proceeds, (ii) any amounts received from the General  
24 Revenue Fund in fiscal year 2010, (iii) any reduction in bond  
25 proceeds due to the issuance of discounted bonds, if  
26 applicable.

1           Notwithstanding any other provision of this Article, the  
2 total required State contribution for State fiscal year 2011 is  
3 the amount recertified by the System on or before April 1, 2011  
4 pursuant to Section 15-165 and shall be made from the State  
5 Pensions Fund and proceeds of bonds sold in fiscal year 2011  
6 pursuant to Section 7.2 of the General Obligation Bond Act,  
7 less (i) the pro rata share of bond sale expenses determined by  
8 the System's share of total bond proceeds, (ii) any amounts  
9 received from the General Revenue Fund in fiscal year 2011, and  
10 (iii) any reduction in bond proceeds due to the issuance of  
11 discounted bonds, if applicable.

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

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

1 System under Section 25 of the Budget Stabilization Act.

2 Notwithstanding any other provision of this Section, the  
3 required State contribution for State fiscal year 2005 and for  
4 fiscal year 2008 and each fiscal year thereafter, as calculated  
5 under this Section and certified under Section 15-165, shall  
6 not exceed an amount equal to (i) the amount of the required  
7 State contribution that would have been calculated under this  
8 Section for that fiscal year if the System had not received any  
9 payments under subsection (d) of Section 7.2 of the General  
10 Obligation Bond Act, minus (ii) the portion of the State's  
11 total debt service payments for that fiscal year on the bonds  
12 issued in fiscal year 2003 for the purposes of that Section  
13 7.2, as determined and certified by the Comptroller, that is  
14 the same as the System's portion of the total moneys  
15 distributed under subsection (d) of Section 7.2 of the General  
16 Obligation Bond Act. In determining this maximum for State  
17 fiscal years 2008 through 2010, however, the amount referred to  
18 in item (i) shall be increased, as a percentage of the  
19 applicable employee payroll, in equal increments calculated  
20 from the sum of the required State contribution for State  
21 fiscal year 2007 plus the applicable portion of the State's  
22 total debt service payments for fiscal year 2007 on the bonds  
23 issued in fiscal year 2003 for the purposes of Section 7.2 of  
24 the General Obligation Bond Act, so that, by State fiscal year  
25 2011, the State is contributing at the rate otherwise required  
26 under this Section. When the State's total debt service

1 obligation for those bonds has ended, any funds remaining  
2 available for the payment of that debt service shall be  
3 distributed to this System and the 4 other State-funded  
4 retirement systems, in the same proportion as the total moneys  
5 distributed under subsection (d) of Section 7.2 of the General  
6 Obligation Bond Act, to be used to reduce their unfunded  
7 actuarial liabilities.

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

23 (b-1) The City of Urbana and the City of Champaign shall  
24 each make employer contributions to this System for their  
25 respective firefighter employees who participate in this  
26 System pursuant to subsection (h) of Section 15-107. The rate

1 of contributions to be made by those municipalities shall be  
2 determined annually by the Board on the basis of the actuarial  
3 assumptions adopted by the Board and the recommendations of the  
4 actuary, and shall be expressed as a percentage of salary for  
5 each such employee. The Board shall certify the rate to the  
6 affected municipalities as soon as may be practical. The  
7 employer contributions required under this subsection shall be  
8 remitted by the municipality to the System at the same time and  
9 in the same manner as employee contributions.

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

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

26 (e) The State Comptroller shall draw warrants payable to

1 the System upon proper certification by the System or by the  
2 employer in accordance with the appropriation laws and this  
3 Code.

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

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

1 documentation.

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

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

26 (h) This subsection (h) applies only to payments made or



1 salary increases given on or after June 1, 2005 but before July  
2 1, 2011. The changes made by Public Act 94-1057 shall not  
3 require the System to refund any payments received before July  
4 31, 2006 (the effective date of Public Act 94-1057).

5 When assessing payment for any amount due under subsection  
6 (g), the System shall exclude earnings increases paid to  
7 participants under contracts or collective bargaining  
8 agreements entered into, amended, or renewed before June 1,  
9 2005.

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

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

1 mission.

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

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

26       (j) The System shall prepare a report and file copies of

1 the report with the Governor and the General Assembly by  
2 January 1, 2007 that contains all of the following information:

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

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

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

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

15 (k) The Illinois Community College Board shall adopt rules  
16 for recommending lists of promotional positions submitted to  
17 the Board by community colleges and for reviewing the  
18 promotional lists on an annual basis. When recommending  
19 promotional lists, the Board shall consider the similarity of  
20 the positions submitted to those positions recognized for State  
21 universities by the State Universities Civil Service System.  
22 The Illinois Community College Board shall file a copy of its  
23 findings with the System. The System shall consider the  
24 findings of the Illinois Community College Board when making  
25 determinations under this Section. The System shall not exclude  
26 any earnings increases resulting from a promotion when the

1 promotion was not submitted by a community college. Nothing in  
2 this subsection (k) shall require any community college to  
3 submit any information to the Community College Board.

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

8 As of June 30, 2008, the actuarial value of the System's  
9 assets shall be equal to the market value of the assets as of  
10 that date. In determining the actuarial value of the System's  
11 assets for fiscal years after June 30, 2008, any actuarial  
12 gains or losses from investment return incurred in a fiscal  
13 year shall be recognized in equal annual amounts over the  
14 5-year period following that fiscal year.

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

19 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
20 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.  
21 7-13-12; revised 10-17-12.)

22 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

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

25 (a) The State shall make contributions to the System by

1 means of appropriations from the Common School Fund and other  
2 State funds of amounts which, together with other employer  
3 contributions, employee contributions, investment income, and  
4 other income, will be sufficient to meet the cost of  
5 maintaining and administering the System on a 90% funded basis  
6 in accordance with actuarial recommendations.

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

12 (a-1) Annually, on or before November 15 until November 15,  
13 2011, the Board shall certify to the Governor the amount of the  
14 required State contribution for the coming fiscal year. The  
15 certification under this subsection (a-1) shall include a copy  
16 of the actuarial recommendations upon which it is based and  
17 shall specifically identify the System's projected State  
18 normal cost for that fiscal year.

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

25 On or before July 1, 2005, the Board shall recalculate and  
26 recertify to the Governor the amount of the required State

1 contribution to the System for State fiscal year 2006, taking  
2 into account the changes in required State contributions made  
3 by this amendatory Act of the 94th General Assembly.

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

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

1 for not following the State Actuary's recommended changes, and  
2 the fiscal impact of not following the State Actuary's  
3 recommended changes on the required State contribution.

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

7 (b-1) Beginning in State fiscal year 1996, on the 15th day  
8 of each month, or as soon thereafter as may be practicable, the  
9 Board shall submit vouchers for payment of State contributions  
10 to the System, in a total monthly amount of one-twelfth of the  
11 required annual State contribution certified under subsection  
12 (a-1). From the effective date of this amendatory Act of the  
13 93rd General Assembly through June 30, 2004, the Board shall  
14 not submit vouchers for the remainder of fiscal year 2004 in  
15 excess of the fiscal year 2004 certified contribution amount  
16 determined under this Section after taking into consideration  
17 the transfer to the System under subsection (a) of Section  
18 6z-61 of the State Finance Act. These vouchers shall be paid by  
19 the State Comptroller and Treasurer by warrants drawn on the  
20 funds appropriated to the System for that fiscal year.

21 If in any month the amount remaining unexpended from all  
22 other appropriations to the System for the applicable fiscal  
23 year (including the appropriations to the System under Section  
24 8.12 of the State Finance Act and Section 1 of the State  
25 Pension Funds Continuing Appropriation Act) is less than the  
26 amount lawfully vouchered under this subsection, the

1 difference shall be paid from the Common School Fund under the  
2 continuing appropriation authority provided in Section 1.1 of  
3 the State Pension Funds Continuing Appropriation Act.

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

7 (b-3) For State fiscal year 2015 and thereafter, the  
8 minimum contribution to the System to be made by the State for  
9 each fiscal year shall be an amount determined by the System to  
10 be equal to the sum of the following:

11 (1) representing the State's portion of the projected  
12 normal cost for that fiscal year relating to Tier III  
13 participants under Section 1-163, a percentage of the  
14 applicable Tier III participant payroll equal to the Tier  
15 III participant contribution rate, as annually adjusted  
16 under Section 1-163, plus a matching 7.65% of payroll for  
17 each participant who elects to make the optional employee  
18 contribution authorized for participants ineligible for  
19 Social Security; plus

20 (2) the State's portion of the projected normal cost  
21 for that fiscal year relating to participants other than  
22 Tier III participants; plus

23 (3) an amount determined by the Board, sufficient to  
24 amortize, under a rolling 30-yr amortization period, the  
25 unfunded accrued liability of the System not relating to  
26 Tier III participants. In making these determinations, the



1       required State contribution under this item (3) shall be  
2       calculated each year as a level percentage of payroll and  
3       shall be determined under the projected unit credit  
4       actuarial cost method.

5       For State fiscal year 2015 and thereafter, the actual  
6       employer shall contribute to the System an amount determined by  
7       the Board, sufficient to amortize, under a rolling 30-ye  
8       amortization period, the unfunded accrued liability of the  
9       System relating to Tier III participants of that employer.

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

20       For State fiscal years 1996 through 2005, the State  
21       contribution to the System, as a percentage of the applicable  
22       employee payroll, shall be increased in equal annual increments  
23       so that by State fiscal year 2011, the State is contributing at  
24       the rate required under this Section; except that in the  
25       following specified State fiscal years, the State contribution  
26       to the System shall not be less than the following indicated

1 percentages of the applicable employee payroll, even if the  
2 indicated percentage will produce a State contribution in  
3 excess of the amount otherwise required under this subsection  
4 and subsection (a), and notwithstanding any contrary  
5 certification made under subsection (a-1) before the effective  
6 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%  
7 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY  
8 2003; and 13.56% in FY 2004.

9 Notwithstanding any other provision of this Article, the  
10 total required State contribution for State fiscal year 2006 is  
11 \$534,627,700.

12 Notwithstanding any other provision of this Article, the  
13 total required State contribution for State fiscal year 2007 is  
14 \$738,014,500.

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

21 Notwithstanding any other provision of this Article, the  
22 total required State contribution for State fiscal year 2010 is  
23 \$2,089,268,000 and shall be made from the proceeds of bonds  
24 sold in fiscal year 2010 pursuant to Section 7.2 of the General  
25 Obligation Bond Act, less (i) the pro rata share of bond sale  
26 expenses determined by the System's share of total bond

1 proceeds, (ii) any amounts received from the Common School Fund  
2 in fiscal year 2010, and (iii) any reduction in bond proceeds  
3 due to the issuance of discounted bonds, if applicable.

4 Notwithstanding any other provision of this Article, the  
5 total required State contribution for State fiscal year 2011 is  
6 the amount recertified by the System on or before April 1, 2011  
7 pursuant to subsection (a-1) of this Section and shall be made  
8 from the proceeds of bonds sold in fiscal year 2011 pursuant to  
9 Section 7.2 of the General Obligation Bond Act, less (i) the  
10 pro rata share of bond sale expenses determined by the System's  
11 share of total bond proceeds, (ii) any amounts received from  
12 the Common School Fund in fiscal year 2011, and (iii) any  
13 reduction in bond proceeds due to the issuance of discounted  
14 bonds, if applicable. This amount shall include, in addition to  
15 the amount certified by the System, an amount necessary to meet  
16 employer contributions required by the State as an employer  
17 under paragraph (e) of this Section, which may also be used by  
18 the System for contributions required by paragraph (a) of  
19 Section 16-127.

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

24 Amounts received by the System pursuant to Section 25 of  
25 the Budget Stabilization Act or Section 8.12 of the State  
26 Finance Act in any fiscal year do not reduce and do not

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

10 Notwithstanding any other provision of this Section, the  
11 required State contribution for State fiscal year 2005 and for  
12 fiscal year 2008 and each fiscal year thereafter, as calculated  
13 under this Section and certified under subsection (a-1), shall  
14 not exceed an amount equal to (i) the amount of the required  
15 State contribution that would have been calculated under this  
16 Section for that fiscal year if the System had not received any  
17 payments under subsection (d) of Section 7.2 of the General  
18 Obligation Bond Act, minus (ii) the portion of the State's  
19 total debt service payments for that fiscal year on the bonds  
20 issued in fiscal year 2003 for the purposes of that Section  
21 7.2, as determined and certified by the Comptroller, that is  
22 the same as the System's portion of the total moneys  
23 distributed under subsection (d) of Section 7.2 of the General  
24 Obligation Bond Act. In determining this maximum for State  
25 fiscal years 2008 through 2010, however, the amount referred to  
26 in item (i) shall be increased, as a percentage of the

1 applicable employee payroll, in equal increments calculated  
2 from the sum of the required State contribution for State  
3 fiscal year 2007 plus the applicable portion of the State's  
4 total debt service payments for fiscal year 2007 on the bonds  
5 issued in fiscal year 2003 for the purposes of Section 7.2 of  
6 the General Obligation Bond Act, so that, by State fiscal year  
7 2011, the State is contributing at the rate otherwise required  
8 under this Section. When the State's total debt service  
9 obligation for those bonds has ended, any funds remaining  
10 available for the payment of that debt service shall be  
11 distributed to this System and the 4 other State-funded  
12 retirement systems, in the same proportion as the total moneys  
13 distributed under subsection (d) of Section 7.2 of the General  
14 Obligation Bond Act, to be used to reduce their unfunded  
15 actuarial liabilities.

16 (c) Payment of the required State contributions and of all  
17 pensions, retirement annuities, death benefits, refunds, and  
18 other benefits granted under or assumed by this System, and all  
19 expenses in connection with the administration and operation  
20 thereof, are obligations of the State.

21 If members are paid from special trust or federal funds  
22 which are administered by the employing unit, whether school  
23 district or other unit, the employing unit shall pay to the  
24 System from such funds the full accruing retirement costs based  
25 upon that service, as determined by the System. Employer  
26 contributions, based on salary paid to members from federal

1 funds, may be forwarded by the distributing agency of the State  
2 of Illinois to the System prior to allocation, in an amount  
3 determined in accordance with guidelines established by such  
4 agency and the System.

5 (d) Effective July 1, 1986, any employer of a teacher as  
6 defined in paragraph (8) of Section 16-106 shall pay the  
7 employer's normal cost of benefits based upon the teacher's  
8 service, in addition to employee contributions, as determined  
9 by the System. Such employer contributions shall be forwarded  
10 monthly in accordance with guidelines established by the  
11 System.

12 However, with respect to benefits granted under Section  
13 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)  
14 of Section 16-106, the employer's contribution shall be 12%  
15 (rather than 20%) of the member's highest annual salary rate  
16 for each year of creditable service granted, and the employer  
17 shall also pay the required employee contribution on behalf of  
18 the teacher. For the purposes of Sections 16-133.4 and  
19 16-133.5, a teacher as defined in paragraph (8) of Section  
20 16-106 who is serving in that capacity while on leave of  
21 absence from another employer under this Article shall not be  
22 considered an employee of the employer from which the teacher  
23 is on leave.

24 (e) Beginning July 1, 1998, every employer of a teacher  
25 shall pay to the System an employer contribution computed as  
26 follows:

1           (1) Beginning July 1, 1998 through June 30, 1999, the  
2           employer contribution shall be equal to 0.3% of each  
3           teacher's salary.

4           (2) Beginning July 1, 1999 and thereafter, the employer  
5           contribution shall be equal to 0.58% of each teacher's  
6           salary.

7           The school district or other employing unit may pay these  
8           employer contributions out of any source of funding available  
9           for that purpose and shall forward the contributions to the  
10          System on the schedule established for the payment of member  
11          contributions.

12          These employer contributions are intended to offset a  
13          portion of the cost to the System of the increases in  
14          retirement benefits resulting from this amendatory Act of 1998.

15          Each employer of teachers is entitled to a credit against  
16          the contributions required under this subsection (e) with  
17          respect to salaries paid to teachers for the period January 1,  
18          2002 through June 30, 2003, equal to the amount paid by that  
19          employer under subsection (a-5) of Section 6.6 of the State  
20          Employees Group Insurance Act of 1971 with respect to salaries  
21          paid to teachers for that period.

22          The additional 1% employee contribution required under  
23          Section 16-152 by this amendatory Act of 1998 is the  
24          responsibility of the teacher and not the teacher's employer,  
25          unless the employer agrees, through collective bargaining or  
26          otherwise, to make the contribution on behalf of the teacher.

1           If an employer is required by a contract in effect on May  
2 1, 1998 between the employer and an employee organization to  
3 pay, on behalf of all its full-time employees covered by this  
4 Article, all mandatory employee contributions required under  
5 this Article, then the employer shall be excused from paying  
6 the employer contribution required under this subsection (e)  
7 for the balance of the term of that contract. The employer and  
8 the employee organization shall jointly certify to the System  
9 the existence of the contractual requirement, in such form as  
10 the System may prescribe. This exclusion shall cease upon the  
11 termination, extension, or renewal of the contract at any time  
12 after May 1, 1998.

13           (f) If the amount of a teacher's salary for any school year  
14 used to determine final average salary exceeds the member's  
15 annual full-time salary rate with the same employer for the  
16 previous school year by more than 6%, the teacher's employer  
17 shall pay to the System, in addition to all other payments  
18 required under this Section and in accordance with guidelines  
19 established by the System, the present value of the increase in  
20 benefits resulting from the portion of the increase in salary  
21 that is in excess of 6%. This present value shall be computed  
22 by the System on the basis of the actuarial assumptions and  
23 tables used in the most recent actuarial valuation of the  
24 System that is available at the time of the computation. If a  
25 teacher's salary for the 2005-2006 school year is used to  
26 determine final average salary under this subsection (f), then



1 the changes made to this subsection (f) by Public Act 94-1057  
2 shall apply in calculating whether the increase in his or her  
3 salary is in excess of 6%. For the purposes of this Section,  
4 change in employment under Section 10-21.12 of the School Code  
5 on or after June 1, 2005 shall constitute a change in employer.  
6 The System may require the employer to provide any pertinent  
7 information or documentation. The changes made to this  
8 subsection (f) by this amendatory Act of the 94th General  
9 Assembly apply without regard to whether the teacher was in  
10 service on or after its effective date.

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

26 The employer contributions required under this subsection

1 (f) may be paid in the form of a lump sum within 90 days after  
2 receipt of the bill. If the employer contributions are not paid  
3 within 90 days after receipt of the bill, then interest will be  
4 charged at a rate equal to the System's annual actuarially  
5 assumed rate of return on investment compounded annually from  
6 the 91st day after receipt of the bill. Payments must be  
7 concluded within 3 years after the employer's receipt of the  
8 bill.

9 (g) This subsection (g) applies only to payments made or  
10 salary increases given on or after June 1, 2005 but before July  
11 1, 2011. The changes made by Public Act 94-1057 shall not  
12 require the System to refund any payments received before July  
13 31, 2006 (the effective date of Public Act 94-1057).

14 When assessing payment for any amount due under subsection  
15 (f), the System shall exclude salary increases paid to teachers  
16 under contracts or collective bargaining agreements entered  
17 into, amended, or renewed before June 1, 2005.

18 When assessing payment for any amount due under subsection  
19 (f), the System shall exclude salary increases paid to a  
20 teacher at a time when the teacher is 10 or more years from  
21 retirement eligibility under Section 16-132 or 16-133.2.

22 When assessing payment for any amount due under subsection  
23 (f), the System shall exclude salary increases resulting from  
24 overload work, including summer school, when the school  
25 district has certified to the System, and the System has  
26 approved the certification, that (i) the overload work is for

1 the sole purpose of classroom instruction in excess of the  
2 standard number of classes for a full-time teacher in a school  
3 district during a school year and (ii) the salary increases are  
4 equal to or less than the rate of pay for classroom instruction  
5 computed on the teacher's current salary and work schedule.

6 When assessing payment for any amount due under subsection  
7 (f), the System shall exclude a salary increase resulting from  
8 a promotion (i) for which the employee is required to hold a  
9 certificate or supervisory endorsement issued by the State  
10 Teacher Certification Board that is a different certification  
11 or supervisory endorsement than is required for the teacher's  
12 previous position and (ii) to a position that has existed and  
13 been filled by a member for no less than one complete academic  
14 year and the salary increase from the promotion is an increase  
15 that results in an amount no greater than the lesser of the  
16 average salary paid for other similar positions in the district  
17 requiring the same certification or the amount stipulated in  
18 the collective bargaining agreement for a similar position  
19 requiring the same certification.

20 When assessing payment for any amount due under subsection  
21 (f), the System shall exclude any payment to the teacher from  
22 the State of Illinois or the State Board of Education over  
23 which the employer does not have discretion, notwithstanding  
24 that the payment is included in the computation of final  
25 average salary.

26 (h) When assessing payment for any amount due under

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

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

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

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

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

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

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

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

3 As of June 30, 2008, the actuarial value of the System's  
4 assets shall be equal to the market value of the assets as of  
5 that date. In determining the actuarial value of the System's  
6 assets for fiscal years after June 30, 2008, any actuarial  
7 gains or losses from investment return incurred in a fiscal  
8 year shall be recognized in equal annual amounts over the  
9 5-year period following that fiscal year.

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

14 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;  
15 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-694, eff.  
16 6-18-12; 97-813, eff. 7-13-12.)

17 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

18 Sec. 18-131. Financing; employer contributions.

19 (a) The State of Illinois shall make contributions to this  
20 System by appropriations of the amounts which, together with  
21 the contributions of participants, net earnings on  
22 investments, and other income, will meet the costs of  
23 maintaining and administering this System on a 90% funded basis  
24 in accordance with actuarial recommendations.

25 (b) The Board shall determine the amount of State

1 contributions required for each fiscal year on the basis of the  
2 actuarial tables and other assumptions adopted by the Board and  
3 the prescribed rate of interest, using the formula in  
4 subsection (c).

5 (c) For State fiscal year 2015 and each fiscal year  
6 thereafter, the minimum contribution to the System to be made  
7 by the State for each fiscal year shall be the sum of the  
8 following:

9 (1) representing the State's portion of the projected  
10 normal cost for that fiscal year relating to Tier III  
11 participants under Section 1-163, a percentage of the  
12 applicable Tier III participant payroll equal to the Tier  
13 III participant contribution rate, as annually adjusted  
14 under Section 1-163, plus a matching 7.65% of payroll for  
15 each participant who elects to make the optional employee  
16 contribution authorized for participants ineligible for  
17 Social Security; plus

18 (2) the State's portion of the projected normal cost  
19 for that fiscal year relating to participants other than  
20 Tier III participants; plus

21 (3) an amount sufficient to amortize the unfunded  
22 accrued liability of the System under a rolling 30-yr  
23 amortization period. In making these determinations, the  
24 required State contribution under this item (3) shall be  
25 calculated each year as a level percentage of payroll and  
26 shall be determined under the projected unit credit

1           actuarial cost method.

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

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

17           Notwithstanding any other provision of this Article, the  
18 total required State contribution for State fiscal year 2006 is  
19 \$29,189,400.

20           Notwithstanding any other provision of this Article, the  
21 total required State contribution for State fiscal year 2007 is  
22 \$35,236,800.

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

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

3 Notwithstanding any other provision of this Article, the  
4 total required State contribution for State fiscal year 2010 is  
5 \$78,832,000 and shall be made from the proceeds of bonds sold  
6 in fiscal year 2010 pursuant to Section 7.2 of the General  
7 Obligation Bond Act, less (i) the pro rata share of bond sale  
8 expenses determined by the System's share of total bond  
9 proceeds, (ii) any amounts received from the General Revenue  
10 Fund in fiscal year 2010, and (iii) any reduction in bond  
11 proceeds due to the issuance of discounted bonds, if  
12 applicable.

13 Notwithstanding any other provision of this Article, the  
14 total required State contribution for State fiscal year 2011 is  
15 the amount recertified by the System on or before April 1, 2011  
16 pursuant to Section 18-140 and shall be made from the proceeds  
17 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of  
18 the General Obligation Bond Act, less (i) the pro rata share of  
19 bond sale expenses determined by the System's share of total  
20 bond proceeds, (ii) any amounts received from the General  
21 Revenue Fund in fiscal year 2011, and (iii) any reduction in  
22 bond proceeds due to the issuance of discounted bonds, if  
23 applicable.

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



1 ~~actuarial liabilities of the System.~~

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

14       Notwithstanding any other provision of this Section, the  
15 required State contribution for State fiscal year 2005 and for  
16 fiscal year 2008 and each fiscal year thereafter, as calculated  
17 under this Section and certified under Section 18-140, shall  
18 not exceed an amount equal to (i) the amount of the required  
19 State contribution that would have been calculated under this  
20 Section for that fiscal year if the System had not received any  
21 payments under subsection (d) of Section 7.2 of the General  
22 Obligation Bond Act, minus (ii) the portion of the State's  
23 total debt service payments for that fiscal year on the bonds  
24 issued in fiscal year 2003 for the purposes of that Section  
25 7.2, as determined and certified by the Comptroller, that is  
26 the same as the System's portion of the total moneys

1 distributed under subsection (d) of Section 7.2 of the General  
2 Obligation Bond Act. In determining this maximum for State  
3 fiscal years 2008 through 2010, however, the amount referred to  
4 in item (i) shall be increased, as a percentage of the  
5 applicable employee payroll, in equal increments calculated  
6 from the sum of the required State contribution for State  
7 fiscal year 2007 plus the applicable portion of the State's  
8 total debt service payments for fiscal year 2007 on the bonds  
9 issued in fiscal year 2003 for the purposes of Section 7.2 of  
10 the General Obligation Bond Act, so that, by State fiscal year  
11 2011, the State is contributing at the rate otherwise required  
12 under this Section. When the State's total debt service  
13 obligation for those bonds has ended, any funds remaining  
14 available for the payment of that debt service shall be  
15 distributed to this System and the 4 other State-funded  
16 retirement systems, in the same proportion as the total moneys  
17 distributed under subsection (d) of Section 7.2 of the General  
18 Obligation Bond Act, to be used to reduce their unfunded  
19 actuarial liabilities.

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

24 As of June 30, 2008, the actuarial value of the System's  
25 assets shall be equal to the market value of the assets as of  
26 that date. In determining the actuarial value of the System's

1 assets for fiscal years after June 30, 2008, any actuarial  
2 gains or losses from investment return incurred in a fiscal  
3 year shall be recognized in equal annual amounts over the  
4 5-year period following that fiscal year.

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

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

12 Section 90. The State Mandates Act is amended by adding  
13 Section 8.37 as follows:

14 (30 ILCS 805/8.37 new)

15 Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8  
16 of this Act, no reimbursement by the State is required for the  
17 implementation of any mandate created by this amendatory Act of  
18 the 98th General Assembly.

19 Section 99. Effective date. This Act takes effect upon  
20 becoming law.