



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

SB1291

Introduced 2/18/2015, by Sen. Melinda Bush

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/14-103.10	from Ch. 108 1/2, par. 14-103.10
40 ILCS 5/15-111	from Ch. 108 1/2, par. 15-111
110 ILCS 305/90 new	
110 ILCS 520/75 new	
110 ILCS 660/5-185 new	
110 ILCS 665/10-185 new	
110 ILCS 670/15-185 new	
110 ILCS 675/20-190 new	
110 ILCS 680/25-185 new	
110 ILCS 685/30-195 new	
110 ILCS 690/35-190 new	
110 ILCS 805/3-29.11 new	

Amends the State Universities and State Employees Articles of the Illinois Pension Code to specify that severance payments are not included in "earnings" or "compensation" for pension purposes. Amends various Acts relating to the governance of public universities in Illinois and the Public Community College Act. Provides that, with respect to an executive administrator of a university or community college whose final rate of earnings exceeds \$200,000, the governing board of the university or community college district may not award a severance payment to that employee that exceeds 30% of his or her final rate of earnings unless the severance payment is reviewed by the Board of Higher Education or the Illinois Community College Board and the respective Board approves the payment by a record vote of a majority of its members. Effective immediately.

LRB099 09034 NHT 29221 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

A BILL FOR

1 AN ACT concerning severance payments.

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

4 Section 5. The Illinois Pension Code is amended by changing  
5 Sections 14-103.10 and 15-111 as follows:

6 (40 ILCS 5/14-103.10) (from Ch. 108 1/2, par. 14-103.10)  
7 Sec. 14-103.10. Compensation.

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

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

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

1 received by an employee under a sick pay plan in effect before  
2 January 1, 1981, but excluding lump sum salary payments:

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

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

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

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

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

5 (f) Notwithstanding the other provisions of this Section,  
6 for service on or after July 1, 2013, "compensation" does not  
7 include any stipend payable to an employee for service on a  
8 board or commission.

9 Severance payments that are made to facilitate termination  
10 of employment, or to induce someone to retire or not to retire,  
11 and are not for service actually performed do not constitute  
12 "compensation" for the purposes of this Article and shall not  
13 be included in determining final average compensation under  
14 Section 14-103.12.

15 (g) Notwithstanding any other provision of this Section,  
16 for an employee who first becomes a participant on or after the  
17 effective date of this amendatory Act of the 98th General  
18 Assembly, "compensation" does not include any payments or  
19 reimbursements for travel vouchers submitted more than 30 days  
20 after the last day of travel for which the voucher is  
21 submitted.

22 (h) Notwithstanding any other provision of this Code, the  
23 annual compensation of a Tier 1 member for the purposes of this  
24 Code shall not exceed, for periods of service on or after the  
25 effective date of this amendatory Act of the 98th General  
26 Assembly, the greater of (i) the annual limitation determined

1 from time to time under subsection (b-5) of Section 1-160 of  
2 this Code, (ii) the annualized compensation of the Tier 1  
3 member as of that effective date, or (iii) the annualized  
4 compensation of the Tier 1 member immediately preceding the  
5 expiration, renewal, or amendment of an employment contract or  
6 collective bargaining agreement in effect on that effective  
7 date.

8 (Source: P.A. 98-449, eff. 8-16-13; 98-599, eff. 6-1-14.)

9 (40 ILCS 5/15-111) (from Ch. 108 1/2, par. 15-111)

10 Sec. 15-111. Earnings.

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

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

1 of that fire department:

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

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

18 (a-5) Payments made to facilitate termination of  
19 employment or to induce someone to retire, or not to retire,  
20 are not for services rendered but are made in conjunction with  
21 an employee's termination of employment or retirement and are  
22 not "earnings". These payments are also not includable in the  
23 final rate of earnings under Section 15-112.

24 (b) For a Tier 2 member, the annual earnings shall not  
25 exceed \$106,800; however, that amount shall annually  
26 thereafter be increased by the lesser of (i) 3% of that amount,

1 including all previous adjustments, or (ii) one half the annual  
2 unadjusted percentage increase (but not less than zero) in the  
3 consumer price index-u for the 12 months ending with the  
4 September preceding each November 1, including all previous  
5 adjustments.

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

15 (c) Notwithstanding any other provision of this Code, the  
16 annual earnings of a Tier 1 member for the purposes of this  
17 Code shall not exceed, for periods of service on or after the  
18 effective date of this amendatory Act of the 98th General  
19 Assembly, the greater of (i) the annual limitation determined  
20 from time to time under subsection (b-5) of Section 1-160 of  
21 this Code, (ii) the annualized rate of earnings of the Tier 1  
22 member as of that effective date, or (iii) the annualized rate  
23 of earnings of the Tier 1 member immediately preceding the  
24 expiration, renewal, or amendment of an employment contract or  
25 collective bargaining agreement in effect on that effective  
26 date.

1 (Source: P.A. 98-92, eff. 7-16-13; 98-599, eff. 6-1-14.)

2 Section 10. The University of Illinois Act is amended by  
3 adding Section 90 as follows:

4 (110 ILCS 305/90 new)

5 Sec. 90. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board of Trustees may not award a severance payment to that  
18 employee that exceeds 30% of his or her final rate of earnings,  
19 except as provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 15. The Southern Illinois University Management  
3 Act is amended by adding Section 75 as follows:

4 (110 ILCS 520/75 new)

5 Sec. 75. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 20. The Chicago State University Law is amended by  
3 adding Section 5-185 as follows:

4 (110 ILCS 660/5-185 new)

5 Sec. 5-185. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 25. The Eastern Illinois University Law is amended  
3 by adding Section 10-185 as follows:

4 (110 ILCS 665/10-185 new)

5 Sec. 10-185. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 30. The Governors State University Law is amended  
3 by adding Section 15-185 as follows:

4 (110 ILCS 670/15-185 new)

5 Sec. 15-185. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 35. The Illinois State University Law is amended by  
3 adding Section 20-190 as follows:

4 (110 ILCS 675/20-190 new)

5 Sec. 20-190. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 40. The Northeastern Illinois University Law is  
3 amended by adding Section 25-185 as follows:

4 (110 ILCS 680/25-185 new)

5 Sec. 25-185. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 45. The Northern Illinois University Law is amended  
3 by adding Section 30-195 as follows:

4 (110 ILCS 685/30-195 new)

5 Sec. 30-195. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 50. The Western Illinois University Law is amended  
3 by adding Section 35-190 as follows:

4 (110 ILCS 690/35-190 new)

5 Sec. 35-190. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to any executive administrator of the  
16 University whose final rate of earnings exceeds \$200,000, the  
17 Board may not award a severance payment to that employee that  
18 exceeds 30% of his or her final rate of earnings, except as  
19 provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the Board of Higher Education. The severance payment may not be  
23 awarded unless the Board of Higher Education approves the  
24 payment by a record vote of a majority of the members of the

1 Board of Higher Education.

2 Section 55. The Public Community College Act is amended by  
3 adding Section 3-29.11 as follows:

4 (110 ILCS 805/3-29.11 new)

5 Sec. 3-29.11. Severance payment limitation.

6 (a) In this Section:

7 "Final rate of earnings" has the meaning ascribed to that  
8 term under subsection (a) of Section 15-112 of the Illinois  
9 Pension Code.

10 "Severance payment" means a payment that is made to  
11 facilitate termination of employment or to induce someone to  
12 retire or not to retire, is not for services rendered, is made  
13 in conjunction with an employee's termination of employment or  
14 retirement, and is not earnings.

15 (b) With respect to an executive administrator of a  
16 community college whose final rate of earnings exceeds  
17 \$200,000, the board may not award a severance payment to that  
18 employee that exceeds 30% of his or her final rate of earnings,  
19 except as provided in subsection (c) of this Section.

20 (c) Any severance payment that exceeds the limitation  
21 provided in subsection (b) of this Section must be reviewed by  
22 the State Board. The severance payment may not be awarded  
23 unless the State Board approves the payment by a record vote of  
24 a majority of the members of the State Board.

1           Section 99. Effective date. This Act takes effect upon  
2           becoming law.