



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

SB0001 SS1

Introduced 8/17/2012, by Sen. Don Harmon

SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly Article of the Illinois Pension Code. Provides that Tier I employees and Tier I retirees in the General Assembly Retirement System must make an irrevocable election either: (1) to accept changes in eligibility for, and the amount of, automatic annual increases in retirement annuity or (2) to avoid those changes. Provides that a person who elects the first choice may have any future increases in income included as pensionable salary and is entitled to certain healthcare benefits. Provides that a person who elects the second choice forgoes those benefits. Prohibits members who elect the second choice from being offered any future increase in income in a form that would constitute pensionable salary. Requires the System to provide information describing the consequences of making the election. Defines "future increase in income", "Tier I employee", and "Tier I retiree". Amends the State Finance Act. To the list of standardized items of appropriation, adds "State retirement contribution for annual normal cost" and "State retirement contribution for unfunded accrued liability". Defines those terms. Amends the Governor's Office of Management and Budget Act. Adds those terms to a list of classifications to be used in statements and estimates of expenditures submitted to the Office in connection with the preparation of a State budget. Effective immediately.

LRB097 22494 JDS 71255 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

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 5. The State Employees Group Insurance Act of 1971
5 is amended by adding Section 6.16 as follows:

6 (5 ILCS 375/6.16 new)

7 Sec. 6.16. Health benefit election for Tier I employees and
8 Tier I retirees.

9 (a) For purposes of this Section:

10 "Eligible Tier I employee" means an individual who makes or
11 is deemed to have made an election under paragraph (1) of
12 subsection (a) of Section 2-116.9 of the Illinois Pension Code.

13 "Eligible Tier I retiree" means an individual who makes or
14 is deemed to have made an election under paragraph (1) of
15 subsection (a-5) of Section 2-116.9 of the Illinois Pension
16 Code.

17 "Program of health benefits" means (i) a health plan, as
18 defined in subsection (o) of Section 3 of this Act, that is
19 designed and contracted for by the Director under this Act or
20 any successor Act or (ii) if administration of that health plan
21 is transferred to a trust established by the State or an
22 independent Board in order to provide health benefits to a
23 class of persons that includes retired persons who made an

1 election under paragraph (1) of subsection (a) or (a-5) of
2 Section 2-116.9, then the plan of health benefits provided
3 through that trust.

4 (b) As adequate and legal consideration for making the
5 election under paragraph (1) of subsection (a) or (a-5) of
6 Section 2-116.9 of the Illinois Pension Code, each eligible
7 Tier I employee and each eligible Tier I retiree shall receive
8 a vested and enforceable contractual right to participate in a
9 program of health benefits while he or she qualifies as an
10 annuitant or retired employee. That right also extends to such
11 a person's dependents and survivors who are eligible under the
12 applicable program of health benefits.

13 (c) Notwithstanding subsection (b), eligible Tier I
14 employees and eligible Tier I retirees may be required to make
15 contributions toward the cost of coverage under a program of
16 health benefits.

17 (d) The vested and enforceable contractual right to a
18 program of health benefits is not offered as, and shall not be
19 considered, a pension benefit under Article XIII, Section 5 of
20 the Illinois Constitution, the Illinois Pension Code, or any
21 subsequent or successor enactment providing pension benefits.

22 (e) Notwithstanding any other provision of this Act, a Tier
23 I employee or Tier I retiree who has made an election under
24 paragraph (2) of subsection (a) or (a-5) of Section 2-116.9 of
25 the Illinois Pension Code shall not be entitled to participate
26 in the program of health benefits as an annuitant or retired

1 employee receiving a retirement annuity.

2 Notwithstanding any other provision of this Act, a Tier I
3 employee who is not entitled to participate in a program of
4 health benefits as an annuitant or retired employee receiving a
5 retirement annuity, due to an election under paragraph (2) of
6 subsection (a) or (a-5) of Section 2-116.9 of the Illinois
7 Pension Code, shall not be required to make contributions
8 toward the program of health benefits while he or she is an
9 employee. However, an active employee may be required to make
10 contributions toward health benefits he or she receives during
11 active service.

12 (f) The Department shall coordinate with the General
13 Assembly Retirement System to provide information concerning
14 the impact of the election on health benefits. The General
15 Assembly Retirement System shall include information prepared
16 by the Department in the required election packet. The
17 Department shall make information available to Tier I employees
18 and Tier I retirees through video materials, group
19 presentations, consultation by telephone or other electronic
20 means, or any combination of those methods.

21 Section 10. The Governor's Office of Management and Budget
22 Act is amended by changing Sections 7 and 8 as follows:

23 (20 ILCS 3005/7) (from Ch. 127, par. 417)

24 Sec. 7. All statements and estimates of expenditures

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

- 12 (1) Personal services
- 13 (2) State contribution for employee group insurance
- 14 (3) Contractual services
- 15 (4) Travel
- 16 (5) Commodities
- 17 (6) Equipment
- 18 (7) Permanent improvements
- 19 (8) Land
- 20 (9) Electronic Data Processing
- 21 (10) Telecommunication services
- 22 (11) Operation of Automotive Equipment
- 23 (12) Contingencies
- 24 (13) Reserve
- 25 (14) Interest
- 26 (15) Awards and Grants

1 (16) Debt Retirement

2 (17) Non-cost Charges-

3 (18) State retirement contribution for annual normal cost

4 (19) State retirement contribution for unfunded accrued
5 liability.

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

7 (20 ILCS 3005/8) (from Ch. 127, par. 418)

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

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

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

20 Section 20. The State Finance Act is amended by changing
21 Section 13 and by adding Sections 24.12 and 24.13 as follows:

22 (30 ILCS 105/13) (from Ch. 127, par. 149)

23 Sec. 13. The objects and purposes for which appropriations

1 are made are classified and standardized by items as follows:

2 (1) Personal services;

3 (2) State contribution for employee group insurance;

4 (3) Contractual services;

5 (4) Travel;

6 (5) Commodities;

7 (6) Equipment;

8 (7) Permanent improvements;

9 (8) Land;

10 (9) Electronic Data Processing;

11 (10) Operation of automotive equipment;

12 (11) Telecommunications services;

13 (12) Contingencies;

14 (13) Reserve;

15 (14) Interest;

16 (15) Awards and Grants;

17 (16) Debt Retirement;

18 (17) Non-Cost Charges;

19 (18) State retirement contribution for annual normal cost;

20 (19) State retirement contribution for unfunded accrued

21 liability;

22 (20) ~~(18)~~ Purchase Contract for Real Estate.

23 When an appropriation is made to an officer, department,
24 institution, board, commission or other agency, or to a private
25 association or corporation, in one or more of the items above
26 specified, such appropriation shall be construed in accordance

1 with the definitions and limitations specified in this Act,
2 unless the appropriation act otherwise provides.

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

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

8 (30 ILCS 105/24.12 new)

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

18 (30 ILCS 105/24.13 new)

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

1 Section 25. The Illinois Pension Code is amended by
2 changing Sections 1-103.3, 2-108, 2-119.1, and 2-124 and adding
3 Sections 2-105.1, 2-105.2, 2-107.9, and 2-116.9 as follows:

4 (40 ILCS 5/1-103.3)

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

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

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

21 (c) Every 5 years, beginning in 1999, the Commission on
22 Government Forecasting and Accountability, in consultation
23 with the affected retirement systems and the Governor's Office
24 of Management and Budget (formerly Bureau of the Budget), shall

1 consider and determine whether the funding goals ~~90% funding~~
2 ~~ratio~~ adopted in Articles 2, 14, 15, 16, and 18 of this Code
3 continue ~~subsection (b) continues~~ to represent ~~an~~ appropriate
4 funding goals ~~goal~~ for State-funded retirement systems in
5 Illinois, and it shall report its findings and recommendations
6 on this subject to the Governor and the General Assembly.

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

8 (40 ILCS 5/2-105.1 new)

9 Sec. 2-105.1. Tier I employee. "Tier I employee": A
10 participant who first became a participant before January 1,
11 2011.

12 (40 ILCS 5/2-105.2 new)

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

15 (40 ILCS 5/2-107.9 new)

16 Sec. 2-107.9. Future increase in income. "Future increase
17 in income": Any increase in income in any form offered for
18 service as a member under this Article after June 30, 2013 that
19 would qualify as "salary", as defined under Section 2-108, but
20 for the fact that the increase in income was offered to the
21 member on the condition that it not qualify as salary and was
22 accepted by the member subject to that condition.

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

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

9 (2) For the State executive officers specified in Section
10 2-105, the total compensation paid to the member for one year
11 of service.

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

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

23 Notwithstanding any other provision of this Section,
24 "salary" does not include any future increase in income that is
25 offered for service as a member under this Article pursuant to
26 the requirements of subsection (c) of Section 2-116.9 and

1 accepted by a Tier I employee, or a Tier I retiree returning to
2 active service, who has made an election under paragraph (2) of
3 subsection (a) or (a-5) of Section 2-116.9.

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

5 (40 ILCS 5/2-116.9 new)

6 Sec. 2-116.9. Election by Tier I employees and Tier I
7 retirees.

8 (a) Each Tier I employee shall make an irrevocable election
9 either:

10 (1) to agree to the following:

11 (i) to have the amount of the automatic annual
12 increases in his or her retirement annuity that are
13 otherwise provided for in this Article calculated,
14 instead, as provided in subsection (a-1) of Section
15 2-119.1; and

16 (ii) to have his or her eligibility for automatic
17 annual increases in retirement annuity postponed as
18 provided in subsection (a-2) of Section 2-119.1 and to
19 relinquish the additional increases provided in
20 subsection (b) of Section 2-119.1; or

21 (2) to not agree to items (i) and (ii) as set forth in
22 paragraph (1) of this subsection.

23 The election required under this subsection (a) shall be
24 made by each Tier I employee no earlier than January 1, 2013
25 and no later than May 31, 2013, except that:

1 (i) a person who becomes a Tier I employee under this
2 Article after January 1, 2013 must make the election under
3 this subsection (a) within 60 days after becoming a Tier I
4 employee;

5 (ii) a person who returns to active service as a Tier I
6 employee under this Article after January 1, 2013 and has
7 not yet made an election under this Section must make the
8 election under this subsection (a) within 60 days after
9 returning to active service as a Tier I employee; and

10 (iii) a person who made the election under subsection
11 (a-5) as a Tier I retiree remains bound by that election
12 and shall not make a later election under this subsection
13 (a).

14 If a Tier I employee fails for any reason to make a
15 required election under this subsection within the time
16 specified, then the employee shall be deemed to have made the
17 election under paragraph (2) of this subsection.

18 (a-5) Each Tier I retiree shall make an irrevocable
19 election either:

20 (1) to agree to the following:

21 (i) to have the amount of the automatic annual
22 increases in his or her retirement annuity that are
23 otherwise provided for in this Article calculated,
24 instead, as provided in subsection (a-1) of Section
25 2-119.1; and

26 (ii) to have his or her eligibility for automatic

1 annual increases in retirement annuity postponed as
2 provided in subsection (a-2) of Section 2-119.1 and to
3 relinquish the additional increases provided in
4 subsection (b) of Section 2-119.1; or
5 (2) to not agree to items (i) and (ii) as set forth in
6 paragraph (1) of this subsection.

7 The election required under this subsection (a-5) shall be
8 made by each Tier I retiree no earlier than January 1, 2013 and
9 no later than May 31, 2013, except that:

10 (i) a person who becomes a Tier I retiree under this
11 Article on or after January 1, 2013 must make the election
12 under this subsection (a-5) within 60 days after becoming a
13 Tier I retiree; and

14 (ii) a person who made the election under subsection
15 (a) as a Tier I employee remains bound by that election and
16 shall not make a later election under this subsection
17 (a-5).

18 If a Tier I retiree fails for any reason to make a required
19 election under this subsection within the time specified, then
20 the Tier I retiree shall be deemed to have made the election
21 under paragraph (2) of this subsection.

22 (a-10) All elections under subsection (a) or (a-5) that are
23 made or deemed to be made before June 1, 2013 shall take effect
24 on July 1, 2013. Elections that are made or deemed to be made
25 on or after June 1, 2013 shall take effect on the first day of
26 the month following the month in which the election is made or

1 deemed to be made.

2 (b) As adequate and legal consideration provided under this
3 amendatory Act of the 97th General Assembly for making the
4 election under paragraph (1) of subsection (a) of this Section,
5 any future increases in income offered for service as a member
6 under this Article to a Tier I employee who has made the
7 election under paragraph (1) of subsection (a) of this Section
8 shall be offered expressly and irrevocably as constituting
9 salary under Section 2-108.

10 As adequate and legal consideration provided under this
11 amendatory Act of the 97th General Assembly for making the
12 election under paragraph (1) of subsection (a-5) of this
13 Section, any future increases in income offered for service as
14 a member under this Article to a Tier I retiree who returns to
15 active service after having made the election under paragraph
16 (1) of subsection (a-5) of this Section shall be offered
17 expressly and irrevocably as constituting salary under Section
18 2-108.

19 (c) A Tier I employee who makes the election under
20 paragraph (2) of subsection (a) of this Section shall not be
21 subject to items (i) and (ii) set forth in paragraph (1) of
22 subsection (a) of this Section. However, any future increases
23 in income offered for service as a member under this Article to
24 a Tier I employee who has made the election under paragraph (2)
25 of subsection (a) of this Section shall be offered expressly
26 and irrevocably as not constituting salary under Section 2-108,

1 and the member may not accept any future increase in income
2 that is offered in violation of this requirement.

3 A Tier I retiree who makes the election under paragraph (2)
4 of subsection (a-5) of this Section shall not be subject to
5 items (i) and (ii) set forth in paragraph (1) of subsection
6 (a-5) of this Section. However, any future increases in income
7 offered for service as a member under this Article to a Tier I
8 retiree who returns to active service and has made the election
9 under paragraph (2) of subsection (a-5) of this Section shall
10 be offered expressly and irrevocably as not constituting salary
11 under Section 2-108, and the member may not accept any future
12 increase in income that is offered in violation of this
13 requirement.

14 (d) The System shall make a good faith effort to contact
15 each Tier I employee and Tier I retiree subject to this
16 Section. The System shall mail information describing the
17 required election to each Tier I employee and Tier I retiree by
18 United States Postal Service mail to his or her last known
19 address on file with the System. If the Tier I employee or Tier
20 I retiree is not responsive to other means of contact, it is
21 sufficient for the System to publish the details of any
22 required elections on its website or to publish those details
23 in a regularly published newsletter or other existing public
24 forum.

25 Tier I employees and Tier I retirees who are subject to
26 this Section shall be provided with an election packet

1 containing information regarding their options, as well as the
2 forms necessary to make the required election. Upon request,
3 the System shall offer Tier I employees and Tier I retirees an
4 opportunity to receive information from the System before
5 making the required election. The information may be provided
6 through video materials, group presentations, individual
7 consultation with a member or authorized representative of the
8 System in person or by telephone or other electronic means, or
9 any combination of those methods. The System shall not provide
10 advice or counseling with respect to which election a Tier I
11 employee or Tier I retiree should make or specific to the legal
12 or tax circumstances of or consequences to the Tier I employee
13 or Tier I retiree.

14 The System shall inform Tier I employees and Tier I
15 retirees in the election packet required under this subsection
16 that the Tier I employee or Tier I retiree may also wish to
17 obtain information and counsel relating to the election
18 required under this Section from any other available source,
19 including but not limited to labor organizations and private
20 counsel.

21 In no event shall the System, its staff, or the Board be
22 held liable for any information given to a member, beneficiary,
23 or annuitant regarding the elections under this Section. The
24 System shall coordinate with the Illinois Department of Central
25 Management Services to provide information concerning the
26 impact of the election set forth in this Section.

1 (e) Notwithstanding any other provision of law, any future
2 increases in income offered for service as a member must be
3 offered expressly and irrevocably as not constituting "salary"
4 under Section 2-108 to any Tier I employee, or Tier I retiree
5 returning to active service, who has made an election under
6 paragraph (2) of subsection (a) or (a-5) of Section 2-116.9. A
7 Tier I employee, or Tier I retiree returning to active service,
8 who has made an election under paragraph (2) of subsection (a)
9 or (a-5) of Section 2-116.9 shall not accept any future
10 increase in income that is offered for service as a member
11 under this Article in violation of the requirement set forth in
12 this subsection.

13 (f) A member's election under this Section is not a
14 prohibited election under subdivision (j)(1) of Section 1-119
15 of this Code.

16 (g) No provision of this Section shall be interpreted in a
17 way that would cause the System to cease to be a qualified plan
18 under Section 401(a) of the Internal Revenue Code of 1986.

19 (40 ILCS 5/2-119.1) (from Ch. 108 1/2, par. 2-119.1)

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

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

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

10 (a-1) Notwithstanding any other provision of this Article,
11 for a Tier I employee or Tier I retiree who made the election
12 under paragraph (1) of subsection (a) or (a-5) of Section
13 2-116.9, the amount of each automatic annual increase in
14 retirement annuity occurring on or after the effective date of
15 that election shall be 3% or one-half of the annual unadjusted
16 percentage increase, if any, in the Consumer Price Index-U for
17 the 12 months ending with the preceding September, whichever is
18 less, of the originally granted retirement annuity. For the
19 purposes of this Section, "Consumer Price Index-U" means the
20 index published by the Bureau of Labor Statistics of the United
21 States Department of Labor that measures the average change in
22 prices of goods and services purchased by all urban consumers,
23 United States city average, all items, 1982-84 = 100.

24 (a-2) Notwithstanding any other provision of this Article,
25 for a Tier I employee or Tier I retiree who made the election
26 under paragraph (1) of subsection (a) or (a-5) of Section

1 2-116.9, the monthly retirement annuity shall first be subject
2 to annual increases on the January 1 occurring on or next after
3 the attainment of age 67 or the January 1 occurring on or next
4 after the fifth anniversary of the annuity start date,
5 whichever occurs earlier. If on the effective date of the
6 election under paragraph (1) of subsection (a-5) of Section
7 2-116.9 a Tier I retiree has already received an annual
8 increase under this Section but does not yet meet the new
9 eligibility requirements of this subsection, the annual
10 increases already received shall continue in force, but no
11 additional annual increase shall be granted until the Tier I
12 retiree meets the new eligibility requirements.

13 (b) Beginning January 1, 1990, for eligible participants
14 who remain in service after attaining 20 years of creditable
15 service, the 3% increases provided under subsection (a) shall
16 begin to accrue on the January 1 next following the date upon
17 which the participant (1) attains age 55, or (2) attains 20
18 years of creditable service, whichever occurs later, and shall
19 continue to accrue while the participant remains in service;
20 such increases shall become payable on January 1 or July 1,
21 whichever occurs first, next following the first anniversary of
22 retirement. For any person who has service credit in the System
23 for the entire period from January 15, 1969 through December
24 31, 1992, regardless of the date of termination of service, the
25 reference to age 55 in clause (1) of this subsection (b) shall
26 be deemed to mean age 50.

1 This subsection (b) does not apply to any person who first
2 becomes a member of the System after August 8, 2003 (the
3 effective date of Public Act 93-494) or (ii) has made the
4 election under paragraph (1) of subsection (a) or (a-5) of
5 Section 2-116.9; except that if on the effective date of the
6 election under paragraph (1) of subsection (a-5) of Section
7 2-116.9 a Tier I retiree has already received a retirement
8 annuity based on any annual increases under this subsection,
9 those annual increases under this subsection shall continue in
10 force ~~this amendatory Act of the 93rd General Assembly.~~

11 (b-5) Notwithstanding any other provision of this Article,
12 a participant who first becomes a participant on or after
13 January 1, 2011 (the effective date of Public Act 96-889)
14 shall, in January or July next following the first anniversary
15 of retirement, whichever occurs first, and in the same month of
16 each year thereafter, but in no event prior to age 67, have the
17 amount of the retirement annuity then being paid increased by
18 3% or the annual unadjusted percentage increase in the Consumer
19 Price Index for All Urban Consumers as determined by the Public
20 Pension Division of the Department of Insurance under
21 subsection (a) of Section 2-108.1, whichever is less.

22 (c) The foregoing provisions relating to automatic
23 increases are not applicable to a participant who retires
24 before having made contributions (at the rate prescribed in
25 Section 2-126) for automatic increases for less than the
26 equivalent of one full year. However, in order to be eligible

1 for the automatic increases, such a participant may make
2 arrangements to pay to the system the amount required to bring
3 the total contributions for the automatic increase to the
4 equivalent of one year's contributions based upon his or her
5 last salary.

6 (d) A participant who terminated service prior to July 1,
7 1967, with at least 14 years of service is entitled to an
8 increase in retirement annuity beginning January, 1976, and to
9 additional increases in January of each year thereafter.

10 The initial increase shall be 1 1/2% of the originally
11 granted retirement annuity multiplied by the number of full
12 years that the annuitant was in receipt of such annuity prior
13 to January 1, 1972, plus 2% of the originally granted
14 retirement annuity for each year after that date. The
15 subsequent annual increases shall be at the rate of 2% of the
16 originally granted retirement annuity for each year through
17 1979 and at the rate of 3% for 1980 and thereafter.

18 (e) Except as otherwise provided in this Section, beginning
19 ~~Beginning~~ January 1, 1990, all automatic annual increases
20 payable under this Section shall be calculated as a percentage
21 of the total annuity payable at the time of the increase,
22 including previous increases granted under this Article.

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

24 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

25 Sec. 2-124. Contributions by State.

1 (a) Except as otherwise provided in this Section, the ~~The~~
2 State shall make contributions to the System by appropriations
3 of amounts which, together with the contributions of
4 participants, interest earned on investments, and other income
5 will meet the cost of maintaining and administering the System
6 on a 90% funded basis in accordance with actuarial
7 recommendations.

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

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

24 For State fiscal years 1996 through 2005, the State
25 contribution to the System, as a percentage of the applicable
26 employee payroll, shall be increased in equal annual increments

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

3 Notwithstanding any other provision of this Article, the
4 total required State contribution for State fiscal year 2006 is
5 \$4,157,000.

6 Notwithstanding any other provision of this Article, the
7 total required State contribution for State fiscal year 2007 is
8 \$5,220,300.

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

15 Notwithstanding any other provision of this Article, the
16 total required State contribution for State fiscal year 2010 is
17 \$10,454,000 and shall be made from the proceeds of bonds sold
18 in fiscal year 2010 pursuant to Section 7.2 of the General
19 Obligation Bond Act, less (i) the pro rata share of bond sale
20 expenses determined by the System's share of total bond
21 proceeds, (ii) any amounts received from the General Revenue
22 Fund in fiscal year 2010, and (iii) any reduction in bond
23 proceeds due to the issuance of discounted bonds, if
24 applicable.

25 Notwithstanding any other provision of this Article, the
26 total required State contribution for State fiscal year 2011 is

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

10 Except as otherwise provided in this Section, beginning
11 ~~Beginning~~ in State fiscal year 2046, the minimum State
12 contribution for each fiscal year shall be the amount needed to
13 maintain the total assets of the System at 90% of the total
14 actuarial liabilities of the System.

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

1 Notwithstanding any other provision of this Section, the
2 required State contribution for State fiscal year 2005 and for
3 fiscal year 2008 and each fiscal year thereafter, as calculated
4 under this Section and certified under Section 2-134, shall not
5 exceed an amount equal to (i) the amount of the required State
6 contribution that would have been calculated under this Section
7 for that fiscal year if the System had not received any
8 payments under subsection (d) of Section 7.2 of the General
9 Obligation Bond Act, minus (ii) the portion of the State's
10 total debt service payments for that fiscal year on the bonds
11 issued in fiscal year 2003 for the purposes of that Section
12 7.2, as determined and certified by the Comptroller, that is
13 the same as the System's portion of the total moneys
14 distributed under subsection (d) of Section 7.2 of the General
15 Obligation Bond Act. In determining this maximum for State
16 fiscal years 2008 through 2010, however, the amount referred to
17 in item (i) shall be increased, as a percentage of the
18 applicable employee payroll, in equal increments calculated
19 from the sum of the required State contribution for State
20 fiscal year 2007 plus the applicable portion of the State's
21 total debt service payments for fiscal year 2007 on the bonds
22 issued in fiscal year 2003 for the purposes of Section 7.2 of
23 the General Obligation Bond Act, so that, by State fiscal year
24 2011, the State is contributing at the rate otherwise required
25 under this Section.

26 (c-1) If at least 50% of Tier I employees making an

1 election under Section 2-116.9 before June 1, 2013 choose the
2 option under paragraph (1) of subsection (a) of that Section,
3 then:

4 (1) In lieu of the State contributions required under
5 subsection (c), for State fiscal years 2014 through 2043
6 the minimum contribution to the System to be made by the
7 State for each fiscal year shall be an amount determined by
8 the System to be equal to the sum of (1) the State's
9 portion of the projected normal cost for that fiscal year,
10 plus (2) an amount sufficient to bring the total assets of
11 the System up to 100% of the total actuarial liabilities of
12 the System by the end of State fiscal year 2043. In making
13 these determinations, the required State contribution
14 shall be calculated each year as a level percentage of
15 payroll over the years remaining to and including fiscal
16 year 2043 and shall be determined under the projected unit
17 credit actuarial cost method.

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

22 (c-2) If less than 50% of Tier I employees making an
23 election under Section 2-116.9 before June 1, 2013 choose the
24 option under paragraph (1) of subsection (a) of that Section,
25 then the annual required contribution to the System to be made
26 by the State shall be determined under subsection (c) of this

1 Section, instead of the annual required contribution otherwise
2 specified in subsection (c-1) of this Section.

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

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

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

18 (Source: P.A. 95-950, eff. 8-29-08; 96-43, eff. 7-15-09;
19 96-1497, eff. 1-14-11; 96-1511, eff. 1-27-11; 96-1554, eff.
20 3-18-11; revised 4-6-11.)

21 Section 999. Effective date. This Act takes effect upon
22 becoming law.

1 INDEX
2 Statutes amended in order of appearance

3	5 ILCS 375/6.16 new	
4	20 ILCS 3005/7	from Ch. 127, par. 417
5	20 ILCS 3005/8	from Ch. 127, par. 418
6	30 ILCS 105/13	from Ch. 127, par. 149
7	30 ILCS 105/24.12 new	
8	30 ILCS 105/24.13 new	
9	40 ILCS 5/1-103.3	
10	40 ILCS 5/2-105.1 new	
11	40 ILCS 5/2-105.2 new	
12	40 ILCS 5/2-107.9 new	
13	40 ILCS 5/2-108	from Ch. 108 1/2, par. 2-108
14	40 ILCS 5/2-116.9 new	
15	40 ILCS 5/2-119.1	from Ch. 108 1/2, par. 2-119.1
16	40 ILCS 5/2-124	from Ch. 108 1/2, par. 2-124