



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB3303

by Rep. Thomas Morrison

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-161 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

Amends the Illinois Pension Code. With respect to the 5 State-funded retirement systems: Provides a new funding formula for State contributions, with a 100% funding goal and amortization calculated on a level dollar amount. Provides that no additional service credit may be accrued and no automatic increase in a retirement annuity shall be received. Provides that the pensionable salary of an active participant may not exceed that individual's pensionable salary as of the effective date. Provides that State-funded retirement systems shall establish self-directed retirement plans for all active participants and all employees hired on or after the effective date. Provides that all active participants shall have the option of participating in a self-directed retirement plan. Provides that these changes are controlling over any other law. Effective immediately.

LRB098 11034 EFG 41719 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 Illinois Pension Code is amended by changing
5 Sections 2-124, 14-131, 15-155, 16-158, and 18-131 and by
6 adding Section 1-161 as follows:

7 (40 ILCS 5/1-161 new)

8 Sec. 1-161. Pension benefits, end of service credit;
9 self-directed retirement plans.

10 (a) For the purposes of this Section:

11 "Active participant" means a participant in a
12 State-funded retirement system who does not receive an
13 annuity from a State-funded retirement system.

14 "Annuitant" means a participant in a State-funded
15 retirement system who receives an annuity from a
16 State-funded retirement system.

17 "Automatic increase in retirement annuity" means an
18 automatic increase in retirement annuity granted under
19 Section 1-160 or Article 2, 14, 15, 16, or 18 of this Code.

20 "Consumer price index-u" means the index published by
21 the Bureau of Labor Statistics of the United States
22 Department of Labor that measures the average change in
23 prices of goods and services purchased by all urban

1 consumers, United States city average, all items, 1982-84 =
2 100.

3 "Pensionable salary" means the amount of salary,
4 compensation, or earnings used by the applicable
5 State-funded retirement system to calculate the amount of
6 an individual's retirement annuity.

7 "State-funded retirement system" means a retirement
8 system established under Article 2, 14, 15, 16, or 18 of
9 this Code.

10 (b) No active participant may accrue service credit in a
11 State-funded retirement system on or after the effective date
12 of this amendatory Act of the 98th General Assembly.

13 (c) The pensionable salary of an active participant shall
14 not exceed the pensionable salary of that participant as of the
15 effective date of this amendatory Act of the 98th General
16 Assembly.

17 (d) An annuitant shall not receive an automatic increase in
18 retirement annuity on or after the effective date of this
19 Section.

20 (e) The retirement age of active participants who are
21 ineligible to retire as of the effective date of this
22 amendatory Act of the 98th General Assembly shall be increased
23 according to a schedule developed by the Public Pension
24 Division of the Department of Insurance as soon as practicable
25 after the effective date of this amendatory Act of the 98th
26 General Assembly. The schedule of retirement ages adopted by

1 administrative rule of the Division shall, at a minimum, ensure
2 (i) that persons who first become active participants on or
3 after the effective date of this amendatory Act of the 98th
4 General Assembly are not eligible to retire until reaching the
5 Social Security Normal Retirement Age and (ii) that persons who
6 are active participants but ineligible to retire as of the
7 effective date of this amendatory Act of the 98th General
8 Assembly remain ineligible to retire until reaching age 59. The
9 Division's schedule shall also provide for the adjustment of
10 retirement ages using a matrix that accounts for the current
11 statutory retirement age for various classes of persons and
12 service credit accrued by those persons as of the effective
13 date of this amendatory Act of the 98th General Assembly.

14 (f) As soon as practicable after the effective date of this
15 amendatory Act of the 98th General Assembly, each State-funded
16 retirement system shall establish a self-directed retirement
17 plan that allows individuals who are active participants and
18 individuals who become active participants on or after the
19 effective date of this amendatory Act of the 98th General
20 Assembly the opportunity to accumulate assets for retirement
21 through a combination of employee and employer contributions
22 that may be invested in mutual funds, collective investment
23 funds, or other investment products and used to purchase
24 annuity contracts, either fixed or variable or a combination
25 thereof. The plan must be qualified under the Internal Revenue
26 Code of 1986. Participants in the retirement system established

1 under Article 15 may participate in the self-managed plan
2 established under Section 15-158.2 in lieu of participating in
3 a self-directed retirement plan created under this subsection
4 (f).

5 (g) Each active participant in the retirement system
6 established under Article 14 of this Code who is a noncovered
7 employee and each active participant in a retirement system
8 established under Article 15, 16, or 18 of this Code, except
9 for a participant in the self-managed plan established under
10 Section 15-158.2, shall participate in the self-directed
11 retirement plan established under subsection (f) and
12 contribute 8% of his or her salary, earnings, or compensation,
13 whichever is applicable, to the plan. The employer of each of
14 those active participants shall contribute 7% of salary,
15 earnings, or compensation, whichever is applicable, to that
16 plan on behalf of the participant.

17 Each active participant in the retirement system
18 established under Article 14 who is a covered employee shall
19 participate in the self-directed retirement plan established
20 under subsection (f) and shall contribute 3% of compensation to
21 the plan. The employer of each of those participants shall
22 contribute 3% of compensation to the self-directed retirement
23 plan on behalf of the participant.

24 Each active participant in the retirement system
25 established under Article 2 of this Code shall have the option
26 of participating in the self-directed retirement plan

1 established under subsection (f) and shall be entitled to
2 contribute as much to the plan as is authorized by federal law.
3 However, no employer contribution to the self-directed plan
4 shall be made on behalf of active participants in the
5 retirement system established under Article 2 of this Code.

6 For the purposes of this subsection (g), salary, earnings,
7 or compensation shall not exceed \$110,100. However, that amount
8 shall be increased on January 1, 2015 and each January 1
9 thereafter by the lesser of (i) 3% of that amount or (ii)
10 one-half the annual unadjusted percentage increase (but not
11 less than zero) in the consumer price index-u for the 12 months
12 ending with the September preceding each November 1, as
13 calculated by the Public Pension Division of the Department of
14 Insurance and made available to the boards of the State-funded
15 retirement systems by November 1, 2013 and each November 1
16 thereafter.

17 (h) The provisions of this amendatory Act of the 98th
18 General Assembly apply notwithstanding any other law,
19 including Section 1-160 of this Code. If there is a conflict
20 between the provisions of this amendatory Act of the 98th
21 General Assembly and any other law, the provisions of this
22 Section shall control.

23 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

24 Sec. 2-124. Contributions by State.

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

1 appropriations of amounts which, together with the
2 contributions of participants, interest earned on investments,
3 and other income will meet the cost of maintaining and
4 administering the System on a 90% funded basis in accordance
5 with actuarial recommendations.

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

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

21 For State fiscal years 2014 through 2045, the minimum
22 contribution to the System to be made by the State for each
23 fiscal year shall be an amount determined by the System to be
24 sufficient to bring the total assets of the System up to 100%
25 of the total actuarial liabilities of the System by the end of
26 State fiscal year 2045. In making these determinations, the

1 required State contribution shall be calculated each year as a
2 level dollar amount over the years remaining to and including
3 fiscal year 2045 and shall be determined under the projected
4 unit credit actuarial cost method.

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

10 Notwithstanding any other provision of this Article, the
11 total required State contribution for State fiscal year 2006 is
12 \$4,157,000.

13 Notwithstanding any other provision of this Article, the
14 total required State contribution for State fiscal year 2007 is
15 \$5,220,300.

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

22 Notwithstanding any other provision of this Article, the
23 total required State contribution for State fiscal year 2010 is
24 \$10,454,000 and shall be made from the proceeds of bonds sold
25 in fiscal year 2010 pursuant to Section 7.2 of the General
26 Obligation Bond Act, less (i) the pro rata share of bond sale

1 expenses determined by the System's share of total bond
2 proceeds, (ii) any amounts received from the General Revenue
3 Fund in fiscal year 2010, and (iii) any reduction in bond
4 proceeds due to the issuance of discounted bonds, if
5 applicable.

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

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

21 Amounts received by the System pursuant to Section 25 of
22 the Budget Stabilization Act or Section 8.12 of the State
23 Finance Act in any fiscal year do not reduce and do not
24 constitute payment of any portion of the minimum State
25 contribution required under this Article in that fiscal year.
26 Such amounts shall not reduce, and shall not be included in the

1 calculation of, the required State contributions under this
2 Article in any future year until the System has reached a
3 funding ratio of at least 90%. A reference in this Article to
4 the "required State contribution" or any substantially similar
5 term does not include or apply to any amounts payable to the
6 System under Section 25 of the Budget Stabilization Act.

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

1 total debt service payments for fiscal year 2007 on the bonds
2 issued in fiscal year 2003 for the purposes of Section 7.2 of
3 the General Obligation Bond Act, so that, by State fiscal year
4 2011, the State is contributing at the rate otherwise required
5 under this Section.

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

10 As of June 30, 2008, the actuarial value of the System's
11 assets shall be equal to the market value of the assets as of
12 that date. In determining the actuarial value of the System's
13 assets for fiscal years after June 30, 2008, any actuarial
14 gains or losses from investment return incurred in a fiscal
15 year shall be recognized in equal annual amounts over the
16 5-year period following that fiscal year.

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

21 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
22 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
23 7-13-12.)

24 (40 ILCS 5/14-131)

25 Sec. 14-131. Contributions by State.

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

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

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

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

1 employees, and the recommendations of the actuary.

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

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

23 (c-1) Notwithstanding subsection (c) of this Section, for
24 fiscal years 2010, 2012, and 2013 only, contributions by the
25 several departments are not required to be made for General
26 Revenue Funds payrolls processed by the Comptroller. Payrolls

1 paid by the several departments from all other State funds must
2 continue to be processed pursuant to subsection (c) of this
3 Section.

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

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

25 (e) For State fiscal years 2012 and 2013 ~~through 2045~~, the
26 minimum contribution to the System to be made by the State for

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

9 For State fiscal years 2014 through 2045, the minimum
10 contribution to the System to be made by the State for each
11 fiscal year shall be an amount determined by the System to be
12 sufficient to bring the total assets of the System up to 100%
13 of the total actuarial liabilities of the System by the end of
14 State fiscal year 2045. In making these determinations, the
15 required State contribution shall be calculated each year as a
16 level dollar amount over the years remaining to and including
17 fiscal year 2045 and shall be determined under the projected
18 unit credit actuarial cost method.

19 For State fiscal years 1996 through 2005, the State
20 contribution to the System, as a percentage of the applicable
21 employee payroll, shall be increased in equal annual increments
22 so that by State fiscal year 2011, the State is contributing at
23 the rate required under this Section; except that (i) for State
24 fiscal year 1998, for all purposes of this Code and any other
25 law of this State, the certified percentage of the applicable
26 employee payroll shall be 5.052% for employees earning eligible

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

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

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

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

24 Notwithstanding any other provision of this Article, the
25 total required State General Revenue Fund contribution for
26 State fiscal year 2010 is \$723,703,100 and shall be made from

1 the proceeds of bonds sold in fiscal year 2010 pursuant to
2 Section 7.2 of the General Obligation Bond Act, less (i) the
3 pro rata share of bond sale expenses determined by the System's
4 share of total bond proceeds, (ii) any amounts received from
5 the General Revenue Fund in fiscal year 2010, and (iii) any
6 reduction in bond proceeds due to the issuance of discounted
7 bonds, if applicable.

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

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

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

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

9 Notwithstanding any other provision of this Section, the
10 required State contribution for State fiscal year 2005 and for
11 fiscal year 2008 and each fiscal year thereafter, as calculated
12 under this Section and certified under Section 14-135.08, shall
13 not exceed an amount equal to (i) the amount of the required
14 State contribution that would have been calculated under this
15 Section for that fiscal year if the System had not received any
16 payments under subsection (d) of Section 7.2 of the General
17 Obligation Bond Act, minus (ii) the portion of the State's
18 total debt service payments for that fiscal year on the bonds
19 issued in fiscal year 2003 for the purposes of that Section
20 7.2, as determined and certified by the Comptroller, that is
21 the same as the System's portion of the total moneys
22 distributed under subsection (d) of Section 7.2 of the General
23 Obligation Bond Act. In determining this maximum for State
24 fiscal years 2008 through 2010, however, the amount referred to
25 in item (i) shall be increased, as a percentage of the
26 applicable employee payroll, in equal increments calculated

1 from the sum of the required State contribution for State
2 fiscal year 2007 plus the applicable portion of the State's
3 total debt service payments for fiscal year 2007 on the bonds
4 issued in fiscal year 2003 for the purposes of Section 7.2 of
5 the General Obligation Bond Act, so that, by State fiscal year
6 2011, the State is contributing at the rate otherwise required
7 under this Section.

8 (f) After the submission of all payments for eligible
9 employees from personal services line items in fiscal year 2004
10 have been made, the Comptroller shall provide to the System a
11 certification of the sum of all fiscal year 2004 expenditures
12 for personal services that would have been covered by payments
13 to the System under this Section if the provisions of this
14 amendatory Act of the 93rd General Assembly had not been
15 enacted. Upon receipt of the certification, the System shall
16 determine the amount due to the System based on the full rate
17 certified by the Board under Section 14-135.08 for fiscal year
18 2004 in order to meet the State's obligation under this
19 Section. The System shall compare this amount due to the amount
20 received by the System in fiscal year 2004 through payments
21 under this Section and under Section 6z-61 of the State Finance
22 Act. If the amount due is more than the amount received, the
23 difference shall be termed the "Fiscal Year 2004 Shortfall" for
24 purposes of this Section, and the Fiscal Year 2004 Shortfall
25 shall be satisfied under Section 1.2 of the State Pension Funds
26 Continuing Appropriation Act. If the amount due is less than

1 the amount received, the difference shall be termed the "Fiscal
2 Year 2004 Overpayment" for purposes of this Section, and the
3 Fiscal Year 2004 Overpayment shall be repaid by the System to
4 the Pension Contribution Fund as soon as practicable after the
5 certification.

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

10 As of June 30, 2008, the actuarial value of the System's
11 assets shall be equal to the market value of the assets as of
12 that date. In determining the actuarial value of the System's
13 assets for fiscal years after June 30, 2008, any actuarial
14 gains or losses from investment return incurred in a fiscal
15 year shall be recognized in equal annual amounts over the
16 5-year period following that fiscal year.

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

21 (i) After the submission of all payments for eligible
22 employees from personal services line items paid from the
23 General Revenue Fund in fiscal year 2010 have been made, the
24 Comptroller shall provide to the System a certification of the
25 sum of all fiscal year 2010 expenditures for personal services
26 that would have been covered by payments to the System under

1 this Section if the provisions of this amendatory Act of the
2 96th General Assembly had not been enacted. Upon receipt of the
3 certification, the System shall determine the amount due to the
4 System based on the full rate certified by the Board under
5 Section 14-135.08 for fiscal year 2010 in order to meet the
6 State's obligation under this Section. The System shall compare
7 this amount due to the amount received by the System in fiscal
8 year 2010 through payments under this Section. If the amount
9 due is more than the amount received, the difference shall be
10 termed the "Fiscal Year 2010 Shortfall" for purposes of this
11 Section, and the Fiscal Year 2010 Shortfall shall be satisfied
12 under Section 1.2 of the State Pension Funds Continuing
13 Appropriation Act. If the amount due is less than the amount
14 received, the difference shall be termed the "Fiscal Year 2010
15 Overpayment" for purposes of this Section, and the Fiscal Year
16 2010 Overpayment shall be repaid by the System to the General
17 Revenue Fund as soon as practicable after the certification.

18 (j) After the submission of all payments for eligible
19 employees from personal services line items paid from the
20 General Revenue Fund in fiscal year 2011 have been made, the
21 Comptroller shall provide to the System a certification of the
22 sum of all fiscal year 2011 expenditures for personal services
23 that would have been covered by payments to the System under
24 this Section if the provisions of this amendatory Act of the
25 96th General Assembly had not been enacted. Upon receipt of the
26 certification, the System shall determine the amount due to the

1 System based on the full rate certified by the Board under
2 Section 14-135.08 for fiscal year 2011 in order to meet the
3 State's obligation under this Section. The System shall compare
4 this amount due to the amount received by the System in fiscal
5 year 2011 through payments under this Section. If the amount
6 due is more than the amount received, the difference shall be
7 termed the "Fiscal Year 2011 Shortfall" for purposes of this
8 Section, and the Fiscal Year 2011 Shortfall shall be satisfied
9 under Section 1.2 of the State Pension Funds Continuing
10 Appropriation Act. If the amount due is less than the amount
11 received, the difference shall be termed the "Fiscal Year 2011
12 Overpayment" for purposes of this Section, and the Fiscal Year
13 2011 Overpayment shall be repaid by the System to the General
14 Revenue Fund as soon as practicable after the certification.

15 (k) For fiscal years 2012 and 2013 only, after the
16 submission of all payments for eligible employees from personal
17 services line items paid from the General Revenue Fund in the
18 fiscal year have been made, the Comptroller shall provide to
19 the System a certification of the sum of all expenditures in
20 the fiscal year for personal services. Upon receipt of the
21 certification, the System shall determine the amount due to the
22 System based on the full rate certified by the Board under
23 Section 14-135.08 for the fiscal year in order to meet the
24 State's obligation under this Section. The System shall compare
25 this amount due to the amount received by the System for the
26 fiscal year. If the amount due is more than the amount

1 received, the difference shall be termed the "Prior Fiscal Year
2 Shortfall" for purposes of this Section, and the Prior Fiscal
3 Year Shortfall shall be satisfied under Section 1.2 of the
4 State Pension Funds Continuing Appropriation Act. If the amount
5 due is less than the amount received, the difference shall be
6 termed the "Prior Fiscal Year Overpayment" for purposes of this
7 Section, and the Prior Fiscal Year Overpayment shall be repaid
8 by the System to the General Revenue Fund as soon as
9 practicable after the certification.

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

14 (40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

15 Sec. 15-155. Employer contributions.

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

23 The Board shall determine the amount of State contributions
24 required for each fiscal year on the basis of the actuarial
25 tables and other assumptions adopted by the Board and the

1 recommendations of the actuary, using the formula in subsection
2 (a-1).

3 (a-1) For State fiscal years 2012 and 2013 ~~through 2045~~,
4 the minimum contribution to the System to be made by the State
5 for each fiscal year shall be an amount determined by the
6 System to be sufficient to bring the total assets of the System
7 up to 90% of the total actuarial liabilities of the System by
8 the end of State fiscal year 2045. In making these
9 determinations, the required State contribution shall be
10 calculated each year as a level percentage of payroll over the
11 years remaining to and including fiscal year 2045 and shall be
12 determined under the projected unit credit actuarial cost
13 method.

14 For State fiscal years 2014 through 2045, the minimum
15 contribution to the System to be made by the State for each
16 fiscal year shall be an amount determined by the System to be
17 sufficient to bring the total assets of the System up to 100%
18 of the total actuarial liabilities of the System by the end of
19 State fiscal year 2045. In making these determinations, the
20 required State contribution shall be calculated each year as a
21 level dollar amount 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 \$166,641,900.

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

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 \$702,514,000 and shall be made from the State Pensions Fund and
18 proceeds of bonds sold in fiscal year 2010 pursuant to Section
19 7.2 of the General Obligation Bond Act, less (i) the pro rata
20 share of bond sale expenses determined by the System's share of
21 total bond proceeds, (ii) any amounts received from the General
22 Revenue Fund in fiscal year 2010, (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 15-165 and shall be made from the State
3 Pensions Fund and proceeds of bonds sold in fiscal year 2011
4 pursuant to Section 7.2 of the General Obligation Bond Act,
5 less (i) the pro rata share of bond sale expenses determined by
6 the System's share of total bond proceeds, (ii) any amounts
7 received from the General Revenue Fund in fiscal year 2011, and
8 (iii) any reduction in bond proceeds due to the issuance of
9 discounted bonds, if applicable.

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

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

26 Notwithstanding any other provision of this Section, the

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

25 (b) If an employee is paid from trust or federal funds, the
26 employer shall pay to the Board contributions from those funds

1 which are sufficient to cover the accruing normal costs on
2 behalf of the employee. However, universities having employees
3 who are compensated out of local auxiliary funds, income funds,
4 or service enterprise funds are not required to pay such
5 contributions on behalf of those employees. The local auxiliary
6 funds, income funds, and service enterprise funds of
7 universities shall not be considered trust funds for the
8 purpose of this Article, but funds of alumni associations,
9 foundations, and athletic associations which are affiliated
10 with the universities included as employers under this Article
11 and other employers which do not receive State appropriations
12 are considered to be trust funds for the purpose of this
13 Article.

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

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

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

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

21 (f) Normal costs under this Section means liability for
22 pensions and other benefits which accrues to the System because
23 of the credits earned for service rendered by the participants
24 during the fiscal year and expenses of administering the
25 System, but shall not include the principal of or any
26 redemption premium or interest on any bonds issued by the Board

1 or any expenses incurred or deposits required in connection
2 therewith.

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

19 Whenever it determines that a payment is or may be required
20 under this subsection (g), the System shall calculate the
21 amount of the payment and bill the employer for that amount.
22 The bill shall specify the calculations used to determine the
23 amount due. If the employer disputes the amount of the bill, it
24 may, within 30 days after receipt of the bill, apply to the
25 System in writing for a recalculation. The application must
26 specify in detail the grounds of the dispute and, if the

1 employer asserts that the calculation is subject to subsection
2 (h) or (i) of this Section, must include an affidavit setting
3 forth and attesting to all facts within the employer's
4 knowledge that are pertinent to the applicability of subsection
5 (h) or (i). Upon receiving a timely application for
6 recalculation, the System shall review the application and, if
7 appropriate, recalculate the amount due.

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

17 (h) This subsection (h) applies only to payments made or
18 salary increases given on or after June 1, 2005 but before July
19 1, 2011. The changes made by Public Act 94-1057 shall not
20 require the System to refund any payments received before July
21 31, 2006 (the effective date of Public Act 94-1057).

22 When assessing payment for any amount due under subsection
23 (g), the System shall exclude earnings increases paid to
24 participants under contracts or collective bargaining
25 agreements entered into, amended, or renewed before June 1,
26 2005.

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

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

19 When assessing payment for any amount due under subsection
20 (g), the System shall exclude any earnings increase resulting
21 from (i) a promotion for which the employee moves from one
22 classification to a higher classification under the State
23 Universities Civil Service System, (ii) a promotion in academic
24 rank for a tenured or tenure-track faculty position, or (iii) a
25 promotion that the Illinois Community College Board has
26 recommended in accordance with subsection (k) of this Section.

1 These earnings increases shall be excluded only if the
2 promotion is to a position that has existed and been filled by
3 a member for no less than one complete academic year and the
4 earnings increase as a result of the promotion is an increase
5 that results in an amount no greater than the average salary
6 paid for other similar positions.

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

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

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

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

26 (3) The total amount the System received from each

1 employer as a result of the changes made to this Section by
2 Public Act 94-4.

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

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

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

25 As of June 30, 2008, the actuarial value of the System's
26 assets shall be equal to the market value of the assets as of

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

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

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

13 (40 ILCS 5/16-158) (from Ch. 108 1/2, par. 16-158)

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

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

23 The Board shall determine the amount of State contributions
24 required for each fiscal year on the basis of the actuarial
25 tables and other assumptions adopted by the Board and the

1 recommendations of the actuary, using the formula in subsection
2 (b-3).

3 (a-1) Annually, on or before November 15 until November 15,
4 2011, the Board shall certify to the Governor the amount of the
5 required State contribution for the coming fiscal year. The
6 certification under this subsection (a-1) shall include a copy
7 of the actuarial recommendations upon which it is based and
8 shall specifically identify the System's projected State
9 normal cost for that fiscal year.

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

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

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

1 (a-5) On or before November 1 of each year, beginning
2 November 1, 2012, the Board shall submit to the State Actuary,
3 the Governor, and the General Assembly a proposed certification
4 of the amount of the required State contribution to the System
5 for the next fiscal year, along with all of the actuarial
6 assumptions, calculations, and data upon which that proposed
7 certification is based. On or before January 1 of each year,
8 beginning January 1, 2013, the State Actuary shall issue a
9 preliminary report concerning the proposed certification and
10 identifying, if necessary, recommended changes in actuarial
11 assumptions that the Board must consider before finalizing its
12 certification of the required State contributions. On or before
13 January 15, 2013 and each January 15 thereafter, the Board
14 shall certify to the Governor and the General Assembly the
15 amount of the required State contribution for the next fiscal
16 year. The Board's certification must note any deviations from
17 the State Actuary's recommended changes, the reason or reasons
18 for not following the State Actuary's recommended changes, and
19 the fiscal impact of not following the State Actuary's
20 recommended changes on the required State contribution.

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

24 (b-1) Beginning in State fiscal year 1996, on the 15th day
25 of each month, or as soon thereafter as may be practicable, the
26 Board shall submit vouchers for payment of State contributions

1 to the System, in a total monthly amount of one-twelfth of the
2 required annual State contribution certified under subsection
3 (a-1). From the effective date of this amendatory Act of the
4 93rd General Assembly through June 30, 2004, the Board shall
5 not submit vouchers for the remainder of fiscal year 2004 in
6 excess of the fiscal year 2004 certified contribution amount
7 determined under this Section after taking into consideration
8 the transfer to the System under subsection (a) of Section
9 6z-61 of the State Finance Act. These vouchers shall be paid by
10 the State Comptroller and Treasurer by warrants drawn on the
11 funds appropriated to the System for that fiscal year.

12 If in any month the amount remaining unexpended from all
13 other appropriations to the System for the applicable fiscal
14 year (including the appropriations to the System under Section
15 8.12 of the State Finance Act and Section 1 of the State
16 Pension Funds Continuing Appropriation Act) is less than the
17 amount lawfully vouchered under this subsection, the
18 difference shall be paid from the Common School Fund under the
19 continuing appropriation authority provided in Section 1.1 of
20 the State Pension Funds Continuing Appropriation Act.

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

24 (b-3) For State fiscal years 2012 2013 ~~through 2015~~, the
25 minimum contribution to the System to be made by the State for
26 each fiscal year shall be an amount determined by the System to

1 be sufficient to bring the total assets of the System up to 90%
2 of the total actuarial liabilities of the System by the end of
3 State fiscal year 2045. In making these determinations, the
4 required State contribution shall be calculated each year as a
5 level percentage of payroll over the years remaining to and
6 including fiscal year 2045 and shall be determined under the
7 projected unit credit actuarial cost method.

8 For State fiscal years 2014 through 2045, the minimum
9 contribution to the System to be made by the State for each
10 fiscal year shall be an amount determined by the System to be
11 sufficient to bring the total assets of the System up to 100%
12 of the total actuarial liabilities of the System by the end of
13 State fiscal year 2045. In making these determinations, the
14 required State contribution shall be calculated each year as a
15 level dollar amount over the years remaining to and including
16 fiscal year 2045 and shall be determined under the projected
17 unit credit actuarial cost method.

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

1 excess of the amount otherwise required under this subsection
2 and subsection (a), and notwithstanding any contrary
3 certification made under subsection (a-1) before the effective
4 date of this amendatory Act of 1998: 10.02% in FY 1999; 10.77%
5 in FY 2000; 11.47% in FY 2001; 12.16% in FY 2002; 12.86% in FY
6 2003; and 13.56% in FY 2004.

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

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

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

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

1 due to the issuance of discounted bonds, if applicable.

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

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

22 Amounts received by the System pursuant to Section 25 of
23 the Budget Stabilization Act or Section 8.12 of the State
24 Finance Act in any fiscal year do not reduce and do not
25 constitute payment of any portion of the minimum State
26 contribution required under this Article in that fiscal year.

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

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

1 fiscal year 2007 plus the applicable portion of the State's
2 total debt service payments for fiscal year 2007 on the bonds
3 issued in fiscal year 2003 for the purposes of Section 7.2 of
4 the General Obligation Bond Act, so that, by State fiscal year
5 2011, the State is contributing at the rate otherwise required
6 under this Section.

7 (c) Payment of the required State contributions and of all
8 pensions, retirement annuities, death benefits, refunds, and
9 other benefits granted under or assumed by this System, and all
10 expenses in connection with the administration and operation
11 thereof, are obligations of the State.

12 If members are paid from special trust or federal funds
13 which are administered by the employing unit, whether school
14 district or other unit, the employing unit shall pay to the
15 System from such funds the full accruing retirement costs based
16 upon that service, as determined by the System. Employer
17 contributions, based on salary paid to members from federal
18 funds, may be forwarded by the distributing agency of the State
19 of Illinois to the System prior to allocation, in an amount
20 determined in accordance with guidelines established by such
21 agency and the System.

22 (d) Effective July 1, 1986, any employer of a teacher as
23 defined in paragraph (8) of Section 16-106 shall pay the
24 employer's normal cost of benefits based upon the teacher's
25 service, in addition to employee contributions, as determined
26 by the System. Such employer contributions shall be forwarded

1 monthly in accordance with guidelines established by the
2 System.

3 However, with respect to benefits granted under Section
4 16-133.4 or 16-133.5 to a teacher as defined in paragraph (8)
5 of Section 16-106, the employer's contribution shall be 12%
6 (rather than 20%) of the member's highest annual salary rate
7 for each year of creditable service granted, and the employer
8 shall also pay the required employee contribution on behalf of
9 the teacher. For the purposes of Sections 16-133.4 and
10 16-133.5, a teacher as defined in paragraph (8) of Section
11 16-106 who is serving in that capacity while on leave of
12 absence from another employer under this Article shall not be
13 considered an employee of the employer from which the teacher
14 is on leave.

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

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

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

24 The school district or other employing unit may pay these
25 employer contributions out of any source of funding available
26 for that purpose and shall forward the contributions to the

1 System on the schedule established for the payment of member
2 contributions.

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

6 Each employer of teachers is entitled to a credit against
7 the contributions required under this subsection (e) with
8 respect to salaries paid to teachers for the period January 1,
9 2002 through June 30, 2003, equal to the amount paid by that
10 employer under subsection (a-5) of Section 6.6 of the State
11 Employees Group Insurance Act of 1971 with respect to salaries
12 paid to teachers for that period.

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

18 If an employer is required by a contract in effect on May
19 1, 1998 between the employer and an employee organization to
20 pay, on behalf of all its full-time employees covered by this
21 Article, all mandatory employee contributions required under
22 this Article, then the employer shall be excused from paying
23 the employer contribution required under this subsection (e)
24 for the balance of the term of that contract. The employer and
25 the employee organization shall jointly certify to the System
26 the existence of the contractual requirement, in such form as

1 the System may prescribe. This exclusion shall cease upon the
2 termination, extension, or renewal of the contract at any time
3 after May 1, 1998.

4 (f) If the amount of a teacher's salary for any school year
5 used to determine final average salary exceeds the member's
6 annual full-time salary rate with the same employer for the
7 previous school year by more than 6%, the teacher's employer
8 shall pay to the System, in addition to all other payments
9 required under this Section and in accordance with guidelines
10 established by the System, the present value of the increase in
11 benefits resulting from the portion of the increase in salary
12 that is in excess of 6%. This present value shall be computed
13 by the System on the basis of the actuarial assumptions and
14 tables used in the most recent actuarial valuation of the
15 System that is available at the time of the computation. If a
16 teacher's salary for the 2005-2006 school year is used to
17 determine final average salary under this subsection (f), then
18 the changes made to this subsection (f) by Public Act 94-1057
19 shall apply in calculating whether the increase in his or her
20 salary is in excess of 6%. For the purposes of this Section,
21 change in employment under Section 10-21.12 of the School Code
22 on or after June 1, 2005 shall constitute a change in employer.
23 The System may require the employer to provide any pertinent
24 information or documentation. The changes made to this
25 subsection (f) by this amendatory Act of the 94th General
26 Assembly apply without regard to whether the teacher was in

1 service on or after its effective date.

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

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

26 (g) This subsection (g) 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 (f), the System shall exclude salary increases paid to teachers
7 under contracts or collective bargaining agreements entered
8 into, amended, or renewed before June 1, 2005.

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

13 When assessing payment for any amount due under subsection
14 (f), the System shall exclude salary increases resulting from
15 overload work, including summer school, when the school
16 district has certified to the System, and the System has
17 approved the certification, that (i) the overload work is for
18 the sole purpose of classroom instruction in excess of the
19 standard number of classes for a full-time teacher in a school
20 district during a school year and (ii) the salary increases are
21 equal to or less than the rate of pay for classroom instruction
22 computed on the teacher's current salary and work schedule.

23 When assessing payment for any amount due under subsection
24 (f), the System shall exclude a salary increase resulting from
25 a promotion (i) for which the employee is required to hold a
26 certificate or supervisory endorsement issued by the State

1 Teacher Certification Board that is a different certification
2 or supervisory endorsement than is required for the teacher's
3 previous position and (ii) to a position that has existed and
4 been filled by a member for no less than one complete academic
5 year and the salary increase from the promotion is an increase
6 that results in an amount no greater than the lesser of the
7 average salary paid for other similar positions in the district
8 requiring the same certification or the amount stipulated in
9 the collective bargaining agreement for a similar position
10 requiring the same certification.

11 When assessing payment for any amount due under subsection
12 (f), the System shall exclude any payment to the teacher from
13 the State of Illinois or the State Board of Education over
14 which the employer does not have discretion, notwithstanding
15 that the payment is included in the computation of final
16 average salary.

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

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

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

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

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

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

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

8 (40 ILCS 5/18-131) (from Ch. 108 1/2, par. 18-131)

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

10 (a) The State of Illinois shall make contributions to this
11 System by appropriations of the amounts which, together with
12 the contributions of participants, net earnings on
13 investments, and other income, will meet the costs of
14 maintaining and administering this System on a 90% funded basis
15 in accordance with actuarial recommendations.

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

21 (c) For State fiscal years 2012 and 2013 ~~through 2045~~, the
22 minimum contribution to the System to be made by the State for
23 each fiscal year shall be an amount determined by the System to
24 be sufficient to bring the total assets of the System up to 90%
25 of the total actuarial liabilities of the System by the end of

1 State fiscal year 2045. In making these determinations, the
2 required State contribution shall be calculated each year as a
3 level percentage of payroll over the years remaining to and
4 including fiscal year 2045 and shall be determined under the
5 projected unit credit actuarial cost method.

6 For State fiscal years 2014 through 2045, the minimum
7 contribution to the System to be made by the State for each
8 fiscal year shall be an amount determined by the System to be
9 sufficient to bring the total assets of the System up to 100%
10 of the total actuarial liabilities of the System by the end of
11 State fiscal year 2045. In making these determinations, the
12 required State contribution shall be calculated each year as a
13 level dollar amount over the years remaining to and including
14 fiscal year 2045 and shall be determined under the projected
15 unit credit actuarial cost method.

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

21 Notwithstanding any other provision of this Article, the
22 total required State contribution for State fiscal year 2006 is
23 \$29,189,400.

24 Notwithstanding any other provision of this Article, the
25 total required State contribution for State fiscal year 2007 is
26 \$35,236,800.

1 For each of State fiscal years 2008 through 2009, the State
2 contribution to the System, as a percentage of the applicable
3 employee payroll, shall be increased in equal annual increments
4 from the required State contribution for State fiscal year
5 2007, so that by State fiscal year 2011, the State is
6 contributing at the rate otherwise required under this Section.

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

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

1 applicable.

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

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

18 Notwithstanding any other provision of this Section, the
19 required State contribution for State fiscal year 2005 and for
20 fiscal year 2008 and each fiscal year thereafter, as calculated
21 under this Section and certified under Section 18-140, shall
22 not exceed an amount equal to (i) the amount of the required
23 State contribution that would have been calculated under this
24 Section for that fiscal year if the System had not received any
25 payments under subsection (d) of Section 7.2 of the General
26 Obligation Bond Act, minus (ii) the portion of the State's

1 total debt service payments for that fiscal year on the bonds
2 issued in fiscal year 2003 for the purposes of that Section
3 7.2, as determined and certified by the Comptroller, that is
4 the same as the System's portion of the total moneys
5 distributed under subsection (d) of Section 7.2 of the General
6 Obligation Bond Act. In determining this maximum for State
7 fiscal years 2008 through 2010, however, the amount referred to
8 in item (i) shall be increased, as a percentage of the
9 applicable employee payroll, in equal increments calculated
10 from the sum of the required State contribution for State
11 fiscal year 2007 plus the applicable portion of the State's
12 total debt service payments for fiscal year 2007 on the bonds
13 issued in fiscal year 2003 for the purposes of Section 7.2 of
14 the General Obligation Bond Act, so that, by State fiscal year
15 2011, the State is contributing at the rate otherwise required
16 under this Section.

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

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

1 5-year period following that fiscal year.

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

6 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
7 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
8 7-13-12.)

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.