



MINUTES

**Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
Thursday, December 7, 2017, 2:15 p.m.
Northern Trust
Global Conference Center – 1st Floor
50 S. LaSalle St., Chicago, IL**

The following trustees were present: Mr. Tom Cross, Chair, Dr. John Engstrom, Dr. Fred Giertz, Mr. Paul R. T. Johnson Jr., Mr. Craig McCrohon, Dr. Steven Rock and Mr. Antonio Vasquez.

Others present: Mr. Martin Noven, Executive Director; Mr. Doug Wesley, Chief Investment Officer; Ms. Bianca Green, General Counsel; Mr. Albert Lee, Associate General Counsel; Ms. Phyllis Walker, Chief Financial Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Kristen Houch, Legislative Liaison; Ms. Kelly Carson and Ms. Annette Ackerman, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; and Mr. Steve Zahn of Zahn Governmental Solutions.

Legal & Legislative Committee roll call attendance was taken. Trustee Cozzi, absent; Trustee Cross, present; Trustee Giertz, present; Trustee Johnson, present; and Trustee Rock, present.

Trustee Dennis Cullen physically joined the meeting at 2:25 p.m.

APPROVAL OF MINUTES

Trustee Tom Cross presented the minutes from the Legal & Legislative Committee meeting of September 15, 2017.

Trustee Paul Johnson made the following motion:

- That the minutes from the September 15, 2017 Legal & Legislative Committee meeting be approved, as presented.

Trustee Steven Rock seconded and the motion carried with all trustees present voting in favor.

Trustee Fred Giertz made the following motion:

- That the closed minutes from the September 15, 2017 Legal & Legislative Committee meeting be approved as presented and be opened.

Trustee Rock seconded and the motion carried with all trustees present voting in favor.

CHAIRPERSON'S REPORT

Trustee Cross did not have a formal Chairperson's Report.

LEGISLATIVE UPDATE

Legislative Liaison Ms. Kristen Houch and Mr. Steve Zahn of Zahn Governmental Solutions provided the legislative update. Ms. Houch summarized the trailer bill to Public Act 100-23 noting that two versions were presented during veto session. Ms. Houch discussed the next steps for the trailer bill and what is expected to be introduced during the spring session. Ms. Houch highlighted the status of four bills impacting SURS: Senate Bill 1714, Senate Bill 3419, technical corrections bill and Senate Bill 402. Discussions regarding the updates continued as Ms. Houch and Mr. Zahn addressed questions raised by the trustees.

A copy of the reports titled "December 2017 Bill Summaries" and "December 2017 Legislative Update" are incorporated as part of these minutes as [Exhibit 1](#) and [Exhibit 2](#).

RULEMAKING AND COMPLIANCE UPDATES

Approval of the January 2018 Regulatory Agenda

General Counsel Ms. Bianca Green presented the January 2018 Regulatory Agenda for approval. She noted that twice each year, in January and July, a regulatory agenda must be filed with the Secretary of State's Office in Springfield, IL.

Trustee Paul Johnson moved:

- That the January 2018 Regulatory Agenda be approved and filed as presented.

Trustee John Engstrom seconded and the motion carried with all trustees present voting in favor.

A copy of the "January 2018 Regulatory Agenda" is incorporated as part of these minutes as [Exhibit 3](#).

Status of Pending Rules and Approval of Proposed Rules

Mr. Albert Lee summarized the adopted amendment to rulemakings that were made effective November 7, 2017. SURS staff has filed the rulemakings with the Secretary of State for final adoption and imminent publication in the Illinois Register.

Mr. Lee presented the committee with proposed rulemaking changes found in section 1600.271 and recommended approval of the same.

Trustee Johnson moved:

- That the proposed rule changes provided by general counsel be filed with the Joint Committee on Administrative Rules substantially relating to the Optional Hybrid Plan issues.

Trustee Engstrom seconded and the motion carried with all trustees present voting in favor.

Ms. Green provided an update regarding the feedback received from the Illinois Attorney General's office regarding the change in trustee status issue. Options were provided to trustees and discussion of each was addressed.

Copies of the staff memorandums titled "Rulemaking Update and Proposed Rulemaking" and "Legislative Proposal Concerning Change in Trustee Status" are incorporated as part of these minutes as [Exhibit 4](#), and [Exhibit 5](#).

Compliance Stop Light Report

Ms. Green discussed the updated compliance stop light report which shows that SURS is in compliance with its reporting requirements.

A copy of the report titled "Compliance Stop Light Report" is incorporated as part of these minutes as [Exhibit 6](#).

PUBLIC COMMENT

There were no public comments presented to the Legal & Legislative Committee.

There was no further business before the committee and Trustee Johnson moved that the meeting be adjourned. The motion was seconded by Trustee Engstrom and carried with all trustees present voting in favor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Martin Noven", with a long horizontal flourish extending to the right.

Mr. Martin Noven
Secretary, Board of Trustees

MMN/kc

December 2017 Legislative Update

New Public Acts

Senate Bill 402 – Sexual Harassment Reforms

Sponsors – Senator John J. Cullerton and Representative Michael J. Madigan

The Right to a Work Environment Free from Sexual Harassment:

SB 402 amends the State Officials and Employees Ethics Act and the Lobbyist Registration Act. It establishes that all persons have a right to work in an environment free from sexual harassment. All persons subject to the Acts are prohibited from sexually harassing any person, regardless of any employment relationship or lack thereof. Sexual harassment means any unwelcome sexual advances or requests for sexual favors or any conduct of a sexual nature when: (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or (3) such conduct has the purpose or effect of substantially interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment. The phrase "working environment" is not limited to a physical location where an employee is assigned to perform his or her duties and does not require an employment relationship.

Sexual Harassment Policies:

SB 402 requires personnel policies under the State Officials and Employees Ethics Act to be amended within 30 days after the effective date of the legislation to include, at a minimum: (1) a prohibition on sexual harassment; (2) details on how an individual can report an allegation of sexual harassment, including options for making a confidential report to a supervisor, ethics officer, Inspector General, or the Department of Human Rights; (3) a prohibition on retaliation for reporting sexual harassment allegations, including the availability of whistleblower protections under the State Officials and Employees Ethics Act, the Whistleblower Act, and the Illinois Human Rights Act; and (4) the consequences of a violation of the prohibition on sexual harassment and the consequences for knowingly making a false report. Additionally, each natural person and entity required to register as a lobbyist must have such a written sexual harassment policy in place by January 1, 2018.

Sexual Harassment Training Program:

Beginning in 2018, SB 402 requires each officer, member, employee, and each natural person required to register as a lobbyist to complete, at least annually, a sexual harassment training program. A person who fills a vacancy in an elective or appointed position must complete his or her initial sexual harassment training program within 30 days after commencement of his or her office or employment. Similarly, a natural person registered as a lobbyist must complete the training program within 30 days after registration or renewal under the Lobbyist Registration Act. The training must include, at a minimum, the following: (1) the definition, and a description, of sexual harassment utilizing examples; (2) details on how an individual can report an allegation of sexual harassment, including options for making a confidential report to a supervisor, ethics officer, Inspector General, or the Department of Human Rights; (3) the definition, and description of, retaliation for reporting sexual harassment allegations utilizing examples, including the availability of whistleblower protections under the State Officials and Employees Ethics Act, the Whistleblower Act, and the Illinois Human Rights Act; and (4) the consequences of a violation of the prohibition on sexual harassment and the consequences for knowingly making a false report. Proof of completion must be submitted to the applicable ethics officer. Sexual harassment training programs under the State Officials and Employees Ethics Act must be overseen by the appropriate Ethics Commission and Inspector General.

SB 402 requires each ultimate jurisdictional authority to submit to the applicable Ethics Commission, at least annually, or more frequently as required by that Commission, a report that summarizes the sexual harassment training program that was completed during the previous year, and lays out the plan for the training program in the coming year. The report must include the names of individuals that failed to complete the required training program. Each Ethics Commission must make the reports available on its website.

Lobbying Entity and Lobbyist Confirmations:

SB 402 requires each natural person and entity required to register under the Lobbyist Registration Act to file a confirmation with the Secretary of State's Office that the registrant has a sexual harassment policy, that such policy will be made available to any individual within 2 business days upon written request (including electronic requests), that the person may contact the authorized agent of the registrant to report allegations of sexual harassment, and that the registrant recognizes the Inspector General of the Secretary of State's Office has jurisdiction to review any allegations of sexual harassment alleged against the registrant or lobbyists hired by the registrant.

Penalties:

SB 402 establishes that any individual under the State Officials and Employees Ethics Act who commits sexual harassment is subject to a fine of up to \$5,000 per offense, and is subject to discipline or discharge by the appropriate ultimate jurisdictional authority. Each commitment of sexual harassment is a separate offense. Any penalty imposed by an ethics commission is separate and distinct from any fines or penalties imposed by a court of law

or a State or federal agency. Similarly, any person under the Lobbyist Registration Act who commits sexual harassment or violates the confirmation is guilty of a business offense and is subject to a fine of up to \$5,000. Any penalty imposed by an ethics commission is separate and distinct from any fines or penalties imposed by a court of law or by the Secretary of State under the Lobbyist Registration Act. Additionally, any person convicted of sexual harassment pursuant to the Lobbyist Registration Act is prohibited from lobbying for a period of three years from the date of such conviction.

Hotline to Report Sexual Harassment:

SB 402 amends the Illinois Human Rights Act. It requires the Illinois Department of Human Rights to establish and maintain a sexual harassment hotline within 3 months after the effective date of the legislation. The hotline must be a toll-free telephone with voicemail capabilities and an Internet website through which persons may report instances of sexual harassment. The Department must help persons who contact the Department through the hotline find necessary resources, including counseling services, and assist in the filing of sexual harassment complaints with the Department or other applicable agencies. The Department may recommend an individual seek private counsel but cannot make recommendations for legal representation. The hotline must provide the means through which persons may anonymously report sexual harassment in both private and public places of employment. For officers, members, and employees subject to the State officials and Employees Ethics Act, the Department must, with the permission of the reporting individual, report the allegations to the Executive Inspector General or the Legislative Inspector General for further investigation. The Department must advertise the hotline on its website and in materials related to sexual harassment, including posters made available to the public, and encourage reporting by both those who are subject to sexual harassment and those who have witnessed it. All communications received by the Department via the hotline or Internet communication must remain confidential and are exempt from disclosure under the Freedom of Information Act.

SB 402 became effective on November 16, 2017.

Status: Governor Rauner signed into law on November 16, 2017 as Public Act 100-0554 (Senate: 55-0-0; House: 117-0-0).

Senate Bill 1714 – Investment Consultant Disclosures

Sponsors – Senator James F. Clayborne, Jr. and Representative Arthur Turner

SB 1714 requires each consultant retained by the board of a retirement system, pension fund, or investment board to disclose the following information by January 1, 2018 and each January 1st thereafter:

- The total number of searches for investment services made by the consultant in the prior calendar year;
- The total number of searches for investment services made by the consultant in the prior calendar year that included: (i) a minority owned business; (ii) a female owned business; or (iii) a business owned by a person with a disability;
- The total number of searches for investment services made by the consultant in the prior calendar year in which the consultant recommended for selection: (i) a minority owned business; (ii) a female owned business; or (iii) a business owned by a person with a disability;
- The total number of searches for investment services made by the consultant in the prior calendar year that resulted in the selection of: (i) a minority owned business; (ii) a female owned business; or (iii) a business owned by a person with a disability; and
- The total dollar amount of investment made in the previous calendar year with: (i) a minority owned business; (ii) a female owned business; or (iii) a business owned by a person with a disability that was selected after a search for investment services performed by the consultant.

Beginning January 1, 2018, the board of a retirement system, pension fund, or investment board is prohibited from awarding a contract, oral or written, for consulting services without first requiring the consultant to make these disclosures. These disclosures must be considered, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for consulting services.

SB 1714 also requires each consultant retained by the board of a retirement system, pension fund, or investment board to disclose the following information by January 1, 2018 and each January 1st thereafter: all compensation and economic opportunity received in the last 24 months from investment advisors retained by the board of a retirement system, pension fund, or investment board.

Finally, SB 1714 requires each consultant to disclose the following information to the board of a retirement system, pension fund, or investment board, beginning January 1, 2018: any compensation or economic opportunity received in the last 24 months from an investment advisor that is recommended for selection by the consultant. The consultant must make this disclosure prior to the board selecting an investment advisor for appointment. Beginning January 1, 2018, the board of a retirement system, pension fund, or investment board is prohibited from awarding a contract, oral or written, for consulting services without first requiring the consultant to make these disclosures.

SB 1714 became effective on November 8, 2017.

Status: Became Public Act 100-0542 on November 9, 2017 (Senate Override: 52-0-0; House Override: 109-0-0).

House Bill 3419 – No Investments in Expatriated Entities

Sponsors – Representative Jaime M. Andrade, Jr. and Senator Michael E. Hastings

HB 3419 prohibits the State-funded retirement systems from investing in expatriated entities.

An expatriated entity is defined as “a foreign incorporated entity which is treated as an inverted domestic corporation under subsection (b) of Section 835 of the Homeland Security Act of 2002, 6 U.S.C. 395(b), or any subsidiary of such an entity.”

By April 1, 2018, the Illinois Investment Policy Board must make its best efforts to identify all expatriated entities and include those companies in the list of restricted companies distributed to each retirement system and the State Treasurer.

To the extent the retirement system believes that shareholder activism would be more impactful than divestment, the retirement system has the authority to engage with an expatriated entity prior to divesting from it. Methods of shareholder activism utilized by the retirement system may include, but are not limited to, bringing shareholder resolutions and proxy voting on shareholder resolutions. The retirement system must report on its shareholder activism and the outcome of such efforts to the Illinois Investment Policy Board by April 1 of each year. However, if the engagement efforts of the retirement system are unsuccessful, then it must adhere to the normal procedures for divestment.

If a company ceases activity that designates it as an expatriated entity, then it is removed from the list of restricted companies (and is not subject to shareholder activism or divestment), unless it resumes such activities.

HB 3419 will become effective on January 1, 2018.

Status: Became Public Act 100-0551 on November 9, 2017 (House Override: 75-36-0; Senate Override: 39-12-0).

Bills Passed Both Chambers

Senate Bill 1345 – Public Act 100-0023 Trailer Bill – Tier Clarification

Sponsors – Senator Donne E. Trotter and Representative Robert Martwick

SB 1345 clarifies that individuals who first become members of SURS on or after January 1, 2011 and prior to the implementation date of the Optional Hybrid Plan will participate in SURS as Tier 2 members.

Public Act 100-0023 (effective July 6, 2017) closed Tier 2 for individuals who first become members of SURS on or after January 6, 2018. As a result, under Public Act 100-0023, individuals who first become members of SURS on or after January 6, 2018 would not have a benefit “Tier” assigned to them, meaning that the retirement benefits for those members would not be clearly defined in statute. SB 1345 provides that individuals who first become members of SURS on or after January 6, 2018 and until the implementation date of the Optional Hybrid Plan will participate in SURS as Tier 2 members.

SB 1345 takes effect immediately upon becoming law.

Status: Sent to the Governor on November 9, 2017 (Senate: 43-5-0; House: 116-0-0).

House Bill 299 – Return to Work Law for Affected Annuitants Exemption + SURS Technical and Administrative Changes

Sponsors – Representative Carol Ammons and Senator Daniel Biss

Return to Work Law for Affected Annuitants:

HB 299 allows SURS retirees who became affected annuitants between August 1, 2013, and May 31, 2015, and who receive annualized retirement annuities of less than \$10,000 to return to work with a SURS-covered employer without the employer having to pay a contribution to SURS.

Public Act 97-968 created the return-to-work law for affected annuitants, effective August 1, 2013. The law requires a SURS-covered employer to pay a contribution to SURS upon hiring a SURS affected annuitant. A SURS retiree becomes an affected annuitant on the first day of an academic year following the academic year in which the retiree receives compensation from a SURS-covered employer exceeding 40 percent of his or her highest annual earnings prior to retirement. The amount of the employer contribution equals the retiree’s annualized retirement annuity.

Public Act 98-1144 created an exemption to this law to allow SURS-covered employers to avoid paying the employer contribution for SURS retirees who receive annualized retirement annuities of less than \$10,000. However, this exemption became effective on June 1, 2015; it does not apply to SURS retirees with annualized retirement annuities of less than \$10,000 who became affected annuitants between August 1, 2013, and May 31,

2015. HB 299 applies the exemption created by Public Act 98-144 to this group of affected annuitants. It ensures that SURS-covered employers who hire SURS retirees with annualized retirement annuities of less than \$10,000 do not have to make the employer contribution to SURS.

SURS Technical and Administrative Changes:

HB 299 also enhances the efficient administration of SURS by making one substantive change and five technical changes.

Substantive Change:

- Authorizes the System to issue subpoenas in connection with an attempt to obtain information to assist in the collection of sums due to the System, all personal identifying information necessary for the administration of benefits and the determination of the death of a benefit recipient or a potential benefit recipient.

Technical Changes:

- Codifies the long-standing practice of SURS in which a disability retirement annuity recipient is prevented from backdating his or her retirement annuity prior to the termination of the disability retirement annuity.
- Codifies the long-standing practice of SURS in which a participant's disability benefits are discontinued upon failure to provide an earnings verification necessary to determine continued eligibility for disability benefits.
- Codifies the long-standing practice of SURS in which a disability retirement annuity is discontinued upon a recipient's refusal to submit to a reasonable physical examination or failure to provide an earnings verification necessary to determine continued eligibility for the disability retirement annuity.
- Codifies the long-standing practice of SURS in which the costs incurred in a claim for a disability retirement annuity are allocated in a similar way as the costs incurred in a claim for disability benefits.
- Corrects the definition of "service" to reflect the enactment of Public Act 99-0897.

HB 299 takes effect immediately upon becoming law.

Status: Passed Both Houses on November 8, 2017 (House: 115-0-1; Senate: 54-0-0).

Other Legislation

Senate Bill 779 - Alternative Investment Contract and Fee Transparency **Sponsors - Senator Daniel Biss and Representative Robert Martwick**

House Amendment #2 to SB 779 deletes the provisions of the legislation as it originally passed the Senate. It contains technical and administrative changes necessary for the state-funded retirement systems (SERS, SURS, and TRS) to implement the provisions of Senate Bill 42/Public Act 100-0023. As it relates to SURS, HA #2 to SB 779 makes the following changes:

IRS Compliance:

- Revises the language regarding the creation of the defined contribution program to resolve conflicts between the original bill and the Internal Revenue Code.

Technical and Administrative Amendments:

- Clarifies that the employer will pay the cost of all new hires, including SMP members.
- Simplifies the employer billing process under the Governor's salary limitation.
- Details the process for collecting the 2% additional contributions from the State.
- Establishes a number of dates, deadlines and processes that will enable staff to comply with the provisions of the law after the optional hybrid plan is created.
- Allows Tier 2 members to retain benefits previously earned in a manner consistent with the Retirement Systems Reciprocal Act.
- Determines that the Tier 2 employee and employer contribution rates shall be charged until a plan election is made.
- Clarifies that after the normal cost is adjusted downward, it can be readjusted upward in an amount that is less than 6.2%.
- Clarifies that minimum retirement annuities, minimum survivor annuities, and service credit purchases are unavailable under the optional hybrid plan.

- Makes other technical changes including: removal of the full-time equivalent basis terminology, removal of individual employer accounts, and clarification that the UAAL payments will be calculated on an aggregate basis.

Codification of Existing Practices:

- Clarifies that the Tier 2 return to work limitations continue to apply to new members.
- Clarifies that the plan elections will continue to apply for employees who leave the System, upon return to work with an employer under the System.
- Clarifies that the Governor's salary limitation will be calculated on a fiscal year basis, consistent with the calculation of the normal cost and annual required State contribution.
- Extends the current mechanism in place to permit SURS to obtain payments from delinquent employers via the Comptroller's Office to the new payments defined in the law.
- Clarifies that a member cannot receive a disability retirement annuity and a retirement annuity for the same period of time.

Fiduciary Protections:

- Adds protections to the Board and the System from any liability associated with the elections under Public Act 100-0023.

House Amendment #1 to SB 779 deletes the provisions of the legislation as it originally passed the Senate. It makes a technical change in the General Provisions article of the Illinois Pension Code.

As it originally passed the Senate:

SB 779 requires the disclosure of certain information related to the investments of public pension funds, retirement systems, and investment boards in alternative investment funds.

SB 779 defines an "alternative investment fund" as a private equity fund, hedge fund, or absolute return fund.

SB 779 requires all pension funds, retirement systems, and investment boards under the Illinois Pension Code to disclose the following information within 90 days after entering into an agreement to invest in an alternative investment fund: (1) all management fee

waiver provisions; (2) all indemnification provisions; (3) all clawback provisions; and (4) the cover page and signature block of the agreement. These disclosures must be filed with the Public Pension Division of the Illinois Department of Insurance and the Illinois Secretary of State. They must also be posted and maintained on the website of the pension fund, retirement system, or investment board.

SB 779 further requires all pension funds, retirement systems, and investment boards under the Illinois Pension Code to require their alternative investment fund external managers and general partners to disclose the following information annually for each alternative investment fund: (1) direct fees and expenses; (2) all other fees and expenses, including carried interest; (3) the amount of all management fee waivers; and (4) the total amount of portfolio holding fees. The disclosure of this information may be satisfied by the completion of the Institutional Limited Partners Association (“ILPA”) template for the relevant category of investment for the applicable year. These disclosures must be filed with the Public Pension Division of the Illinois Department of Insurance and posted and maintained on the website of the public pension fund, retirement system, or investment board.

SB 779 applies to agreements after January 1, 2018.

SB 779 takes effect immediately upon becoming law.

Status: House Re-Referred to Rules Committee on November 10, 2017.

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SA #1 to SB 4	Sen. Trotter	State Pension Obligation Acceleration Bonds	Adds language authorizing the Illinois Finance Authority to issue up to \$250 million in State Pension Obligation Acceleration Bonds if the amount appropriated for accelerated pension benefit payments is less than the amount required for those payments. Creates a continuing appropriation for the payment of principal and interest due on State Pension Obligation Acceleration Bonds.		Amendment Tabled on 5/17
SA #2 to SB 4	Sen. Trotter	State Pension Obligation Acceleration Bonds	Adds language authorizing the Illinois Finance Authority to issue up to \$250 million in State Pension Obligation Acceleration Bonds if the amount appropriated for accelerated pension benefit payments is less than the amount required for those payments. Creates a continuing appropriation for the payment of principal and interest due on State Pension Obligation Acceleration Bonds.	Identical to SA #1 to SB 4 (Sen. Trotter)	Amendment Tabled on 5/17
SB 6 (ENRL)	Sen. Steans (Rep. G. Harris)	FY 2018 Budget	Appropriates \$1,587,985,000 to SURS for the State contribution for FY 2018 (\$1,372,985,000 from the General Revenue Fund and \$215,000,000 from the State Pensions Fund). The FY 2018 certified State contribution to SURS is \$1,753,685,000. Appropriates \$4,133,336 from the Education Assistance Fund to the College Insurance Program ("CIP") for FY 2018. This amount is equal to the certified State contribution to CIP for FY 2018.		Became Public Act 100-0021 on 7/6 (Senate Override: 39-15-0; House Override: 74-37-0)
SB 11	Sen. J. Cullerton	Pension Reform	Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 and FY 2019 State contributions to be recertified based on the changes in the legislation. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period. Requires employers to pay a contribution to SURS for the portion of earnings in excess of \$140,000.	\$250 million worth of bonds for buyout	Lost on 3rd Reading in the Senate (18-29-10) on 2/8

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 16 (ENGR)	Sen. J. Cullerton (Rep. Durkin)	Pension Reform	Creates an optional hybrid plan for new members. Allows new members to elect to participate in Tier II. Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 and FY 2019 State contributions to be recertified based on the changes in the legislation. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period. Requires employers to pay a contribution to SURS for the portion of earnings in excess of \$140,000.	\$250 million worth of bonds for buyout	House Re-Referred to Rules Committee on 5/31; Passed the Senate 31-21-0 on 5/17
SB 42 (ENRL)	Sen. Trotter (Rep. G. Harris)	FY 2018 Budget Implementation Act	Authorizes the use of money in the State Pensions Fund as part of the FY 2018 State contribution to SURS. Creates an optional hybrid plan for: new participants of SURS on or after the implementation date of the optional hybrid plan; and current Tier II participants who irrevocably elect to participate in the optional hybrid plan. Requires the State to make additional contributions in FY 2018, FY 2019, and FY 2020 equal to 2% of the total payroll for each employee who participates in the optional hybrid plan or who participates in the Tier II plan in lieu of the optional hybrid plan. Requires prospective and retroactive smoothing of any changes in actuarial assumptions made to the State contribution since FY 2014. Requires recertification of the FY 2018 State contribution. Requires the employer to contribute the employer normal cost of the defined benefits of optional hybrid plan participants and participants who would have been in the optional hybrid plan but elected to participate in the Tier II plan, beginning in FY 2018. Requires the employer to pay the unfunded liability of the defined benefits of optional hybrid plan participants, participants who would have been in the optional hybrid plan but elected to participate in the Tier II plan, and participants who currently participate in the Tier II plan but elect to participate in the optional hybrid plan, beginning in FY 2018. Requires the employer to pay a 2% surcharge for optional hybrid plan participants and participants who would have been in the optional hybrid plan but elected to participate in the Tier II plan, beginning in FY 2021. Requires the employer to pay the employer normal cost of the portion of an employee's earnings that exceeds the amount of salary set for the Governor, for academic years beginning on or after July 1, 2017.		Became Public Act 100-0023 on 7/6 (Senate Override: 36-18-0; House Override: 71-41-0)

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SA #1 to SB 363	Sen. Morrison	No Pensions for Private Employment	Prospectively prohibits a person from becoming a member or participant in any pension fund or retirement system with respect to private employment. Prohibits a person who first becomes a participant or member of a public pension fund or retirement system on or after the effective date of the legislation from establishing service credit under that fund or system with respect to private employment.		Senate Re-Referred to Assignments Committee on 8/4
SB 402 (ENRL)	Sen. J. Cullerton (Rep. Madigan)	Sexual Harassment Reforms	Establishes that all persons have a right to work in an environment free from sexual harassment. Prohibits the sexual harassment of any person, regardless of any employment relationship or lack thereof. Requires personnel policies to include: prohibitions on sexual harassment; processes for reporting allegations of sexual harassment; prohibitions on retaliation for reporting allegations of sexual harassment; the consequences of a violation of the prohibition on sexual harassment; and the consequences of filing a false report alleging sexual harassment. Requires each officer, member, employee, and each natural person required to register as a lobbyist to complete, at least annually, a sexual harassment training program. Imposes penalties for a violation of the prohibition on sexual harassment. Creates a hotline to report sexual harassment.		Became Public Act 100-0554 on 11/16 (Senate: 55-0-0; House: 117-0-0)
SB 654 (ENGR)	Sen. Biss (Rep. Nekritz)	SURS Administrative and Technical Corrections	Authorizes SURS to issue subpoenas in connection with an attempt to obtain information to assist in the collection of sums due to the System, all personal identifying information necessary for the administration of benefits, and the determination of the death of a benefit recipient or a potential benefit recipient. Codifies longstanding practices related to the administration of disability benefits and disability retirement annuities.	Identical to HB 368 (Rep. Nekritz)	House Referred to Rules Committee on 5/9; Passed the Senate 47-0-0 on 5/5
SB 662	Sen. Hastings	Pension Buyout Act	Creates the Pension Buyout Act. Authorizes the Illinois Department of Central Management Services to enter into contracts with approved vendors to provide lump-sum payments to eligible SURS retirees pursuant to a pension buyout option. An eligible SURS retiree who elects a pension buyout option relinquishes all rights and benefits under the Illinois Pension Code in exchange for a lump-sum payment equal to the present value of his or her retirement annuity under SURS. Eligible SURS retirees who elect to participate in a pension buyout option will receive any applicable retiree health insurance benefits.	\$500 million worth of bonds for buyout	Senate Re-Referred to Assignments Committee on 5/5
SB 778	Sen. Biss	FOIA - Alternative Investment Contracts	Establishes that the texts of new agreements entered into by a public pension fund or retirement system after January 1, 2018 to invest in a private equity fund, hedge fund, or absolute return fund are not exempt from disclosure under the Freedom of Information Act. However, trade secrets contained in the texts of such new agreements remain exempt under the Freedom of Information Act.		Senate Re-Referred to Assignments Committee on 8/4

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 779 (ENGR)	Sen. Biss (Rep. Martwick)	Alternative Investment Fund Contract and Fee Transparency	Requires all pension funds, retirement systems, and investment boards to disclose the following information for each alternative investment fund: (1) all management fee waiver provisions; (2) all indemnification provisions; (3) all clawback provisions; and (4) the cover page and signature block of the agreement. Requires all pension funds, retirement systems, and investment boards to require their alternative investment fund external managers and general partners to disclose the following information annually for each alternative investment fund: (1) direct fees and expenses; (2) all other fees and expenses, including carried interest; (3) the amount of all management fee waivers; and (4) the total amount of portfolio holding fees. Disclosure of fee information may be satisfied by the completion of the Institutional Limited Partners Association ("ILPA") template for the relevant category of investment for the applicable year.	Similar to HA #1 to HB 163 (Rep. Halpin)	House Re-Referred to Rules Committee on 11/10; Passed the Senate 34-19-0 on 5/29
HA #1 to SB 779	Rep. Currie	Shell Amendment	Deletes the provisions of the engrossed bill.		Amendment Tabled on 11/7
HA #2 to SB 779	Rep. Martwick	Public Act 100-0023 Trailer Bill – Omnibus	Enables SURS to comply with IRS requirements when developing the defined contribution portion of the Optional Hybrid Plan created under Public Act 100-0023. Makes technical and administrative changes, codifies existing practices, and provides fiduciary protections to permit the implementation of Public Act 100-0023.		Adopted in House Personnel and Pensions Committee on 11/7
SB 896 (ENGR)	Sen. Althoff (Rep. Parkhurst)	Survivors Felony Forfeiture	Prohibits any benefits from being paid to a person who otherwise would receive a survivor benefit but is convicted of a felony relating to, arising out of, or in connection with the service of the employee from whom the benefit results. Applies to participants who enter service after the effective date of the legislation.	Identical to HB 350 as Introduced (Rep. McSweeney)	House Referred to Rules Committee on 4/27; Passed the Senate 57-0-0 on 4/26
SA #1 to SB 1012	Sen. Righter	Tier III Defined Contribution Plan	Requires SURS to prepare and implement a Tier III Defined Contribution Plan for new members on or after July 1, 2018 and for Tier I and Tier II members who elect to participate in the Tier III Defined Contribution Plan.	Identical to the Tier III DC Plan in HB 2405 (Rep. Ives)	Senate Re-Referred to Assignments Committee on 8/4
SA #2 to SB 1012	Sen. Righter	Tier III Defined Contribution Plan	Requires SURS to prepare and implement a Tier III Defined Contribution Plan for new members on or after July 1, 2018 and for Tier I and Tier II members who elect to participate in the Tier III Defined Contribution Plan. Requires the Tier III Defined Contribution Plan to use the framework of the existing Self-Managed Plan.	Similar to the Tier III DC Plan in HB 4057 (Rep. Ives)	Senate Re-Referred to Assignments Committee on 8/4
SB 1345 (ENRL)	Sen. Trotter (Rep. Martwick)	Public Act 100-0023 Trailer Bill – Tier Clarification	Clarifies that individuals who first become members of SURS on or after January 1, 2011 and prior to the implementation date of the Optional Hybrid Plan will participate in SURS as Tier 2 members.		Sent to the Governor on 11/9 (Senate: 43-5-0; House: 116-0-0)

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Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 1714 (ENRL)	Sen. Clayborne (Rep. Turner)	Investment Consultant Disclosures	Requires investment consultants to make certain disclosures related to searches for investment services. Prohibits the board from awarding a contract without receiving these disclosures and requires the Board to consider these disclosures prior to the award of a contract. Requires investment consultants to disclose all compensation and economic opportunity received in the last 24 months by investment advisors retained by the Board. Requires investment consultants to disclose any compensation or economic opportunity received in the last 24 months by an investment advisor that is recommended for selection by the consultant. Prohibits a board from awarding a contract without receiving these disclosures.		Became Public Act 100-0542 on 11/9 (Senate Override: 52-0-0; House Override: 109-0-0)
SB 1798	Sen. Hastings	No Investments in Expatriated Entities	Prohibits the state-funded retirement systems from investing in expatriated entities. Authorizes the state-funded retirement systems to use shareholder activism prior to divestment.	Nearly Identical to HB 3419 (Rep. Andrade)	Senate Re-Referred to Assignments Committee on 8/4
SB 1801	Sen. Brady	Supplemental Defined Contribution Plan	Requires the SURS Board of Trustees to establish and maintain a defined contribution plan to address the retirement preparedness gap for participants in a defined benefit plan who are not on track to maintain their standard of living in retirement.	Identical to HB 3867 (Rep. Morrison)	Senate Referred to Assignments Committee on 2/9
SB 1820	Sen. McConchie	Full and Partial Accelerated Pension Benefit Payment Options	Authorizes an eligible person to irrevocably elect to receive an accelerated pension benefit payment, beginning January 1, 2018. The accelerated pension benefit payment consists of a one-time lump sum payment equal to 70 percent of the net present value of the eligible person's pension benefits in lieu of receiving any pension benefit from SURS. The accelerated pension benefit payment must be rolled into another retirement plan or account qualified under the Internal Revenue Code of 1986, as amended. Authorizes an eligible person to make a written election to receive a partial accelerated pension benefit payment in exchange for a reduction in pension benefits, beginning January 1, 2018. In the written election, the eligible person must specify the percentage by which pension benefits are reduced. However, an eligible person may not elect a percentage reduction of his or her pension benefits that would result in a partial accelerated pension benefit payment of less than \$50,000. The partial accelerated pension benefit payment consists of a one-time lump sum payment equal to 70 percent of the elected percentage of the net present value of the eligible person's pension benefits.	\$250 million worth of bonds for buyout	Senate Referred to Assignments Committee on 2/9

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 2063	Sen. Brady	Unbalanced Budget Response Act	Creates the Unbalanced Budget Response Act. Authorizes the Governor to designate a contingency reserve to balance the budget. Allows the contingency reserve to consist of amounts appropriated from funds held by the State Treasurer to any agency for Fiscal Year 2017 and Fiscal Year 2018, including amounts appropriated under a statutory continuing appropriation (except for debt service, General State Aid, and early childhood education). Authorizes the Governor to delay payments under any statutory continuing appropriation, except for payments of debt service, for Fiscal Year 2017 and Fiscal Year 2018. Provides that any payment so delayed may be paid out of the next fiscal year's appropriation.	Identical to HB 3868 (Rep. Durkin)	Senate Re-Referred to Assignments Committee on 3/17
SB 2091	Sen. Sandoval	No Investments in Businesses that Build A Border Wall	Prohibits the state-funded retirement systems from investing in businesses that enter into a contract with the federal government for the purpose of building a wall along the border of Mexico and the United States of America.	Similar to HB 3061 (Rep. Guzzardi)	Senate Re-Referred to Assignments Committee on 5/5
SB 2164	Sen. Brady	FY 2018 Governor Introduced Budget	Appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 comes from the General Revenue Fund, and \$140,000,000 comes from the State Pensions Fund. The certified Fiscal Year 2018 State contribution to SURS is \$1,753,685,000. Appropriates \$0 from the Education Assistance Fund for the State contribution to the College Insurance Program ("CIP") for Fiscal Year 2018. The certified Fiscal Year 2018 State contribution to CIP is \$4,133,336.	Identical to HB 3926 (Rep. Durkin)	Senate Referred to Assignments Committee on 2/22
SB 2172	Sen. Connelly	Pension Reform	Creates an optional Hybrid Plan for new members. Allows new members to elect to participate in Tier II. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 State contribution to be recertified based on the changes in the legislation. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period. Requires employers to pay a contribution to SURS for the portion of earnings in excess of \$140,000.	\$250 million worth of bonds for buyout	Senate Re-Referred to Assignments Committee on 4/7
SB 2173	Sen. Connelly	Pension Reform	Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Requires the FY 2019 State contribution to be recertified based on the changes in the legislation.		Senate Re-Referred to Assignments Committee on 4/7

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 2181	Sen. Brady	FY 2017 and FY 2018 Budget Implementation Act	Creates the FY 2017 and FY 2018 Budget Implementation Act. Authorizes the use of money in the State Pensions Fund as part of the annual required State contribution to SURS for FY 2018. Ends the continuing appropriation for the College Insurance Program ("CIP"). Establishes a state spending limitation for FY 2018 to FY 2022 of \$36 billion annually, except for: (1) increases over amounts appropriated in FY 2018 as required by certifications of the state-funded retirement systems; (2) increases over amounts transferred in FY 2018 under the General Obligation Bond Act; or (3) increases over payments made in FY 2018 to cover state obligations of the State Employee Group Insurance Act of 1971. Provides that if the Auditor General reports that spending has exceeded the limitation and if the Governor has not been presented with a bill or bills passed by the General Assembly to reduce spending to a level that does not exceed the limitation, then the Governor may reduce spending by designating amounts to be set aside as a reserve from the amounts appropriated from the state general funds for all boards, commissions, agencies, institutions, authorities, colleges, universities, and bodies politic and corporate of the state (except for constitutional officers, the legislative and judicial branch, the Office of the Executive Inspector General, or the Executive Ethics Commission). Provides that the amounts placed in reserves cannot be transferred, obligated, encumbered, expended, or otherwise committed unless so authorized by law.		Senate Referred to Assignments Committee on 3/28
SB 2182	Sen. Brady	FY 2017 and FY 2018 Budget	Appropriates \$1,481,426,000 from the General Revenue Fund to SURS as part of the annual required State contribution for Fiscal Year 2017. Appropriates \$4,309,111 from the General Revenue Fund for the College Insurance Program ("CIP") for Fiscal Year 2017. Appropriates \$1,461,685,000 to SURS as part of the annual required State contribution for Fiscal Year 2018 (\$1,306,685,000 from the General Revenue Fund and \$155,000,000 from the State Pensions Fund). Appropriates \$3,307,000 from the General Revenue Fund for the College Insurance Program ("CIP") for Fiscal Year 2018.		Senate Referred to Assignments Committee on 3/28
SB 2194	Sen. Brady	Pension Reform	Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Requires the FY 2019 State contribution to be recertified based on the changes in the legislation.		Senate Re-Referred to Assignments Committee on 8/4

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 2195	Sen. Brady	Pension Reform	Creates an optional hybrid plan for new members. Allows new members to elect to participate in Tier II. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 State contribution to be recertified based on the changes in the legislation. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period. Requires employers to pay a contribution to SURS for the portion of earnings in excess of \$140,000.		Senate Re-Referred to Assignments Committee on 8/4
SB 2197	Sen. McCarter	SURS Normal Cost Shift	Requires the actual employer to pay the full employer's normal cost of the benefits earned by its employees to SURS on a payroll-by-payroll basis. Sets the employer normal cost rate as a percentage of earnings determined by SURS on a system-wide basis and certified by SURS to all employers for use in the applicable fiscal year. Requires recalculation and recertification of the required State contribution for the current fiscal year based on this change.		Senate Referred to Assignments Committee on 4/27
SB 2198	Sen. Oberweis	Re-Issuance of Bonds to Retire FY 2011 Pension Bonds	Authorizes the re-issuance of \$2.2 billion worth of General Obligation Bonds to retire outstanding bonds issued to finance the Fiscal Year 2011 State contribution to the State-funded retirement systems.		Senate Re-Referred to Assignments Committee on 5/12
SB 2205	Sen. McCarter	State Pension Obligation Acceleration Bonds	Authorizes the Illinois Finance Authority to issue up to \$250 million in State Pension Obligation Acceleration Bonds if the amount appropriated for accelerated pension benefit payments is less than the amount required for those payments. Creates a continuing appropriation for the payment of principal and interest due on State Pension Obligation Acceleration Bonds. Authorizes the State to issue up to \$7 billion worth of State General Obligation Restructuring Bonds for the purpose of paying vouchers (bills) incurred by the State prior to July 1, 2017. Limits state general funds spending for Fiscal Year 2018 through Fiscal Year 2025 to \$31.374 billion annually. Provides that if the Auditor General reports that spending has exceeded the limitation for the fiscal year, and if the General Assembly does not pass legislation to reduce spending to a level at or below the limitation, then the Governor may designate amounts to be set aside as a reserve from the amounts appropriated from the state general funds for all boards, commissions, agencies, institutions, authorities, colleges, universities, and bodies politic and corporate of the State (but not other constitutional officers, the legislative or judicial branch, the Office of the Executive Inspector General, or the Executive Ethics Commission).	\$250 million worth of bonds for buyout	Senate Referred to Assignments Committee on 4/27

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
SB 2214	Sen. Brady	FY 2017 and FY 2018 Budget	Appropriates \$1,481,426,000 from the General Revenue Fund as part of the FY 2017 State contribution to SURS. Appropriates \$4,309,111 from the General Revenue Fund for the FY 2017 State contribution to CIP. Appropriates \$1,461,685,000 for the FY 2018 State contribution to SURS. (Of this amount, \$1,306,685,000 comes from the General Revenue Fund and \$155,000,000 comes from the State Pensions Fund.) Appropriates \$2,755,000 from the General Revenue Fund for the FY 2018 State contribution to CIP.		Senate Referred to Assignments Committee on 6/15
SB 2217	Sen. Brady	FY 2017 and FY 2018 Budget Implementation Act	Creates the FY2017 and FY 2018 Budget Implementation Act. Extends the lapse period for FY 2017 until December 31, 2017. Authorizes the Governor to designate a contingency reserve from the amounts appropriated from funds held by the Treasurer for fiscal years 2018 through 2021 to any agency. Prohibits the Governor from designating a contingency reserve from amounts that have been appropriated: (1) for payment of debt service; (2) to the State Board of Education for evidence-based funding to the common schools; (3) to the State Board of Education for grants or aid for early childhood education; (4) for contributions to the State-funded retirement systems; or (5) to the Attorney General, Secretary of State, Treasurer, Comptroller, or any legislative or judicial branch agency or office. Authorizes the use of money in the State Pensions Fund as part of the FY 2018 State contribution to SURS. Ends the continuing appropriation for the College Insurance Program at the end of Fiscal Year 2017. Establishes the State spending limitation for fiscal years 2018 through 2022 as \$36 billion, except for: (1) increases over amounts as required to be paid to the State-funded retirement systems; (2) increases in amounts required to be transferred for the payment of principal and interest on bonds under the General Obligation Bond Act; or (3) increases in payments to the Health Insurance Reserve Fund necessary to cover state obligations of the State Employees Group Insurance Act of 1971. Provides that if State spending exceeds the limitation and if the Governor has not been presented with a bill or bills passed by the General Assembly to reduce State spending, the Governor may designate a reserve from the amounts appropriated from the State general funds for all boards, commissions, agencies, institutions, authorities, colleges, universities, and bodies politic and corporate of the State, but not other constitutional officers, the legislative or judicial branch, the office of the Executive Inspector General, or the Executive Ethics Commission. Prohibits amounts placed in reserves from being transferred, obligated, encumbered, expended, or otherwise committed unless so authorized by law. Establishes the FY 2018 State contribution to SURS as \$1,461,685,000.		Senate Referred to Assignments Committee on 6/15
HA #1 to HB 117	Rep. Crespo	FY 2018 General Services Budget	Appropriates \$1,622,785,000 to SURS for the State contribution for FY 2018 (\$1,407,785,000 from the General Revenue Fund and \$215,000,000 from the State Pensions Fund). The FY 2018 certified State contribution to SURS is \$1,753,685,000. Appropriates \$4,133,336 from the Education Assistance Fund to the College Insurance Program ("CIP") for FY 2018. This amount is equal to the certified State contribution to CIP for FY 2018.	Identical to HA #2 to SB 6 (Rep. G. Harris)	House Rules Committee Recommends Be Adopted (3-1-0) on 6/29

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HA #1 to HB 163	Rep. Halpin	Alternative Investment Fund Contract and Fee Transparency	Creates the Investment Transparency Task Force to study, identify best available practices, and make recommendations by January 15, 2018 relating to: (1) disclosure of, and best practices related to, the portions of limited partnership agreements addressing indemnification provisions, clawback provisions, and management fee waivers; and (2) disclosure of fees and expenses incurred, including related fee waivers and portfolio holding fees. If a public pension fund, retirement system, or investment board adopts and implements the recommendations of the Task Force, and the General Assembly does not reject the recommendations of the Task Force by joint resolution during the 100th General Assembly, then the public pension fund, retirement system, or investment board is deemed in compliance with the legislation. However, if the Task Force does not adopt recommendations by January 15, 2018, the General Assembly rejects the recommendations of the Task Force, or the public pension fund, retirement system, or investment board fails to adopt and implement the recommendations of the Task Force, then alternative provisions of the legislation related to items (1) and (2) take effect.	Similar to SB 779 (Sen. Biss)	House Re-Referred to Rules Committee on 4/28
HB 299 (ENRL)	Rep. Ammons (Sen. Biss)	Return to Work for Affected Annuitants Exemption + SURS Administrative and Technical Corrections	Allows SURS retirees who became affected annuitants between August 1, 2013 and May 31, 2015 and who receive annualized retirement annuities of less than \$10,000 to return to work with a SURS-covered employer without the employer having to pay a contribution to SURS. Authorizes SURS to issue subpoenas in connection with an attempt to obtain information to assist in the collection of sums due to the System, all personal identifying information necessary for the administration of benefits, and the determination of the death of a benefit recipient or a potential benefit recipient. Codifies longstanding practices related to the administration of disability benefits and disability retirement annuities.		Passed Both Houses on 11/8 (House: 115-0-1; Senate: 54-0-0)
HB 315	Rep. Batinick	Accelerated Pension Benefit Payment Option	Requires SURS to offer each eligible person the opportunity to irrevocably elect to receive an accelerated pension benefit payment equal to 70 percent of the net present value of his or her pension benefits in lieu of receiving any pension benefit from SURS. The accelerated pension benefit payment must be rolled over into another retirement plan or account qualified under the Internal Revenue Code of 1986, as amended. Eligible members have between January 1, 2018 and July 1, 2018 to elect the accelerated pension benefit payment. Eligible members who irrevocably elect to receive an accelerated pension benefit payment will receive any applicable retiree health insurance benefits.	\$250 million worth of bonds for buyout	House Re-Referred to Rules Committee on 3/31
HB 350 (ENRL)	Rep. McSweeney (Sen. Althoff)	Survivors Felony Forfeiture	Prohibits any benefits from being paid to a person who otherwise would receive a survivor benefit but is convicted of a felony relating to, arising out of, or in connection with the service of the employee from whom the benefit results. Applies to participants who enter service after the effective date of the legislation. Prohibits any benefits from being paid to a person who is convicted of a felony relating to, arising out of, or in connection with a person's service as an employee under SURS. This change applies to individuals who first become participants in SURS on or after the effective date of the legislation.		Became Public Act 100-0334 on 8/25 (House 101-0-0; Senate 54-0-0)

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 368 (ENGR)	Rep. Nekritz (Sen. Biss)	SURS Administrative and Technical Corrections	Authorizes SURS to issue subpoenas in connection with an attempt to obtain information to assist in the collection of sums due to the System, all personal identifying information necessary for the administration of benefits, and the determination of the death of a benefit recipient or a potential benefit recipient. Codifies longstanding practices related to the administration of disability benefits and disability retirement annuities.	Identical to SB 654 (Sen. Biss)	Senate Re-Referred to Assignments Committee on 8/4; Passed the House 115-0-1 on 3/7
HB 436	Rep. Ives	Tier III Defined Contribution Plan	Requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018. Tier I participants and Tier II participants may make a voluntary, irrevocable election to become Tier III participants, stopping participation in the defined benefit plan and starting participation in the defined contribution plan for future service. Tier III participants may also irrevocably elect to terminate all participation in the defined benefit plan. Prohibits payments for unused sick or vacation time from counting towards the pensionable earnings of individuals who first become participants of SURS on or after the effective date of the legislation. Prohibits unused, unpaid sick time from counting towards the service credit of individuals who first become participants of SURS on or after the effective date of the legislation. Allows employees to opt-out of participation in SURS.	Very similar to HB 445 (Rep. Ives) and Nearly Identical to HB 2405 (Rep. Ives)	House Re-Referred to Rules Committee on 3/31
HB 445	Rep. Ives	Tier III Defined Contribution Plan	Requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018. Tier I members and Tier II members may make a voluntary, irrevocable election to become Tier III members, stopping participation in the defined benefit plan and starting participation in the defined contribution plan for future service. Tier III members may also irrevocably elect to terminate all participation in the defined benefit plan. Allows employees to opt-out of participation in SURS.	Very similar to HB 436 (Rep. Ives) but does not include prohibitions on sick time and vacation time from counting towards pensions	House Re-Referred to Rules Committee on 3/31
HB 669	Rep. Morrison	Alternative Retirement Plan - Local Control of Benefits	Authorizes the board of trustees of a community college district that is an employer covered under SURS to provide an alternative retirement plan, either in addition to or in lieu of the existing retirement plans under SURS, for its eligible new employees. The alternative retirement plan only applies to persons who have not participated in the existing plans under SURS. Participants in an alternative retirement plan are deemed to be participants in SURS.	Identical to HB 3069 (Rep. Morrison)	House Re-Referred to Rules Committee on 3/31
HB 671	Rep. Morrison	Employers Pay Pension Costs of Salary Increases above Inflation	Establishes that, for academic years beginning on or after July 1, 2017, if a participant's earnings exceed the amount of his or her earnings with the same employer for the previous academic year by more than the increase in CPI-U for any year during the final rate of earnings period, then the employer must pay the present value of the resulting increase in benefits to SURS. Earnings increases under contracts or collective bargaining agreements entered into, amended, or renewed before the effective date of the legislation are exempt.	Identical to HB 3175 (Rep. Sauer)	House Re-Referred to Rules Committee on 3/31

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 775	Rep. Lilly	Climate Change Risk Minimization Policy	Requires each pension fund and retirement system (except for downstate policemen's and firefighters' pension funds) to develop a climate change risk minimization policy by December 31, 2018. If the retirement system or pension fund determines that increasing climate change poses a significant financial risk to its long-term value, then it may develop a policy on voting for shareholder resolutions and directors to advance corporate policies that minimize the long-term risk to assets from increased climate change.		House Re-Referred to Rules Committee on 3/31
HB 2405	Rep. Ives	Tier III Defined Contribution Plan	Requires SURS to prepare and implement a Tier III defined contribution plan for new participants by July 1, 2018. Tier I participants and Tier II participants may make a voluntary, irrevocable election to become Tier III participants, stopping participation in the defined benefit plan and starting participation in the defined contribution plan for future service. Tier III participants may also irrevocably elect to terminate all participation in the defined benefit plan. Prohibits payments for unused sick or vacation time from counting towards the pensionable earnings of individuals who first become participants of SURS on or after the effective date of the legislation. Prohibits unused, unpaid sick time from counting towards the service credit of individuals who first become participants of SURS on or after the effective date of the legislation. Allows an employee to opt-out of participation in SURS.	Nearly Identical to HB 436 (Rep. Ives) but requires all persons who first become participants in SURS on or after July 1, 2018 to participate in the Tier III defined contribution plan	House Re-Referred to Rules Committee on 3/31
HB 2491	Rep. Bennett	QILDRO Calculations	Establishes that, for a QILDRO issued after January 1, 2018, the member's salary on the date the QILDRO was issued is the salary that must be used to calculate the amount of the benefit under the QILDRO.		House Re-Referred to Rules Committee on 3/31
HB 2707	Rep. Wehrli	Smoothing of Changes in Actuarial Assumptions	Requires any change in the actuarial assumptions that increases or decreases the required State contribution, including a change in assumed investment returns or mortality rates, that first applies in State Fiscal Year 2016 or thereafter, to be phased-in over a 5-year period beginning in the State Fiscal Year in which the actuarial change first applies or Fiscal Year 2018, whichever is later. Requires recertification of the State contribution for Fiscal Year 2018.		House Re-Referred to Rules Committee on 3/31
HA #1 to HB 2707	Rep. Wehrli	Smoothing of Changes in Actuarial Assumptions	Changes the 5-year smoothing requirement to a 3-year smoothing requirement.		House Re-Referred to Rules Committee on 3/31
HB 2758	Rep. Sosnowski	Overtime Pay Not Included in Pensions	Prohibits pay to a participant in any pension fund or retirement system under the Illinois Pension Code for overtime performed on or after July 1, 2017 from being considered as pensionable salary, earnings, or compensation.		House Re-Referred to Rules Committee on 3/31

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 2759	Rep. Sosnowski	Pensions Suspended During Reemployment	Requires a retirement annuity to be suspended during employment for any person who first becomes a member or participant of a pension fund or retirement system on or after January 1, 2018, is receiving a retirement annuity under that system or fund, and becomes a member or participant under any other system or fund based on full-time employment. Requires the person's retirement annuity to resume (after recalculation, if necessary) upon termination of that employment.		House Re-Referred to Rules Committee on 3/31
HB 2760	Rep. Sosnowski	Self-Managed Plan Transfers to In-Plan Roth Accounts	Requires all employees under the Self-Managed Plan to be provided options to establish, contribute to, and transfer any guaranteed or vested portion of their accounts, on any day, into qualified in-plan Roth accounts, without distribution.		House Re-Referred to Rules Committee on 3/31
HB 2902	Rep. Fortner	Buyout Option + Tier III	Authorizes the Illinois Department of Central Management Services to enter into contracts with approved vendors to provide lump sum payments to eligible retirees pursuant to a pension buyout option. A pension buyout option is a plan that authorizes an eligible retiree to relinquish all service credit, rights, and benefits under SURS in exchange for a lump sum payment equal to the present value of his or her retirement annuity. Requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018.	\$500 million worth of bonds for buyout	House Re-Referred to Rules Committee on 3/31
HB 2903	Rep. Fortner	Buyout Option + Tier III	Authorizes the Illinois Department of Central Management Services to enter into contracts with approved vendors to provide lump sum payments to eligible retirees pursuant to a pension buyout option. A pension buyout option is a plan that authorizes an eligible retiree to relinquish all service credit, rights, and benefits under SURS in exchange for a lump sum payment equal to the present value of his or her retirement annuity. Requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018.	\$500 million worth of bonds for buyout; Nearly Identical to HB 2902 (Rep. Fortner) but allows eligible persons (instead of eligible retirees) to elect the pension buyout option	House Re-Referred to Rules Committee on 3/31
HB 3061	Rep. Guzzardi	No Investments in Companies that Build A Border Wall	Prohibits the state-funded retirement systems from investing in companies that contract to build a border wall.	Similar to SB 2091 (Sen. Sandoval)	House Re-Referred to Rules Committee on 4/28
HB 3069	Rep. Morrison	Alternative Retirement Plan - Local Control of Benefits	Authorizes the board of trustees of a community college district that is an employer covered under SURS to provide an alternative retirement plan, either in addition to or in lieu of the existing retirement plans under SURS, for its eligible new employees. The alternative retirement plan applies only to persons who have not participated in the existing plans under SURS. Participants in an alternative retirement plan are deemed to be participants in SURS.	Identical to HB 669 (Rep. Morrison)	House Re-Referred to Rules Committee on 3/31

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 3175	Rep. Sauer	Employers Pay Pension Costs of Salary Increases above Inflation	Establishes that, for academic years beginning on or after July 1, 2017, if a participant's earnings exceed the amount of his or her earnings with the same employer for the previous academic year by more than the increase in CPI-U for any year during the final rate of earnings period, then the employer must pay the present value of the resulting increase in benefits to SURS. Earnings increases under contracts or collective bargaining agreements entered into, amended, or renewed before the effective date of the legislation are exempt.	Identical to HB 671 (Rep. Morrison)	House Re-Referred to Rules Committee on 3/31
HB 3258	Rep. Jimenez	Retiree Health Insurance Benefits Without Annuity	Allows members of the Portable Defined Benefit Plan and the Self-Managed Plan who take lump-sum distributions of their retirement benefits to receive retiree health insurance.		House Re-Referred to Rules Committee on 3/31
HB 3419 (ENRL)	Rep. Andrade (Sen. Hastings)	No Investments in Expatriated Entities	Prohibits the state-funded retirement systems from investing in expatriated entities. Authorizes the state-funded retirement systems to use shareholder activism prior to divestment.	Nearly Identical to SB 1798 (Sen. Hastings)	Became Public Act 100-0551 on 11/9 (House Override: 75-36-0; Senate Override: 39-12-0)
HB 3475	Rep. Breen	30-Year Rolling Discount Rate	Requires the discount rate to be the actual 30-year rolling rate of return experienced by the system, beginning in Fiscal Year 2019.		House Re-Referred to Rules Committee on 3/31
HB 3867	Rep. Morrison	Supplemental Defined Contribution Plan	Requires the SURS Board of Trustees to establish and maintain a defined contribution plan to address the retirement preparedness gap for participants in a defined benefit plan who are not on track to maintain their standard of living in retirement.	Identical to SB 1801 (Sen. Brady)	House Re-Referred to Rules Committee on 3/31
HB 3868	Rep. Durkin	Unbalanced Budget Response Act	Creates the Unbalanced Budget Response Act. Authorizes the Governor to designate a contingency reserve to balance the budget. Allows the contingency reserve to consist of amounts appropriated from funds held by the State Treasurer to any agency for Fiscal Year 2017 and Fiscal Year 2018, including amounts appropriated under a statutory continuing appropriation (except for debt service, General State Aid, and early childhood education). Authorizes the Governor to delay payments under any statutory continuing appropriation, except for payments of debt service, for Fiscal Year 2017 and Fiscal Year 2018. Provides that any payment so delayed may be paid out of the next fiscal year's appropriation.	Identical to SB 2063 (Sen. Brady)	House Re-Referred to Rules Committee on 3/31

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 3926	Rep. Durkin	FY 2018 Governor Introduced Budget	Appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 comes from the General Revenue Fund, and \$140,000,000 comes from the State Pensions Fund. The certified Fiscal Year 2018 State contribution to SURS is \$1,753,685,000. Appropriates \$0 from the Education Assistance Fund for the State contribution to the College Insurance Program ("CIP") for Fiscal Year 2018. The certified Fiscal Year 2018 State contribution to CIP is \$4,133,336.	Identical to SB 2164 (Sen. Brady)	House Re-Referred to Rules Committee on 9/28
HB 4027	Rep. Durkin	Pension Reform	Creates an optional hybrid plan for new members. Allows new members to elect to participate in Tier II. Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 and FY 2019 State contributions to be recertified based on the changes in the legislation. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period. Requires employers to pay a contribution to SURS for the portion of earnings in excess of \$140,000.	\$250 million worth of bonds for buyout; Identical to HB 4045 (Rep. Currie)	House Placed on Calendar Order of 3rd Reading on 5/17 -- Final Action Deadline Extended to 12/31 on 7/6
HB 4045 (ENGR)	Rep. Martwick (Sen. J. Cullerton)	Pension Reform	Creates an optional hybrid plan for new participants on and after July 1, 2018 and current Tier II participants who elect to participate in the optional hybrid plan. Allows new participants to elect to participate in Tier II. Allows current Tier II members to elect to participate in the optional hybrid plan. Allows the SURS Board of Trustees, by resolution, to permit Tier I employees to voluntarily elect a reduced and delayed COLA. Tier I employees who voluntarily elect a reduced and delayed COLA will receive: (1) a consideration payment equal to 10% of their employee contributions made prior to the date of the election; and (2) a 10% reduction in their future employee pension contributions. Requires the consideration payment to be paid by SURS. Allows the Board of Trustees, by resolution, to create an accelerated pension benefit payment option for vested inactive in any year. Requires SURS to pay the accelerated pension benefit payments. Creates a voluntary defined contribution plan for up to 5% of Tier I employees by July 1, 2018. Provides that, if necessary, the FY 2019 State contribution must be recertified based on the changes in the legislation.		Senate Re-Referred to Assignments Committee on 8/4; Passed the House 61-41-0 on 6/28

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 4055	Rep. Batinick	Pension Reform	Creates an optional hybrid plan for new members. Allows new members to elect to participate in Tier II. Creates an accelerated pension benefit payment option between January 1, 2018 and July 1, 2018. Creates a voluntary defined contribution plan for up to 5% of Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable). Phases-in changes in actuarial and investment assumptions over a 5-year period. Requires the FY 2018 State contribution to be recertified based on the changes in the legislation. Requires employers to pay the current value of the projected amount of benefits attributable to earnings increases in collective bargaining agreements and contracts entered into, amended, or renewed after the effective date of the legislation that are above the earnings under preceding contracts and collective bargaining agreements.	\$250 million worth of bonds for buyout	House Referred to Rules Committee on 5/25
HB 4057	Rep. Ives	Pension Reform	Creates a Tier III Defined Contribution Plan for new members on or after July 1, 2018 and for Tier I and Tier II members who elect to participate in the Tier III Defined Contribution Plan. Requires the Tier III Defined Contribution Plan to use the framework of the existing Self-Managed Plan. Creates an accelerated pension benefit payment option between January 1, 2018 and July 1, 2018. Requires employers to pay the current value of the projected amount of benefits attributable to earnings increases in collective bargaining agreements and contracts entered into, amended, or renewed after the effective date of the legislation that are above the earnings under preceding contracts and collective bargaining agreements. For individuals who first become participants on and after the effective date of the legislation, prohibits payments for unused sick and vacation time from counting towards the final rate of earnings and prohibits service credit for unused sick leave. Allows employees to opt-out of participation in SURS.	\$250 million worth of bonds for buyout; Similar to the Tier III DC Plan in SA #2 to SB 1012 (Sen. Righter)	House Referred to Rules Committee on 5/29
HB 4060	Rep. Skillicorn	Pension Reform	Creates a Tier III Defined Contribution Plan for new members on or after July 1, 2018 and for Tier I and Tier II members who elect to participate in the Tier III Defined Contribution Plan. Requires the Tier III Defined Contribution Plan to use the framework of the existing Self-Managed Plan. Creates an accelerated pension benefit payment option for up to 10% of eligible SURS members each year.	\$250 million worth of bonds for buyout	House Referred to Rules Committee on 6/21
HB 4064	Rep. Durkin	Pension Reform	Requires Tier I employees to choose between: (1) accepting a reduced and delayed COLA; or (2) keeping the Tier I COLA. Tier I employees who choose to accept the reduced and delayed COLA will have future earnings increases count towards their pensions, pay reduced employee contributions moving forward, and receive a payment equal to 10% of their employee contributions prior to the date of the election. Tier I employees who choose to keep the Tier I COLA will not have future earnings increases count towards their pensions. Requires the FY 2019 State contribution to be recertified based on the changes in the legislation.		House Referred to Rules Committee on 6/21

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HB 4065	Rep. Durkin	Pension Reform	Creates an optional hybrid plan for new members. Allows new members to elect to participate in Tier II. Creates an accelerated pension benefit payment option for vested inactives between January 1, 2018 and July 1, 2018. Creates a voluntary defined contribution plan for up to 5% of eligible Tier I employees. Requires the State contribution to be based on total payroll (including payroll that is not pensionable), but excluding payroll attributable to individuals in the voluntary defined contribution plan. Phases-in changes in actuarial and investment assumptions over a 5-year period (including changes that first applied in FY 2014, FY 2015, FY 2016, and FY 2017). Requires the FY 2018 State contribution to be recertified based on the changes in the legislation. Beginning in FY 2019, requires employers to pay: (1) the employer normal cost of the defined benefit portion of the optional hybrid plan or the defined benefit plan (as applicable), plus 2% (for optional hybrid plan employees and employees who elect to participate in Tier 2); plus (2) the amount to amortize any unfunded liability attributable to the employer's account (for the defined benefits of optional hybrid plan employees and employees who elect to participate in Tier 2); plus (3) the total amount of earnings in excess of \$140,000 for each employee multiplied by the level percentage of payroll for SURS to become 90% funded by FY 2045. Requires employers to pay the present value of any benefit increases attributable to earnings increases above CPI-U during the final rate of earnings period.		House Referred to Rules Committee on 6/21
HJRCA 18	Rep. Sosnowski	Repeal Pension Rights	Repeals Article 13, Section 5 of the Illinois Constitution (commonly referred to as the Pension Protection Clause). Article 13, Section 5 of the Illinois Constitution states: "Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."		House Referred to Rules Committee on 1/27
SR 113	Sen. T. Cullerton	Oppose Tax on Retirement Income	Resolves that the Illinois Senate believes that the Illinois Income Tax Act should not be amended to permit taxing retirement income.		Senate Re-Referred to Assignments Committee on 8/4
SR 545	Sen. Rezin	Oppose Pension Cost Shift to Local Employers	Resolves that the Illinois Senate believes that an educational pension cost shift is financially wrong and would only serve to shift pension burdens from the state to the status of an unfunded mandate.		Senate Referred to Assignments Committee on 5/26
HR 27	Rep. McSweeney	Oppose Pension Cost Shift to Local Employers	Resolves that the Illinois House of Representatives believes that an educational pension cost shift is financially wrong and would only serve to shift pension burdens from the state to the status of an unfunded mandate.		House Re-Referred to Rules Committee on 9/28

100th General Assembly					
Bill Number	Sponsor	Short Title	Short Summary	Notes	Status
HR 29	Rep. McSweeney	Oppose Tax on Retirement Income	Resolves that the Illinois House of Representatives believes that the Illinois Income Tax Act should not be amended to permit taxing retirement income.		House Re-Referred to Rules Committee on 9/28
HR 38	Rep. Skillicorn	Oppose Pension Cost Shift to Local Employers	Resolves that the normal cost of pensions for Illinois educators is the responsibility of the state and the General Assembly should not use the current budget crisis as a reason to shift its financial responsibility for state pension costs to local taxpayers.		House Re-Referred to Rules Committee on 9/28
HR 76	Rep. Flowers	Urge Repeal of Federal Offsets	Resolves that the Illinois House of Representatives urges the U.S. Congress to introduce and pass legislation that eliminates both the Government Pension Offset and the Windfall Elimination Provision.		Resolution Adopted on 6/22
HR 542	Rep. Flowers	Urge Solution to Windfall Elimination Problems	Resolves that the Illinois House of Representatives urges President Trump and the United States Congress to continue to work to find a solution to the problems created by the Windfall Elimination Provision.		House Assigned to Labor and Commerce Committee on 10/17

ILLINOIS REGISTER

STATE UNIVERSITIES RETIREMENT SYSTEM

JANUARY 2018 REGULATORY AGENDA

a) Part (Heading and Code Citations): Universities Retirement (80 Ill. Adm. Code 1600)1) Rulemaking:A) Description: The System anticipates rulemaking affecting the following:

Amend Section 1600.750 Filling a Vacancy in the Term of an Elected Trustee to clarify whether an elected trustee must resign from the board if his or her status changes from active participant to annuitant or from annuitant from active participant and if so, clarify how the vacancy will be filled.

Add Section 1600.200 Definition of Employee to implement Public Act 99-0897, effective January 1, 2017, regarding the definition of "employee" under Section 15-107 of the Illinois Pension Code.

Amend Section 1600.205 Earnings Subject to Withholding and Crediting to (1) address compensation paid under the Public Employee Disability Act (5 ILCS 345/), (2) unused sick leave paid at the time of termination of employment, and (3) exclusions from "basic compensation" and "earnings" of bonuses, housing allowances, vehicle allowances, social club dues, and athletic club dues for employees who first participate in SURS on or after January 1, 2017, pursuant to P.A. 99-897.

Amend Section 1600.270 Employer Contributions for Benefit Increases Resulting from Earnings Increases Exceeding 6% to include certain earnings that would have been paid to the employee but for voluntary or involuntary furloughs occurring on or after July 1, 2015, and on or before June 30, 2017; or voluntary pay reductions in lieu of a furlough occurring on or after July 1, 2015, and on or after June 30, 2017, for purposes of calculating earnings increases in excess of 6%.

Amend Section 1600.300 Effective Beneficiary Designations to address electronic execution and submission of beneficiary designation forms.

Amend Section 1600.420 Making Preliminary Estimated Payments to include procedures for holding payments when the member has not responded to informational requests, and to terminate the benefit after a period of non-compliance with the request.

ILLINOIS REGISTER

STATE UNIVERSITIES RETIREMENT SYSTEM

JANUARY 2018 REGULATORY AGENDA

Amend Section 1600.450 Overpayment Recovery to address *de minimis* revisions to benefit calculations and deductions for overpayments of less than \$100.

Promulgate rules to establish acceptable documentary evidence for demographic information such as birth dates and marital status.

Promulgate rules to provide specific definitions and procedures to implement 40 ILCS 5/15-168 (concerning information requests necessary for the proper administration of the System and suspensions/penalties for non-compliance).

- B) Statutory Authority: Article 15 of the Illinois Pension Code, 40 ILCS 5/15-177.
- C) Scheduled meeting/hearing dates: Written comments may be submitted during the 45-day public comment period following publication of the proposed rule in the *Illinois Register*. No public hearings are anticipated.
- D) Date agency anticipates First Notice: Spring through Fall 2018
- E) Effect on small businesses, small municipalities or not for profit corporations: None
- F) Agency contact person for information:
Bianca T. Green, General Counsel
State Universities Retirement System
1901 Fox Drive
Champaign, IL 61820

Telephone (217) 378-8825
Email: bgreen@surs.org
Fax: (217) 378-9801
- G) Related rulemakings and other pertinent information: Other Amendments may be necessary based on emergent issues.



MEMORANDUM

To: Legal & Legislative Committee
From: Albert J. Lee, Associate General Counsel
Date: November 30, 2017
Re: Rulemaking Update and Proposed Rulemakings

I. Pending Rulemakings

The Joint Committee on Administrative Rules (JCAR) approved the proposed amendments to Sections 1600.500 (concerning administrative hearings) and 1600.720 (concerning trustee election materials) of Title 80, Part 1600 of the Illinois Administrative Code (first published at 41 Ill. Reg. 10237, July 28, 2017) at its November 7, 2017, meeting. As of the date of this memo, SURS staff has filed the rulemakings with the Secretary of State for final adoption and imminent publication in the Illinois Register.

II. New Proposed Rulemakings

SURS staff seeks to file proposed amendments to Sections 1600.205 (concerning earnings subject to SURS withholding), 1600.270 (concerning the 6% Rule) and the new addition of Section 1600.271 (concerning the Governor's Salary Rule) to Title 80, Part 1600 of the Illinois Administrative Code. The aim of the proposed rulemaking is to incorporate legislative changes to Article 15 of the Illinois Pension Code made by Public Act 99-897, effective January 1, 2017, and Public Act 100-23, effective July 6, 2017.

The amendments to Section 1600.205, concerning earnings that are subject to SURS withholding and crediting, seek to do the following:

- include in earnings any earnings credit purchases under Section 15-113.11 or Section 15-113.12 of the Illinois Pension Code relating to furloughs and voluntary pay reductions;
- exclude from earnings for an employee who first becomes a participant on or after January 1, 2017, bonuses, housing allowances, vehicle allowances, social club dues, and athletic club dues; and
- exclude payments made under the Public Employee Disability Act (5 ILCS 345) under the long-standing SURS practice of not including payments in the nature of worker's compensation or employer disability plans in earnings.

The amendments to Section 1600.270, concerning the "6% Rule" (which requires employers to make contributions on earnings increases in excess of 6% during the final rate of earnings period), seek to do the following:

- apply the 6% Rule only to employers that do not pay 100% of the normal cost for the employee; and
- include missed earnings that were available for purchase under Section 15-113.11 or Section 15-113.12 of the Illinois Pension Code relating to certain furloughs and voluntary pay reductions.

The addition of a new Section 1600.271, concerning the "Governor's Salary Rule" (which requires employers to make contributions for earnings in excess of the Governor's salary), seeks to do the following:

- apply the Governor's Salary Rule only to employers that do not pay 100% of the normal cost for an employee;
- define the "measurement year" as the 12-month period beginning July 1;
- define the Governor's salary used for the earnings measurement;
- define the full-time equivalent conversion for earnings, and further define average percentage time and what constitutes earnings for this purpose;
- define the normal cost percentage to be used for the billing;
- define how multiple or concurrent employers in a measurement year are billed;
- exclude billings for *de minimis* amounts that are \$25.00 or less;
- define when an employer is deemed to be in "receipt" of a bill for payment and recalculation purposes; and
- provide for recalculation appeals under Section 1600.510 (employer appeals procedures).

Staff Recommendation: That the Legal and Legislative Committee approve the filing of the proposed rulemakings with JCAR substantially in the form presented.

PROPOSED RULEMAKING
TITLE 80: PUBLIC OFFICIALS AND EMPLOYEES
SUBTITLE D: RETIREMENT SYSTEMS
CHAPTER II: STATE UNIVERSITIES RETIREMENT SYSTEM

PART 1600
UNIVERSITIES RETIREMENT

SUBPART B: CONTRIBUTIONS AND SERVICE CREDIT

Section 1600.205 Earnings Subject to Withholding and Crediting

- a) Purpose. This Section provides guidance on which payments for compensation constitute "earnings" under Sections 15-111 and 15-111.5 of the Code. Section 15-157 of the Code requires every participating employee to make contributions of 8% of his or her pay to fund the benefits payable under SURS. This contribution is deducted from the participating employee's pay on a pre-tax basis and remitted to SURS via payroll deduction. The contributions are made as a percentage of the participating employee's "earnings".
- b) Definition. "Earnings", defined under Section 15-111 of the Code, is an amount paid for personal services equal to the sum of the basic compensation plus extra compensation for summer teaching, overtime and other extra service, subject to the following.
- 1) For periods for which an employee receives service credit under Section 15-113.1(c) or 15-113.2 of the Code, earnings are equal to the basic compensation on which contributions are paid by the employee during such periods.
 - 2) Earnings shall include the basic compensation on which employee contributions required under Section 15-157 of the Code are paid by the employee for periods of furlough as provided under Section 15-113.11 of the Code.
 - 3) Earnings shall include the amount of a voluntary pay reduction taken in lieu of furlough on which employee contributions required under Section 15-157 of the Code are paid by the employee as provided under Section 15-113.12 of the Code.
 - 4) Compensation for employment which is irregular, intermittent and temporary shall not be considered earnings, unless the participant is also receiving earnings from the employer as an employee under Section 15-107. [40 ILCS 5/15-111(a)]
- c) Tier 2 Member Earnings Limitation

- 1) For a Tier 2 member, the annual earnings shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of:
 - A) 3% of that amount, including all previous adjustments; or
 - B) one-half the annual unadjusted percentage increase (but not less than zero) in the Consumer Price Index-U (CPI-U) for the 12 months ending with the September preceding each November 1, including all previous adjustments.
 - 2) For the purposes of this Section, CPI-U means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the retirement systems and pension funds by November 1 of each year. [40 ILCS 5/15-111(b)]
- d) Determination of the Purpose of the Payment
- 1) If the payment is for services rendered, then the payment is earnings.
 - 2) If the payment is for a reason other than services rendered, it is not earnings.
 - 3) Other Payments
The following list does not limit SURS' authority to determine whether any payment of compensation constitutes earnings on a case-by-case basis.
 - A) Bonuses; Awards
 - i) Bonuses received by an employee that are related to services rendered for a specific period of time, not to exceed one academic year, shall be included in earnings subject to SURS withholding.
 - ii) Awards, such as longevity of service awards or outstanding employee awards, that are not associated with a particular time period are not subject to SURS withholding.
 - iii) [Earnings for an employee who first becomes a participant on or after January 1, 2017, shall not include bonuses.](#)

- B) Severance Payments, Salary/Contract Continuation Payments, Retirement Payments or Incentives. Payments made to facilitate termination of employment or to induce someone to retire, or not to retire, are not for services rendered, but are made in conjunction with an employee's termination of employment or retirement and are not earnings. These payments are also not includable in the final rate of earnings under Section 15-112.
- C) Group Fringe Benefits. Group fringe benefits provided by the employer are not earnings. However, employer paid premiums on employer-provided group term life insurance in excess of \$50,000 are earnings.
- D) Housing Allowance. A housing allowance, whether in the form of a direct salary payment or as a residence in which the employee resides, is earnings. Earnings for an employee who first becomes a participant on or after January 1, 2017, shall not include housing allowances.
- E) Automobile Allowance. An automobile allowance in the form of a direct salary payment is earnings. However, neither business use nor personal use of an employer-provided automobile is earnings. Earnings for an employee who first becomes a participant on or after January 1, 2017, shall not include vehicle allowances.
- F) Non-Qualified Moving Expenses. Non-qualified moving expenses (see 26 USC 217) are not earnings as they are not furnished in lieu of salary.
- G) Unused Sick Leave Paid at Termination of Employment. These payments are not earnings, except for collectively bargained payments made in accordance with Section 15-112 of the Code.
- H) Overtime. Overtime is earnings.
- I) Miscellaneous Other Benefits. Fringe benefits that are provided in lieu of salary are earnings. Items that are not provided in lieu of salary (such as reimbursement for out-of-pocket travel expenses, relocation expenses, etc.) are not earnings. Items such as country club dues, tuition waivers, tickets to athletic and performing arts events for family members of employees, and other items that are reported as taxable income on the employee's Form W-2 are not earnings, unless those items are a negotiated fringe benefit in lieu of salary. Earnings for an employee who first becomes a

participant on or after January 1, 2017, shall not include social club dues or athletic club dues.

- J) Military Differential Wage Payments and Salary Continuation Benefits. For payments made on or after January 1, 2009, differential wage payments, as defined under section 414(u)(12) of the IRC (26 USC 414(u)(12)), and payments to an individual who does not currently perform services for an employer by reason of qualified military service, as defined under section 414(u)(1) of the IRC (26 USC 414(u)(1)), to the extent those payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service, shall be earnings and shall be compensation paid or made available during the limitation year for purposes of applying the limitations under section 415 of the IRC.
- K) Retroactive Pay Settlements, Court Settlements or Judgments, or Grievance Arbitration Settlements or Awards. The cash amount for back pay or retroactive pay under a settlement agreement, award or order issued by a court or arbitral body for a disputed termination of employment, suspension or demotion shall be earnings if the agreement, award or order:
- i) Excludes from back pay any non-wage or non-salary items, such as health insurance reimbursements, payments for medical costs, interest awards, attorneys' fees, or damage awards;
 - ii) Specifies the months to which the back pay is allocated and the amount is based on the basic compensation (or a portion thereof) the employee would have otherwise received during those months; and
 - iii) The back pay amounts are paid to the employee within one year after the issuance of the agreement, award or order.
- L) Payment for Unused Vacation Days. Pursuant to Section 15-112(h)(4)(iii) of the Code, payments for unused vacation of up to 56 work days paid upon termination of employment are earnings. Payments for unused vacation days that are paid during employment are not earnings.
- M) Payments made under the Public Employee Disability Act (5 ILCS 345) are not earnings.

- c) Earning History. Certain earnings may be excludable from the "final rate of earnings" determined under Section 15-112 of the Code. Earnings are always attributable to the period when earned, not when paid. SURS reserves the right to reallocate reported earnings to the period when earned, when this is necessary to accurately reflect the employee's earning history.

(Source: Amended at 38 Ill. Reg. 16375, effective July 17, 2014)

Section 1600.270 Employer Contributions for Benefit Increases Resulting from Earnings Increases Exceeding 6%

Purpose. This Section implements Section 15-155(g), (h), (i), (j) and (k) of the Code. This Section shall not apply to benefits from other retirement systems or pension funds payable under the Retirement Systems Reciprocal Act (Article 20 of the Code) and shall not apply to participants for whom employers pay the total employer normal cost.

- a) Calculation of the Employer Cost. This calculation is made when a monthly benefit is calculated from the participant's final rate of earnings (FRE). The "present value of the increase in benefits" described in Section 15-155(g), called the "Employer Cost", will be calculated as follows:
- 1) The earnings, as defined in Section 15-111 of the Code, for every academic year in the FRE period, as defined in Section 15-112 of the Code, are adjusted on a full-time equivalent basis.
 - A) 48 Month FREs and Partial Academic Years. When the final rate of earnings for a participant is the average annual earnings during the 48 consecutive calendar month period ending with the last day of final termination of employment, any partial academic year at the beginning of the final rate of earnings period will be disregarded.
 - B) Full-Time Equivalent (FTE) Basis
 - i) SURS will adjust earnings from an employer in a manner consistent with the percent time employed reported by the employer.
 - ii) The FTE earnings of an academic year shall equal the total earnings in the academic year divided by the average percent time of employment.
 - C) Earnings credited during periods of service purchased under Sections 15-113.1 through 15-113.7 of the Code shall be determined on a FTE basis.

D) For the purpose of Section 15-155(g), earnings do not include payments made under a collective bargaining agreement for unused sick leave or payments made for unused vacation.

E) For purposes of Section 15-155(g), earnings shall include earnings, to the extent not established by a participant under Section 15-113.11 or 15-113.12, that would have been paid to the participant had the participant not taken (i) periods of voluntary or involuntary furlough occurring on or after July 1, 2015 and on or before June 30, 2017 or (ii) periods of voluntary pay reduction in lieu of furlough occurring on or after July 1, 2015 and on or before June 30, 2017. These earnings shall be reported by the employer in the format specified by the System for this purpose.

- 2) The FTE earnings of each academic year in the FRE period are limited to 106% of the previous academic year's FTE earnings to yield the "Capped FTE Earnings" of each academic year.
- 3) The Capped FTE Earnings of each academic year are multiplied by their respective average percent times of employment to yield the "Capped Earnings" for each academic year. The Capped Earnings shall be used to determine the "Capped FRE".
- 4) The "Benefit Increase" shall equal the difference between the FRE and the Capped FRE, multiplied by the number of years of service, and further multiplied by 2.2%.
- 5) The Employer Cost equals the actuarial present value of the Benefit Increase. This actuarial present value calculation will be made by using actuarial tables provided by SURS' actuary from time to time. The actuarial table used will correspond with the type of monthly benefit that is provided to the participant. A single-life annuity table will be used when a traditional benefit package participant has no eligible survivor at the time of retirement. If the participant had employment with more than one employer during the final rate of earnings period, the Employer Cost is calculated for each employer using only the earnings with that employer. However, no Employer Cost will be assessed among multiple, concurrent employers if the increase in total earnings for the concurrent academic year in the FRE period does not exceed 6% over the total earnings of the previous academic year.

b) Employer Billing

- 1) Billing. *Whenever it determines that a payment is or may be required under Section 15-155(g), SURS will calculate the amount of the payment*

and bill the employer for the amount. The bill will specify the calculations used to determine the amount due.

- 2) *Request for Recalculation. If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to SURS in writing for a recalculation. The application must specify the grounds of the dispute and, if the employer asserts the calculation is subject to Section 15-155(h) or (i), must include an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of Section 15-155(h) or (i). Upon receiving a timely application for recalculation, SURS will review the application and, if appropriate, recalculate the amount due.*
 - 3) *Payment. The employer contributions required under Section 15-155(g) may be paid in the form of a lump sum within 90 days after the receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to SURS' prescribed rate of interest compounded annually from the 91st day after the receipt of the bill. Payments must be concluded within 3 years after the employer's receipt of the bill. [40 ILCS 5/15-155(g)]*
 - 4) *Appeals of the Recalculation. The employer may appeal a recalculation pursuant to Section 1600.510.*
- c) Exclusions for Earnings Increases Paid on or after June 1, 2005, but before July 1, 2011, under Section 15-155(h)
- 1) *Grandfathering. When assessing payment for any amount due under Section 15-155(g), SURS will exclude earnings increases paid to participants required under contracts or collective bargaining agreements entered into, amended, or renewed before June 1, 2005. [40 ILCS 5/15-155(h)] Such contracts are "grandfathered". For the purposes of Section 15-155(h):*
 - A) *A contract or collective bargaining agreement is "entered into, amended or renewed" on the earliest of the following:*
 - i) *the date the governing body of the employer voted to accept the contract or collective bargaining agreement;*
 - ii) *the date the contract or collective bargaining agreement was executed in final form by the parties; or*
 - iii) *the date the parties to the contract or collective bargaining agreement reached a tentative agreement regarding the terms of the contract or collective bargaining agreement,*

provided that the tentative agreement is subsequently approved by the governing body of the employer on or after June 1, 2005, without any changes to the terms that have the effects described under subsection (c)(1)(B)(i) or (ii).

- B) A contract or collective bargaining agreement will not exclude earnings increases paid under the contract or agreement if the contract or agreement is amended or renegotiated after June 1, 2005 to have the effect of:
- i) increasing the earnings usable for the FRE (except when the increase is the result of a salary reopener provision that was part of the contract or collective bargaining agreement prior to June 1, 2005); or
 - ii) extending the expiration date of the contract (in which case the earnings will be excluded only through the original expiration date of the contract).
- C) Miscellaneous
- i) A contract exception made by an employer for an individual shall disqualify that individual's earnings increases from grandfathering but shall not invalidate the grandfathering for any other persons.
 - ii) A memorandum of understanding between the employer and the collective bargaining unit to increase the credit hours available shall not invalidate the contract, but any earnings increases because of the increased credit hours shall not be excluded from the calculation under subsection (a), unless Section 15-155(h) or (i) applies.
 - iii) When a member has given notice to the employer of intent to retire pursuant to the terms of a grandfathered contract or collective bargaining agreement, earnings provided under the contract or collective bargaining agreement shall be excluded so long as the earnings are provided to the member within four years after the expiration date of the contract or collective bargaining agreement.
 - iv) Notwithstanding the other provisions of this subsection (c)(1), earnings paid under a grandfathered contract on or after July 1, 2011 shall not be excluded from earnings under subsection (a).

- 2) Earnings 10 Years Prior to Retirement Eligibility. *When assessing payment for any amount due under Section 15-155(g), SURS will exclude earnings increases paid to a participant at a time when the participant is 10 or more years from retirement eligibility under Section 15-135 of the Code. [40 ILCS 5/15-155(h)]* Earnings increases paid in academic years preceding and including the academic year during which the participant was 10 years from attaining earliest retirement eligibility shall be excluded.
- 3) Overloads and Overtime
 - A) *Earnings increases resulting from overload work, including a contract for summer teaching, or overtime when the employer has certified to SURS, and SURS has approved the certification, that:*
 - i) *in the case of overloads:*
 - *the overload work is for the sole purpose of academic instruction in excess of the standard number of instruction hours for a full-time employee occurring during the academic year that the overload is paid; and*
 - *the earnings increases are equal to or less than the rate of pay for academic instruction computed using the participant's current salary rate and work schedule; and*
 - ii) *in the case of overtime, the overtime was necessary for the educational mission. [40 ILCS 5/15-155(h)]*
 - B) The certification shall be in the form adopted by SURS and be signed by a duly authorized representative of the employer. The certification must be accompanied by supporting documentation as required by the form.
 - C) The standard number of instruction hours for a full-time employee shall be consistent with employer policy in force for the academic year in which the overload earnings were earned.
- 4) Promotions
 - A) *When assessing payment for any amount due under Section 15-155(g), SURS will exclude earnings increases resulting from:*
 - i) *a promotion for which the employee moves from one classification to a higher classification under the State Universities Civil Service System;*

- ii) *a promotion in academic rank for a tenured or tenure-track faculty position; or*
 - iii) *a promotion that the Illinois Community College Board has recommended in accordance with Section 15-155(k).*
 - B) *The earnings increases referenced in subsection (c)(4)(A) shall be excluded only if the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions. [40 ILCS 5/15-155(h)]*
 - C) The employer shall certify that the promotion is to a position that has existed and been filled by a member for no less than one complete academic year and the earnings increase as a result of the promotion is an increase that results in an amount no greater than the average salary paid for other similar positions. The certification shall be in the form adopted by SURS and be signed by a duly authorized representative of the employer. The certification must be accompanied by supporting documentation as required by the form.
 - D) The phrase "an amount no greater than the average salary paid for other similar positions" shall mean the midpoint of the salary range for the position or similar positions as most recently approved by the Merit Board of the State Universities Civil Service System or the current average salary paid for tenured or tenure-track faculty positions in the same department, as the case may be.
- d) Exclusions for earnings increases described in Section 15-155(h) paid on or after July 1, 2011, but before July 1, 2014, under a contract or collective bargaining agreement entered into, amended, or renewed on or after June 1, 2005, but before July 1, 2011, under Section 15-155(i). For the purpose of Section 15-155(i), a contract or collective bargaining agreement is "entered into, amended or renewed" on the earliest of the following:
- 1) the date the governing body of the employer voted to accept the contract or collective bargaining agreement;
 - 2) the date the contract or collective bargaining agreement was executed in final form by the parties; or

- 3) the date the parties to the contract or collective bargaining agreement reached a tentative agreement regarding the terms of the contract or collective bargaining agreement, provided that the tentative agreement is subsequently approved by the governing body of the employer on or after July 1, 2011 without any changes to the terms that have the effect of extending the expiration date.
- e) The exclusions under subsections (c) and (d) shall not apply to earnings increases paid after June 30, 2014.

(Source: Amended at 40 Ill. Reg. 8437, effective June 3, 2016)

(New) Section 1600.271 Employer Contributions for Earnings in Excess of the Governor's Salary

- a) Purpose and Applicability. This Section implements Section 15-155(j-5) of the Code, as added by Public Act 100-0023, effective July 6, 2017. Section 15-155(j-5) of the Code and this Section shall not apply to any participant for whom the employer pays the total employer normal cost. For purposes of Section 15-155(j-5) of the Code, the following terms shall have the meanings described hereunder.
- b) Measurement Year. "Academic year" and "school year" shall mean the 12-month period beginning on July 1 and shall be collectively referred to in this Section as the "measurement year".
- c) Governor's Salary. The "amount of the salary set for the Governor" shall be the salary for the Governor set by law by the General Assembly as of July 1 of the measurement year or, in its absence, the most recent salary for the Governor set by law by the General Assembly.
- d) FTE Earnings. "A participant's earnings for any [measurement year], determined on a full-time equivalent basis" ("FTE earnings") shall equal the total earnings in the measurement year divided by the average of the percent times of employment reported by the employer during the measurement year.
 - 1) The employer shall report percent time with each submission of payroll information duly certified to be correct and in compliance with all applicable State and federal laws pursuant to Section 15-111(c) of the Code.
 - 2) The average percent time calculation shall only take into account periods during which services were actually rendered or periods during which the employee was on an approved leave of absence.
 - 3) Earnings do not include payments made under a collective bargaining agreement for unused sick leave or payments made for unused vacation.

- e) Excess Earnings. The "*amount of earnings in excess of the amount of the salary set for the Governor*" ("excess earnings") shall be equal to the difference between the FTE earnings and the Governor's salary defined under subsection (c) and such difference multiplied by the average percent time described under subsection (d).
- f) Employer Normal Cost. The "*employer normal cost*" shall mean the employer normal cost described under Section 15-155 of the Code, expressed as a total percentage of payroll, approved by the Board for the measurement year. *This amount shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation.* [40 ILCS 5/15-155(j-5)].
- g) Employer Contribution Amount. The employer contribution amount shall be equal to the excess earnings under subsection (e) multiplied by the employer normal cost percentage under subsection (f).
- h) Multiple or Concurrent Employers. In the event that an employee has been employed by two or more employers during a measurement year, earnings shall be measured and the employer contribution amount shall be calculated on an employer-by-employer basis.
- i) Employer Billing.
- 1) Billing. *Whenever it determines that a payment is or may be required under this [Section 15-155(j-5) of the Code], the System shall calculate the amount of the payment and bill the employer for that amount. The bill shall specify the calculations used to determine the amount due. No bills shall be issued for de minimis employer contribution amounts that are \$25.00 or less.*
 - 2) Request for Recalculation. *If the employer disputes the amount of the bill, it may, within 30 days after receipt of the bill, apply to the System in writing for a recalculation. The application must specify in detail the grounds of the dispute. Upon receiving a timely application for recalculation, the System shall review the application and, if appropriate, recalculate the amount due. An employer shall be deemed to have been in receipt of the bill on the date the bill is issued.*
 - 3) Payment. *The employer contributions required under this subsection may be paid in the form of a lump sum within 90 days after receipt of the bill. If the employer contributions are not paid within 90 days after receipt of the bill, then interest will be charged at a rate equal to the System's annual actuarially assumed rate of return on investment compounded annually from the 91st day after receipt of the bill. Payments must be concluded*

within 3 years after the employer's receipt of the bill. [40 ILCS 5/15-155(j-5)].

- 4) Appeals of the Recalculation. The employer may appeal a recalculation pursuant to Section 1600.510.



MEMORANDUM

To: Legal & Legislative Committee

From: Albert J. Lee, Associate General Counsel

Date: November 27, 2017

Re: Legislative Proposals Concerning Change in Trustee Status

Section 15-159(g) relates to the issue of what happens when the status of a SURS trustee changes during their term. This statute is ambiguous because it only refers to a change in status for an “appointed” trustee.

After receiving an inquiry on the proper construction of Section 15-159(g), SURS sought guidance from the Office of the Attorney General, who issued an informal opinion dated November 9, 2017. The AG’s office concluded that “section 15-159 of the Illinois Pension Code is ambiguous” and recommended that “SURS pursue legislation to clarify the General Assembly’s intent with regard to whether active participant members should be permitted to continue to serve on the System’s board of trustees after a mid-term change in status.”

Attached are two legislative proposals for consideration by the Board:

- **Option 1** resolves the ambiguity in favor of disqualifying elected trustees who incur a change in status during their 6-year term
- **Option 2** resolves the ambiguity in favor of permitting elected trustees to continue serving for the remainder of their 6-year terms despite incurring a change in status.

Staff also drafted proposed administrative rules at the request of fiduciary counsel that could resolve the ambiguity if approved by JCAR.

OPTION 1
PROPOSED LEGISLATION
DISQUALIFICATION OF ELECTED TRUSTEES UPON CHANGE IN STATUS

(40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

Sec. 15-159. Board created.

(a) A board of trustees constituted as provided in this Section shall administer this System. The board shall be known as the Board of Trustees of the State Universities Retirement System.

(b) (Blank).

(c) (Blank).

(d) Beginning on the 90th day after April 3, 2009 (the effective date of Public Act 96-6), the Board of Trustees shall be constituted as follows:

(1) The Chairperson of the Board of Higher Education, who shall act as chairperson of this Board.

(2) Four trustees appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 6 years, except that the terms of the initial appointees under this subsection (d) shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(3) Four active participants of the system to be elected from the contributing membership of the system by the contributing members, no more than 2 of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(4) Two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, no more than one of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: one for a term of 3 years and one for a term of 6 years.

For the purposes of this Section, the Governor may make a nomination and the Senate may confirm the nominee in advance of the commencement of the nominee's term of office.

(e) The 6 elected trustees shall be elected within 90 days after April 3, 2009 (the effective date of Public Act 96-6) for a term beginning on the 90th day after that effective date. Trustees shall be elected thereafter as terms expire for a 6-year term beginning July 15 next following their election, and such election shall be held on May 1, or on May 2 when May 1 falls on a Sunday. The board may establish rules for the election of trustees to implement the provisions of Public Act 96-6 and for future elections. Candidates for the participating trustee shall be nominated by petitions in writing, signed by not less than 400 participants with their addresses shown opposite their names. Candidates for the annuitant trustee shall be nominated by petitions in writing, signed by not less than 100 annuitants with their addresses shown opposite their names. If there is more than one qualified nominee for each elected trustee, then the board shall conduct a secret ballot election by mail for that trustee, in accordance with rules as established by the board. If there is only one qualified person nominated by petition for each elected trustee, then the election as required by

this Section shall not be conducted for that trustee and the board shall declare such nominee duly elected. A vacancy occurring in the elective membership of the board shall be filled for the unexpired term by the elected trustees serving on the board for the remainder of the term. Nothing in this subsection shall preclude the adoption of rules providing for internet or phone balloting in addition, or as an alternative, to election by mail.

(f) A vacancy in the appointed membership on the board of trustees caused by resignation, death, expiration of term of office, or other reason shall be filled by a qualified person appointed by the Governor for the remainder of the unexpired term.

(g) Trustees (other than the trustees incumbent on June 30, 1995 or as provided in subsection (c) of this Section) shall continue in office until their respective successors are appointed and have qualified, except that a trustee ~~appointed~~ elected to one of the participant positions shall be disqualified immediately upon the termination of his or her status as a participant and a trustee ~~appointed~~ elected to one of the annuitant positions shall be disqualified immediately upon the termination of his or her status as an annuitant receiving a retirement annuity.

(h) Each trustee must take an oath of office before a notary public of this State and shall qualify as a trustee upon the presentation to the board of a certified copy of the oath. The oath must state that the person will diligently and honestly administer the affairs of the retirement system, and will not knowingly violate or willfully permit to be violated any provisions of this Article.

Each trustee shall serve without compensation but shall be reimbursed for expenses necessarily incurred in attending board meetings and carrying out his or her duties as a trustee or officer of the system.

(Source: P.A. 98-92, eff. 7-16-13.)

OPTION 2
PROPOSED LEGISLATION
CONTINUATION OF ELECTED TRUSTEES DESPITE CHANGE IN STATUS

(40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

Sec. 15-159. Board created.

(a) A board of trustees constituted as provided in this Section shall administer this System. The board shall be known as the Board of Trustees of the State Universities Retirement System.

(b) (Blank).

(c) (Blank).

(d) Beginning on the 90th day after April 3, 2009 (the effective date of Public Act 96-6), the Board of Trustees shall be constituted as follows:

(1) The Chairperson of the Board of Higher Education, who shall act as chairperson of this Board.

(2) Four trustees appointed by the Governor with the advice and consent of the Senate who may not be members of the system or hold an elective State office and who shall serve for a term of 6 years, except that the terms of the initial appointees under this subsection (d) shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(3) Four active participants of the system to be elected from the contributing membership of the system by the contributing members, no more than 2 of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: 2 for a term of 3 years and 2 for a term of 6 years.

(4) Two annuitants of the system who have been annuitants for at least one full year, to be elected from and by the annuitants of the system, no more than one of which may be from any of the University of Illinois campuses, who shall serve for a term of 6 years, except that the terms of the initial electees shall be as follows: one for a term of 3 years and one for a term of 6 years.

For the purposes of this Section, the Governor may make a nomination and the Senate may confirm the nominee in advance of the commencement of the nominee's term of office.

(e) The 6 elected trustees shall be elected within 90 days after April 3, 2009 (the effective date of Public Act 96-6) for a term beginning on the 90th day after that effective date. Trustees shall be elected thereafter as terms expire for a 6-year term beginning July 15 next following their election, and such election shall be held on May 1, or on May 2 when May 1 falls on a Sunday. The board may establish rules for the election of trustees to implement the provisions of Public Act 96-6 and for future elections. Candidates for the participating trustee shall be nominated by petitions in writing, signed by not less than 400 participants with their addresses shown opposite their names. Candidates for the annuitant trustee shall be nominated by petitions in writing, signed by not less than 100 annuitants with their addresses shown opposite their names. If there is more than one qualified nominee for each elected trustee, then the board shall conduct a secret ballot election by mail for that trustee, in accordance with rules as established by the board. If there is only one qualified person nominated by petition for each elected trustee, then the election as required by

this Section shall not be conducted for that trustee and the board shall declare such nominee duly elected. A vacancy occurring in the elective membership of the board shall be filled for the unexpired term by the elected trustees serving on the board for the remainder of the term. Nothing in this subsection shall preclude the adoption of rules providing for internet or phone balloting in addition, or as an alternative, to election by mail.

(f) A vacancy in the appointed membership on the board of trustees caused by resignation, death, expiration of term of office, or other reason shall be filled by a qualified person appointed by the Governor for the remainder of the unexpired term.

(g) Trustees (other than the trustees incumbent on June 30, 1995 or as provided in subsection (c) of this Section) shall continue in office until their respective successors are appointed or elected and have qualified to serve as trustees. ~~except that a~~ A qualifying trustee who has been appointed elected to one of the participant positions ~~shall be disqualified immediately upon the termination of his or her status as a participant and a trustee appointed or~~ to one of the annuitant positions shall not be disqualified ~~immediately~~ upon the termination of his or her status as an active participant or an annuitant receiving a retirement annuity and may continue to serve on the board for the remainder of the term to which he or she was elected.

(h) Each trustee must take an oath of office before a notary public of this State and shall qualify as a trustee upon the presentation to the board of a certified copy of the oath. The oath must state that the person will diligently and honestly administer the affairs of the retirement system, and will not knowingly violate or willfully permit to be violated any provisions of this Article.

Each trustee shall serve without compensation but shall be reimbursed for expenses necessarily incurred in attending board meetings and carrying out his or her duties as a trustee or officer of the system.

(Source: P.A. 98-92, eff. 7-16-13.)

OPTION 3
PROPOSED LEGISLATION
DISQUALIFICATION OF ELECTED TRUSTEES UPON CHANGE IN STATUS

(New) Section 1600.7XX Disqualification of Elected Trustees

Section 15-159(g) of the Code provides that a trustee appointed to one of the participant positions shall be disqualified immediately upon the termination of his or her status as a participant and a trustee appointed to one of the annuitant positions shall be disqualified immediately upon the termination of his or her status as an annuitant receiving a retirement annuity. [40 ILCS 5/15-159(g)]. The foregoing clause under Section 15-159(g) of the Code shall apply to trustees who have been elected to Board membership under paragraphs (3) and (4) of Section 15-159(d) of the Code, and who shall immediately vacate his or her position upon such disqualification. The remaining elected trustees shall fill the vacancy for the unexpired term pursuant to Section 15-159(e) of the Code and Section 1600.750.

OPTION 4
PROPOSED RULEMAKING
CONTINUATION OF ELECTED TRUSTEES DESPITE CHANGE IN STATUS

(New) Section 1600.7XX Continuation of Elected Trustees Despite Change in Status

Section 15-159(g) of the Code provides that a trustee appointed to one of the participant positions shall be disqualified immediately upon the termination of his or her status as a participant and a trustee appointed to one of the annuitant positions shall be disqualified immediately upon the termination of his or her status as an annuitant receiving a retirement annuity. [40 ILCS 5/15-159(g)]. The foregoing clause under Section 15-159(g) of the Code shall not apply to trustees who have been elected to Board membership under paragraphs (3) and (4) of Section 15-159(d) of the Code. Any elected trustee whose status changes during their six-year term shall be allowed to complete said term.

Report Owner: Compliance Officer		* indicates new requirement/change in requirement			Complete/Next due > 30 days	Due < 30 days	Past Due/Missed	Notes
Department	Report	Filed With	Frequency	Statute/Rule	Last Filed	Next Due	Status	Notes
					EOQ= End of Quarter	EOM=End of Month		
Administration	Travel Exception Report	IHETCB	Quarterly	80 IL 2900.105	10/6/2017	1/31/2018		
Administration	Drivers License & Insurance Certification	U of I	Annual	625 ILCS 5/7-203 & JCAR 44 Sec 5040.500	7/10/2017	6/30/2018		
Administration	Certification of Board Training Requirement	DFPR-Public Pension/Insurance Div	Annual	40 ILCS 5/1/113.18	6/30/2017	6/30/2018		
Administration	Notice of Regularly Scheduled Board Meetings	SURS Lobby and SURS website	Annual	5 ILCS 120.202	Dec-17	Dec-18		
Administration	Oath of Office	Internal	Ad Hoc	40 ILCS 5/15-159(h)	As needed	As needed		
Administration	Disclosure of Appointee Interest in State Contracts	SOS	Ad Hoc	5 ILCS 420/3A.30	As needed	As needed		
Administration	Trustee Indemnification Agreements	Internal & Fiduciary Council	Ad Hoc	40 ILCS 5/1-107 & Board Governance Bylaws 1.1	As needed	As needed		
Administration	iPad User Agreements	Internal	Ad Hoc	Internal Requirement	As needed	As needed		
Audit	Deceased Annuitant Reporting	Internal	Quarterly	30 ILCS 805/8.40	9/15/2017	12/31/2017		
Audit	Fiscal Year Audit Completion Report	Internal - Filed with the Executive Director	Annual	Fiscal Control & Auditing Act	9/1/2017	9/30/2018		
Audit	FCIAA Internal Control Certification	Auditor General	Annual	FCIAA	4/26/2017	5/1/2018		
Audit	Two Year Audit Plan	Internal/ ED approval/A & R Committee	Annual	30 ILCS 10/2003	6/30/2017	6/30/2018		
Audit	Submission of System Audit (due after FY end)	Governor - submitted by SURS and by the	Annual	State Auditing Act and 30 ILCS 5/3-14 and 40 ILCS 5/15-174	FY17	FY18		
Finance	CAFR (statement of condition, actuarial statement, IRS 945, Cert CIP/ Agency Report	Pension Division of Illinois Dept. of Ins.	Annual	40 ILCS 5	12/12/2016	12/31/2017		
Finance	GAAP	Comptroller	Annual (by 10/15)	PA 097-1055/ Financial Reporting Standards Board Act	9/29/2017	9/30/2018		
Finance	Public Accountability Report	Comptroller	Annual (by 10/15)	SAMS	10/13/2017	10/15/2018		
Finance	IRS Form 941-Employer Fed Tax Return Form	IRS	Quarterly	IRS CODE	10/11/2017	1/31/2018		
Finance	IRS Form 945 Annual Return of Withheld Federal Tax	IRS	Annual	IRS Code	1/30/2017	1/30/2018		
Finance	Cash Receipts and Disbursement Reports	Comptroller	Quarterly	SAMS	10/30/2017	1/31/2018		
Finance	Agency Fixed Asset Report	Comptroller	Quarterly	SAMS	10/19/2017	1/31/2018		
Finance	Accounts Receivable	Comptroller	Quarterly	SAMS	10/17/2017	1/31/2018		
Finance	Report on SMP Participation Rate	COGFA	Annual	40 ILCS 5/15	10/21/2016	11/1/2018		
Finance	Cert. of State Contribution and CIP	Governor, CMS, and Comptroller	Annual (final by 1/15)	40 ILCS 5/14A	10/21/2016	1/15/2018		
Finance	Statement of the Financial Condition of the Fund	Pension Division of Illinois Dept. of Ins.	Annual	40 ILCS 5	12/8/2016	12/31/2017		
Finance	Department of Insurance Report	Comptroller	Annual	15 ILCS 405/19.5	12/31/2016	12/31/2017		
Finance	IRS Form 1099R (FIRE)	IRS	Annual	IRS CODE	2/6/2017	2/28/2018		
Finance	IRS 1042: Withholding US income of Foreign Persons	IRS	Annual	IRS CODE	2/28/2017	3/15/2018		
Finance	Report on Voluntary Deductions	Comptroller	Annual (by 3/31)	5 ILCS 340/8	2/6/2017	3/31/2018		
Finance	Comptroller Agency Invoice	Comptroller	Annual	PA 98-0228	9/21/2017	10/1/2018		
Finance	Fee Imposition Report	Comptroller	Annual by 9/1	15 ILCS 405/16.2	7/29/2017	7/31/2018		
Finance	5 year review of 90% funding target	COGFA	5 years	40 ICLS 1-103.3	12/31/2015	12/31/2020		
Finance	Certification of Overpayments	Internal and Board of Trustees	Determined Internally	80 Ill Adm. Code Sec.1600.450	As needed	As needed		
Finance	IRS W-3	IRS	Annual	IRS Code	1/26/2017	1/31/2018		
Finance	Information to COGFA	COGFA	Ad Hoc/At will	40 ILCS 5/22-803	As needed	As needed		
Finance/Mem Serv	Fin. Stmt to Participants/ Serv. Cred Stmts	Annuitants	As requested	40 ILCS 5/15-175	Ongoing	ongoing		
Finance/Mem Serv	Reports to Reciprocals	Recip Systems	As requested	40 ILCS 5/20-126	Ongoing	ongoing		
Human Resources	Separation Report	State Universities Civil Service System	Monthly (w/n 10 days EOM)	Civil Service Rule 250.30	11/15/2017	12/31/2017		
Human Resources	Monthly Wage Report	IDES taxnet Online	Monthly (EXCEPT 1/4/7/10)	IDES PA 97-0689	11/20/2017	12/31/2017		
Human Resources	Form UI-3/40	IDES taxnet Online	Quarterly (1/31, 4/30, 7/31/10/31)	IDES PA 97-0689	10/2/2017	1/31/2018		
Human Resources	Report of Employee Served	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.30	10/2/2017	1/31/2017		
Human Resources	Exempt Employees Report	State Universities Civil Service System	Quarterly	110 ILCS 70/36E	10/2/2017	1/31/2017		
Human Resources	Occupational Ethnic and Gender Report	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.3.1	10/2/2017	1/31/2018		
Human Resources	Agency Workforce Report	Secretary of State; Office of Governor	Annual	5 ILCS 410/20	12/30/2016	12/31/2017		
Human Resources	TA-2	Legislative Audit Commission	Bi-Annually	St. Fin. Act 30 ILCS 105/12-3	7/5/2017	1/15/2018		
Human Resources	I-9 Eligibility	Internal In File	Ad Hoc w/n 20 days of hire	Dept. Homeland Security	Time of Hire	As needed		
Human Resources	SSA 1945	Internal In File	Ad Hoc w/n 20 days of hire	SSA	Time of Hire	As needed		
Investments	Investments Update -Monthly	Online Surs.org	Monthly	30 ILCS 237/10 PA 93-049	11/15/2017	12/15/2017		
Investments	Report to Gov. on MWBE Firms/HR/Vendors	Governor	Annual	40 ILCS 5/1-109	12/20/2016	1/1/2018		
Investments	Quinquennial Rep. US Owned Foreign Securities**	Federal Reserve Bank	5 years	22 USC Sec 3101	2012	Not required for 2017		*required threshold for reporting not met for 2017
Investments	Restricted Companies Divestiture Reporting*	Illinois Investment Policy Board	Annual	40 ILCS 5/1-110.16	4/1/2017	4/7/2018		
Investments	Illinois Finance Entity/High Risk Home Loan Act Cert.	DFPR-Public Pension/Insurance Div	Annual	40 ILCS 5/1-110.10; PA 95-521	7/19/2017	7/31/2018		
Investments	Invest in Illinois	Governor	Annual	PA 96-0753	8/24/2017	9/1/2018		
Investments	Annual SEC ADV's from Financial managers	SEC	Annual-120 days from FY end	S Investment Advisors Act of 194	4/30/2017	4/30/2018		
Investments	PRI Annual Assessment	UNPRI.org	Annual	UNPRI Signatory Rules	3/31/2017	3/31/2018		
Investments	Public Disclosure of Investments	SURS.org website	Quarterly	15 ICLS 520	11/15/2017	12/15/2017		

