



MINUTES

**Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
Friday, March 10, 2017, 9:00 a.m.
State Universities Retirement System
1901 Fox Drive
Main Conference Room
Champaign, IL 61820**

The following trustees were present: Mr. Tom Cross, Chair; Mr. Aaron Ammons, Dr. John Engstrom, Dr. J Fred Giertz, Mr. Francis Idehen, Mr. Paul R.T. Johnson Jr., Mr. Craig McCrohon via conference call, Ms. Dorinda Miller, Dr. Steven Rock and Mr. Antonio Vasquez.

Others present: Mr. Martin Noven, Executive Director; Mr. Andrew Matthews, Chief Operating Officer; Ms. Phyllis Walker, Chief Financial Officer; Ms. Bianca Green, General Counsel; Mr. Douglas Wesley, Interim Chief Investment Officer; Mr. Steve Hayward, Director of Internal Audit; Ms. Kristin Houch, Legislative Liaison; Ms. Allison Kushner, Compliance and Corporate Governance Officer; Ms. Kelly Carson and Ms. Whitney Jones, Executive Assistants; Ms. Mary Pat Burns of Burke, Burns & Pinelli; Ms. Janet Jones of Janet Jones Consulting and Mr. Steve Zahn of Zahn Governmental Solutions.

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

Trustee Tom Cross made the following motion:

- That the trustees be allowed to participate via conference call for all meetings on March 9-10, 2017, pursuant to Section 7(a) of the Open Meetings Act due to their unavailability because of personal illness, employment purposes or family or other emergencies.

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

APPROVAL OF MINUTES

Trustee Tom Cross presented the minutes from the Legal and Legislative Committee meeting of December 8, 2016, and Trustee Steven Rock made the following motion:

- That the minutes from the December 8, 2016 Legal and Legislative Committee meeting be approved, as presented.

Trustee Paul R.T. Johnson seconded and the motion carried with all trustees present voting in favor.

CHAIRPERSON'S REPORT

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

RULEMAKING AND COMPLIANCE UPDATES

Mr. Albert Lee updated the staff on the December 2016 board approved rulemaking. The rules have been filed with JCAR and were published with the Illinois Register on February 3, 2017. The first notice period ended March 20, 2017.

Ms. Green directed the committee to 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 a part of these minutes as [Exhibit 1](#).

LEGISLATIVE UPDATE, PENSION REFORM AND LEGISLATIVE EVENT

Legislative Liaison Ms. Kristen Houch, Ms. Janet Jones of Janet Jones Consulting and Mr. Steve Zahn of Zahn Governmental Solutions provided the legislative update. Ms. Houch highlighted the status of four bills impacting SURS members: Senate Bill 11, Senate Bill 16, House Bill 3475 and House Bill 2707. Discussions regarding these updates and the proposed pension reform continued as Ms. Houch and Mr. Steve Zahn of Zahn Governmental Solutions addressed questions raised by the trustees. Additionally, Ms. Houch discussed the status of state contributions made to each of the public retirement systems.

Details on the upcoming SURS/SUAA annual legislative outreach event were provided.

A copy of the reports titled "March 2017 Legislative Summaries," "March 2017 Legislative Update," and "March 2017 Legislative Update – Funding" are incorporated as a part of these minutes as [Exhibit 2](#), [Exhibit 3](#) and [Exhibit 4](#).

PUBLIC COMMENT

There were no public comments presented to the Legal and 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 Dorinda Miller and carried with all trustees present voting in favor.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Martin Noven", written over a horizontal line.

Mr. Martin Noven
Secretary, Board of Trustees

MMN:kc

Report Owner: Compliance Officer		* indicates new requirement/change in requirement			Complete/Next due > 30 days	Due < 30 days	Past Due/Missed	
Department	Report	Filed With	Frequency	Statute/Rule	Last Filed	Next Due	Status	Notes
Administration	Travel Exception Report	IHETCB	Quarterly	80 IL 2900.105	1/4/2017	4/4/2017		
Administration	Drivers License & Insurance Certification	U of I	Annual	625 ILCS 5/7-203 & JCAR 44 Sec 5040.500	6/30/2016	6/30/2017		
Administration	Certification of Board Training Requirement	DFPR-Public Pension/Insurance Div	Annual	40 ILCS 5/1/113.18	6/30/2016	6/30/2017		
Administration	Notice of Regularly Scheduled Board Meetings	State Newspaper & SURS website	Annual	5 ILCS 120.202	Sep-16	Sep-17		
Administration	Oath of Office	Internal	Ad Hoc	40 ILCS 5/15-159(h)	3/15/2016	As needed		
Administration	Disclosure of Appointee Interest in State Contracts	SOS	Ad Hoc	5 ILCS 420/3A.30	4/15/2016	As needed		
Administration	Trustee Indemnification Agreements	Internal & Fiduciary Council	Ad Hoc	40 ILCS 5/1-107 & Board Governance Bylaws 1.1	3/15/2016	As needed		
Administration	iPad User Agreements	Internal	Ad Hoc	Internal Requirement	3/15/2016	As needed		
Audit	Deceased Annuitant Reporting	Internal	Quarterly	30 ILCS 805/8.40	2/27/2017	6/31/2017		
Audit	Fiscal Year Audit Completion Report	Internal/ED approval? A & R Committee	Annual	Fiscal Control & Auditing Act	9/16/2016	9/30/2017		
Audit	FCIAA Internal Control Certification	Auditor General	Annual	FCIAA	4/26/2016	5/1/2017		
Audit	Two Year Audit Plan	Internal/ ED approval/A & R Committee	Annual	30 ILCS 10/2003	6/30/2016	6/30/2017		
Audit	Submission of System Audit (due after FY end)	Governor	Annual	State Auditing Act and 30 ILCS 5/3-14	FY2015	FY2016		
Finance	CAFR (statement of condition, actuarial statement, IRS 945, Cert CIP/ Agency Report)	Pension Division of Illinois Dept. of Ins.	Annual	40 ILCS 5	FY 2015	1/15/2017		
Finance	GAAP	Comptroller	Annual (by 10/15)	PA 097-1055/ Financial Reporting Standards Board Act	9/30/2016	10/15/2017		
Finance	Public Accountability Report	Comptroller	Annual (by 10/15)	SAMS	10/14/2016	10/15/2017		
Finance	IRS Form 941-Employer Fed Tax Return Form	IRS	Quarterly	IRS CODE	1/25/2017	4/31/2017		
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	12/31/2016	3/30/2017		
Finance	Agency Fixed Asset Report	Comptroller	Quarterly	SAMS	12/31/2016	3/30/2017		
Finance	Accounts Receivable	Comptroller	Quarterly	SAMS	12/31/2016	3/30/2017		
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	12/1/2017		
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	2/18/2016	2/28/2017		
Finance	IRS 1042: Withholding US income of Foreign Persons	IRS	Annual	IRS CODE	3/1/2016	3/15/2017		
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	6/30/2016	6/30/2017		
Finance	Fee Imposition Report	Comptroller	Annual by 9/1	15 ILCS 405/16.2	7/14/2016	7/31/2017		
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	Annual	80 Ill Adm. Code Sec.1600.450	6/31/2016	06/31/2017		
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	6/16/2016	As needed		
Finance/Mem Serv	Fin. Stmt. to Participants/ Serv. Cred Stmt	Annuitants	As requested	40 ILCS 5/15-175	Ongoing	ongoing		
Finance/Mem Serv	Reports to Reciprocal	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	2/14/2017	3/15/2017		
Human Resources	Monthly Wage Report	IDES taxnet Online	Monthly (EXCEPT 1/4/7/10)	IDES PA 97-0689	2/15/2017	3/28/2017		
Human Resources	Form UI-3/40	IDES taxnet Online	Quarterly (1/31, 4/30, 7/31/10/31)	IDES PA 97-0689				
Human Resources	Report of Employee Served	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.30	1/12/2017	4/30/2017		
Human Resources	Exempt Employees Report	State Universities Civil Service System	Quarterly	110 ILCS 70/36E	1/12/2017	4/15/2017		
Human Resources	Occupational Ethnic and Gender Report	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.3.1	1/12/2017	4/15/2017		
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	1/15/2017	7/15/2017		
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	2/14/2017	3/15/2017		
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	N/A		*required threshold for reporting not met for 2017
Investments	Restricted Companies Divestiture Reporting*	Illinois Investment Policy Board	Annual	40 ILCS 5/1-110.16	N/A	4/1/2017		
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	7/25/2016	7/31/2017		
Investments	Invest in Illinois	Governor	Annual	PA 96-0753	8/22/2016	9/1/2017		
Investments	PRI Annual Assessment	UNPRI.org	Annual	UNPRI Signatory Rules	3/20/2016	3/31/2017		
Investments	Public Disclosure of Investments	SURS.org website	Quarterly	15 ICLS 520	6/31/2016	9/31/2016		
Investments	Written Investment Policies	Illinois Department of Insurance	Ad Hoc	40 ILCS 5/1-113.6	9/11/2015	As needed		

Investments	IS Policy Exemptions, Forms and Contract Summaries	Illinois Procurement Policy Board	Ad Hoc	40 ILCS 5/1-113.14	Ongoing	As needed
Investments	Qualified FOF Mgmt. Services Contract Summaries	SURS.org website	Ongoing	40 ILCS 5/1-113.15	N/A	As needed
Legal & Ethics	Ethics Training for Registered Lobbyists	Secretary of State	Annual	25 ILCS 170	2016 Complete	2017
Legal & Ethics	Lobbying Expenditure Report (20th)	Secretary of State	Monthly	25 ILCS 170/6	2/16/2017	3/20/2017
Legal & Ethics	Lobbying Expenditure Report (5th)	Secretary of State	Monthly	25 ILCS 170/6	2/16/2017	3/5/2017
Legal & Ethics	Statement of Economic Interests (Board and Execs)	Secretary of State	Annual	5 ILCS 420/4A-101	4/30/2016	4/30/2017
Legal & Ethics	Annual Ethics Training for Trustees	Internal-Cert of Completion to EO	Annual	5 ILCS 430/5-10	5/3/16-6/13/16	5/3/2017
Legal & Ethics	Ethics Training Plan/Ethics Training State Employees	Office of the Inspector General	Annual	5 ILCS 430/5-10	4/29/2016	6/30/2017
Legal & Ethics	ARDC Registration	ARDC	Annual	128 Ill.2d 351, 538 NE 2d 1152	7/31/2016	7/31/2017
Legal & Ethics	FOIA Officer Training & Annual Certification	IAG	Annual	5 ILCS 140/3.5	9/2/17 & 11/23/16	9/2/18 & 11/23/17
Legal & Ethics	Ethics Officer Designation Notice	IL Executive Ethics Commission	As Needed/Ad Hoc	2 IL 1620.83	10/19/2015	as needed
Legal & Ethics	Revolving Door Policy Sign off	Executive Inspector General	As Needed/Ad Hoc	5 ILCS 430/5-5-45	Time of Hire	As needed
Legal & Ethics	Ex Parte Communications Reports	Executive Ethics Commission	As Needed/Ad Hoc	5 ILCS 430/5-50	At time of occurrence	As needed
Legal & Ethics	OMA Trustee Training	IAG	One Time	5 ILCS 120/1.05	current various dates	As needed
Legal & Ethics	QUILDRO Forms Electronic Availability	SURS.org website	Ongoing requirement	40 ILCS 5/1-119	current	as updated
Legal & Ethics	OMA Officer Training	IAG	Annual	5 ILCS 120/1.05	MPB 10-15-16	10/15/2017



100th General Assembly				
Bill Number	Sponsor	Short Title	Short Summary	Notes
SA #1 and #2 to SB 4	Sen. Trotter	State Pension Obligation Acceleration Bonds	Authorizes the Illinois Finance Authority to issue \$250 million worth of bonds to make accelerated pension benefit payments. Creates a continuing appropriation of all amounts necessary for the payment of principal and interest due on State Pension Obligation Acceleration Bonds.	
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 available for Buyout (for 3 Systems)
SB 16	Sen. J. Cullerton	Pension Reform	Creates a Tier III 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 available for Buyout (for 3 Systems)
SB 654	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 HB 368 (Rep. Nekritz)
SB 662	Sen. Hastings	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 available for Buyout
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.	

100th General Assembly				
Bill Number	Sponsor	Short Title	Short Summary	Notes
SB 779	Sen. Biss	Alternative Investment Fund Disclosures	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.	
SB 896	Sen. Althoff	Survivor's 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 (Rep. McSweeney)
SB 1714	Sen. Clayborne	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.	
SB 1798	Sen. Hastings	No Investments in Expatriate Corporations	Prohibits the state-funded retirement systems from investing in expatriate corporations.	Identical to HB 3419 (Rep. Andrade)
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)
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 available for Buyout
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)
SB 2164	Sen. Radogno	FY 2018 Governor Introduced	Appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 is appropriated from the General Revenue Fund, and \$140,000,000 is appropriated 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)

100th General Assembly				
Bill Number	Sponsor	Short Title	Short Summary	Notes
HB 299	Rep. Ammons	Return to Work for Affected Annuitants - Exemption	Allows SURS retirees who became affected annuitants between August 1, 2013, and June 30, 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.	
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 available for Buyout
HB 350	Rep. McSweeney	Survivor's 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 SB 896 (Sen. Althoff)
HB 368	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 SB 654 (Sen. Biss)
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.	Very similar to HB 445 (Rep. Ives) and Nearly Identical to HB 2405 (Rep. Ives)
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.	Very similar to HB 436 (Rep. Ives) but does not include prohibitions on sick time and vacation time from counting towards pensions
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)
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)
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.	

100th General Assembly				
Bill Number	Sponsor	Short Title	Short Summary	Notes
HB 2405	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.	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
HB 2491	Rep. Bennett	QLDRO Calculations	Establishes that, for a QLDRO issued after January 1, 2018, the member's salary on the date the QLDRO was issued is the salary that must be used to calculate the amount of the benefit under the QLDRO.	
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.	
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.	
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.	
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.	
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 available for Buyout
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 available for Buyout; Nearly Identical to HB 2902 (Rep. Fortner), but allows eligible persons (instead of eligible retirees) to elect the pension buyout option
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)
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)

100th General Assembly				
Bill Number	Sponsor	Short Title	Short Summary	Notes
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)
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.	
HB 3419	Rep. Andrade	No Investments in Expatriate Corporations	Prohibits the state-funded retirement systems from investing in expatriate corporations.	Identical to SB 1798 (Sen. Hastings)
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.	
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)
HB 3926	Rep. Durkin	FY 2018 Governor Introduced	Appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 is appropriated from the General Revenue Fund, and \$140,000,000 is appropriated 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. Radogno)
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."	
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.	
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.	
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.	
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.	
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.	

Spring Session 2017

Bills Introduced

Senate Bill 4 – State Pension Obligation Acceleration Bonds

Sponsors – Senator Donne E. Trotter

Senate Amendments #1 and #2 to SB 4 amend the Illinois Finance Authority Act to authorize the Authority to issue \$250 million worth of bonds to make accelerated pension benefit payments. The amendments also amend the State Pension Funds Continuing Appropriation Act to create a continuing appropriation of all amounts necessary for the payment of principal and interest due on State Pension Obligation Acceleration Bonds.

Status: Senate Assignments Approved SA #1 for Consideration on Jan. 24, 2017; Senate Referred SA #2 to Assignments Committee on Jan. 24, 2017; Senate Placed on Calendar Order of Third Reading on Jan. 24, 2017.

Senate Bill 11 – Pension Reform

Sponsor – Senator John J. Cullerton

Senate Bill 11 was called for a vote on February 8, 2017. It received 18 “yes” votes, 29 “no” votes, and 10 “present” votes. It needed 30 “yes” votes to pass the Senate.

SB 11 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, Chicago Teachers Retirement System and Judges Retirement System Articles of the Illinois Pension Code. (The changes to the State Employees Retirement System pertain to state funding and an accelerated pension benefit payment option, and the changes to the Judges Retirement System Article only pertain to state funding.)

Benefit Changes

SB 11 requires each Tier I employee (i.e., each employee who first became a participant of SURS before Jan. 1, 2011, and who is not in the Self-Managed Plan) to elect one of two options:

- (1) To accept a reduced and delayed automatic annual increase in retirement (the lesser of 3 percent or $\frac{1}{2}$ of the increase in CPI-U, non-compounded, beginning the January on or after the earlier of age 67 or five years after retirement); or

(2) To keep the current Tier I automatic annual increase in retirement (3 percent compounded, beginning the January after retirement).

Each Tier I employee who elects to accept the reduced and delayed automatic annual increase in retirement will: receive a payment of 10 percent of his or her employee contributions made before the effective date of the election (which will not count towards his or her pension); pay reduced employee contributions moving forward (7.2 percent for regular employees and 8.55 percent for public safety employees); and have his or her future earnings increases count towards his or her pension.

Each Tier I employee who elects to keep the current Tier I automatic annual increase in retirement will not have his or her future earnings increases count towards his or her pension.

Generally, the election for Tier I employees will occur between Jan. 1, 2018, and March 31, 2018, and will become effective on July 1, 2018. A Tier I employee who fails to make an election within the required time period is deemed to have chosen to keep the current Tier I automatic annual increase in retirement.

Retirees, Tier II employees (i.e., employees who first became participants of SURS on or after Jan. 1, 2011), and employees in the Self-Managed Plan are not required to make an election.

SB 11 creates an accelerated pension benefit payment option for the first 10 percent of eligible SURS members each year. An eligible SURS member is a person who has terminated service; has accrued the necessary service credit for retirement; has not received a retirement annuity from SURS; does not have a QILDRO in effect against him or her under SURS; and is not a participant in the Self-Managed Plan. By January 1, 2018, and annually thereafter, SURS must calculate the net present value of pension benefits for each eligible person. SURS must 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 into another retirement plan or account qualified under the Internal Revenue Code of 1986, as amended. Upon receipt of an accelerated pension benefit payment, credits and creditable service under SURS are terminated. If the member subsequently returns to active service under SURS, then any subsequent pension benefits are based on the credits and creditable service accrued after the return to active service. The accelerated pension benefit payment cannot be repaid to SURS and previously terminated credits and creditable service cannot be reinstated under SURS. A SURS member who receives an accelerated pension benefit payment will still receive any applicable retiree health insurance benefits.

SB 11 requires SURS to provide a voluntary defined contribution plan for up to 5 percent of Tier I employees by July 1, 2018. Under the defined contribution plan, a Tier 1 employee could elect to stop accruing benefits in the defined benefit plan and start accruing benefits for future service in the defined contribution plan. Participants in the defined contribution plan pay employee contributions at the same rate as other participants in SURS. State

contributions to the defined contribution plan are made at a uniform rate, no higher than the employer's normal cost for Tier 1 employees in the defined benefit plan for that year and no lower than 3 percent of earnings. The rate of state contributions to the defined contribution plan is adjusted annually. The defined contribution plan requires five years of service in order for the participant to vest in state contributions. Failure to vest in state contributions results in the forfeiture of state contributions and any earnings on the state contributions. The defined contribution plan must provide a variety of options for investments and a variety of options for payouts to retirees and their survivors.

State Funding Changes

SB 11 makes three changes to the funding formula for SURS: First, it requires the state contribution for fiscal year 2018 through fiscal year 2045 to be based on total payroll (which includes payroll that is not pensionable), but excluding payroll attributable to participants in the voluntary defined contribution plan. Second, beginning in fiscal year 2018, it requires any increases or decreases attributable to changes in the System's actuarial and investment assumptions to be phased-in over a five-year period. Third, it requires the fiscal year 2018 and fiscal year 2019 state contributions to be recertified based on changes made by the legislation.

Employer Funding Changes

SB 11 provides that, for academic years beginning on or after July 1, 2018, 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 excluded from this provision. (Current law provides that 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 6 percent during the final rate of earnings period, then the employer must pay the present value of the resulting increase in benefits to SURS.)

Additionally, for academic years beginning on or after July 1, 2018, if a participant's earnings exceed \$140,000, then the employer must pay a contribution to SURS for the portion of earnings in excess of that amount. The employer contribution equals the amount of earnings in excess of \$140,000 multiplied by the level percentage of payroll needed for SURS to become 90 percent funded by fiscal year 2045.

SB 11 takes effect immediately upon becoming law, but it does not take effect unless Senate Bills 1-10 and 12-13 of the 100th General Assembly also become law.

Status: Senate Third Reading – Lost (Vote: 18-29-10) on Feb. 8, 2017.

[Senate Bill 16 – Pension Reform](#)

Sponsor – Senator John J. Cullerton

Senate Bill 16 was called for a vote on February 28, 2017. It received 26 “yes” votes, 27 “no” votes, and 2 “present” votes. It needed 30 “yes” votes to pass the Senate. It has been placed on Postponed Consideration and could be called for a vote in the future.

SB 16 amends the General Provisions, General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, Chicago Teachers Pension Fund, and Judges Retirement System articles of the Illinois Pension Code.

Tier III Hybrid Plan

SB 16 creates a Tier III hybrid plan for individuals who first become participants of SURS on or after 6 months after the effective date of the legislation (and who are not participants in the Self-Managed Plan). Individuals who first become participants of SURS on or after 6 months after the effective date of the legislation (and who are not participants in the Self-Managed Plan) can irrevocably elect to participate in Tier II within 30 days after becoming a participant.

For the defined benefit portion of the Tier III hybrid plan:

- Final average salary (“FAS”) equals the average monthly (or annual) salary during the period of service in which earnings were the highest during the last 120 months (or 10 years) of service.
- Pensionable earnings are capped at the federal Social Security Wage Base.
- Age and service credits for retirement are the normal Social Security retirement age applicable to that member, but no earlier than age 67, with 10 years of service credit.
- Retirement annuities are calculated using the following formula: 1.25 percent x each year of service credit x FAS.
- Automatic annual increases are applied beginning 1 year after retirement, calculated at ½ of the percentage increase in the CPI-W.
- Survivor benefits are equal to 66 2/3 percent of the member’s retirement annuity on the date of death, or 66 2/3 percent of the member’s earned annuity without an age reduction if the member was not retired on the date of death.
- Employee contributions are equal to the lower of 6.2 percent of salary or the normal cost of benefits under the defined benefit portion of the plan.

For the defined contribution portion of the Tier III hybrid plan:

- Employee contributions are equal to a minimum of 4 percent of salary.
- Employer contributions for employees with at least 1 year of service with the same employer are equal to a rate set for individual employees, but no higher than 6 percent of salary and no lower than 2 percent of salary.
- The participant vests in employer contributions when they are paid into his or her account.
- The plan must provide a variety of investment options (including investments handled by the Illinois State Board of Investment) and a variety of options for payouts to retirees and their survivors.

Future benefits under the Tier III hybrid plan can be modified. Benefit increases under the Tier III hybrid plan cannot take effect unless they are approved by a resolution or ordinance of the governing body of the unit of local government responsible for those employees.

The actual employer (university or community college) must contribute an amount equal to the normal cost of the defined benefit portion of the Tier III hybrid plan, minus the employee contributions, plus 2 percent. SURS must annually certify the amount of unfunded liability accrued in each employer's account to be paid by the employer so that SURS becomes 90 percent funded by fiscal year 2045. The actual employer must also contribute an amount equal to the employer portion of the defined contribution portion of the Tier III hybrid plan, as set on an individual employee basis.

Beginning November 1, 2019, SURS must annually determine the amount of the State contribution that would have been required for the next fiscal year if the Tier III hybrid plan had not taken effect, based on the law in effect on May 31, 2019. Beginning in fiscal year 2021, the an amount equal to the annual savings of the Tier III hybrid plan must be transferred from the General Revenue Fund to the Pension Stabilization Fund for distribution to the State-funded retirement systems until the earlier of fiscal year 2045 or until each system becomes 100 percent funded.

Tier I Offer and Consideration Pension Reform

SB 16 requires each Tier I employee (i.e., each employee who first became a participant of SURS before Jan. 1, 2011, and who is not in the Self-Managed Plan) to elect one of two options:

- (3) To accept a reduced and delayed automatic annual increase in retirement (the lesser of 3 percent or $\frac{1}{2}$ of the increase in CPI-U, non-compounded, beginning the January on or after the earlier of age 67 or five years after retirement); or
- (4) To keep the current Tier I automatic annual increase in retirement (3 percent compounded, beginning the January after retirement).

Each Tier I employee who elects to accept the reduced and delayed automatic annual increase in retirement will: receive a payment equal to 10 percent of his or her employee contributions made before the effective date of the election (which will not count towards his or her pension); pay reduced employee contributions moving forward (7.2 percent for regular employees and 8.55 percent for public safety employees); and have his or her future earnings increases count towards his or her pension.

Each Tier I employee who elects to keep the current Tier I automatic annual increase in retirement will not have his or her future earnings increases count towards his or her pension.

Generally, the election for Tier I employees will occur between Jan. 1, 2018 and March 31, 2018, and will become effective on July 1, 2018. A Tier I employee who fails to make an election within the required time period is deemed to have chosen to keep the current Tier I automatic annual increase in retirement.

Retirees, Tier II employees (i.e., employees who first became participants of SURS on or after Jan. 1, 2011), and employees in the Self-Managed Plan are not required to make an election.

Accelerated Pension Benefit Payment Option

SB 16 creates an accelerated pension benefit payment option for the first 10 percent of eligible SURS members each year. An eligible SURS member is a person who has terminated service; has accrued the necessary service credit for retirement; has not received a retirement annuity from SURS; does not have a QILDRO in effect against him or her under SURS; and is not a participant in the Self-Managed Plan. By January 1, 2018, and annually thereafter, SURS must calculate the net present value of pension benefits for each eligible person. SURS must 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 into another retirement plan or account qualified under the Internal Revenue Code of 1986, as amended. Upon receipt of an accelerated pension benefit payment, credits and creditable service under SURS are terminated. If the member subsequently returns to active service under SURS, then any subsequent pension benefits are based on the credits and creditable service accrued after the return to active service. The accelerated pension benefit payment cannot be repaid to SURS and previously terminated credits and creditable service cannot be reinstated under SURS. A SURS member who receives an accelerated pension benefit payment will still receive any applicable retiree health insurance benefits.

Voluntary Defined Contribution Plan

SB 16 requires SURS to provide a voluntary defined contribution plan for up to 5 percent of Tier I employees by July 1, 2018. Under the defined contribution plan, a Tier 1 employee could elect to stop accruing benefits in the defined benefit plan and start accruing benefits for

future service in the defined contribution plan. Participants in the defined contribution plan pay employee contributions at the same rate as other participants in SURS. State contributions to the defined contribution plan are made at a uniform rate, no higher than the employer's normal cost for Tier 1 employees in the defined benefit plan for that year and no lower than 3 percent of earnings. The rate of state contributions to the defined contribution plan is adjusted annually. The defined contribution plan requires five years of service in order for the participant to vest in state contributions. Failure to vest in state contributions results in the forfeiture of state contributions and any earnings on the state contributions. The defined contribution plan must provide a variety of options for investments and a variety of options for payouts to retirees and their survivors.

State Funding Changes

SB 16 makes three changes to the funding formula for SURS: First, it requires the state contribution for fiscal year 2018 through fiscal year 2045 to be based on total payroll (which includes payroll that is not pensionable), but excluding payroll attributable to participants in the voluntary defined contribution plan. Second, beginning in fiscal year 2018, it requires any increases or decreases attributable to changes in the System's actuarial and investment assumptions to be phased-in over a five-year period. Third, it requires the fiscal year 2018 and fiscal year 2019 state contributions to be recertified based on changes made by the legislation.

Employer Funding Changes

SB 16 provides that, for academic years beginning on or after July 1, 2018, 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 excluded from this provision. (Current law provides that 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 6 percent during the final rate of earnings period, then the employer must pay the present value of the resulting increase in benefits to SURS.)

Additionally, for academic years beginning on or after July 1, 2018, if a participant's earnings exceed \$140,000, then the employer must pay a contribution to SURS for the portion of earnings in excess of that amount. The employer contribution equals the amount of earnings in excess of \$140,000 multiplied by the level percentage of payroll needed for SURS to become 90 percent funded by fiscal year 2045.

Effective Date

SB 16 takes effect immediately upon becoming law, but it does not take effect unless Senate Bills 1, 3-10, and 12-13 of the 100th General Assembly become law.

Status: Senate Placed on Calendar – Consideration Postponed (Vote: 26-27-2) on Feb. 28, 2017.

Senate Bill 654 – SURS Administrative and Technical Changes

Sponsors – Senator Daniel Biss

SB 654 amends the State Universities Retirement System Article of the Illinois Pension Code to enhance the efficient administration of SURS. It has no impact to member benefits. It makes one substantive change and five technical changes.

Substantive Change:

SB 654 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:

SB 654 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.

SB 654 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.

SB 654 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.

SB 654 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.

SB 654 corrects the definition of "service" to reflect the enactment of Public Act 99-0897.

SB 654 is identical to HB 368 of the 100th General Assembly (as amended).

SB 654 takes effect immediately upon becoming law.

Status: Senate Placed on Calendar Order of Third Reading on Feb. 16, 2017.

Senate Bill 662 – Pension Buyout Act

Sponsors – Senator Michael E. Hastings

SB 662 creates the Pension Buyout Act. It applies to eligible retirees of the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System.

SB 662 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. Approved vendors must provide, at no cost to the eligible retiree, a minimum amount of certified financial planning services before the eligible retiree makes an election pursuant to a pension buyout option.

To be eligible to elect a pension buyout option, a SURS retiree must (1) have elected to receive a retirement annuity; (2) be eligible to receive a retirement annuity; (3) have terminated service; (4) not be subject to a QILDRO under SURS; (4) not be a participant in the Self-Managed Plan; (5) have received at least the minimum amount of financial planning services provided by the approved vendor; and (6) not retire reciprocally with another retirement system or pension fund under the Illinois Pension Code.

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. An eligible SURS retiree may elect a pension buyout option at any time after he or she has elected to retire and has terminated service. SURS retirees who elect to participate in a pension buyout option will still receive any applicable retiree health insurance benefits.

SB 662 takes effect on July 1, 2018.

Status: Senate Assigned to Executive Committee on Feb. 8, 2017.

Senate Bill 778 – FOIA – No Exemption for Alternative Investment Contracts

Sponsors – Senator Daniel Biss

SB 778 amends the Freedom of Information Act (“the Act”) to establish 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 Act. However, trade secrets contained in the text of such new agreements remain exempt under the Act.

SB 778 takes effect immediately upon becoming law.

Status: Senate Postponed – Licensed Activities and Pensions Committee on Feb. 16, 2017.

Senate Bill 779 – Alternative Investment Contract and Fee Transparency

Sponsors – Senator Daniel Biss

SB 779 amends the General Provisions article of the Illinois Pension Code to require 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: Senate Assigned to Licensed Activities and Pensions Committee on Feb. 8, 2017.

Senate Bill 896 – Survivors Felony Forfeiture

Sponsors – Senator Pamela J. Althoff

SB 896 amends the General Assembly Retirement System, Downstate Policemen’s Pension Fund, Downstate Firefighters’ Pension Fund, Chicago Policemen’s Pension Fund, Chicago Firefighters’ Pension Fund, Illinois Municipal Retirement Fund, Chicago Municipal Pension Fund, Cook County Pension Fund, Cook County Forest Preserve District Pension Fund, Chicago Laborers’ Pension Fund, Chicago Park District Pension Fund, Metropolitan Water Reclamation District Pension Fund, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, Chicago Teachers Pension Fund, and Judges Retirement System articles of the Illinois Pension Code.

SB 896 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. SB 896 applies to the survivors of individuals who first become participants in SURS after the effective date of the legislation.

SB 896 is identical to House Bill 250 of the 100th General Assembly.

SB 896 takes effect immediately upon becoming law.

Status: Senate Assigned to Licensed Activities and Pensions Committee on Feb. 15, 2017.

Senate Bill 1714 – Investment Consultant Disclosures

Sponsors – Senator James F. Clayborne, Jr.

SB 1714 amends the General Provisions article of the Illinois Pension Code.

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 takes effect immediately upon becoming law.

Status: Senate Referred to Assignments Committee on Feb. 9, 2017.

Senate Bill 1798 – No Investments in Expatriate Corporations
Sponsors – Senator Michael E. Hastings

SB 1798 amends the General Provisions article of the Illinois Pension Code.

SB 1798 prohibits the state-funded retirement systems from investing in expatriate corporations.

An expatriate corporation is defined as a foreign incorporated entity to which all of the following apply: (1) it is publicly traded in the United States; (2) it is incorporated in a foreign tax haven; (3) less than 10 percent of the gross income of the foreign entity is derived from activities in the tax haven; (4) less than 10 percent of the employees of the foreign entity are permanently located in the tax haven; and (5) either of the following applies:

- The foreign entity was established in connection with a transaction or series of related transactions pursuant to which: (i) the foreign entity directly or indirectly acquired substantially all of the properties held by a domestic corporation or all of the properties constituting a trade or business of a domestic partnership or related foreign partnership; and (ii) immediately after the acquisition, more than 50 percent of the publicly traded stock, by vote or value, of the foreign entity is held by former shareholders of the domestic corporation or by former partners of the domestic partnership or related foreign partnership. For purposes of item (ii), any stock sold in a public offering related to the transaction or a series of transactions is disregarded.
- The foreign entity was established in connection with a transaction or series of related transactions pursuant to which (i) the foreign entity directly or indirectly acquired substantially all of the properties held by a domestic corporation or all of the properties constituting a trade or business of a domestic partnership or related foreign partnership and (ii) the acquiring foreign entity is more than 50 percent owned, by vote or value, by domestic shareholders or partners.

By April 1, 2018, the Illinois Investment Policy Board must make its best efforts to identify all expatriate corporations and include those companies in the list of restricted companies distributed to each retirement system for this purpose. If a company ceases activity that designates it as an expatriate corporation, then it must be removed from the list of restricted companies, and is subject to investment by the state-funded retirement systems, until it resumes such activities.

SB 1798 is identical to House Bill 3419 of the 100th General Assembly.

SB 1798 takes effect in accordance with the Effective Date of Laws Act.

Status: Senate Referred to Assignments Committee on Feb. 9, 2017.

Senate Bill 1801 – Supplemental Defined Contribution Plan

Sponsors – Senator William E. Brady

SB 1801 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, and Judges Retirement System articles of the Illinois Pension Code.

SB 1801 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. The plan must be established within one year of the effective date of the legislation and must exist and serve in addition to other retirement, pension, and benefit plans established under the Illinois Pension Code. All assets and income of the plan must be held in trust for the exclusive benefit of participants and their beneficiaries.

Each person who first became a participant of SURS before Jan. 1, 2011 (Tier I participants) and each person who first became a participant of SURS on or after Jan. 1, 2011 (Tier II participants) but prior to the creation of the supplemental defined contribution plan may voluntarily elect to enroll in the plan. Each person who becomes a Tier II participant after the creation of the supplemental defined contribution plan will be automatically enrolled in the plan at a contribution rate established by the Board, unless he or she opts out within 60 days after becoming a participant.

The supplemental defined contribution plan must be designed to enable participants to generate a stream of income to replace their pre-retirement income in retirement and must provide a variety of options for distributions to participants and their beneficiaries.

SB 1801 is identical to House Bill 3867 of the 100th General Assembly.

SB 1801 takes effect immediately upon becoming law.

Status: Senate Referred to Assignments Committee on Feb. 9, 2017.

Senate Bill 1820 – Partial and Full Accelerated Pension Benefit Payment Options

Sponsors – Senator Dan McConchie

SB 1820 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System articles of the Illinois Pension Code.

Accelerated Pension Benefit Payment

SB 1820 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. Upon receiving an accelerated pension benefit payment, a person's credits and creditable service under SURS are terminated. If the person subsequently returns to active service under SURS, then any benefits earned are based solely on the person's credits and creditable service arising from the return to active service. The accelerated pension benefit payment cannot be repaid to SURS, and the terminated credits and creditable service cannot be reinstated. A person who accepts an accelerated pension benefit payment will still receive any applicable retiree health insurance benefits.

To be eligible for an accelerated pension benefit payment, a SURS member must have terminated service; met the age and service credit requirements for retirement; not have received a retirement annuity; not have a QILDRO in effect against him or her under SURS; not be a participant in the Self-Managed Plan; not have elected to receive a partial accelerated pension benefit payment; and have received counseling on asset management and the costs, benefits, and risks of electing to receive the accelerated pension benefit payment in lieu of pension benefits.

Partial Accelerated Pension Benefit Payment

SB 1820 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. A person who receives a partial accelerated pension benefit payment will have his or her pension benefits reduced by the percentage specified in the written election. The percentage reduction in pension benefits cannot be modified after the partial accelerated pension benefit payment is received. If a person who has received a partial accelerated pension benefit payment returns to active service, then any benefits earned must be reduced by the amount specified in the written election; the partial accelerated pension benefit payment may not be repaid to SURS; and the person is not eligible to elect or receive any additional partial accelerated pension benefit payment.

To be eligible for a partial accelerated pension benefit payment, a SURS member must have terminated service; met the age and service credit requirements for retirement; not have received a retirement annuity; not have a QILDRO in effect against him or her under SURS; not be a participant in the Self-Managed Plan; not have elected to receive an accelerated pension benefit payment; and have received counseling on asset management and the costs, benefits, and risks of electing to receive a partial accelerated pension benefit payment in exchange for a reduction of pension benefits.

SB 1820 takes effect immediately upon becoming law.

Status: Senate Referred to Assignments Committee on Feb. 9, 2017.

Senate Bill 2091 – No Investments in Businesses that Build a Border Wall

Sponsors – Senator Martin A. Sandoval

SB 2091 amends the General Provisions article of the Illinois Pension Code.

SB 2091 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. By May 1, 2017, the Illinois Investment Policy Board must make its best efforts to identify all companies that contract to build a border wall and include those companies in the list of restricted companies distributed to each retirement system for this purpose.

SB 2091 also makes similar changes under the Illinois Procurement Code.

SB 2091 is similar to House Bill 3061 of the 100th General Assembly.

SB 2091 takes effect immediately upon becoming law.

Status: Senate Referred to Assignments Committee on Feb. 10, 2017.

Senate Bill 2164 – Governor’s Introduced FY 2018 Budget

Sponsors – Senator Christine Radogno

SB 2164 appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 is appropriated from the General Revenue Fund, and \$140,000,000 is appropriated from the State Pensions Fund. The certified Fiscal Year 2018 State contribution to SURS is \$1,753,685,000.

SB 2164 also 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.

Payment of both the certified annual required State contribution to SURS (\$1,753,685,000) and the certified State contribution to CIP (\$4,133,336) are required under the State Pension Funds Continuing Appropriation Act.

SB 2164 is identical to House Bill 3926 of the 100th General Assembly.

SB 2164 takes effect July 1, 2017, if Senate Bill 2063 of the 100th General Assembly (the Unbalanced Budget Response Act), as introduced in the Illinois Senate, becomes law.

Status: Senate Referred to Assignments Committee on Feb. 22, 2017.

House Bill 299 – Return-to-Work Law for Affected Annuitants – Exemption **Sponsors – Representative Carol Ammons**

HB 299 amends the State Universities Retirement System Article of the Illinois Pension Code to allow retirees who became affected annuitants between Aug. 1, 2013, and June 30, 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 Aug. 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 July 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 June 30, 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.

HB 299 takes effect immediately upon becoming law.

Status: House Third Reading – Passed (Vote: 108-0-1) on Feb. 23, 2017.

House Bill 315– Accelerated Pension Benefit Payment Option

Sponsors – Representative Mark Batinick

HB 315 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System Articles of the Illinois Pension Code.

HB 315 applies to a SURS member who terminates service, meets the service credit requirements for retirement, has not received a retirement annuity from SURS, does not have a QILDRO in effect against him or her under SURS and is not a participant in the Self-Managed Plan. HB 315 does not apply to retirees.

HB 315 requires SURS to calculate the net present value of pension benefits for each eligible person by Jan. 1, 2018. SURS must 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 Jan. 1, 2018, and July 1, 2018, to irrevocably elect to receive an accelerated pension benefit payment in lieu of receiving any pension benefit from SURS. Eligible members who irrevocably elect to receive an accelerated pension benefit payment in lieu of receiving any pension benefit from SURS will still receive any applicable retiree health insurance benefits.

Once the eligible member receives an accelerated pension benefit payment from SURS, all credits and creditable service under SURS are terminated. If the member subsequently returns to active service under SURS, then any subsequent pension benefits are based on the credits and creditable service accrued after the return to active service. The accelerated pension benefit payment cannot be repaid to SURS and previously terminated credits and creditable service cannot be reinstated under SURS.

HB 315 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Jan. 25, 2017.

House Bill 350 – Survivors Felony Forfeiture

Sponsors – Representative David McSweeney

HB 350 amends the General Assembly Retirement System, Downstate Policemen's Pension Fund, Downstate Firefighters' Pension Fund, Chicago Policemen's Pension Fund, Chicago Firefighters' Pension Fund, Illinois Municipal Retirement Fund, Chicago Municipal Pension Fund, Cook County Pension Fund, Cook County Forest Preserve District Pension Fund, Chicago Laborers' Pension Fund, Chicago Park District Pension Fund, Metropolitan Water Reclamation District Pension Fund, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, Chicago Teachers Pension Fund, and Judges Retirement System articles of the Illinois Pension Code.

HB 350 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. HB 350 applies to the survivors of individuals who first become participants in SURS after the effective date of the legislation.

HB 350 is identical to Senate Bill 896 of the 100th General Assembly.

HB 350 takes effect immediately upon becoming law.

Status: House Third Reading – Passed (Vote: 108-0-0) on Feb. 24, 2017.

House Bill 368 – SURS Administrative and Technical Changes

Sponsors – Representative Elaine Nekritz

House Amendment #1 to HB 368 re-inserts the original language of the legislation but changes the wording of item (4) under Section 15-168.1 so that it is identical to the corresponding language in the Teachers Retirement System and Chicago Teachers Pension Fund articles of the Illinois Pension Code.

HB 368 amends the State Universities Retirement System Article of the Illinois Pension Code to enhance the efficient administration of SURS. It has no impact to member benefits. It makes one substantive change and five technical changes.

Substantive Change:

HB 368 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:

HB 368 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.

HB 368 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.

HB 368 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.

HB 368 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.

HB 368 corrects the definition of "service" to reflect the enactment of Public Act 99-0897.

As amended, HB 368 is identical to Senate Bill 654 of the 100th General Assembly.

HB 368 takes effect immediately upon becoming law.

Status: House Placed on Calendar Order of Third Reading on Feb. 22, 2017.

House Bill 436 – Tier III Defined Contribution Plan

Sponsors – Representative Jeanne M. Ives

HB 436 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System Articles of the Illinois Pension Code.

HB 436 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. Upon such election, SURS must transfer an amount equal to the amount of the contribution refund that the member would be eligible to receive, including interest at the effective rate, to the member's individual account in the defined contribution plan. Participants in the Tier 3 defined

contribution plan will receive any applicable retiree health insurance benefits upon retirement.

Tier III employee contributions to the defined contribution plan are set at a rate determined by the participant, but not less than 3 percent of earnings and not more than a percentage of earnings determined by the board in accordance with the requirements of state and federal law. State contributions to the defined contribution plan are set at a uniform rate, but not higher than 7.6 percent of earnings and not lower than 3 percent of earnings. The state must adjust this rate annually. Tier III participants must have five years of service in the defined contribution plan to vest in state contributions. Failure to vest results in the forfeiture of State contributions and any earnings thereon. Disability benefits may be provided under the Tier III defined contribution plan, and Tier III employee contributions to the defined contribution plan may be reduced by an amount to cover the cost of offering such disability benefits.

The Tier III defined contribution plan must offer a variety of options for investments, including investments handled by SURS as well as private sector investment options; provide a variety of options for payouts to inactive members and their survivors; and, to the extent permitted under federal law and as authorized by SURS, allow former participants to transfer or roll over employee and vested state contributions, and the earnings thereon, from the Tier III defined contribution plan into other qualified retirement plans.

HB 436 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. Additionally, HB 436 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.

Finally, HB 436 establishes that a person is not required to participate in SURS. HB 436 allows an employee to terminate his or her participation in SURS by notifying the System in writing. Such person is entitled to a refund of his or her contributions (other than contributions to the Self-Managed Plan or the Tier III defined contribution plan) minus the benefits received prior to the termination of participation in SURS.

HB 436 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 2, 2017.

[House Bill 445](#) – Tier III Defined Contribution Plan

Sponsors – Representative Jeanne M. Ives

HB 445 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System articles of the Illinois Pension Code.

HB 445 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. Upon such election, SURS must transfer an amount equal to the amount of the contribution refund that the member would be eligible to receive, including interest at the effective rate, to the member's individual account in the defined contribution plan. Participants in the Tier III defined contribution plan will receive any applicable retiree health insurance benefits upon retirement.

Tier III employee contributions to the defined contribution plan are set at a rate determined by the participant, but not less than 3 percent of earnings and not more than a percentage of earnings determined by the board in accordance with the requirements of state and federal law. State contributions to the defined contribution plan are set at a uniform rate, but not higher than 7.6 percent of earnings and not lower than 3 percent of earnings. The state must adjust this rate annually. Tier III participants must have five years of service in the defined contribution plan to vest in state contributions. Failure to vest results in the forfeiture of state contributions and any earnings thereon. Disability benefits may be provided under the Tier III defined contribution plan, and Tier III employee contributions to the defined contribution plan may be reduced by an amount to cover the cost of offering such disability benefits.

The Tier III defined contribution plan must offer a variety of options for investments, including investments handled by SURS as well as private sector investment options; provide a variety of options for payouts to inactive members and their survivors; and, to the extent permitted under federal law and as authorized by SURS, allow former participants to transfer or roll over employee and vested state contributions, and the earnings thereon, from the Tier III defined contribution plan into other qualified retirement plans.

Finally, HB 445 establishes that a person is not required to participate in SURS. HB 445 allows an employee to terminate his or her participation in SURS by notifying the System in writing. Such person is entitled to a refund of his or her contributions (other than contributions to the Self-Managed Plan, the defined contribution plan created by Public Act 98-599 or the Tier III defined contribution plan) minus the benefits received prior to the termination of participation in SURS.

HB 445 is identical to House Bill 436 of the 100th General Assembly with the following three differences: HB 445 does not contain language prohibiting 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; HB 445 does not contain language prohibiting 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; and HB 445 establishes the intent of the Tier III defined contribution plan to supersede the defined contribution plan created by Public Act 98-599 (which became inoperative under law when Public Act 98-599 was ruled unconstitutional by the Illinois Supreme Court on May 8, 2015).

HB 445 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 2, 2017.

House Bill 669 – Alternative Retirement Plan – Local Control of Benefits

Sponsors – Representative Thomas Morrison

HB 669 amends the Downstate Policemen’s Pension Fund, Downstate Firefighters’ Pension Fund, Chicago Policemen’s Pension Fund, Chicago Firefighters’ Pension Fund, Illinois Municipal Retirement Fund, Chicago Municipal Pension Fund, Cook County Pension Fund, Cook County Forest Preserve District Pension Fund, Chicago Laborers’ Pension Fund, Chicago Park District Pension Fund, Metropolitan Water Reclamation District Pension Fund, State Universities Retirement System, Teachers Retirement System, and Chicago Teachers Retirement System articles of the Illinois Pension Code.

HB 669 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.

The alternative retirement plan may include a defined benefit component, defined contribution component, or both, and may include disability or survivor benefits and any other benefits that are permitted under federal law. The alternative retirement plan is not required to provide any minimum level of benefits and does not need to provide any benefits at all, other than mandatory Social Security coverage if applicable. Service credit under the alternative retirement plan cannot be transferred to any other pension fund or retirement system and cannot be used under the Retirement Systems Reciprocal Act. The alternative retirement plan does not need to comply with any mandatory provisions of the existing retirement plans.

Providing an alternative retirement plan does not release the community college district from the obligation of continuing to participate in SURS with regard to participants in the existing retirement plans. The alternative retirement plan provided by the community college district

must be funded with contributions from that community college district and its employees who participate in the alternate retirement plan. In no event may the community college district in any way diminish or impair the rights or benefits of participants in the existing retirement plan.

HB 669 is identical to House Bill 3069 of the 100th General Assembly.

HB 669 takes effect in accordance with the Effective Date of Laws Act.

Status: House Assigned to Personnel & Pensions Committee on Feb. 8, 2017.

House Bill 671 – Employers Pay Present Value of Salary Increases above CPI-U
Sponsors – Representative Thomas Morrison

HB 671 amends the State Universities Retirement System and Teachers Retirement System articles of the Illinois Pension Code.

HB 671 provides 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 from this requirement.

Under current law, 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 6 percent for any year during the final rate of earnings period, then the participant's employer must pay the present value of the resulting increase in benefits to SURS.

HB 671 is identical to House Bill 3175 of the 100th General Assembly.

HB 671 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 8, 2017.

House Bill 775 – Climate Change Risk Minimization Policy
Sponsors – Representative Camille Y. Lilly

HB 775 amends the General Provisions Article of the Illinois Pension Code.

HB 775 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. The National Association of Insurance Commissioners' Insurer Climate Risk Disclosure Survey must be used as a model for the initial development of the policy. The policy must consider the scope of the financial risk and impact of climate related events, including, but not limited to, severe drought, coastal flooding, and intense hurricanes, on the holdings of the retirement system. Data from insurance company projections, the United Nations Framework Convention on Climate Change, and the United States Environmental Protection Agency must be used to make long-term projections on the climate and the potential long-term financial impact to the holdings of the retirement system from increased climate change.

If the retirement system determines that increasing climate change poses a significant financial risk to the long-term value of the retirement system, then the system may develop a policy on voting for shareholder resolutions and directors to advance corporate policies that minimize the long-term risk to the system's assets from increased climate change.

The policy must be updated annually and published on the retirement system's website. Previous versions of the policy must remain on the website for a period of 5 years.

HB 775 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 8, 2017.

House Bill 2405 – Tier III Defined Contribution Plan

Sponsors – Representative Jeanne M. Ives

HB 2405 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System and Judges Retirement System articles of the Illinois Pension Code.

HB 2405 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. Additionally, all persons who first become participants in SURS on or after July 1, 2018 must participate in the Tier III defined contribution plan.

Tier III participants may irrevocably elect to terminate all participation in the defined benefit plan. Upon such election, SURS must transfer an amount equal to the amount of the contribution refund that the member would be eligible to receive, including interest at the

effective rate, to the member's individual account in the defined contribution plan. Participants in the Tier III defined contribution plan will receive any applicable retiree health insurance benefits upon retirement.

Tier III employee contributions to the defined contribution plan are set at a rate determined by the participant, but not less than 3 percent of earnings and not more than a percentage of earnings determined by the board in accordance with the requirements of state and federal law. State contributions to the defined contribution plan are set at a uniform rate, but not higher than 7.6 percent of earnings and not lower than 3 percent of earnings. The state must adjust this rate annually. Tier III participants must have five years of service in the defined contribution plan to vest in state contributions. Failure to vest results in the forfeiture of State contributions and any earnings thereon. Disability benefits may be provided under the Tier III defined contribution plan, and Tier III employee contributions to the defined contribution plan may be reduced by an amount to cover the cost of offering such disability benefits.

The Tier III defined contribution plan must offer a variety of options for investments, including investments handled by SURS as well as private sector investment options; provide a variety of options for payouts to inactive members and their survivors; and, to the extent permitted under federal law and as authorized by SURS, allow former participants to transfer or roll over employee and vested state contributions, and the earnings thereon, from the Tier III defined contribution plan into other qualified retirement plans.

HB 2405 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. Additionally, HB 2405 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.

Finally, HB 2405 establishes that a person is not required to participate in SURS. HB 2405 allows an employee to terminate his or her participation in SURS by notifying the System in writing. Such person is entitled to a refund of his or her contributions (other than contributions to the Self-Managed Plan or the Tier III defined contribution plan) minus the benefits received prior to the termination of participation in SURS.

HB 2405 is identical to HB 436 of the 100th General Assembly, with the following difference: HB 2405 requires all persons who first become participants in SURS on or after July 1, 2018 to participate in the Tier III defined contribution plan.

HB 2405 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 14, 2017.

House Bill 2491 – QILDRO Calculations

Sponsors – Representative Thomas M. Bennett

HB 2491 amends the Qualified Illinois Domestic Relations Orders (“QILDROs”) section of the General Provisions article of the Illinois Pension Code.

HB 2491 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.

HB 2491 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 2707 – Smoothing of Changes in Actuarial Assumptions

Sponsors – Representative Grant Wehrli

HB 2707 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, and Judges Retirement System articles of the Illinois Pension Code.

HB 2707 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.

HB 2707 also requires recertification of the State contribution for Fiscal Year 2018.

HB 2707 takes effect immediately upon becoming law.

Status: House Assigned to Executive Committee on Feb. 22, 2017.

House Bill 2758 – Overtime Pay Not Included in Pensions

Sponsors – Representative Joe Sosnowski

HB 2758 amends the General Provisions article of the Illinois Pension Code.

HB 2758 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.

HB 2758 takes effect in accordance with the Effective Date of Laws Act.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 2759 – Pension Suspended During Reemployment

Sponsors – Representative Joe Sosnowski

HB 2759 amends the General Provisions article of the Illinois Pension Code.

HB 2759 provides that a retirement annuity must 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. Upon termination of employment, such person's retirement annuity resumes and may be recalculated if applicable.

HB 2759 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 2760 – Self-Managed Plan Transfers to In-Plan Roth Accounts

Sponsors – Representative Joe Sosnowski

HB 2760 amends the State Universities Retirement System article of the Illinois Pension Code.

HB 2760 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.

HB 2760 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 2902 – Pension Buyout Act + SURS Tier III

Sponsors – Representative Mike Fortner

HB 2902 creates the Pension Buyout Act and amends the State Universities Retirement System and Teachers Retirement System articles of the Illinois Pension Code.

Pension Buyout Option

HB 2902 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. An eligible retiree may elect to receive a pension buyout payment at any time after he or she has elected to retire and has terminated service. An eligible retiree who receives a pension buyout payment will still receive any applicable retiree health insurance benefits.

An eligible retiree is a person who: has elected to receive a retirement annuity; is eligible to receive a retirement annuity; has terminated service; is not subject to a QILDRO under SURS; is not a participant in the Self-Managed Plan or the Tier III plan; and has received a minimum amount of certified financial planning services, at no cost to the eligible retiree.

Tier III Plan

HB 2902 requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018. Active Tier I and Tier II members may voluntarily, irrevocably elect to stop accruing benefits in the defined benefit plan and start accruing benefits for future service in the Tier III plan. A participant in the Tier III plan pays employee contributions at a rate determined by the participant, but not less than 3 percent of earnings and not more than a percentage of earnings determined by the Board. An employer is not required to make employer contributions to the Tier III plan, but if the employer elects to contribute, then the rate of the employer contributions must be equal to the rate of the individual employee's contributions. The Tier III plan will require five years of participation to vest in the employer contributions. Failure to vest will result in the forfeiture of the employer contributions and the earnings thereon. The Tier III plan must provide a variety of options for investments and a variety of options for payouts to participants who are no longer active in SURS and their survivors. Tier III participants will still receive any applicable retiree health insurance benefits.

HB 2902 allows a Tier I or Tier II member who elects to participate in the Tier III plan to irrevocably elect to terminate all participation in the defined benefit plan. Upon that election, SURS must transfer an amount equal to the contribution refund, including regular interest for the respective years, into the member's individual account.

HB 2902 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 2903 – Pension Buyout Act + SURS Tier III

Sponsors – Representative Mike Fortner

HB 2903 creates the Pension Buyout Act and amends the State Universities Retirement System and Teachers Retirement System articles of the Illinois Pension Code.

Pension Buyout Option

HB 2903 authorizes the Illinois Department of Central Management Services to enter into contracts with approved vendors to provide lump sum payments to eligible persons pursuant to a pension buyout option. A pension buyout option is a plan that authorizes an eligible person 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. An eligible person may elect to receive a pension buyout payment at any time after he or she has terminated service. An eligible person who receives a pension buyout payment will still receive any applicable retiree health insurance benefits.

An eligible person is a person who: has accrued the service credit necessary to receive a retirement annuity; has not received a retirement annuity; has terminated service; is not subject to a QILDRO under SURS; is not a participant in the Self-Managed Plan or the Tier III Plan; and has received a minimum amount of certified financial planning services provided by the approved vendor, at no cost to the eligible person.

Tier III Plan

HB 2903 requires SURS to prepare and implement a Tier III defined contribution plan by July 1, 2018. Active Tier I and Tier II members may voluntarily, irrevocably elect to stop accruing benefits in the defined benefit plan and start accruing benefits for future service in the Tier III plan. A participant in the Tier III plan pays employee contributions at a rate determined by the participant, but not less than 3 percent of earnings and not more than a percentage of earnings determined by the Board. An employer is not required to make employer contributions to the Tier III plan, but if the employer elects to contribute, then the rate of the employer contributions must be equal to the rate of the individual employee's contributions. The Tier III plan will require five years of participation to vest in the employer contributions. Failure to vest will result in the forfeiture of the employer contributions and the earnings thereon. The Tier III plan must provide a variety of options for investments and a variety of options for payouts to participants who are no longer active in SURS and their survivors. Tier III participants will still receive any applicable retiree health insurance benefits.

HB 2903 allows a Tier I or Tier II member who elects to participate in the Tier III plan to irrevocably elect to terminate all participation in the defined benefit plan. Upon that election, SURS must transfer an amount equal to the contribution refund, including regular interest for the respective years, into the member's individual account.

HB 2903 is identical to House Bill 2902 with the following difference: HB 2903 allows eligible persons (instead of eligible retirees) to elect the pension buyout option.

HB 2903 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

**House Bill 3061 – No Investments in Companies that Build a Border Wall
Sponsors – Representative Will Guzzardi**

HB 3061 amends the General Provisions article of the Illinois Pension Code.

HB 3061 prohibits the state-funded retirement systems from investing in companies that contract to build a border wall. "Contracting to build a border wall" is defined as entering into a contract with the federal government for construction pursuant to Section 4 of Executive Order 13767 of the President of the United States. By July 1, 2017, the Illinois Investment Policy Board must make its best efforts to identify all companies that contract to build a border wall and include those companies in the list of restricted companies distributed to each retirement system for this purpose.

HB 3061 is similar to Senate Bill 2091 of the 100th General Assembly.

HB 3061 takes effect immediately upon becoming law.

Status: House Assigned to Economic Opportunity Committee on Feb. 22, 2017.

**House Bill 3069 – Alternative Retirement Plan – Local Control of Benefits
Sponsors – Representative Thomas Morrison**

HB 3069 amends the Downstate Policemen's Pension Fund, Downstate Firefighters' Pension Fund, Chicago Policemen's Pension Fund, Chicago Firefighters' Pension Fund, Illinois Municipal Retirement Fund, Chicago Municipal Pension Fund, Cook County Pension Fund, Cook County Forest Preserve District Pension Fund, Chicago Laborers' Pension Fund, Chicago Park District Pension Fund, Metropolitan Water Reclamation District Pension Fund, State

Universities Retirement System, Teachers Retirement System, and Chicago Teachers Retirement System articles of the Illinois Pension Code.

HB 3069 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.

The alternative retirement plan may include a defined benefit component, defined contribution component, or both, and may include disability or survivor benefits and any other benefits that are permitted under federal law. The alternative retirement plan is not required to provide any minimum level of benefits and does not need to provide any benefits at all, other than mandatory Social Security coverage if applicable. Service credit under the alternative retirement plan cannot be transferred to any other pension fund or retirement system and cannot be used under the Retirement Systems Reciprocal Act. The alternative retirement plan does not need to comply with any mandatory provisions of the existing retirement plans.

Providing an alternative retirement plan does not release the community college district from the obligation of continuing to participate in SURS with regard to participants in the existing retirement plans. The alternative retirement plan provided by the community college district must be funded with contributions from that community college district and its employees who participate in the alternate retirement plan. In no event may the community college district in any way diminish or impair the rights or benefits of participants in the existing retirement plan.

HB 3069 is identical to House Bill 669 of the 100th General Assembly.

HB 3069 takes effect in accordance with the Effective Date of Laws Act.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

[House Bill 3175](#) – Employers Pay Present Value of Salary Increases above CPI-U

Sponsors – Representative Nick Sauer

HB 3175 amends the State Universities Retirement System and Teachers Retirement System articles of the Illinois Pension Code.

HB 3175 provides 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 from this requirement.

Under current law, 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 6 percent for any year during the final rate of earnings period, then the participant's employer must pay the present value of the resulting increase in benefits to SURS.

HB 3175 is identical to House Bill 671 of the 100th General Assembly.

HB 3175 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 3258 – Retiree Health Insurance Benefits Without Annuity
Sponsors – Representative Sara Wojcicki Jimenez

HB 3258 amends the State Employees Group Insurance Act of 1971 to allow 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 benefits. Under current law, members of the Portable Defined Benefit Plan and the Self-Managed Plan must annuitize their retirement benefits to receive retiree health insurance benefits.

HB 3258 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 3419 – No Investments in Expatriate Corporations
Sponsors – Representative Jaime M. Andrade, Jr.

HB 3419 amends the General Provisions article of the Illinois Pension Code.

HB 3419 prohibits the state-funded retirement systems from investing in expatriate corporations.

An expatriate corporation is defined as a foreign incorporated entity to which all of the following apply: (1) it is publicly traded in the United States; (2) it is incorporated in a foreign tax haven; (3) less than 10 percent of the gross income of the foreign entity is derived from

activities in the tax haven; (4) less than 10 percent of the employees of the foreign entity are permanently located in the tax haven; and (5) either of the following applies:

- The foreign entity was established in connection with a transaction or series of related transactions pursuant to which: (i) the foreign entity directly or indirectly acquired substantially all of the properties held by a domestic corporation or all of the properties constituting a trade or business of a domestic partnership or related foreign partnership; and (ii) immediately after the acquisition, more than 50 percent of the publicly traded stock, by vote or value, of the foreign entity is held by former shareholders of the domestic corporation or by former partners of the domestic partnership or related foreign partnership. For purposes of item (ii), any stock sold in a public offering related to the transaction or a series of transactions is disregarded.
- The foreign entity was established in connection with a transaction or series of related transactions pursuant to which (i) the foreign entity directly or indirectly acquired substantially all of the properties held by a domestic corporation or all of the properties constituting a trade or business of a domestic partnership or related foreign partnership and (ii) the acquiring foreign entity is more than 50 percent owned, by vote or value, by domestic shareholders or partners.

By April 1, 2018, the Illinois Investment Policy Board must make its best efforts to identify all expatriate corporations and include those companies in the list of restricted companies distributed to each retirement system for this purpose. If a company ceases activity that designates it as an expatriate corporation, then it must be removed from the list of restricted companies, and is subject to investment by the state-funded retirement systems, until it resumes such activities.

HB 3419 is identical to Senate Bill 1798 of the 100th General Assembly.

HB 3419 takes effect in accordance with the Effective Date of Laws Act.

Status: House Assigned to State Government Administration Committee on Feb. 22, 2017.

House Bill 3475 – 30-Year Rolling Discount Rate

Sponsors – Representative Peter Breen

HB 3475 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, and Judges Retirement System articles of the Illinois Pension Code.

HB 3745 requires the discount rate to be the actual 30-year rolling rate of return experienced by the System, beginning in Fiscal Year 2019.

HB 3475 takes effect immediately upon becoming law.

Status: House Assigned to Personnel & Pensions Committee on Feb. 22, 2017.

House Bill 3867 – Supplemental Defined Contribution Plan

Sponsors – Representative Thomas Morrison

HB 3867 amends the General Assembly Retirement System, State Employees Retirement System, State Universities Retirement System, Teachers Retirement System, and Judges Retirement System articles of the Illinois Pension Code.

HB 3867 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. The plan must be established within one year of the effective date of the legislation and must exist and serve in addition to other retirement, pension, and benefit plans established under the Illinois Pension Code. All assets and income of the plan must be held in trust for the exclusive benefit of participants and their beneficiaries.

Each person who first became a participant of SURS before Jan. 1, 2011 (Tier I participants) and each person who first became a participant of SURS on or after Jan. 1, 2011 (Tier II participants) but prior to the creation of the supplemental defined contribution plan may voluntarily elect to enroll in the plan. Each person who becomes a Tier II participant after the creation of the supplemental defined contribution plan will be automatically enrolled in the plan at a contribution rate established by the Board, unless he or she opts out within 60 days after becoming a participant.

The supplemental defined contribution plan must be designed to enable participants to generate a stream of income to replace their pre-retirement income in retirement and must provide a variety of options for distributions to participants and their beneficiaries.

HB 3867 is identical to Senate Bill 1801 of the 100th General Assembly.

HB 3867 takes effect immediately upon becoming law.

Status: House Referred to Rules Committee on Feb. 10, 2017.

House Bill 3926 – Governor’s Introduced FY 2018 Budget

Sponsors – Representative Jim Durkin

HB 3926 appropriates \$1,461,685,000 for the annual required State contribution to SURS for Fiscal Year 2018. Of this amount, \$1,321,685,000 is appropriated from the General Revenue Fund, and \$140,000,000 is appropriated from the State Pensions Fund. The certified Fiscal Year 2018 State contribution to SURS is \$1,753,685,000.

HB 3926 also 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.

Payment of both the certified annual required State contribution to SURS (\$1,753,685,000) and the certified State contribution to CIP (\$4,133,336) are required under the State Pension Funds Continuing Appropriation Act.

HB 3926 is identical to Senate Bill 2164 of the 100th General Assembly.

HB 3926 takes effect July 1, 2017, if Senate Bill 2063 of the 100th General Assembly (the Unbalanced Budget Response Act), as introduced in the Illinois Senate, becomes law.

Status: House Assigned to Appropriations-Higher Education Committee on Feb. 23, 2017.

House Joint Resolution Constitutional Amendment 18 – Repeal Pension Rights

Sponsors – Representative Joe Sosnowski

HJRCA 18 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.”

HJRCA 18 takes effect upon being declared adopted in accordance with Section 7 of the Illinois Constitutional Amendment Act.

Status: House Referred to Rules Committee on Jan. 27, 2017.

Senate Resolution 113 – Oppose Tax on Retirement Income

Sponsors – Senator Thomas Cullerton

SR 113 resolves that the Illinois Senate believes that the Illinois Income Tax Act should not be amended to permit taxing retirement income.

Status: Senate Referred to Revenue Subcommittee on Income Taxes on Feb. 22, 2017.

House Resolution 27 – Oppose Pension Cost Shift to Local Employers

Sponsors – Representative David McSweeney

HR 27 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.

Status: House Assigned to Personnel & Pensions Committee on Feb. 2, 2017.

House Resolution 29 – Oppose Tax on Retirement Income

Sponsors – Representative David McSweeney

HR 29 resolves that the Illinois House of Representatives believes that the Illinois Income Tax Act should not be amended to permit taxing retirement income.

Status: House Assigned to Revenue and Finance Income Tax Subcommittee on Feb. 24, 2017.

House Resolution 38 – Oppose Pension Cost Shift to Local Employers

Sponsors – Representative Allen Skillicorn

HR 38 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.

Status: House Assigned to Personnel & Pensions Committee on Feb. 2, 2017.

House Resolution 76 – Urge Repeal of Federal Government Pension Offset and Windfall Elimination Provision

Sponsors – Representative Mary E. Flowers

HR 76 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.

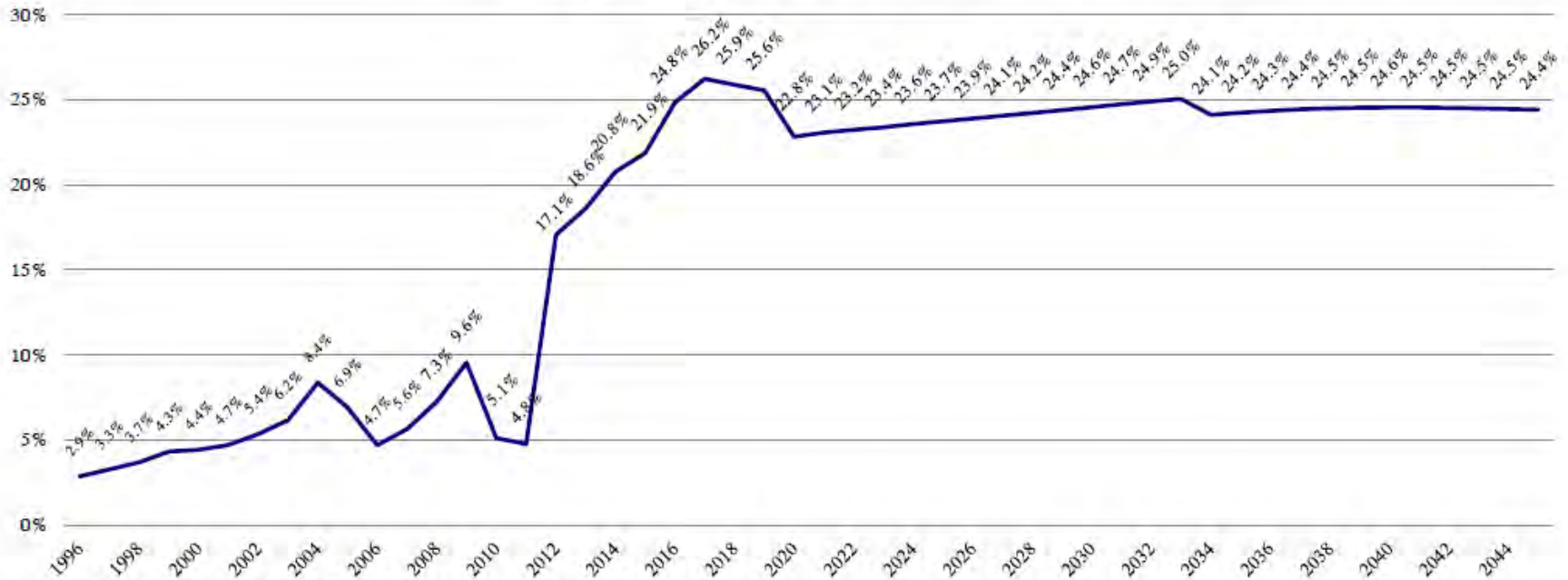
HR 76 further resolves that suitable copies of the resolution be delivered to President Donald Trump, U.S. Senate Majority Leader Mitch McConnell, U.S. Senate Minority Leader Chuck Schumer, U.S. Speaker of the House Paul Ryan, U.S. House of Representatives Minority Leader Nancy Pelosi, and all members of the Illinois Congressional Delegation.

Status: House Assigned to Labor and Commerce Committee on Feb. 22, 2017.

Source: *Illinois State Retirement Systems Financial Condition as of June 30, 2015*, published by the Commission on Government Forecasting and Accountability (March 2016)

APPENDIX U

**GRF Pension Cost as a Percentage of Total General Funds
Current Law;
FY 1996 - FY 2045 (Projected)**



Notes: All future projections of State pension contributions come from the Retirement System Actuaries. Only the GRF portion of the regular pension appropriation plus pension bond debt service is shown here. GRF FY 2016-2045 projections provided by CoGFA's revenue staff. Approximately 65% of SERS' total annual appropriation is assumed to come from GRF in projected FY's while the rest comes from other State Funds not shown here. FY 2010 and FY 2011 amount do not reflect the pension bond/note proceeds pursuant to P.A. 96-0043 and P.A. 96-1497.

Source: *State Actuary's Report: The Actuarial Assumptions and Valuations of the Five State-Funded Retirement Systems*, published by the Office of the Auditor General (December 2016)

Exhibit 1-5 AMOUNTS OF STATUTORILY REQUIRED STATE CONTRIBUTIONS	
System	State Contribution (for Fiscal Year 2018)
Teachers' Retirement System	\$ 4,564,952,674
State Universities Retirement System	1,753,685,000
State Employees' Retirement System	2,327,649,000
Judges' Retirement System	146,766,000
General Assembly Retirement System	26,679,000
Total	\$8,819,731,674

Source: 2016 Retirement system actuarial valuation reports.

Source: *State Actuary's Report: The Actuarial Assumptions and Valuations of the Five State-Funded Retirement Systems*, published by the Office of the Auditor General (December 2015)

Exhibit 1-5 AMOUNTS OF STATUTORILY REQUIRED STATE CONTRIBUTIONS	
System	State Contribution (for Fiscal Year 2017)
Teachers' Retirement System	\$ 3,986,583,351
State Universities Retirement System	1,671,426,000
State Employees' Retirement System	2,014,461,000
Judges' Retirement System	131,334,000
General Assembly Retirement System	21,721,000
Total	\$7,825,525,351

Source: 2015 retirement system actuarial valuation reports.