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History of the State Universities Retirement System

1941-1975

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(G. S. Harris
Francis Johnson)

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HISTORY OF CHANGES IN THE LAW GOVERNING THE
STATE UNIVERSITIES RETIREMENT SYSTEM

TITLE

The State Universities Retirement System was established on September 1, 1941 by legislation which was passed by the Sixty-Second General Assembly and approved by the Governor on July 21, 1941. The initial title of the Act was as follows:

> "An Act to provide for the creation, maintenance, and administration of a Retirement System for the benefit of the staff members and employees of the University of Illinois and of certain other state educational and scientific agencies."

In 1959, the following language was added to the title, because the survivors insurance program was included in the schedule of benefits:

> "and the survivors, dependents and other beneficiaries of such employees"

The title was also amended in 1959 to include "certain affiliated organizations of the University of Illinois", because coverage under the System was extended during that year to employees of the University of Illinois Foundation and Alumni Association.

In 1961, the title was amended by deletion of the reference to University of Illinois and substitution of the phrase "state universities and certain other state educational and scientific agencies". This change was initiated because many legislators and State officials were under the impression that the

Retirement System covered only the faculty and staff of the University of Illinois rather than all state universities, colleges, Scientific Surveys and other related agencies.

Creation of system (Sec. 15-101)

The "Illinois Pension Code" was passed by the General Assembly in 1963 and approved by the Governor on March 18, 1963. The law governing the State Universities Retirement System was incorporated in the Pension Code as Article 15.

Sections 1.1 (Authorization), 1.3 (Name) and 1.4 of the Act governing the State Universities Retirement System were incorporated in Section 15-101 of the "Illinois Pension Code". The original sections as established in 1941 were as follows:

> "Sec. 1.1 Authorization: A Retirement System to be administered in accordance with the provisions of this Act is hereby created.
>
> "Sec. 1.3 Name: The System so created shall be known as the University Retirement System of Illinois. All the affairs and business of such system shall be transacted in such name.
>
> "Sec. 1.4 Effective Date: The System hereby created shall become effective as of September 1, 1941."

There were no changes in Section 1.1 (Authorization) from the date the System was established in 1941 until this section was incorporated in Section 15-101 of the "Illinois Pension Code" in 1963.

Section 1.3 (Name) was amended in 1961 by addition of the following language after the word "known":

"and may be cited"

This was merely a clarifying change.

When Section 1.3 (Name) was incorporated in the "Illinois Pension Code" in 1963, the name of the System was changed from "University Retirement System of Illinois" to "State Universities Retirement System". This change was initiated by the Board of Trustees of the System in order to emphasize that the System covered employees of all state universities and colleges and was not limited to employees of the University of Illinois. Prior to this legislation, the System was often erroneously referred to by legislators and State officials as "University of Illinois Retirement System".

There were no changes in Section 1.4 (Effective Date) from 1941 until this section was incorporated in Section 15-101 of the "Illinois Pension Code" in 1963.

Terms defined (Sec. 15-102)

The preamble to the definitions in the 1941 Act was as follows:

> "The following words and phrases as used herein, unless different meanings are plainly indicated by the context, shall have the following respective meanings:"

This language was revised to read as follows when it was transferred to Section 15-102 of the "Illinois Pension Code" in 1963:

"The terms used in this Article shall have the meanings ascribed to them in Sections 15-103 to 15-132, inclusive, except when the context otherwise requires."

This was not a substantive change.

System (Sec. 15-103)

Section 2.1 of the 1941 retirement law provided that the name of the System shall be "The University Retirement System of Illinois". This section became Section 15-103 of the "Illinois Pension Code" when the Code was adopted in 1963; however, the name of the System was changed to "State Universities Retirement System". The Trustees recommended that the name of the System be changed in order to emphasize that the System covered employees of all State universities and colleges and not just those employed by the University of Illinois.

The 1941 Act (Sec. 15-104)

Section 15-104 of the "Illinois Pension Code" contains new language which was not included in the 1941 Act. It defines "the 1941 Act" because reference is made to that Act in other sections of the Code.

Board (Sec. 15-105)

The definition of Board as contained in Section 2.2 of the 1941 Act was incorporated in Section 15-105 of the "Illinois Pension Code". However, the detailed language in Section 2.2 of the 1941 Act which determined the make-up of the Board was transferred to Section 15-159 of the Code. Consequently, the legislative changes in the make-up of the Board will be summarized under Section 15-159 (Board created).

Employer (Sec. 15-106)

Section 2.3 of the 1941 retirement law defined Employers as "The University of Illinois, the Normal School Board, the Illinois State Normal University, the Northern Illinois State Teachers' College, the Southern Illinois State Normal University, the Eastern Illinois State Teachers' College, the Western Illinois State Teachers' College, the State Geological Survey, the State Natural History Survey, the State Water Survey, and the Board of Trustees of the University Retirement System".

In 1951, the name of the "Normal School Board" was changed to "Teachers' College Board", and the "University Civil Service Merit Board" was added as an employer.

In 1959, the "University of Illinois Alumni Association", "University of Illinois Foundation" and "Illinois Commission of Higher Education" were added as employers.

In 1961, the language was changed so as to extend coverage to any alumni association, foundation as well as athletic association of any college or university covered by the Retirement System.

When the "Illinois Pension Code" was adopted in 1963, Section 2.3 of the 1941 Act became Section 15-106 of the Code. The State Board of Higher Education was also added as an employer during that year.

In 1965, the Illinois Junior College Board and the Class I Junior Colleges were added as employers. In addition, Chicago State University and Northeastern Illinois University were transferred from the City of Chicago to the jurisdiction of the Board of Governors; thus, they became employers under the State Universities Retirement System.

In 1973, any Department of the State became an employer for any person appointed by the Governor under the Civil Administrative Code, provided the person was a member of the State Universities Retirement System on the date of the appointment. This legislation enables college and university faculty and staff to accept high-level appointments with the State and continue participation in the State Universities Retirement System.

Employee (Sec. 15-107)

Section 2.4 of the retirement law as approved in 1941, defined employee as follows:

> "Any member of the educational, administrative, secretarial, clerical, mechanical, labor or other staff of an employer who is certified by the employer as being on permanent and continuous employment and who receives, or except for leave of absence would be receiving, payment for the performance of personal services on a warrant issued pursuant to a payroll voucher certified by an employer and drawn by the Auditor of Public Accounts upon the State Treasurer or by an employer upon trust or federal funds."

Under the 1941 law, a person could not participate in the System, unless he was employed on a permanent and continuous basis.

In 1945, Section 2.5 (Eligible Employee) was amended to exclude participation under the State Universities Retirement System only if a person was actually receiving a retirement annuity from the State Employees Retirement System or the State Teachers Retirement System. The law in effect prior to 1945 denied participation to a person who would be eligible to receive an annuity from these systems if he were not employed for an employer covered by the State Universities Retirement System.

The 1949 amendments prohibit participation in the State Universities Retirement System by any person who is currently contributing to the Federal Civil Service Retirement System or who is receiving a retirement annuity from that system. The purpose of this change was to prevent duplicate participation in the State Universities Retirement System and the Federal Civil Service Retirement System for Cooperative Extension Personnel who have Federal appointments.

In 1953, the definition of employee was amended in order to allow participation for any person who was employed full-time for one year. This change was recommended because some employees of the State Scientific Surveys had been employed for more than ten years but were still considered "temporary" employees.

The 1953 amendments also required that an employee pay contributions during a leave of absence without pay in order to receive service credit and qualify for death and disability benefit protection. This change was initiated, because some colleges and universities were granting leaves without pay for long periods during which the person was employed elsewhere and accumulating duplicate pension credits. It was common for a faculty member to request a leave of absence without pay when he accepted an appointment with another university, even though he had no intention of returning to employment in Illinois.

The law was amended in 1953 to allow free service credit to a person on military leave; however, he was not entitled to the death and disability benefit protection because this type of protection was already available to him as a member of the armed forces.

The definition of "eligible employee" in Section 2.5 was repealed in 1953. That section prohibited coverage in the State Universities Retirement System for any person who was currently contributing to the Federal Civil Service System or who was receiving an annuity from that System, the State Employees Retirement System, the State Teachers Retirement System or the State Universities Retirement System. These provisions were transferred from Section 2.5 to Section 2.4 which defined "employee".

Section 2.4 was amended in 1955 in order to allow a person who is contributing to the Federal Civil Service Retirement System to participate in the State Universities Retirement System, as long as his contributions to the Federal System are not based upon earnings paid by a college or university covered by the State Universities Retirement System. This change allows a person to accept dual part-time appointments with the Federal government and one of the Illinois colleges or universities and participate in both retirement systems.

Amendments approved in 1959 prohibited participation by a person whose employment began after attainment of age 58, unless he was a member of one of the other State-financed retirement systems.

The 1959 changes also extended full protection to an employee for 100 days following layoff.

In 1963, Section 2.4 of the 1941 Act became Section 15-107 of the "Illinois Pension Code". An additional paragraph was inserted in the definition of "employee" to make it clear that a faculty member is protected during the summer and other vacation periods, even though he is not receiving salary during these periods, unless he declines his employment contract for the succeeding year.

A change adopted in 1965 provides that a person on disability leave is an employee only during the first 60 days of the disability leave and while receiving disability benefits or workmens compensation payments. This amendment was intended to eliminate indefinite liability for retirement and survivors benefits to a person who is continued on disability leave after disability benefits expire.

The 1965 amendments also provided that an informal leave of less than 30 days shall not be considered an interruption of employee status. This change was recommended in order to eliminate the need to file an election to pay contributions when the absence covers a very short period.

In 1965, the law was changed to allow participation by a person hired after age 58, provided he was a member of any system covered by the Retirement Systems Reciprocal Law. Under prior law, the exception applied only to a person who was a member of one of the State-financed retirement systems.

The 1967 amendments permit participation by a person employed one-half time or more in a position in which services are expected to be rendered for at least one school year. However, a student remains ineligible unless he is employed full-time.

The 1967 legislation also removed the provision that a person hired after age 58 is not eligible to participate. However, survivors insurance protection is not available to a person hired after that age unless he has credits in one of the other retirement systems covered by the Retirement Systems Reciprocal Act.

The 1973 revisions provide disability, death and survivors insurance protection during a leave without pay, even though the employee does not elect to pay contributions during the leave. However, he must elect to pay contributions in order to receive service credit covering the leave. This amendment was recommended because the protection of many employees was being jeopardized by the failure of the employers to provide timely notice of leaves.

Another amendment during 1973 continued coverage under the State Universities Retirement System for a member of the System who is appointed by the Governor to a position covered by the Civil Administrative Code.

The 1975 amendments increased from 100 to 120 days, the period during which full protection would continue after layoff. This change was recommended because adoption of the early school calendar resulted in layoffs in excess of 100 days at some campuses.

<u>Participant (Sec. 15-108)</u>

Section 2.6 of the 1941 Act defined "participant" as "any person participating in this System as specified in Section 3.2".

In 1963, Section 2.6 of the 1941 Act became Section 15-108 of the "Illinois Pension Code".

Participating Employee (Sec. 15-109)

Section 2.7 of the 1941 Act defined "Participating Employee" as "any participant who at the time is in the employment of an employer as an eligible Employee".

In 1953 the phrase "eligible employee" was changed to "employee" because Section 2.5 which defined "eligible employee" was repealed.

In 1963, Section 2.7 became Section 15-109 of the "Illinois Pension Code".

Basic Compensation - Salary (Sec. 15-110)

Section 2.8 of the 1941 Act defined salary as "salary or wages payable by (a) the State Treasurer upon a warrant of the Auditor of Public Accounts, out of any state, trust or federal funds (b) the Governor of the State through a disbursing officer of the State out of trust or federal funds or (c) an employer out of trust or federal funds, to any person for personal services currently performed".

In 1959, the title of Section 2.8 was changed from "salary" to "basic compensation". In addition, the language was revised to make it clear that salary includes the gross base pay, including maintenance, board, living quarters, etc. which is subject to Federal income tax but excludes salary or wages for overtime and prospective earnings under a summer teaching contract.

In 1963, Section 2.8 became Section 15-110 of the "Illinois Pension Code". In addition, the definition of "basic compensation" was amended to include "tax-sheltered" annuity contributions paid to an insurance company pursuant to an election by the employee to accept a reduction in earnings or forego an increase in earnings.

In 1965, the definition of "basic compensation" was changed so as to specifically exclude overseas differential, quarters, post, educational and transportation allowances paid by an employer under a contract with the United States or its agencies for service rendered in other countries.

Earnings (Sec. 15-111)

Section 2.9 of the 1941 Act defined "earnings" as follows:

> "An amount equal to the sum of (a) the total Salary paid to an employee for the performance of personal services for an employer as certified by such employer or a regular payroll voucher, (b) the amount of the employee contributions deducted from the salary of such employee and (c) the value of any maintenance, board, living quarters, personal laundry or other allowances provided by an employer for such employee in lieu of money; provided that if any employer adopts a rule specifying that any extra compensation for summer teaching or other extra service not included in the regular annual salary shall not be considered as earnings, all amounts so specified shall be excluded."

The 1941 definition of "earnings" permitted any employer to exclude summer session earnings, overtime pay or payment for extra services.

The language of Section 2.11 was revised in 1945 to make it clear that compensation from various State departments for which service credit was granted would be considered as earnings.

Amendments approved in 1953 deleted the provision in Section 2.11 which gave any employer the right to exclude summer session earnings and overtime pay. Under this change, contributions on such additional compensation was mandatory for all employers.

The 1955 amendments provided that the value of maintenance, board, living quarters, and other allowances shall be considered as earnings only "if they are subject to Federal income tax". Under prior law, the Retirement System Trustees had ruled that the value of these allowances would not be considered as earnings unless they were subject to federal income tax. The Board rule was incorporated in the statute in 1955, because there was some question as to whether the Trustees had the authority to adopt a rule excluding these payments from earnings.

In 1959, the language concerning maintenance, board, living quarters and other allowances was transferred from Section 2.9 (Earnings) to Section 2.8 (Basic Compensation) in order that these allowances could be considered in determining the amount of the disability benefit, if they were subject to Federal income tax.

Section 2.9 was also revised in 1959 to include as earnings, the basic compensation covering leaves of absence without pay for which payment was made by the employee. This was necessary in order to give the employee earnings credit for such leaves in determining the length of time that disability benefits could be paid.

In 1963, Section 2.9 of the 1941 Act was incorporated as Section 15-111 of the "Illinois Pension Code".

In 1965, the phrase "disability leave" was deleted because a person who is on disability leave does not pay employee contributions while disabled.

In 1965, the definition of earnings was amended in order to exclude from earnings, compensation for irregular, intermittent, part-time and temporary employment, unless this compensation was received from an employer which was paying the person for permanent and continuous or full-time and continuous employment. This change was recommended in order that the University of Illinois Athletic Association could continue to hire University of Illinois employees as ticket takers, parking assistants, etc. without having the intermittent compensation payments subject to employee and employer contribution deductions.

In 1967, the reference in Section 15-111 to full-time employment was changed to employment at 50 percent time or more in a position which is to continue for one school year. This change was necessary because of a similar change in the definition of "employee" (Section 15-107).

In 1971, the specific reference in Section 15-111 to leave of absence was deleted. Instead, the revised language provided that earnings would include the basic compensation on which contributions are paid in accordance with paragraphs (2) and (3) of Section 15-157. Paragraph (2) of that Section covered payment for prior full-time employment with an employer and paragraph (3) covered payment during leave of absence without pay. The amendment was merely a simplification of the language in Article 15 of the "Illinois Pension Code". This was not a substantive change.

The 1971 amendments also clarified Section 15-111 by specifically stating that payment at or after termination of employment for any purpose other than accrued vacation shall not be considered earnings. This revision was made, because some junior colleges were making additional lump sum payments at retirement for unused sick leave and longevity which would arbitrarily inflate the average earnings if they were considered as earnings.

Section 15-111 was revised again in 1973 to specifically exclude from earnings, separation pay, retirement pay, and payment in lieu of unused sick leave regardless when paid, as well as vacation payments at retirement for periods in excess of 56 work days. This change was necessary because those junior colleges which were making lump sum payments at retirement for unused sick leave, separation pay and longevity allowances attempted to "get around" the 1971 legislation by reimbursing the employees for such payments in monthly installments prior to retirement. For example, one junior college permitted its employees to receive the anticipated "separation pay" during the 5-year period immediately preceding retirement. The "separation pay" was essentially reimbursement for the unused sick leave accumulation at retirement.

There is some question whether the legislation limiting vacation pay is valid with respect to those participants who had accumulated vacation in excess of that amount on the effective date of the legislation. The Illinois constitution prohibits impairment of pension rights, and there is little question that this legislation would reduce the retirement benefit for any person who received pay for accrued vacation in excess of 56 work days.

Final Rate of Earnings (Sec. 15-112)

The 1941 Act defined "final rate of earnings" as follows:

> "The average earnings during the period of the five (5) consecutive fiscal years in which the earnings of an employee were the highest, provided that earnings prior to September 1, 1941 shall be considered to be equal to

the average earnings during the three (3) fiscal years immediately preceding September 1, 1941."

The 1945 amendments provided that if a person was employed for less than 5 years, his final rate of earnings would be the average during the entire period of service.

The 1945 revisions also added language which directed the Retirement System to assume the regular rate of earnings immediately preceding a leave of absence as earnings during the leave period in calculating final rate of earnings.

In 1949, Section 2.10 was clarified by adding "for such period of service" in the clause dealing with earnings covering prior service. This addition was necessary to make it clear that the average earnings during the last 3 fiscal years of prior service was to be used only in determining earnings prior to the date that participation began and not to contributing service after that date.

In 1959, the phrase "basic compensation <u>on the date the leave began</u>" was substituted for "regular rate of earnings immediately preceding the leave" in determining earnings during a leave of absence. In addition, basic compensation on the date the leave begins is considered as earnings if a person is on military leave, disability leave and leave with pay, and also if a person is on leave without pay and makes contributions. This revision was significant because faculty leaves normally begin when the new school year starts and salary adjustments usually begin on that date. Thus, contributions and earnings credits would be based upon the new salary rate rather than the old salary in effect immediately prior to the leave.

In 1959, the phrase "of service" was added after "fiscal years" in order to make it clear that if there is a break in employment, the intervening fiscal years can be ignored. The following sentence was also added in order to strengthen this interpretation:

> "Intermittent periods of service shall be considered as consecutive."

In 1963, Section 2.10 was incorporated in the "Illinois Pension Code" as "Section 15-112". In addition, earnings during disability leave are to be considered as the higher of "basic compensation" or the average earnings during the 24 months immediately preceding the month in which disability occurs. This change was necessary in order to provide equitable earnings credit to disabled faculty and staff members who teach during the summer or who receive a substantial amount of overtime earnings. The change was also needed to make this Section consistent with the change in Section 15-153 which provided that the disability benefit would be the higher of 50 percent of "basic compensation" or 50 percent of the average earnings during the 24 months preceding the month in which disability occurs.

The 1965 amendments provided that earnings credits under other retirement systems covered by the Illinois Reciprocity Law (Article 20 of the "Illinois Pension Code") could be considered in determining final rate of earnings, if a person was an "involuntary transferee". Involuntary transferees were those employees who were transferred as a class to the new employer <u>immediately</u> upon transfer of the unit or function to an employer covered by the State Universities Retirement System.

In 1967, Section 15-112 was revised to give involuntary transferee status to any employee who transferred within 6 months to the employer which accepted the unit or function from another agency. This change was requested by an administrator of Chicago City College whose transfer from the Chicago Board of Education became effective several weeks after that College became Class I and was covered by the State Universities Retirement System.

In 1969, Section 15-112 was amended in order that earnings credits under the State Teachers Retirement System and the Chicago Teachers Retirement Fund could be considered by the State Universities Retirement System in calculating final rate of earnings provided the employee elected to receive benefits under the alternative reciprocal formula. Similar provisions were incorporated in the Pension Code articles covering the State Teachers Retirement System and the Chicago Teachers Retirement Fund.

The 1971 legislation provided that the final rate of earnings shall be based upon the high <u>4</u> consecutive fiscal years instead of the high <u>5</u> consecutive fiscal years. This change was a compromise between the prior requirement of <u>5</u> years and the recent amendment to the Federal Civil Service Retirement System law which required that the annuity be based upon the average earnings during the high <u>3</u> years.

Under the 1973 amendments, a person who completes at least 6 months of employment during the fiscal year in which he retires may have his regular <u>annual</u> rate of salary (basic compensation) for that year, rather than his actual earnings, considered in determining his final rate of earnings. This change was recommended in order to encourage mid-year retirements, thus providing a more desirable spread of the administrative work load. In addition, this change was necessary to provide equitable treatment for those participants whose annual contracts covered a period other than the Retirement System fiscal year which begins on September 1 and ends on August 31. For example, it is common for community college administrative contracts to expire on June 30. Under the law in effect prior to 1971, a participant who retired on June 30 would have only 10 months of earnings during the last fiscal year in determining his final rate of earnings. The 1973 amendment requires that the Retirement System consider his annual contract salary in determining his final rate of earnings, if that salary rate exceeds his actual earnings for the last fiscal year.

Service (Sec. 15-113)

Section 2.11 of the 1941 law defined "service" as follows:

> "The period beginning on the first day upon which any person first became an employee, whether such date is prior or subsequent to the enactment hereof, and ending on the date under consideration, excluding all the intervening periods during which such person was not in the employment of an employer following resignation, dismissal, or expiration of any term of employment."

The 1941 law authorized the granting of service credit only for those periods when the person met the employment conditions set forth in the definition of "employee". Under that definition, employment had to be permanent and continuous to be covered.

The 1945 amendments allowed service credit for employment with the State of Illinois prior to January 1, 1944, provided the participant was employed by an employer covered by the State Universities Retirement System on that date and the

State employment would have been creditable under the State Employees Retirement System had that System been in operation during the employment. This revision was necessary because the University of Illinois Research and Education Hospital and Eye and Ear Infirmary were transferred from the Department of Public Welfare on July 1, 1941. In addition, Cooperative Extension personnel of the University of Illinois received a portion of their salary from the State Department of Agriculture. This amendment would allow these employees to receive additional earnings credit for that portion of the salary which was paid by the Department of Agriculture. There were also transfers of individuals from State employment to college and university employment prior to January 1, 1944. The amendment would permit them to receive service credit for the prior State employment.

The amendments approved in 1951 eliminated from service, that period of employment after September 1, 1941 during which an employee under age 30 had an opportunity to participate but did not elect to do so. This was a clarifying change. The 1951 amendments also deleted the requirement that a person had to be a participant on January 1, 1944 in order to receive service credit for employment with the State of Illinois prior to that date. This change makes service credit for State of Illinois employment subject to the same conditions which are applicable to prior employment with a college or university covered by the State Universities Retirement System.

The 1953 amendments required payment of employee contributions to receive service credit covering a leave without pay and also permitted purchase of credit for prior full-time employment for an employer, provided there was no break in the employment before the person became a participant. In addition, language was added to Section 2.11 which provided that service credit would be granted for service in the armed forces, if the participant received a discharge other than dishonorable and again became an employee within one year after discharge. This additional language was necessary, because a companion amendment to the definition of "employee" specifically excluded the person who was on military leave. The two amendments continued free service credit for service in the armed forces but excluded death and disability protection during the military service.

A clarifying amendment in 1955 allowed service credit for employment prior to January 1, 1944 and prior to the date participation began, only if the participant contributed for at least 3 years to this System, the State Teachers Retirement System or the State Employees Retirement System. This change was necessary to make the provisions of Section 2.11 concerning prior service consistent with Section 2.16 (Supplemental Credits).

The 1959 legislation included the following changes:

(1) The requirement that there be no interruption in employment in order to be eligible to purchase credit for prior full-time employment with an employer was removed; and

(2) The participant was required to pay survivors insurance contributions as well as normal retirement contributions in order to secure credit for prior full-time employment with an employer; and

(3) Free service credit was allowed for employment prior to July 1, 1915, in a position which meets the definition

of "teacher" under the law governing the Teachers Retirement System of the State of Illinois; and

(4) Service credit for employment at one-half time or less for a period of more than 3 years after September 1, 1959 must be adjusted, if the participant later transfers to employment in excess of one-half time; and

(5) Service credit was authorized for employment with the University of Illinois Alumni Association and Foundation, provided annuity contracts covering that employment are assigned to the State Universities Retirement System before October 1, 1959; and

(6) The following schedule for computing service credit was adopted:

15 or more days	=	1 month
1 or 2 months	=	1/4 year
3 through 5 months	=	1/2 year
6 through 8 months	=	3/4 year
9 through 12 months	=	1 year

The 1959 amendments also clarified the language covering free credit for military service. The revised language provided that the person must have been employed by an employer <u>immediately</u> preceding entry into the armed forces in order to receive credit covering the military service. The prior law implied that a person must have been employed by an employer prior to entry into military service, because it required that the person <u>again</u> become an Employee within one year after discharge. However, it was not clear whether the person was required to enter the armed forces immediately following employment by an employer or whether several years could elapse between termination of a prior period of employment and entry into military service.

The 1959 revisions also prohibited the crediting of service for employment with the State of Illinois, if credit for the employment had already been granted by the State Employees Retirement System. This was essentially a clarifying change, because duplicate pension credit likely would be contrary to public policy, and equity would require that one of the retirement systems strike the credit from the record.

The 1961 amendments made the following changes in Section 2.11 of the 1941 Act:

(1) Reference to the University of Illinois Alumni Association and Foundation was deleted and language substituted which applied generally to any athletic association, alumni association or foundation of any covered university; and

(2) In order to secure credit for prior service, employer as well as employee normal and survivors insurance contributions must be received; and

(3) Direct transfer of credit from the State Employees Retirement System to the State Universities Retirement System was permitted for an involuntary transferee, if he received a refund from the State Employees Retirement System and paid

the amount of the refund to the State Universities Retirement System; and

(4) Credit was allowed for employment with an athletic association of an employer prior to October 1, 1962, if annuity contracts covering the employment are assigned to the State Universities Retirement System and other conditions are met.

In 1963, Section 2.11 of the 1941 Act was incorporated as Section 15-113 of the "Illinois Pension Code".

The 1965 amendments to Section 15-113 limited free military service credit to 5 years, also allowed the military credit if the participant entered military service from State of Illinois employment but returned to coverage under the State Universities Retirement System, and clarified the language so as to require return from military service to employment covered by the State Universities Retirement System.

The 1965 legislation also authorized the granting of credit for up to 10 years of other public employment subject to the following conditions:

(1) The credit could not exceed 2/3 of the credit granted for Illinois employment;

(2) The participant cannot qualify for a retirement annuity other than Federal Social Security based upon the employment;

(3) The participant must contribute to the State Universities

Retirement System for at least 5 years subsequent to the employment;

(4) The additional service cannot be considered in determining eligibility for benefits; and

(5) The participant must pay 12 percent of his beginning annual rate of salary covered by the State Universities Retirement System, plus interest at the rate of 4 percent per annum.

In 1965, the deadline on filing of the election to assign athletic association contracts to the State Universities Retirement System was extended from October 1, 1962 to October 1, 1966.

The 1967 amendments to Section 15-113 permitted purchase of credit for other public employment, if the participant contributed to this System, the State Teachers Retirement System or the Chicago Teachers Retirement Fund for at least 5 years subsequent to the employment.

The 1967 legislation also set 10 years as the maximum combined credit which could be purchased for other public employment or out-of-state teaching in this System, the Chicago Teachers Retirement Fund and the State Teachers Retirement System. For example, if a participant had previously purchased 8 years of service credit for out-of-state teaching in the State Teachers Retirement System, he could not purchase more than 2 years of service for other public employment under the State Universities Retirement System. Similar changes were made in the laws governing the State Teachers Retirement System and the Chicago Teachers Retirement Fund.

The 1967 amendments also permitted an involuntary transferee to purchase direct credit in the State Universities Retirement System, if he could not qualify for a retirement annuity from the system under which he was covered previously. This revision was necessary to protect the faculty and staff members of the junior colleges. For example, the Chicago Teachers Retirement Fund required 20 years of combined service to qualify for a retirement allowance when Chicago State University and Northeastern Illinois University were transferred to the State Universities Retirement System. On the other hand, the minimum service requirement to qualify for a retirement annuity under the State Universities Retirement System was only 5 years.

In 1971, paragraph (c) of Section 15-113 was amended to make the language consistent with a similar change which was made in the employee contribution section. Payment for prior employment must be based upon the salary rate on the date participation began instead of the actual earnings during the period of the prior employment. A similar change was made in paragraph (g) to make the language consistent with the employee contributions section.

In 1971, the language covering payment for other public employment was changed in order that the additional service could be considered in the calculation of all benefits. This change was necessary in order that the added service could be considered in determining the amount of the survivors annuity as well as the retirement annuity.

In 1971, the System was authorized to grant service credit for unused sick leave, if the participant terminates his employment covered by the System within 60 days prior to the date his retirement annuity begins. If a person transfers among employers covered by the System, the unused sick leave credited by the prior employer could be considered, if the break in employment did not exceed 30 days.

The 1973 amendments specifically excluded service credit covering those periods of leave of absence without pay for which the participant failed to pay the employee contributions. This change was necessary because the contributions were no longer required to continue the status of "employee" under Section 15-107. The amendment to the definition of employee was made in order to continue disability, death, and survivors insurance protection to an employee on leave without pay, even though he failed to elect to pay the employee contributions. Thus, under the changes in Section 15-107 and 15-113, payment of the employee contributions is necessary only if the participant wishes to receive service credit covering the period of leave without pay.

The 1973 amendments allowed service credit for unused sick leave if the person continued employment until 60 days prior to retirement for an employer covered by the State Universities Retirement System or any other System covered by the Reciprocal Law. In addition, breaks in employment of less than 30 days must be disregarded, if the participant transferred to employment with an employer covered by any system under the Reciprocal Law.

The 1973 legislation adopted the following schedule for determining additional service credit based upon unused sick leave:

Sick Leave Calendar Days	Sick Leave Work Days	Years of Service Credit
30 - 90	20 - 159	1/4
91 - 180	60 - 119	1/2
181 - 270	120 - 179	3/4
271 - 360	180 - 240	1

SB 634, which was approved in 1974, provided that credit for prior military service under Section 15-113(i) shall be allowed only if the participant was eligible to purchase and applied for this credit before September 1, 1974. There is some question concerning the validity of this legislation. The Illinois Constitution of 1970 provides that pension rights of public employees are contractual rights which shall not be diminished or impaired. There seems to be little question that this legislation impairs the rights of a person with prior military service who neglected to apply for the credit prior to September 1, 1974.

The 1974 legislation also provided that a person who enters the System after September 1, 1974, shall be permitted to purchase credit for prior public employment, only if this employment was with a public common school or public college or university in the United States. There is also some question regarding the validity of this amendment insofar as it affects the rights of a person who began covered employment before September 1, 1974, but who elected to begin his participation in the Retirement System after that date. If such person had prior employment with the United States government or with some other state, it appears that his pension rights have been impaired by this legislation.

The 1975 legislation permitted purchase of credit for prior employment with an employer covered by the State Universities Retirement System, provided the employment was at least <u>one-half</u> time. Under prior law, credit could be purchased for this employment only if it was full-time.

The 1975 amendments also required that prior public employment other than for an employer covered by the System be <u>full-time</u> in order to be creditable under the System. The pre-1975 law permitted purchase of credit for this employment regardless whether it was part-time or full-time. This raises a question concerning the validity of the legislation as applied to persons who began covered employment prior to September 5, 1975, the effective date of the legislation. This may be an impairment of pension rights which is prohibited under the 1970 Illinois constitution.

The 1975 amendments deleted the provision that credit for other public employment under Section 15-113, paragraphs (i) and (j) could be considered only in the calculation of benefits. Thus, this credit can now be considered in determining eligibility for as well as the amount of all benefits with one exception; it cannot be considered in determining whether the participant has met the minimum service requirement of 8 years to qualify for a retirement annuity at age 55 or 5 years to qualify for a retirement annuity at age 62.

The 1975 amendments prohibited an involuntary transferee from purchasing direct credit in the State Universities Retirement System for service under the State Employees Retirement System which was also covered under the Federal Social Security Act. This change was necessary to prevent windfall benefits to a person who had already received dual credit under the State Employees Retirement and Federal Social Security for employment with the State.

The 1975 legislation extended from 30 to 120 days, the period during which a participant could have a break in covered employment and still receive additional service credit at retirement for unused sick leave earned during the prior period of employment.

Normal Contributions (Sec. 15-114)

Section 2.12 of the 1941 Act defined normal contributions as follows:

"The amounts required to be paid to this System by each participating employee as specified in Section 4.2."

In 1959, Section 2.12 was clarified so as to include as normal contributions, amounts paid by University of Illinois Alumni Association and Foundation employees for annuity contracts which were assigned to the State Universities Retirement System.

In 1961, Section 2.12 was expanded to include amounts paid by the University of Illinois Athletic Association employees for contracts assigned to the Retirement System. However, the language was changed to include all alumni associations, foundations and athletic associations of colleges and universities covered by the State Universities Retirement System.

In 1963, Section 2.12 was incorporated in the "Illinois Pension Code" as Section 15-114.

Additional Contributions (Sec. 15-115)

Section 2.13 of the 1941 Act defined additional contributions as:

> "The amounts paid to this System by a participating employee which are in excess of the normal contributions as specified in Section 4.2."

In 1959, Section 2.13 was clarified because of the addition of Section 4.3 which covered employee survivors insurance contributions. Thus, additional contributions became the amount in excess of normal and survivors insurance contributions.

In 1963, Section 2.13 was incorporated as Section 15-115 of the "Illinois Pension Code".

Accumulated Normal Contributions (Sec. 15-116)

Section 2.14 of the 1941 Act defined accumulated normal contributions as "the sum of all normal contributions received from a participating employee which are then credited to the account of such employee, together with interest thereon at the prescribed rate for the respective years.

In 1963, Section 2.14 became Section 15-116 of the "Illinois Pension Code".

In 1971, the phrase "prescribed rate" was changed to "effective rate".

Accumulated Additional Contributions (Sec. 15-117)

Section 2.15 of the 1941 Act defined accumulated additional contributions as "the sum of all additional contributions received from a participating employee which are then credited to the account of such employee, together with interest thereon at the prescribed rate for the respective years".

In 1963, Section 2.15 became Section 15-117 of the "Illinois Pension Code".

In 1971, the phrase "prescribed rate" was changed to "effective rate".

Accumulated Supplemental Credits (Repealed in 1955)

Section 2.16 of the 1941 retirement law defined accumulated supplemental credits as follows:

> "An amount equal to twice the accumulated value of the normal contributions which would have been made by an employee during the entire period of service prior to September 1, 1941, had this system been in effect all during such time, assuming (a) the earnings of such em-

ployee to have been paid at a rate equal to the final rate of earnings as of September 1, 1941, and, (b) all such contributions to have been accumulated with interest at the prescribed rate for the respective years."

In 1945, Section 2.16 was amended so that the System could grant supplemental credit for employment with the State of Illinois prior to January 1, 1944, the date that the State Employees Retirement System became effective. This change was necessary because some units were transferred from the State Department of Public Welfare to the University of Illinois prior to January 1, 1944.

In 1949, Section 2.16 was revised. Contributions by the State were changed from "twice the normal contributions" to 7 percent of earnings, because normal contributions were increased from 3 1/2 percent of earnings to 5 percent of earnings. The employer contribution remained the same as that under the pre-1949 law.

The 1951 amendment to Section 2.16 required at least three years of contributions by a participant to the State Universities Retirement System, State Employees Retirement System or State Teachers Retirement System in order to qualify for supplemental credit. The amendment deleted a similar provision in Section 5.1 which required that the participant contribute to the State Universities Retirement System for at least one year before a supplemental annuity could be granted for prior service. Under the prior law, an employee might have credit for prior service in determining the length of time that disability benefits could be paid and also in calculating the amount of the retirement annuity under Rule 1 of Section 5.1, but not in determining the amount of the supplemental annuity under the money-purchase formula. Prior service was given identical treatment for all benefit calculations by shifting the contribution requirement to Section 2.16 and amending Rule 1 so that the required 20 years of service would include only service for which supplemental credit was applicable under Section 2.16. The one-year contribution requirement was changed to three years as a restrictive amendment to discourage return to employment for a brief period immediately preceding attainment of retirement age by a participant who had a long period of service before September 1, 1941.

In 1955, Section 2.16 was repealed. The section was no longer required because the money-purchase formula was eliminated except for participants who were employed on June 30, 1955, or who terminated employment prior to that date but had met the minimum requirements to qualify for a retirement annuity. The three-year contribution requirement was transferred to Section 2.11 "Service".

Annuity (Sec. 15-118)

Section 2.17 of the 1941 law defined annuity as follows:

> "A series of equal monthly payments payable at the end of each calendar month during the life of an annuitant. The first payment shall be prorated for any fraction of a month elapsing at the end of the first month; but no payment shall be made for any fraction of a month elapsing at the time of death."

The 1941 law provided for pro-ration of the benefit for a fractional part of a month at the beginning of the annuity payment period but not upon death of the annuitant. This was changed by the 1955 amendments which authorized prorating of the annuity upon death of the annuitant, with the fractional payment to be made to his beneficiary.

In 1963, Section 2.17 was incorporated in the "Illinois Pension Code" as Section 15-118. In 1963, the board was authorized to deduct from the annuity, premiums due for any group hospital-medical insurance program which is sponsored or approved by an employer.

The 1971 legislation provided that annuities shall be payable on the first day of the month rather than the last day, beginning January 1, 1972. No fractional payment would be made when the annuitant died.

<u>Annuitant (Sec. 15-119)</u>

Section 2.18 of the 1941 retirement law defined annuitant as "a person receiving a retirement, reversionary or beneficiary annuity from this System".

In 1963, Section 2.18 became Section 15-119 of the "Illinois Pension Code".

In 1971, the word "survivors" was added after the word "reversionary".

<u>Beneficiary (Sec. 15-120)</u>

Section 2.19 of the 1941 retirement law defined beneficiary as follows:

> "The widow of a participant or of an annuitant; or if no widow survives, the person or persons designated by the participant or annuitant in the last written designation on file with the board; or if no person so designated survives, or if no designation is on file, the estate of the participant or annuitant."

In 1959, the phrase "surviving wife" was substituted for "widow" to emphasize that only a wife was automatically considered as beneficiary and that this provision was not applicable to the husband of a female participant. The change was also necessary to distinguish between "wife" and "widow" as defined for the purpose of the survivors insurance program. That definition included conditions such as length of marriage, etc.

In 1963, Section 2.19 became Section 15-120 of the "Illinois Pension Code".

The 1965 amendments to Section 15-120 provided that acceptance of a refund cancels the beneficiary designation. This change was necessary because the participant has a right to reinstate his credits under certain circumstances, and it is likely that his prior beneficiary designation would have been destroyed under the records disposal program of the System.

In 1965, a divorced spouse was disqualified as beneficiary, unless he or she was designated as beneficiary after the divorce.

The 1973 amendments deleted the provision that a surviving wife is automatically the beneficiary even though she is not named as beneficiary by her husband. This change was made in order to allow a participant to name an insurance trust as beneficiary.

<u>Normal Annuity (Repealed in 1955)</u>

Section 2.20 of the 1941 law defined normal annuity as "the portion of a retirement annuity arising out of the accumulated normal contributions of the participant as specified in Section 5.1".

Section 2.20 was repealed in 1955, because the money-purchase formula was deleted from Section 5.1.

Additional Annuity (Sec. 15-121)

Section 2.21 of the 1941 law defined additional annuity as "the portion of a retirement annuity arising out of the accumulated additional contributions of the participant as specified in Section 5.1.

In 1963, Section 2.21 was incorporated as Section 15-121 of the "Illinois Pension Code".

Current Annuity (Repealed in 1955)

Section 2.22 of the 1941 retirement law defined current annuity as "the portion of a retirement annuity arising out of employer contributions for service after the establishment of this system as specified in Section 5.1".

In 1955, Section 2.22 was repealed because the money-purchase retirement formula was eliminated.

Supplemental Annuity (Repealed in 1955)

Section 2.23 of the 1941 retirement law defined supplemental annuity as "the portion of a retirement annuity arising out of the accumulated supplemental credits of the participant as specified in Section 5.1".

Section 2.23 was repealed in 1955 when the money-purchase retirement formula was eliminated.

Reversionary Annuity (Sec. 15-122)

Section 2.24 of the 1941 retirement act defined reversionary annuity as "the annuity payable to a beneficiary after the death of the annuitant as specified in Section 5.2".

In 1963, Section 2.24 became Section 15-122 of the "Illinois Pension Code".

Beneficiary Annuity (Sec. 15-123)

Section 2.25 defined beneficiary annuity as "the annuity payable to a beneficiary after the death of a participant or annuitant as specified in Section 5.5".

In 1963, Section 2.25 became Section 15-123 of the "Illinois Pension Code".

Actuarial Tables (Sec. 15-124)

Section 2.26 of the 1941 retirement law defined actuarial tables as follows:

> "Such tables as are adopted by the board based upon the experience of the system, provided that for the purpose of determining the amounts of all retirement annuities, the Combined Annuity Table of Mortality for male lives shall be used until at least three (3) years of experience are available."

Section 2.26 was incorporated as Section 15-124 of the "Illinois Pension Code", and the definition of actuarial tables was revised to read as follows:

> "Such tabular listings of assumed rates of decrement such as death, disability, retirement and withdrawl from service, according to age and sex, including mathematical functions derived from the rates of probability, combined with an interest discount factor, as are adopted by the board based upon the experience of the system."

Prescribed Rate of Interest (Sec. 15-125)

Section 2.27 of the 1941 retirement law defined prescribed rate of interest as "Three percent (3%) per annum compounded annually, or such other rate based on expected long term investment returns determined from the actual experience of the system over a period of not less than three (3) years, as shall subsequently be prescribed by the board".

In 1963, Section 2.27 of the 1941 law became Section 15-125 of the "Illinois Pension Code".

In 1967, "prescribed rate of interest" was changed to "prescribed rate" and "effective rate" in order that the board could credit interest to employee and other accounts at the rate approximately equal to the investment earnings during each year but still use a different rate in actuarial valuations which is based upon long-term predictions of investment experience.

The 1969 legislation limited the rate of interest which could be credited on employee contributions and other accounts to 4 1/2 percent. The Illinois Public Employees Pension Laws Commission required that this limit be placed in the statute as a condition for approval of restoration of the money-purchase retirement formula.

In 1973, the 4 1/2 percent interest limit was removed from Section 15-125. However, the Pension Laws Commission insisted that interest on refunds be limited to 4 1/2 percent. Thus, the State Universities Retirement System may credit interest in excess of 4 1/2 percent to employee contributions and other accounts; however, if a participant applies for a refund, his interest must be adjusted to the 4 1/2 percent level. This forfeiture of interest will no doubt lead to criticism from participants who receive a refund which is less than the account balance.

In 1975, the definition of "effective rate of interest" was clarified. This legislation permitted the board to take into consideration anticipated investment experience of the current year as well as experience of prior years in determining the rate of interest to be credited to employee contribution accounts and employer reserves.

Fiscal Year (Sec. 15-126)

Section 2.28 of the 1941 retirement law defined fiscal year as "the period beginning on September 1, in any year and ending on August 31, of the succeeding year.

In 1963, Section 2.28 of the 1941 law became Section 15-126 of the "Illinois Pension Code".

Widow (Sec. 15-127)

Widow is defined as:

"(a) The surviving wife of a participant, but only if she (1) is the mother of his son or daughter, (2) legally adopted his son or daughter while she was married to him and while the son or daughter was under age 18, (3) was married to him at the time both of them legally adopted a child under age 18, or (4) was married to him for a period of not less than 1 year immediately prior to the day on which he died; and (b) The surviving wife of an annuitant, if she was married to him before his retirement annuity began and for a period of not less than 1 year immediately before the date on which he died."

This definition of "widow" was added as Section 2.31 in 1959 when the survivors insurance program was adopted. It included certain requirements with respect to marriage in order that liability would not be incurred for "death bed" marriages. Thus, a surviving wife might qualify as a beneficiary in determining to whom a death benefit would be paid but may not be eligible to receive survivors insurance benefits.

Section 2.31 of the 1941 law became Section 15-127 in the 1963 Pension Code.

Widower (Sec. 15-128)

Widower is defined as:

"(a) The surviving husband of a participant, but only if he (1) is the father of her son or daughter, (2) legally adopted her son or daughter while he was married to her and while the son or daughter was under age 18, (3) was married to her at the time both of them legally adopted a child under age 18, or (4) was married to her for a period of not less than 1 year immediately prior to the day on which she died; and (b) The surviving husband of an annuitant, if he was married to her before her retirement annuity began and for a period of not less than 1 year immediately before the date on which she died."

This definition of widower was added as Section 2.32 in 1959 when the survivors insurance program was approved. It included certain marriage requirements in order that liability for survivors insurance benefits would not be incurred for "death bed" marriages.

In 1963, Section 2.32 was incorporated as Section 15-128 of the "Illinois Pension Code".

Child (Sec. 15-129)

The following definition of child was added in 1959 as Section 2.33 of the 1941 law:

> "The child of a participant or annuitant, a stepchild who has been such for not less than 1 year immediately preceding the death of the participant or annuitant, and an adopted child, provided the proceedings for adoption had been initiated at least 1 year prior to the death or retirement of the participant or annuitant."

In 1963, Section 2.33 was incorporated as Section 15-129 of the "Illinois Pension Code".

In 1973, the definition was revised in order to make it clear that an illegitimate child would qualify for survivors insurance benefits if he met the other conditions with respect to dependency, etc.

Parent (Sec. 15-130)

The following definition of parent was added in 1959 as Section 2.34 of the 1941 law:

> "The mother or father of a participant or annuitant, a

stepparent of a participant or an annuitant by a marriage contracted before the participant or annuitant attained age 16, or an adopting parent by whom the participant or annuitant was adopted before he reached age 16."

This definition determined eligibility of a parent for protection under the survivors insurance program which was adopted in 1959.

In 1963, Section 2.34 was incorporated as Section 15-130 of the "Illinois Pension Code".

Survivors Insurance Beneficiary (Sec. 15-131)

The following definition of survivors insurance beneficiary was added in 1959 as Section 2.35 of the 1941 law:

> "The wife, dependent unmarried child under age 18, dependent husband, or dependent parent, who could qualify for survivors insurance payments under this Article."

Survivors insurance beneficiaries were determined automatically by the provisions of the retirement law. If a person met certain requirements with respect to relationship, marriage, dependency etc. he would qualify for the survivors insurance benefits, even though he was not named as beneficiary by the participant. On the other hand, a person, other than a surviving wife, had to be named as beneficiary by the participant in order to qualify for death benefits.

In 1963, Section 2.35 became Section 15-131 of the "Illinois Pension Code".

Accumulated Survivors Insurance Contributions (Sec. 15-132)

The following definition of accumulated survivors insurance contributions was added as Section 2.36 of the 1941 law when the survivors insurance program was approved in 1959:

> "The sum of all survivors insurance contributions received from a participating employee, together with interest at the prescribed rate."

Section 2.36 became Section 15-132 of the "Illinois Pension Code" in 1963.

Employer Participation (Sec. 15-133)

Section 3.1 of the 1941 law provided that "each employer as defined in Section 2.3 shall participate in and be subject to the provisions of this System beginning upon the effective date".

In 1963, Section 3.1 became Section 15-133 of the "Illinois Pension Code" and the language was changed to read as follows:

> "Each employer shall participate in and be subject to the provisions of this Article."

Participant (Sec. 15-134)

The following language in Section 3.2 of the 1941 law determined eligibility for participation in the System:

> "Each person who is an Eligible Employee on September 1, 1941, and who then has attained age thirty (30) shall become a participant in and be subject to the provisions of this System beginning on such date.
>
> "Each person who is an Eligible Employee on September 1,

1941 and who then has not attained age thirty (30) shall become a Participant in and be subject to the provisions of this System beginning on the first day of September immediately following the date upon which age thirty (30) is attained, unless prior to such date such person files with the Board a notice of election to participate, in which event participation shall begin on the first day of the payroll period immediately following receipt of such application.

"Each person who becomes an Eligible Employee after September 1, 1941, who is then not a participant, and who upon so becoming an Eligible Employee has attained age thirty (30) shall as a condition of employment become a participant in and be subject to the provisions of this System beginning on the date such person becomes an Eligible Employee.

"Each person who becomes an Eligible Employee after September 1, 1941, who is then not a Participant, and who upon so becoming an Eligible Employee has not attained age thirty (30) shall as a condition of employment become a Participant and be subject to the provisions of this System beginning on the first date upon which age thirty (30) is attained, unless prior to such date such person files with the Board a notice of election to participate, in which event participation shall begin on the first day of the payroll period immediately following receipt of such application.

"Participation of each such Eligible Employee shall continue until the date upon which such person becomes an Annuitant, dies, or accepts a Separation Benefit."

The 1941 law required that a person be employed on a permanent and continuous basis in order to be eligible to participate in the Retirement System. Participation prior to age 30 was optional.

In 1949, the law was amended to require that all permanent and continuous employees participate in the system regardless of age. Thus, permanent employees who were under age 30 no longer had an option to delay participation until that age.

Legislation in 1953 revised the definition of employee and required participation, if a person was employed full-time for a year. This change was desirable because the System uncovered cases in which persons had been employed for more than 10 years, but were still considered as "temporary" employees by the employer.

In 1955, permanent and continuous employees were allowed to defer participation for one year. Full-time temporary employees could not participate the first year but were required to participate after one year of employment.

The 1955 legislation also provided that a person who was hired after age 58 was not eligible to participate. This change was made to give employers freedom to hire older employees without placing a heavy burden on the Retirement System for disability and death benefit protection.

In 1959, Section 3.2 was revised to remove the term "permanent and continuous. This was a clarifying change only, because this term was incorporated in the definition of employee which appeared in Section 2.4. The term "separation benefit" was also changed to "refund of contributions".

The 1959 legislation also authorized participation in the Retirement System for employees of the University of Illinois Alumni Association and Foundation, provided they filed an election to participate before October 1, 1959 and assigned to the System annuity contracts purchased by the Alumni Association and Foundation. New employees of these organizations were required to participate in the System.

In 1961, the reference to the University of Illinois Alumni Association and Foundation was deleted. The language was no longer necessary because all employees had filed notice to become a participant before October 1, 1959.

In 1961, new employees of the University of Illinois Athletic Association were required to participate in the State Universities Retirement System. Current employees could participate in the System only if they filed an election before October 1, 1962 and assigned to the System, annuity contracts purchased by the Athletic Association.

In 1963, Section 3.2 was incorporated as Section 15-134 of the "Illinois Pension Code". The language of the section was also clarified, but there was no substantive change in the section.

In 1965, the law was changed to allow participation after age 58, provided the employee was a member of another retirement system covered by the Reciprocal Law.

In 1967, persons employed on a permanent and continuous basis were required to participate immediately instead of after one year of employment. Full-time temporary employees could elect to participate during the first year and were required to participate after one year.

In 1967, persons hired after age 58 were allowed to participate; however, survivors insurance protection was not available unless the person had credits under another system covered by the Reciprocal Law.

In 1969, participation in the State Universities Retirement System was limited to <u>one</u> full-time position. The purpose of this change was to prevent a teacher from inflating his average earnings for pension purposes by accepting positions with two colleges, the combination of which exceeds 100 percent time.

Amendments in 1969 also prohibited participation in the System for any person hired after the compulsory retirement age.

Legislation approved in 1971 allowed participation by any person who was employed at one-half time or more for at least one school year. However, students were excluded unless they were employed on a permanent and continuous or full-time and continuous basis. The 1971 amendments also made participation optional during the first three years of employment but compulsory after three years.

<u>Retirement Annuities - Conditions, Amount, Supplemental Annuity, Guarantees, Reduction, Suspension During Employment (Sec. 15-135, 15-136, 15-137, 15-138 and 15-139)</u>

Section 5.1 of the 1941 law governed the retirement eligibility requirements and the amount of the retirement annuity. Following is the initial language which appeared in that section.

> "Retirement Annuities: Any participant whose employment by all Employers is terminated on or after the attainment of age 55, regardless of cause, shall be entitled to a Retirement Annuity beginning on the date specified by such participant, in a written application therefor, provided:

"(a) The date upon which the Annuity begins is not prior to: the date of final termination of employment of such Participant, the date thirty (30) days preceding the receipt of such application by the Board, or September 1, 1942 in any event.

"(b) The Participant has attained at least the age of sixty (60), or has attained at least the age of fifty-five (55) and has been certified by both the Employer and the Board as being entitled to a Retirement Annuity.

"(c) The Participant is not receiving nor is entitled to receive at the time any regular compensation for personal services currently performed under continuous employment.

"(d) The participant would be entitled to an annuity of at least Ten Dollars ($10.00) per month on the date upon which the Annuity begins.

"Each Participating Employee who has attained the age of Sixty-eight (68) prior to September 1, 1942, shall be retired from employment by all Employers on such date and any Participating Employee attaining the age of Sixty-eight (68) thereafter shall be retired no later than the first day of September immediately following the attainment of such age; provided, that upon the written request of the Employee and upon certification of the Employer, in exceptional cases and for substantial cause, such retirement shall be deferred for a period not to exceed one year at any one time, and; provided that this paragraph shall not become applicable to any of the State Normal Universities or Teachers' Colleges until September 1, 1945.

"The amount of the Retirement Annuity to which any Participant is entitled, shall be the sum of the following, all determined from credits applicable to such Participant in accordance with the Actuarial Tables and the Prescribed Rate of Interest in effect at the time:

"(a) A Normal Annuity equal to the Annuity which can be provided from the Accumulated Normal Contributions on the date the Annuity begins,

"(b) An Additional Annuity equal to the Annuity which can be provided from the Accumulated Additional Contributions, if any, on the date the Annuity begins,

"(c) A current Annuity equal to twice the Normal Annuity; provided that such Current Annuity shall not exceed the Current Annuity which would have been provided on the date the Participant attained age sixty-eight (68), and; provided that such Current Annuity shall not exceed an amount which would make the total of the Normal and Current Annuities exceed sixty percent (60%) of the Final Rate of Earnings of the Participant, and

"(d) For a Participant who was an Eligible Employee at any time during the year immediately preceding September 1, who has contributed to this System for a period of at least one year, and who has not previously accepted a Separation Benefit, a Supplemental Annuity equal to the Annuity which can be provided from the Accumulated Supplemental Credits of such Participant on the date the Annuity begins; provided that for any such Participant having fifteen (15) or more years of Service whose employment with all Employers is hereafter terminated on or after the attainment of age sixty-eight (68) regardless of cause, or, on or after the attainment of age sixty-five (65) in exceptional cases and for substantial cause at the request of the Employee and upon certification of the Employer, such Supplemental Annuity shall not be less than an amount which would make the total of the Normal, Current and Supplemental Annuities equal to twenty-five percent (25%) plus one percent (1%) for each year of Service, of the Final Rate of Earnings of the Participant, and; provided that in no event shall such Supplemental Annuity exceed an amount which would make the total of the Normal, Current and Supplemental Annuities exceed fifty percent (50%) of the Final Rate of Earnings of the Participant, nor the maximum amounts fixed in any retirement plan in operation by an Employer at the time of the approval of this Act.

"If any Participant elects to have a Reversionary Annuity paid in accordance with Section 5.2, the Retirement Annuity otherwise payable shall be reduced by the actuarial equivalent of the amount required to provide such Reversionary

Annuity.

"Notwithstanding the fact that Retirement Annuities are payable for life, if any person receiving a Retirement Annuity should receive or become entitled to receive any Salary for personal services currently performed under continuous employment at regular compensation, the Retirement Annuity shall cease during the period for which such Salary is payable. Such Annuity shall, however, be resumed again at the same rate when such Salary thereafter ceases to be payable. Nothing contained in this Act however, shall prevent an Annuitant from concurrently receiving an annuity, pension or retirement benefit from any other retirement system or systems, provided that if any such other annuity, pension or retirement benefit is or has been provided either in whole or in part by contributions of the State, or of any agency thereof, the amount of the Current and Supplemental Annuity provided in this Act shall be reduced by the amount which is actuarially equivalent to the portion of such Current and Supplemental Annuity which arises out of all service considered in the determination of such other annuity, pension or retirement benefit."

Retirement Annuities - Conditions (Sec. 15-135)

The 1941 law required termination of employment on or after attainment of age 55 as a condition for eligibility for a retirement annuity. If a person terminated employment before reaching age 55, he forfeited his pension, regardless of the number of years of service which he had rendered to the State universities and colleges.

The compulsory retirement date under the 1941 law was September 1 following attainment of age 68, but retirement could be deferred in exceptional cases and for substantial cause for one year at a time with no limit on the number of extensions which could be granted.

The 1949 legislation provided for vesting of contributions after 15 years of service, at least 10 of which were rendered after September 1, 1941. Thus, a person who began employment in Illinois at age 25 could resign at age 40 and qualify for a benefit at age 55 under the money-purchase formula. Under the pre-1949 law, a participant who terminated employment before age 55 could not qualify for a retirement annuity regardless of years of service.

In 1955, the vesting requirement was changed from 15 years of service, 10 of which were rendered after September 1, 1941, to 10 years of service after September 1, 1941. The pre-1955 law also provided for vesting if employment terminated after age 55, regardless of years of service. This was deleted because a person could qualify for benefits after only one year of service or less, if he resigned after age 55. The 1955 changes did provide that a participant would be eligible for a retirement annuity regardless of years of service, if he terminated employment at or after the compulsory retirement age.

In 1959, the reference to "attainment of age 68" in the compulsory retirement date provision was changed to "68 birthday", because the legal adviser ruled that a person attains age 68 the day before his 68th birthday. Under prior law, a person who was born on September 1 could not understand why he was forced to retire on his 68th birthday, when the law stated that he must retire on

September 1 following attainment of age 68.

The pre-1965 law provided for vesting of retirement benefits at any age after 10 years of service subsequent to September 1, 1941. In 1965, the law was revised to also allow vesting after 8 years of service, provided employment terminated after attainment of age 55.

The 1967 amendments added a 5-year vesting provision. Under this change, a person could terminate employment at any age with 5 years of service after September 1, 1941 and qualify for a retirement annuity beginning at age 62. If he had at least 10 years of service after 1941 he could terminate employment at any age and qualify for a retirement annuity at age 60 (age 55 with reduced benefits). If he had 8 years of service and terminated employment after age 55, he could qualify for benefits at age 60 (age 55 with reduced benefits). If he terminated employment on or after the compulsory retirement age, he could qualify for a retirement annuity regardless of his years of service.

The provision which required approval of the employer for retirement between age 55 and 60 was deleted from the retirement law in 1967. Thus, a person could retire between ages 55 and 60 as a matter of right, provided he was willing to accept the reduction in benefits for early retirement.

The retirement vesting and eligibility requirements were revised significantly in 1971. The revised law provided that a person could retire (a) at any age without penalty if he had 35 or more years of service, (b) at age 62 with at least 5 but less than 8 years of service, and (c) at age 60 (age 55 at reduced benefits) with 8 or more years of service. The age at which employment terminated is no longer a factor in determining eligibility for retirement benefits. Service credit for out-of-state teaching, prior military service and other public employment may not be considered in determining eligibility for benefits. Consequently, only Illinois employment can be considered in determining whether the above service requirements are met. The 1971 legislation also deleted the provision that a person could qualify for a retirement benefit with less than 5 years of service, if his employment terminated on or after the compulsory retirement age. However, the Legal Adviser of the System agreed that under the new Illinois Constitution the deletion of this provision must not impair the pension rights of any participant who was a covered employee on the effective date of this 1971 amendatory change. Consequently, any person who was employed and covered under the Retirement System on July 15, 1971, may still qualify for a retirement annuity with less than 5 years of service, if he terminates his employment on or after the compulsory retirement age. The 1970 Illinois Constitution provides that pension rights of public employees must not be diminished or impaired.

The 1973 legislation extended the time period for filing of the retirement application from 30 to 60 days. This extension was recommended because some faculty and staff members lost retirement benefits because they did not realize that a formal application for retirement annuity must be filed with the State Universities Retirement System. Some failed to file because they were under the impression that they had completed the necessary documents when they were notified by the University of Illinois Board of Trustees Office that the University Board had approved their transfer to emeritus status.

Retirement Annuities - Amount (Sec. 15-136)

The retirement annuity under the 1941 law was calculated under a money-purchase formula based upon employee contributions of 3 1/2 percent of earnings covering employment after September 1, 1941, employer contributions of 7 percent of earnings credited before and after September 1, 1941, and interest accumulations on the employee and employer contributions. No credit was granted for employer contributions after attainment of age 68. The maximum benefit under the money-purchase formula was 60 percent of average earnings during the high 5 consecutive years.

A special retirement formula was available to a person who (a) was employed by a covered employer during 1940-41, (b) became a participant on or before September 1, 1942, (c) had 15 years of service and (d) had attained age 68 (age 65 in exceptional cases upon approval of the employer). This formula provided a retirement annuity of 25 percent of average earnings during the high five consecutive years, plus 1 percent of these average earnings for each year of service, subject to a maximum benefit of 50 percent of the average earnings. This special formula was much more liberal than the money-purchase formula which was applicable to new employees.

The 1941 law incorporated the maximum retirement benefits of the University of Illinois retirement plan which was in effect immediately preceding September 1, 1941. This provided a maximum annuity of $6,000 for presidents, $4,000 for deans, directors and principal administrative officers and $3,000 for all others. However, the $3,000 maximum was scheduled to increase by $100 per year for a period of 10 years until it reached the $4,000 maximum which was applicable to deans, directors and principal administrative officers. This differential in the maximum annuity was clearly discriminatory and the Federal Internal Service later ruled that the discrimination must be removed from the statute to preserve the "qualified" status of the System for Federal tax purposes.

Legislation in 1945 provided a supplemental annuity to a person who became a participant by January 1, 1944 instead of September 1, 1942, in order to grant full credit to those employees of the State departments who were transferred to the University of Illinois or other employer after September 1, 1942 but prior to January 1, 1944. This 1945 legislation also extended the special retirement formula to any employee who became a participant before January 1, 1944 as a result of the transfer of any State function from a department of the State of Illinois to a college or university covered by the System.

In 1949, a new defined benefit retirement formula was made available to a retiree who terminated employment after attainment of age 65 with 20 or more years of service. This formula provided a yearly pension of $150, plus 1 1/2 percent of average earnings during the high five consecutive years multiplied by the total years of service credit. The maximum pension under this formula was 60 percent of this average earnings, but the pension could not exceed $4,000 per year. A minimum benefit of $600 per year was provided under the new formula.

The money-purchase formula was retained under the 1949 legislation. However, the employee contribution was raised from 3 1/2 to 5 percent of salary, so the benefit under that formula was increased. The employer contribution for all service remained at 7 percent of salary.

In 1951, the one-year contribution requirement to qualify for a supplemental annuity was changed to three years, and the language was transferred from Section 5.1 to Section 2.16 which covered supplemental credits.

The 1953 legislation permitted a participant to have his retirement annuity calculated under the defined benefit formulas, provided he terminated employment on or after attainment of age 60 and deferred the receipt of his annuity until age 65.

The money-purchase formula was also changed slightly by the 1953 legislation. Employer contributions were to be applicable until September 1 following attainment of age 68 rather than the 68th birthday.

In 1953, the maximum retirement annuity was increased to $4,500, and the $6,000 maximum for presidents was decreased to $4,500, except for participants who were presidents on July 1, 1953. The minimum annuity under the defined benefit formula was raised from $600 to $780 per year.

The service requirement to qualify for the defined benefit formula, which provided $150 per year, plus 1 1/2 percent of average annual salary multiplied by the years of service, was reduced from 20 years to 15 years. Thus, 15 years of service became the standard to qualify for all retirement formulas as well as for vesting.

The 1953 amendments eliminated the requirement that a State employee become a participant before January 1, 1944 as the result of a transfer of any State function from a State Department to a college or university in order to qualify for the more liberal special retirement formula which is applicable to pre-1941 employees. Thus, if a person met the other qualifying conditions, he would qualify for the special formula even though his transfer from State employment to university employment was voluntary. This change was recommended by a former legal adviser of the System, because one of the University of Illinois professors contended that her department head had persuaded her to transfer employment from a State department by assuring her that the special retirement formula would be applicable, even though her transfer was voluntary rather than a result of a transfer of a State function to the University.

The money-purchase formula was eliminated in 1955 except for those persons who were employees on June 30, 1955, or who had terminated employment prior to that date but had met the minimum service requirement to qualify for a retirement annuity.

The 1955 amendments also eliminated the defined benefit formula which provided a yearly pension of $150, plus 1 1/2 percent of final rate of earnings multiplied by the years of service. However, a grandfather clause guaranteed that persons who were employees on June 30, 1955 would continue to be eligible for this formula, if it provided a greater benefit than the revised formula which was adopted by the General Assembly in 1955.

The 1955 legislation established a new retirement formula for retirement beginning at age 60 (age 55 with reduction of 1/2 of 1 percent for each month that the annuity begins before age 60). The revised formula provided a pension of 1 2/3 percent of average earnings during the high five consecutive fiscal years multiplied by the total years of service. New employees were limited to benefits under the revised formula. Persons employed prior to July 1, 1955 would continue to receive benefits under the pre-1955 defined benefit formulas and the money-purchase formula, if those formulas provided a greater benefit. Benefits under the revised formula were limited to the lesser of $4,500 or 60 percent of average earnings during the high five consecutive fiscal years. However, the $6,000 maximum to presidents was not only retained but was extended to those who become presidents in the future. This revision was incorporated in the retirement law, because a former Comptroller of the of the Retirement System was appointed president of a State university subsequent to approval of the 1953 legislation which reduced the maximum annuity to presidents appointed in the future from $6,000 to $4,500.

In 1959 the maximum retirement annuity of $4,500 ($6,000 to presidents) was changed to $7,200 per year plus $500 per year for each full year which elapses between September 1, 1959 and the date the retirement annuity begins.

In 1959, the language covering reduction of benefits because of employment after retirement was clarified. The change provided that the portion of the annuity payable from employer contributions would be suspended, if salary or compensation in excess of the retirement annuity was received from an employer covered by this System, the State Employees Retirement System or the State Teachers Retirement System.

In 1963, the retirement laws of the State were incorporated in the "Illinois Pension Code". Section 5.1 of the pre-1963 law became Section 15-135 (Conditions), Section 15-136 (Amount), Section 15-137 (Guarantees), Section 15-138 (Reduction), Section 15-139 (Suspension during employment) and Section 15-140 (Reversionary annuities).

In 1963, the maximum retirement annuity under the defined benefit formula was increased from 60 percent of average earnings during the high five consecutive years to the following:

Age at retirement	Percent
60 or under	60
61	61 2/3
62	63 1/3
63	65
64	66 2/3
65	68 1/3
66 or over	70

In 1969, the general retirement formula was changed from 1 2/3 percent of average earnings during the high five consecutive years multiplied by the years of service to the following:

1.67 percent for the 1st 10 years
1.90 percent for the 2nd 10 years
2.10 percent for the 3rd 10 years
2.30 percent for all years of service in excess of 30

The money-purchase formula was also restored in 1969. This provided for an annuity based upon employee contributions of 6.5 percent of earnings and employer contributions of 1.4 times the employee contributions. The total of 15.6 percent of earnings would be improved with interest to the date of retirement. However, the Pension Laws Commission required that the legislation limit interest to 4 1/2 percent per annum as a condition for approval of restoration of the money-purchase formula. This limitation would reduce significantly, the amount of the annuity which could be provided, because the interest factor is quite important in determining benefits under the money-purchase formula.

In 1969, the maximum retirement annuity was increased as follows:

Age at retirement	Pre-1969 Maximum	1969 Maximum
60 or under	60%	70%
61	61 2/3%	71 2/3%
62	63 1/3%	73 1/3%
63	65%	75%
64	66 2/3%	76 2/3%
65	68 1/3%	78 1/3%
66 or over	70%	80%

The 1969 legislation also provided an automatic annual increase in the retirement annuity of 1 1/2 percent of the base annuity payable at the time of retirement. The first increase would be effective on September 1 nearest the first anniversary of retirement, or September 1 nearest the 61st birthday of the retiree, whichever is later. This provision was applicable only to a person whose employment terminated on or after August 15, 1969. A supplemental increase in the retirement annuity was also applicable to persons who retired before August 15, 1969.

This change is summarized in the next section.

The 1971 legislation deleted the penalty for retirement between ages 55 and 60 for a participant who retired with 35 or more years of service or for a disabled employee whose disability benefits expired after age 55 but before attainment of age 60. The penalty for early retirement was also deleted for service rendered as a policeman or fireman, provided the participant performed these duties for at least 5 years immediately preceding retirement.

The 1971 amendments provided that the retirement annuity would be based upon average earnings during the high _4_ instead of the high _5_ consecutive fiscal years.

The 1971 legislation also changed the money-purchase formula with respect to the amount of the employer annuity based upon out-of-state teaching and other public employment. Inasmuch as the payment for other public employment was 12 percent of beginning annual salary plus interest, an employer's annuity of 1.4 times the normal annuity would result in employer contributions of 16.8 percent of earnings. This was not intended when the money-purchase formula was restored. Consequently, the formula was changed in 1971 to provide an employer's annuity based upon other public employment of an amount equal to the annuity provided by the employee's payment. Thus, the employee would contribute 12 percent of beginning annual salary for each year of other public employment, and the employer's cost would also be 12 percent of such salary.

The automatic annual increase in retirement annuity was raised from 1 1/2 percent to 2 percent of the base retirement annuity beginning January 1, 1972. In addition, the first increase would include the years of retirement preceding attainment of age 61. For example, if a person retired at age 55, his first increase beginning at age 61 would be 12 percent (6 years x 2 percent). Under the pre-1971 law no adjustment accrued for the retirement years preceding attainment of age 61. The effective date of future annual adjustments was also changed from September 1 to January 1 by the 1971 legislation.

The 1973 amendments included a guarantee that the combined retirement annuities from the State Universities Retirement System, Federal Social Security and other Illinois systems of an involuntary transferee to the State Universities Retirement System would be at least equal to the amount which would have been paid if the employee had participated under the State Universities Retirement System during the entire period of his employment. This provision was incorporated in the retirement law to prevent impairment of retirement benefits of non-teaching personnel of the State junior colleges who were participants under the Illinois Municipal Retirement Fund and Federal Social Security when these colleges were transferred to the State Universities Retirement System. They were no longer eligible for Federal Social Security coverage after they became participants of the State Universities Retirement System.

Legislation approved in 1975 provided for past and future retirees, a <u>minimum</u> retirement benefit for each year of service not to exceed 30, ranging from \$8 to \$12 per month, depending upon final average earnings at retirement. The following schedule shows the minimum benefit which would be payable for each year of service:

Final Average Annual Earnings at Retirement	Minimum Annuity for Each Year of Service	
	Monthly	Annual
Under \$3,500	\$ 8	\$ 96
\$3,500 - \$4,500	9	108
4,500 - 5,500	10	120
5,500 - 6,500	11	132
6,500 and above	12	144

If retirement occurred before age 60, the minimum benefit must be reduced 1/2 of 1 percent for each month that the annuity began before that age. For example, if a retiree with 30 years of service had average annual earnings of $5,000, his monthly benefit would be increased to $300, if he retired at age 60 or later ($10 x 30). However, if he retired at age 55, the minimum monthly benefit would be only $210 because of the 30 percent reduction which would be applicable for early retirement.

The 2 percent automatic annual increase continued to be applied on the initial annuity payable at the date of retirement. The Pension Laws Commission refused to allow the 2 percent increase on the revised minimum benefit.

Retirement Annuities - Supplemental Annuity (Sec. 15-136.1)

Section 15-136.1 was added by legislation approved on August 15, 1969. This provided an automatic annual increase in retirement annuity of 1 1/2 percent for persons whose employment terminated before August 15, 1969. The first increase was effective September 1, 1969 or September 1 nearest the 65th birthday of the retiree, whichever is later. The first adjustment included 1 1/2 percent multiplied by the number of years which elapsed since the date of retirement. For example, if a person had been retired for 10 years, his first increase would be 15 percent.

In order to qualify for the automatic annual increase, the retiree was required to have at least 20 years of service and pay to the State Universities Retirement System, 1 percent of his monthly final rate of earnings multiplied by the number of years of service credited on the date of his retirement. This nominal payment was required in order to establish a contractual basis for the additional benefit. Under prior Illinois court decisions an increase in pension would have been a violation of the provision in the Illinois Constitution which prohibited additional payment of compensation after services under a contractual relationship by which the increase in retirement benefit could be justified.

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The 1969 legislation provided that the automatic annual increase to pre-1969 retirees was payable exclusively from the payments made by the retirees for this benefit and investment income which exceeds 4 percent per annum. Thus, if such funds were depleted, and the investment income dropped below 4 percent, the Retirement System would be forced to discontinue the annual adjustments.

In 1971, the automatic annual adjustment was increased from 1 1/2 percent to 2 percent beginning January 1, 1972. In addition, the period of service required to qualify for the adjustment was reduced from 20 to 15. The 1971 legislation also required that the payment by the retiree to qualify for the automatic annual adjustment be made in a lump sum. The 1969 law permitted installment payments.

The 1975 legislation deleted the provision that the 2 percent supplemental annuity to pre-1969 retirees could be paid only from investment income in excess of 4 percent per year.

Retirement Annuities - Guarantees (Sec. 15-137)

In 1965, the word "employee" in Section 15-137 was changed to "participant employed by an employer" in order to safeguard the benefits previously accrued by University of Illinois employees with Federal appointments who were transferred to the Federal Civil Service Retirement System in 1955. These persons did not meet the definition of "employee" under the retirement law, because they are contributing to the Federal system.

Retirement Annuities - Reduction (Sec. 15-138)

Section 15-138 was included in the "Illinois Pension Code" when it was adopted in 1963. This section provides that if a participant elects a reversionary annuity, the retirement annuity otherwise payable shall be reduced by the actuarial equivalent of the amount required to provide the reversionary annuity. Similar language was contained in Section 5.1 of the retirement law which was in effect prior to 1963.

Retirement Annuities - Suspension During Employment (Sec. 15-139)

The 1941 law required that the retirement annuity be suspended during the period that a retiree received any salary from the State of Illinois.

In 1945, the law regarding suspension of the retirement annuity was changed. The language was revised to make it clear that retirement benefits would be affected only if the retiree received salary payments for employment with the State or a State university or college and that the limitation did not extend to salary received from other sources such as private employment, Federal employment or employment in other states. The 1945 amendments also specified that if a retiree returned to employment with the State, only that portion of his retirement annuity provided by the employer contributions would be suspended.

The 1953 legislation provided that the portion of the retirement annuity provided by employer contributions would be suspended if a retiree received salary in excess of the retirement annuity from an employer covered by this System, the State Teachers Retirement System or the State Employees Retirement System. The pre-1953 law provided for suspension if any salary was received from State employment.

The 1955 legislation removed language which appeared to require adjustment of the retirement annuity if a retiree was entitled to a pension from some other system based in whole or in part by contributions from the State.

In 1965, the language covering suspension of the portion of the annuity payable from employer contributions was changed so that determination of suspension would be based upon the amount earned during each month rather than the amount earned during the actual period of employment. For example, under the pre-1965 law a retiree receiving an annuity of $500 per month would have his annuity reduced, if he accepted State employment for one-half month and earned $300 during that period. On the other hand, if he accepted State employment for the full month and earned $300, his retirement annuity would not be affected. Under the 1965 amendment, his retirement annuity would not be reduced unless his total earnings from State employment exceeded $500, regardless whether he is employed for a full month or only a portion of a month.

In 1965, the suspension provisions of the law were changed to permit a retiree to reenter the Retirement System and accrue additional pension credit subject to the following conditions and limitations:

(1) his employment must be on a permanent and continuous basis or in a position in which he is expected to serve for at least 9 months, and

(2) he must elect to forfeit the full retirement annuity during the period of reemployment.

When a retiree, who reenters the Retirement System under this 1965 legislation, subsequently retirees, his previous pension benefit is reinstated, and in addition, his benefit is increased by the amount of the pension earned by the additional service and earnings credits. If he is reemployed for less than 9 months, his contributions are refunded without interest and the original pension is reinstated, but no additional pension is payable.

The 1973 amendments require that the retirement annuity be cancelled if a retiree returns to employment with an employer covered by the State Universities Retirement System within 60 days after retirement. This change was necessary to discourage persons from retiring and then requesting part-time employment within a few days. The prior statute provided that a retirement annuity could be paid only upon termination of employment, but it did not set any guidelines or standards in determining when employment was terminated.

Reversionary Annuities (Sec. 15-140)

Section 5.2 of the 1941 law covering reversionary or joint and survivor annuities provided as follows:

> "Any Participant entitled to a Retirement Annuity may elect to provide a Reversionary Annuity for a Beneficiary who in the opinion of the Board is dependent upon the Participant at the time the Retirement Annuity begins, provided that (a) written notice thereof by the Participant is received by the Board together with or prior to the application of the Participant for a Retirement Annuity, (b) the Participant furnishes such evidence of good health as the Board may require at the time such election is made, and (c) the amount of the Reversionary Annuity specified in such notice

is not less than Ten Dollars ($10.00) per month, nor more than the amount of the reduced Retirement Annuity to which the Participant is entitled.

"The amount of such Reversionary Annuity shall be that specified in the notice of election by the Participant to have such Annuity paid. Any such Reversionary Annuity shall begin on the day following the day upon which the last payment of the Retirement Annuity is payable because of death, provided the Beneficiary is alive at such time. If the Beneficiary does not survive the Annuitant, no Reversionary Annuity shall be payable but only the Death Benefit as provided in Section 5.4."

Under the 1941 law, the election of reversionary was effective only if the employee passed away after retirement. The Retirement Board adopted a rule that the election of reversionary annuity must be filed at least 5 years before retirement; otherwise evidence of good health would be required.

The 1955 amendment to Section 5.2 provided that the election of reversionary annuity would be effective if the employee passed away on or after the attainment of age 60, regardless whether he was retired or actively employed, provided the reversionary annuity beneficiary was the spouse of the employee. This was, in effect, the first survivors insurance program for the State Universities Retirement System. The monthly reversionary annuity payable upon the death of an employee after age 60 but before retirement was in lieu of the death benefit which generally consisted of a refund of the employee contributions and interest and payment of

$5,000 from employer contributions. If the death benefit was greater than the actuarial value of the reversionary annuity, the spouse could elect to receive a beneficiary annuity equal to the reversionary annuity. The balance of the death benefit could be received in a lump sum.

The 1955 legislation also provided that the election of reversionary annuity must be filed at least 2 years before retirement; otherwise evidence of good health would be required. However, the 2-year filing requirement was not applicable if the employee died before retirement. The 1955 legislation also permitted a participant to revoke the election of reversionary annuity, provided notice of the revocation was received at least 2 years before retirement. Thus, a person who intended to retire at age 68 could receive 6 years of free reversionary annuity protection by filing the election prior to age 60 and revoking it at age 66.

The 1959 legislation deleted the language which provided that the election of reversionary annuity would be effective if the participant died after age 60 but before retirement. This revision was made because in that year the General Assembly approved the State Universities Retirement System survivors insurance program which protected the spouse and other dependents of a participant regardless whether he passed away before or after retirement. The 1959 legislation also permitted revocation of reversionary annuity elections prior to July 1, 1960, even though the participant planned to retire within 2 years. This revocation privilege was extended to the participants because the monthly survivors annuity which was automatically payable under the 1959 legislation likely made prior reversionary annuity elections obsolete.

In 1963, Section 5.2 became Section 15-140 of the "Illinois Pension Code".

The 1965 legislation deleted the 2 year filing requirement for reversionary annuity elections. Under this amendment the election could be filed anytime before the date of retirement and no evidence of good health would be required. Prior elections could also be revoked at anytime prior to retirement.

The 1971 amendments provided that the election of reversionary annuity would be effective only if it was filed at least 30 days before retirement. This change was needed to offset adverse selection against the System caused by "death bed" retirements. The 1971 legislation also required that notice of revocation of reversionary annuity elections be filed at least 30 days before retirement.

The 1971 amendments provided that the reversionary annuity could not exceed the amount which when added to the survivors annuity is equal to the reduced retirement annuity payable to the participant. This change was consistent with the original law which prohibited a participant from providing a reversionary annuity for his spouse which was greater than the income which was payable during their joint lifetime.

Death Benefits (Sec. 15-141, 15-142 and 15-143)

The following provisions in Section 5.4 of the 1941 retirement law governed payment of death benefits:

> "The beneficiary of any participant, upon the death of such participant, shall be entitled to a death benefit of an amount equal to the sum of the accumulated normal contributions and the accumulated additional contributions of the participant on the date of death.

"The beneficiary of any participating employee, if such beneficiary is in the opinion of the board dependent upon the employee at the time of death, upon the death of any such employee shall be entitled to an additional death benefit equal to the excess, if any, of an amount which is equivalent to an annual payment of earnings at the final rate of earnings applicable to such employee but not less than Two Thousand Dollars ($2000.) nor more than Five Thousand Dollars ($5000.), over the amount of the accumulated normal contributions on the date of death; provided that in the case of an employee of an employer other than the State Scientific Surveys death occurs on or after September 1, 1941 and in the case of an employee of the State Scientific Surveys death occurs on or after September 1, 1943.

"The beneficiary of any annuitant receiving a retirement annuity, upon the death of such annuitant, shall be entitled to an additional death benefit equal to whichever of the following is the greater: (a) the excess, if any, of the sum of the accumulated normal contributions and the accumulated additional contributions upon the date of retirement over the sum of all annuity payments made prior to the date of death, (b) an amount equal to six times the monthly supplemental annuity payable to such deceased annuitant or (c) Five Hundred Dollars ($500.).

"All death benefits shall be paid in the form of a single cash sum or in such other manner as the beneficiary and the board shall mutually agree, except where an annuity is payable under Section 5.5. Whenever any death benefit is payable as a single cash sum, it shall be paid to the beneficiary as soon as practicable after receipt by the board of (a) a written application by the beneficiary for such benefit and (b) such evidence of death and identification as the board shall require".

Death Benefits - Death of Participant (Sec. 15-141)

Under the 1941 law, the death benefit to a non-dependent beneficiary of a deceased participant consisted only of a refund of the employee contributions, including interest. If the beneficiary was dependent, an additional sum was payable which when added to the employee contributions, was equal to the annual final rate of earnings of not less than $2,000 nor more than $5,000. For example, if the final rate of earnings was $6,000 and employee contributions $4,000, an additional $1,000 would be payable. However, if the employee contributions amounted to $5,500, only that amount would be payable to the beneficiary and nothing would be paid from employer contributions.

The 1945 legislation removed obsolete dates which prohibited payment of additional death benefits to employees of the State Scientific Surveys unless death occurred after September 1, 1943.

The 1945 legislation also required that workmen's compensation payments be offset against the additional death benefit payable from employer contributions.

The 1949 amendments provided for a minimum death benefit of $500 for non-dependent beneficiaries. If employee contributions exceeded $500, no additional death benefit would be payable.

The 1949 legislation also provided that no additional death benefit would be payable if death occurred within 5 years after the date participation began and was the result of a medical defect which existed on that date. This limitation was expanded in 1951 to require 5 years as a participating employee before the pre-existing medical defect provision would be inapplicable.

In 1953, the workmen's compensation offset provision was clarified so as to include claims as well as actual payments, and to extend the offset to Federal as well as State workmen's compensation laws.

In 1955, the additional death benefit to a dependent beneficiary was revised so that the $2,000 to $5,000 would be payable in addition to the refund of employee contributions. Under prior law, the total death benefit of $2,000 to $5,000 included the employee contributions. As a result, those beneficiaries of employees who had been contributing for many years received little or nothing from employer contributions.

The 1955 legislation provided that eligibility for the additional death benefit during the first 5 years of participation would depend upon the medical evaluation which was made at the time of employment or at the date of participation, whichever is earlier. This revision was necessary to eliminate the requirement for an additional medical examination for those employees who elected to defer participation in the Retirement System.

The 1955 amendments also required offset of payments under occupational disease acts.

The 1955 amendments provided that no death benefit would be payable, if the employee died after age 60 but prior to retirement and a reversionary annuity became payable. However, if the value of the death benefit was greater than the value of the reversionary annuity, the beneficiary could elect a beneficiary annuity based upon the death benefit. In addition, the beneficiary was given the option of receiving up to $500 in a lump sum. If he exercised this option, the reversionary annuity would be reduced by the actuarial equivalent of the lump sum payment. These revisions were necessary because the 1955 amendments provided that a reversionary annuity could be paid if the employee died after age 60, even though he had not yet retired.

In 1959, the pre-existing medical defect provision was deleted from the statute. Under this legislation, the additional death benefit would be payable even if death was the result of a medical defect which existed on the date participation began. However, a person who becomes a participant after July 1, 1959 will not be entitled to the additional death benefit, if he becomes a participant after the attainment of age 58.

The 1959 legislation also provided an additional death benefit of $1,000 to a non-dependent beneficiary of a participating employee, if he became a participant before July 1, 1959 or before attainment of age 58. Under prior law, no additional death benefit from employer contributions was payable unless the employee contributions amounted to less than $500. For example, if the employee contributions amounted to $400, only $100 would be paid from employer contributions.

The General Assembly approved the survivors insurance program in 1959. Consequently, the death benefit section was amended to delete the additional death benefit payable from employer contributions. However, the beneficiary of a participant was still entitled to a refund of the normal and additional employee contributions and interest.

The 1959 amendments also provided that if no survivors insurance benefit is payable, the beneficiary is entitled to receive a refund of the survivors insurance contributions, not including interest, as well as the normal contributions plus interest.

The 1961 legislation provided that a non-dependent beneficiary would be entitled to interest on the survivors insurance contributions as well as the normal employee contributions.

In 1963, Section 5.4 became Sections 15-141, 15-142 and 15-143 of the "Illinois Pension Code".

The 1965 legislation provided that if a person was an involuntary transferee, his combined service in all retirement systems would be considered in determining whether he became a participant before July 1, 1959 or before age 58. This change was necessary to insure that the transferees were entitled to full death benefit protection. Chicago State University and Northeastern Illinois State University employees were transferred to the State Universities Retirement System on July 16, 1965.

The 1967 amendments removed the restriction that an additional death benefit was not payable if the employee became a participant after age 58 and after July 1, 1959. Consequently, the provision protecting the rights of involuntary transferees was also removed, since this was no longer necessary.

The 1967 amendments provided a guarantee that the sum of the survivors insurance benefits and death benefit payments would be at least equal to the death benefit which would have been payable had the employee waived the survivors insurance payments. Thus, a widow who later remarries can recover an additional amount, if her total payments would have been greater under the death benefit option.

Death Benefits - Death of Annuitant (Section 15-142)

Under the 1941 law, the death benefit to the beneficiary of a deceased retiree was equal to whichever of the following was the greater:

(a) Excess of employee contributions at retirement over the annuity payments,

(b) 6 times the monthly supplemental annuity which consisted of the annuity provided by employer contributions based upon service and earnings credits prior to September 1, 1941, and

(c) $500.

Under 1949 legislation, a non-dependent beneficiary of a retiree was limited to a death benefit of only $500. The change removed his right to receive the amount by which the employee contributions exceeded the sum of the annuity payments and the benefit based upon the supplemental annuity.

In 1953, the right of the non-dependent beneficiary to receive the excess of employee contributions at retirement over the retirement annuity payments was restored.

The 1955 legislation changed the death benefit option to a dependent beneficiary from six times the monthly supplemental annuity to six times the monthly annuity provided by 7 percent of earnings for service prior to September 1, 1941. This was changed because under an earlier amendment which provided a defined benefit retirement formula, the supplemental annuity became the excess of the total annuity over that provided under the money-purchase formula by employee contributions and employer contributions for service rendered after September 1, 1941. Thus, the revised supplemental annuity was increased substantially over the supplemental annuity which was previously provided by the money-purchase formula.

The General Assembly approved the survivors insurance program in 1959. Consequently, the 1959 amendments provided that no death benefit would be payable to the beneficiary of a retiree, if a survivors insurance benefit is payable.

In 1963, Section 5.4 was incorporated as Sections 15-141, 15-142 and 15-143 of the "Illinois Pension Code".

The 1967 amendments provided a guarantee that the sum of the survivors insurance benefit payments would be at least equal to the death benefit which would have been payable, if the beneficiary had waived the survivors insurance payments. Thus, if the excess of employee contributions over the retirement annuity payments exceeds the total survivors insurance payments because of death or remarriage of the beneficiary, an additional benefit will be payable.

The 1967 legislation also provided that the death benefit to a nondependent beneficiary would include the survivors insurance contributions as well as the normal employee contributions.

In 1973, the minimum death benefit to the beneficiary of an annuitant was raised from $500 to $1,000.

Death Benefits - General Provisions (Sec. 15-143)

This section of the Code provides that death benefits shall be paid in the form of a single cash sum or in such other manner as the beneficiary and the System mutually shall agree, except where the employee directs that the benefit be paid as a life annuity.

Beneficiary Annuities (Sec. 15-144)

Section 5.5 of the 1941 law provided as follows:

"If the beneficiary is the widow; or if the beneficiary is other than the widow and (a) the beneficiary has specified in the application for the death benefit, or (b) the deceased has specified in a written notice on file with the board prior to the date of death that the benefits shall be paid as an annuity, or as a cash payment and an annuity, provided that the annuity is at least Ten Dollars ($10.00) per month for the beneficiary, the death benefit provided in Section 5.4 shall be paid in the form of a cash payment as specified, if any, plus an annuity of such amount as can be provided from the amount of the death benefit on the date such annuity begins which is in excess of the amount of such cash payment.

"Whenever any death benefit is payable in the form of a beneficiary annuity, such annuity shall begin on the day following the date of death of the deceased provided the board has received (a) a written application by the beneficiary for such benefit and (b) such evidence of death and identification as the board shall require."

The 1941 law provided that a beneficiary may accept a monthly life annuity in lieu of the lump sum death benefit, or a participant could direct that the death benefit be paid as a life annuity.

The law was changed in 1945 to make it clear that the beneficiary had the option of receiving the death benefit in a lump sum if the participant has not designated that the benefit be payable as an annuity.

In 1953, the beneficiary was given the option of receiving up to $500 in a lump sum even though the participant specified that payment be made as a life income.

In 1955, the language was revised to make it clear that the beneficiary annuity shall be the actuarial equivalent of the lump sum death benefit.

The 1959 legislation provided that if a beneficiary elects the life income option, she may, within one year after the death of the participant, revoke the election and receive in a lump sum, the excess of the death benefit over the sum of the beneficiary annuity payments.

In 1963, Section 5.5 was incorporated in the "Illinois Pension Code" as Section 15-144.

Survivors Insurance Benefits (Sec. 15-145, 15-146, 15-147 and 15-148)

Section 5.5-1 (Survivors Insurance Benefits) was added by legislation approved in 1959. This section provided as follows:

"Upon the effective date of this amendatory Act of 1959, the following survivors insurance benefits shall be payable, (1) upon death of a participating employee after completion of 1 1/2 years of service, (2) upon death of a participant who terminates his status as an employee after having completed at least 10 years of service, and (3) upon death of an annuitant who is receiving a retirement annuity:

"(a) A widow shall be entitled to a survivors annuity of 30% of final rate of earnings. This annuity shall begin on the day following the date of death of the participant or annuitant or the date the widow attains age 55, whichever is later, and shall continue until she remarries or dies. The annuity shall also be payable to the widow during the period prior to her attainment of age 55 when she has in her care the deceased participant's or annuitant's dependent unmarried child or children under age 18.

"(b) A dependent widower shall be entitled to a survivors annuity of 30% of final rate of earnings. This annuity shall begin on the day following the date of death of the participant or annuitant or the date the dependent widower attains age 55, whichever is later, and shall continue until he remarries or dies. The annuity shall also be payable to the dependent widower during the period prior to his attainment of age 55 when he has in his care the deceased participant's or annuitant's dependent unmarried child or children under age 18.

"(c) Each dependent unmarried child under age 18 of a deceased participant, or of a deceased annuitant who had a survivors insurance beneficiary at the time of his retirement, shall be entitled to a survivors annuity of the sum of (1) 20% of final rate of earnings, and (2) 10% of final rate of earnings divided by the number of children entitled to this benefit. This annuity shall begin on the day following the date of death of the participant or annuitant and shall continue until the child marries, dies or attains age 18.

"(d) Each dependent parent of a deceased participant, or of a deceased annuitant who had a survivors insurance beneficiary at the time of his retirement, shall be entitled, upon attainment of age 55, to a survivors annuity of the sum of (1) 20% of final rate of earnings, and (2) 10% of final rate of earnings divided by the number of parents who qualify for the benefit, and this annuity shall continue until the parent remarries or dies.

"(e) In addition to the survivors annuity provided above, each survivors insurance beneficiary shall be entitled upon death of the participant or annuitant, to $1000 divided by the number of such beneficiaries.

"The minimum annuity payable to each survivors insurance beneficiary shall be $30 per month subject to the following maximum total survivors annuity. The maximum total survivors annuity payable on account of any deceased participating employee shall be the lesser of (a) 80% of final rate of earnings or (b) $200 per month if no dependent unmarried child under age 18 is entitled to a survivors annuity or $250 per month if a dependent unmarried child under age 18 qualifies for this benefit. The maximum total survivors annuity payable on account of the death of any person whose death occurs after retirement or after termination of his status as an employee shall be the lesser of (a) 80% of final rate of earnings, (b) $200 per month if no dependent unmarried child under age 18 is entitled to a survivors annuity or $250 per month if a dependent unmarried child under age 18 qualifies for this benefit, or (c) 80% of the retirement annuity earned by the annuitant, or 80% of the retirement annuity which would have been payable to the participant upon attainment of age 60 based upon his service credits on the date of his death. Whenever a reduction in the survivors annuity is made under this paragraph, the survivors annuity to each dependent parent shall be proportionately reduced or eliminated, and if further reduction is necessary, the survivors annuity payable to each other person shall be proportionately decreased.

"A child shall be deemed dependent upon his father, adopting father, mother or adopting mother unless such individual was not living with or contributing to the support of the child and (a) the child is neither the legitimate nor adopted child of such individual, or (b) the child has been adopted by some other individual, or (c) the child was living with and was receiving more than one-half of his support from his stepfather.

"A child shall be deemed dependent upon his stepfather if the child was living with or was receiving at least one-half of his support from his stepfather.

"A child shall be deemed dependent upon his stepmother if (a) she was living with or contributing to the support of the child, and the child was not living with or receiving contributions from his father or adopting father, (b) she was contributing at least one-half of his support.

"A widower or parent shall be considered dependent if he was receiving at least 1/2 of his support from the participant or annuitant at the time of the death of the participant or annuitant.

"The survivors annuity shall be payable monthly, and any annuity due but unpaid upon the death of a person entitled to this benefit, shall be paid to his estate.

"If any person becomes entitled to receive more than one survivors annuity under this Section because of the death of 2 or more persons, he shall receive only that annuity which is the largest.

"A survivors insurance beneficiary may waive the right to receive the benefits payable under this section provided written notice of the waiver is given by him to the board within 6 months after the death of the participant or annuitant and before any payment is made pursuant to an application filed by him.

"The benefits provided by this section shall not be applicable in the case of any participant or annuitant whose status as an employee terminated prior to the effective date of this amendatory Act of 1959."

Survivors Insurance Benefits - Conditions and Amounts (Sec. 15-145)

The 1959 law established a survivors insurance program which provided additional insurance protection for (a) active employees with 1 1/2 years of service (b) former employees with 10 or more years of service and (c) retirees. The additional protection was not applicable to anyone whose employment terminated prior to July 14, 1959.

The survivors insurance benefit consisted of a lump sum payment of $1,000 plus a monthly survivors annuity. This monthly survivors annuity was 30 percent of final rate of earnings for a widow, dependent widower, or dependent parent.

EEach dependent unmarried child under age 18 was entitled to a monthly survivors annuity of 20 percent of final rate of earnings, plus 10 percent of such earnings divided by the number of children who qualify for the payments.

The survivors annuity began when the widow, widower or parent reached age 55, unless a child under age 18 was entitled to benefits, in which case, the benefits began immediately upon the death of the participant or retiree and continued until the youngest eligible child reached that age.

A survivors insurance beneficiary could waive the survivors insurance benefits within 6 months after the death of the participant and elect to receive a death benefit in lieu thereof.

In 1963, Section 5.5-1 was incorporated in the "Illinois Pension Code" as Sections 15-145, 15-147 and 15-148.

The 1965 changes provided that service under the State Employees Retirement System, State Teachers Retirement System and the Chicago Teachers Retirement Fund could be considered in determining eligibility for survivors insurance benefits under the State Universities Retirement System.

Under the 1965 amendments, a dependent widower of a retiree could qualify for a survivors insurance benefit, only if he was dependent upon the retiree at the time that she retired. If he did not meet the dependency requirement at the time of retirement, the survivors insurance contributions would be refunded to the retiree.

The 1967 legislation provided that survivors insurance protection would not be applicable unless the participant became a member of the State Universities Retirement System or another system covered by the Retirement Systems Reciprocal Law before attainment of age 58. This provision was not necessary under the pre-1967 law, because that law excluded participation for any person whose employment began after attainment of that age. An involuntary transferee was also protected by the 1967 legislation, because service in other retirement systems could be considered in determining whether participation began before attainment of age 58.

The 1969 amendments provided that credits under the Chicago Teachers Retirement Fund and the State Teachers Retirement System could be considered in determining eligibility for survivors insurance benefits. This change was made because the Chicago colleges and junior colleges were transferred to the State Universities Retirement System, and this amendment was necessary to provide the employees with protection immediately rather than after 1 1/2 years of service.

In 1971, the dependency status of a child under age 18 was clarified and simplified.

The 1971 legislation also deleted the dependency requirement for widowers. This was necessary to comply with the Federal Civil Rights Law and rulings of the Equal Employment Opportunity Commission.

The 1971 legislation provided that a child's portion of the survivors annuity shall be paid to the widow or widower, if the child is living with the widow or widower.

In 1971, the age at which the survivors annuity could be paid to a widow or widower without children under age 18 was changed from 55 to 50. The age at which benefits could be paid to parents remained at 55.

<u>Survivors Insurance Benefits - Minimum and Maximum Amounts (Sec. 15-146)</u>

Under the 1959 law, the maximum monthly survivors annuity was $200 if no child under age 18 qualified for a benefit or $250 if such child was receiving benefits. In addition, if death occurred after termination of employment, the survivors annuity could not exceed 80 percent of the annuity earned by the participant or retiree. The minimum monthly survivors annuity to each beneficiary was $30, but this was subject to the maximum set forth above.

The 1969 legislation increased the maximum survivors annuity from $200 to $250 for one survivor and $250 to $350 for two or more survivors.

The 1971 amendments provided that the minimum survivors annuity shall be 50 percent of the base retirement annuity of a retiree, not including the automatic annual increase, or 50 percent of the retirement annuity which would have been payable at age 60 to an employee based upon his service and earnings record on the date of death. The amendment specified that if this minimum should exceed the dollar maximum, the minimum would prevail. For example, if a retiree was receiving a monthly retirement annuity of $1,000 the survivors annuity would be $500, even though the dollar maximum for a widow was only $250.

The 1971 legislation also provided for adjustment of the survivors annuity by the State Universities Retirement System, if the combined survivors annuities under systems covered by the Retirement Systems Reciprocal Law exceeds the highest maximum provided by the systems in which the employee has credits. This change was necessary because a similar provision was deleted from the Reciprocal Law.

The State Universities Retirement System law provides that the survivors annuity shall not be more than 80 percent nor less than 50 percent of the retirement annuity. The 1973 legislation provided that in determining the amount of the survivors annuity under these limitations, the retirement annuity shall include that amount calculated under the alternative formula of the Retirement Systems Reciprocal Law. This change guaranteed that the combined survivors benefits from all systems in which a person has credits would be 50 percent of the retirement annuity which is calculated on the basis of the combined credits.

The 1975 legislation provided that the new minimum annuity under Rule 4 could be considered in determining the minimum and maximum survivors annuity.

In 1975, the maximum monthly survivors annuity was changed from $250 to $300 for one survivor and from $350 to $500 for two or more survivors. However, this change did not affect the minimum which continued to be 50% of the monthly retirement annuity which was payable to the retiree at retirement, or which would have been payable to a participant on or after age 60 based upon his service and earnings record at the time of his death. Thus, if a participant had earned a monthly retirement annuity of $1,200, the monthly survivors annuity would be $600, even though this was in excess of the dollar maximums provided by the 1975 legislation.

Survivors Insurance Benefits - Dependency Conditions (Sec. 15-147)

The 1973 legislation extended survivors insurance protection to illegitimate children of a participant.

Survivors Insurance Benefits - General Provisions (Sec. 15-148)

The 1965 legislation provided that a personal representative of the estate of a deceased or incompetent survivors insurance beneficiary could elect to waive the survivors insurance benefits and elect to receive the death benefit.

Determination of Family Status (Sec. 15-149)

Section 5.5-2 was added to the State Universities Retirement System law in 1959. That section provided as follows:

> "In determining whether a benefit applicant under this Act is the widow, widower, child, or parent of a participant or annuitant, the board is directed to apply such law as would be applied in determining the devolution of intestate property by the courts of this State."

Section 5.5-2 was incorporated as Section 15-149 of the "Illinois Pension Code" in 1963.

Disability Benefits (Sec. 15-150, 15-151, 15-152 and 15-153)

Section 5.3 of the 1941 law covering disability benefits provided as follows:

"Any Participating Employee who, because of mental or physicial disability arising from any cause, becomes unable to perform the duties of any assigned position the Earnings of which would be at least equal to the Disability Benefit payable hereunder, for any period exceeding sixty (60) days shall be entitled to Disability Benefits; provided that in the case of an Employee of an Employer other than the State Scientific Surveys disability occurs on or after March 1, 1942 and in the case of an Employee of the State Scientific Surveys disability occurs on or after September 1, 1943.

"Disability Benefits shall begin to accrue on the sixty-first (61st) day following the date upon which disability was incurred, unless a written application therefor is not received by the Board within thirty (30) days of such accrual date in which event benefits shall begin to accrue on the date thirty (30) days prior to the receipt of such application.

"Disability Benefits shall continue until (a) disability ceases, (b) Earnings in excess of the payments of Disability again become payable, (c) refusal of the disabled Employee to submit to a reasonable physical examination by any physician approved by the Board, (d) refusal of the disabled Employee to accept any position, assigned in good faith by an Employer, the duties of which could reasonably be performed by the Employee and the Earnings of which would be at least equal to the Disability Benefit payable hereunder, (e) attainment of the age at which the Employee would immediately be entitled upon termination of employment to a Retirement Annuity of at least fifty percent (50%) of the rate of Earnings upon which the disability benefit is based, or (f) the total amount of Disability Benefits paid to any disabled Employee shall equal fifty (50) percent of the total Earnings of such disabled Employee during the period of service credited under this System at the time.

"A Participating Employee shall be considered disabled only during the period for which the Board shall have received (a) a written certificate by at least two (2) licensed and practicing physicians appointed by the Board indicating that the Employee is disabled and unable to reasonably perform the duties of the position assigned to such Employee by the Employer and (b) a written certificate by the Employer that such Employee is in the employment of the Employer, and will be returned to active duty if and when the disability ceases, that such Employee is disabled and as a consequence is unable to perform the duties of any assigned position the Earnings of which are in excess of the Disability Benefits payable hereunder, and that the disability is not a result of a mental or physical condition of the Employee existing at the first date of participation of such Employee in this System.

"The amount of any Disability Benefit shall be fifty percent (50%) of the Earnings which would have been paid to the Employee had such Employee continued in Service for the entire period during which Disability Benefits are payable upon the assumption that the rate of Earnings during this entire period is equal to the rate of Earnings of the Employee at the time disability occurred; provided that in no event shall such amount exceed the amount which would have been paid had the rate of payment been the maximum amount fixed for retirement applicable to the position held by such Employee in any retirement plan in operation by any Employer at the time of approval of this Act; and provided that if any Earnings, any Workmen's Compensation payments, or any Salary for service currently performed for the State or any agency, thereof are received by the Employee during any period for which such Disability Benefits are payable, the amount payable by this System shall be reduced by the amount of such Earnings, Workmen's Compensation or Salary payments.

"All Disability Benefits shall be paid once a month as of the end of each calendar month during which such payments accrue. Payments for fractional parts of a month shall be determined by prorating the total amount payable for the full month on the basis of days elapsing during such month.

"In addition to the Disability Benefits payable to any disabled Employee, an additional amount equal to the excess of the Normal Contributions which would have been made by such Employee during the period for which disability benefits are payable, on the basis of the rate of Earnings at the time disability occurred, over the actual Normal Contributions made by such Employee, if any, during such period, shall be credited to the account of such Employee as though such amount were a Normal Contribution of the Employee for such period."

Disability Benefits - Eligibility (Sec. 15-150)

The 1941 law permitted payment of disability benefits only if the disability was not the result of a mental or physical condition which existed on the date that participation began. Medical reports were required from at least 2 licensed and practicing physicians appointed by the Retirement Board, and the employer was required to certify that the employee was disabled and would be returned to duty if and when disability ceased.

The 1945 amendments removed obsolete language which prohibited payment of disability benefits unless disability occurred after March 1, 1942 (September 1, 1943 for employees of the State Scientific Surveys).

In 1949, the law was changed to permit payment of disability benefits five or more years after participation began, even though the disability may have been the result of a mental or physical condition which existed on that date. It was difficult, if not impossible, for physicians to determine whether disability was the result of some mental or physical condition which existed more than five years prior to the date disability occurred. Consequently, it was unfair to the employee to limit his disability benefit protection indefinitely because of a condition which may have existed at the time his employment began. This provision was changed in 1951 to require that a person be a participating employee for at least five years prior to the date disability occurred in order to eliminate the limitation covering pre-existing conditions. This change was recommended to prevent a short-term employee from returning to employment after five years and qualifying for disability protection immediately.

The 1953 amendments excluded pregnancy as a disability.

The 1953 legislation also provided that the recurrence within 30 days of a former disability would be treated as a continuation of that disability, so an additional 60-day waiting period would not be required.

In 1955 the law was revised in order to make it clear that a person must be a participating employee rather than just a participant in order to qualify for disability benefit protection.

The 1955 amendments excluded childbirth as a disability. Pregnancy was previously excluded as a disability in 1953.

The 1955 amendments authorized the Retirement Board to waive the 30-day period for filing of the application for disability benefit, if the Board finds good cause for the failure to meet this requirement.

The 1955 legislation eliminated the requirement that the employer certify that the disabled employee will be returned to active duty, if and when disability ceases. Return to employment at the expiration of the disability is a personnel matter which should be determined by Civil Service laws and tenure regulations rather than the retirement law.

In 1955 the pre-existing medical defect provision was revised. Eligibility for benefits for those participants who had less than 5 years of service would be based upon the medical examination which was given at the time of employment or at the time participation in the System began, whichever is earlier. This change was recommended in order to eliminate the need for duplicate medical examinations for those who elect to defer participation for one year after employment began.

The 1959 law eliminated disability benefit protection for any employee who became a participant after attainment of age 58, if he was certified as a participant on or after July 1, 1959. Any participant over age 58, who became a participant before July 1, 1959, continued to receive disability benefit protection. The purpose of the amendment was to encourage the employers to hire older employees without placing an unreasonable liability on the Retirement System.

The 1959 legislation substituted a 2 year waiting period to qualify for disability benefits in lieu of the 5-year pre-existing medical defect clause. In the future, no disability benefits could be paid during the first 2 years of participation unless the disability was the result of an accident. After 2 years disability benefits would be payable regardless whether disability was the result of a pre-existing defect. This change made it unnecessary for employers to give medical examinations for retirement purposes. However, the employers continued to give medical examinations to determine employability.

The 1959 amendments clarified the 30-day disability recurrence provision. The change made it clear that the person must be disabled from the same cause to eliminate the 60-day waiting period. In addition, the law specified that the disability benefit in recurrence cases would be based upon the salary in effect at the time the participant first became disabled and subsequent salary adjustments could not be considered.

The 1959 amendments provided that service and earnings credits under the State Universities Retirement System, State Employees Retirement System and State Teachers Retirement System must be considered in determining eligibility for disability benefits and length of time that such benefits could be paid, provided the person was a contributory member of one of these Systems on July 11, 1955. This change was to be applicable only if and when similar provisions are incorporated in the laws governing the State Employees Retirement System and State Teachers Retirement System. In 1961, this reciprocity for disability benefit purposes became effective with the State Employees Retirement System, because the law governing that System was amended to include a similar provision.

In 1963, Section 5.3 was incorporated as Section 15-150, 15-151, 15-152 and 15-153 of the "Illinois Pension Code".

The 1965 legislation restored reciprocity for disability benefit purposes among the State Employees Retirement System, State Universities Retirement System and State Teachers Retirement System. Similar legislation was approved for the State Universities Retirement System in 1959 but did not become effective until the State Teachers Retirement System adopted similar legislation in 1965.

The 1965 amendments permitted credits of an involuntary transferee in another retirement system to be considered in determining eligibility for disability benefits and length of time that such benefits could be paid. A person was an involuntary transferee if he was transferred to the State Universities Retirement System because of a transfer of a governmental function from the State or other governmental unit to an employer covered by the State Universities Retirement System.

The 1967 legislation deleted the provision that no disability benefits could be paid if the person became a participant after attainment of age 58.

The 1973 amendments deleted the provision that pregnancy and childbirth could not be considered as a disability. This change was necessary because the United States Civil Rights Commission had ruled that this type of exclusion was discriminatory against female employees and thus a violation of the Federal Civil Rights Law.

The 1975 changes provided that pregnancy and childbirth shall be considered a disability only during the period beginning 60 days prior to the date of delivery and ending 60 days after that date.

Disability Benefits - Commencement (Sec. 15-151)

Disability benefits began on the 61st day of disability under the provisions of the 1941 law.

The 1953 legislation provided that recurrence within 30 days of a former disability would be treated as a continuation of that disability; hence, an additional 60-day period to qualify for benefits was not required.

The 1953 amendments also provided that disability benefits could not begin until after salary and sick leave payments expired. This was implied under the prior law because the benefits ceased when salary payments exceeded the disability benefit.

In 1963, Section 5.3 was incorporated in Sections 15-150, 15-151, 15-152 and 15-153 of the "Illinois Pension Code".

Disability Benefits - Duration (Sec. 15-152)

The 1941 law provided that disability benefits shall continue until the total benefit received by the employee amounted to 50 percent of the total earnings credited to the employee for service covered by the Retirement System, but the payments were to be discontinued when the employee was entitled to a retirement annuity at least equal to the disability benefit. The benefit would also be discontinued, if the employee refused to accept a position, the duties of which could reasonably be performed by the employee and the earnings of which would be at least equal to the disability benefit.

The 1949 legislation provided that disability benefits would cease if earnings from any source were at least equal to the disability benefit. Under prior law, there was an offset against the disability benefit of earnings received from the State but not for compensation received from other sources.

The 1951 amendments provided that disability benefits could be paid until the participant reaches his 68th birthday, even though his retirement annuity would exceed the disability benefit before that age. Under prior law, a participant with a temporary disability might be forced to retire at age 60 or forego any income, because disability benefits could not be paid after the date on which his retirement annuity would be equal to the disability benefit.

The 1953 legislation provided that disability benefits could be paid until September 1 following the 68th birthday of the employee which coincided with the compulsory retirement date. An exception was made for those employees who had already attained age 68 before September 1, 1953. They would be allowed to continue to receive disability benefits beyond the compulsory retirement age until the retirement annuity was equal to the disability benefit.

The 1955 legislation provided that disability benefits would be discontinued when compensation in excess of the disability is earned. The prior law provided that the benefits would cease when compensation in excess of the benefit became payable.

The 1955 amendments deleted the requirement that only earnings during service for which current and supplemental credits has been granted could be considered in determining the length of time that benefits could be paid. This change was made because a participant was required to contribute for at least 3 years before he was eligible to receive supplemental service credit.

The 1959 legislation deleted the provision that disability benefits would cease if the participant earns in excess of the disability benefit. The change provided that the disability benefit would be reduced by the excess of the earnings over the monthly benefit. Thus, a person could earn in excess of the disability benefit but if he did, his disability benefit would be adjusted so that the combination of the earnings and reduced benefit would be equal to the rate of salary on which the disability was based.

The 1959 amendments provided that if a person was a contributing member of the State Employees Retirement System, State Universities Retirement System or State Teachers Retirement System on July 11, 1955, his service and earnings credits under all systems would be considered in determining eligibility for disability benefits and length of time that disability benefits could be paid. This change was to be effective only if similar provisions are incorporated in the laws governing the State Employees Retirement System and State Teachers Retirement System.

In 1963, Section 5.3 was incorporated in Sections 15-150, 15-151, 15-152 and 15-153 of the "Illinois Pension Code".

The 1965 amendments provided that earnings would be considered in determining length of time that benefits would be paid only if the person had received credit for the earnings before disability occurred. This change prevents a person from extending the duration of his disability benefits by purchasing credit or repaying a refund after disability occurs. This amendment would encourage participants to purchase additional credit early rather than defer payment until shortly before retirement.

In 1965, legislation was approved which restored reciprocity for disability benefit purposes among the State Employees Retirement System, State Teachers Retirement System and State Universities Retirement System. Similar legislation was approved by the State Universities Retirement System in 1959 but did not become effective until the State Teachers Retirement System law was amended in 1965.

The 1965 amendments permitted the System to consider credits of an involuntary transferee in another retirement system in determining length of time that disability benefits could be paid. An involuntary transferee is one who was transferred to the State Universities Retirement System because of transfer of a governmental function from the State or other governmental unit to an employer covered by the State Universities Retirement System.

In 1967, the definition of involuntary transferee was changed. Under the revision, a person would be considered an involuntary transferee, if he transferred employment to the new employer within six months after a governmental function had been transferred to the employer. This amendment was proposed because some administrators of the Chicago City College did not transfer from the Chicago Board of Education payroll until a few months after the College received Class I Junior College status. The involuntary transferee status allows the employee to have his combined credits in both retirement systems considered in determining eligibility for disability benefits and length of time that benefits could be paid.

The 1973 legislation provided that if disability is caused by an on-the-job accident and workmen's compensation is payable, disability benefits continue until the participant reaches age 65, regardless of the length of service and earnings credited to his account. This amendment was designed to protect the policemen and firemen as well as others engaged in hazardous occupations.

Disability Benefits - Amount (Sec. 15-153)

Under the 1941 law, the disability benefit was 50 percent of the salary rate, but the benefit could not exceed $3,000 for general participants, $4,000 for administrative officers or $6,000 for presidents. The $3,000 maximum was subject to increases of $100 per year for 10 years until it reached the $4,000 level for administrative officers. The disability benefit was subject to offset by any workmens compensation payments or salary received from the State. There was no provision for offset of salary received from other sources.

In addition to the 50 percent disability benefit, the 1941 law required that the Retirement System credit the employee's account with the employee contributions which he would have paid to the System, if he had continued to earn the salary on which his benefit was based.

The 1945 amendments clarified the word "earnings" by limiting this to compensation paid during periods of service for which current and supplemental credit has been granted. This change excluded compensation paid to an employee for temporary or other employment when he was not a contributing member of the Retirement System. The 1945 amendments also provided that earnings for service prior to September 1, 1941 would be based upon the average earnings during the last three fiscal years.

In 1945, the System was authorized to pay accrued disability benefits of a deceased participant to his named beneficiary. Under prior law the payment could be made only to the executor or administrator of the participant's estate unless a small estates affidavit was filed with the System.

The 1949 amendments provided that the full disability benefit would be payable as long as earnings from any source did not exceed the disability benefit but the benefit would cease if such earnings exceeded the benefit. Under prior law, there was an offset against the disability benefit of earnings received from State employment but no offset for earnings received from other sources such as private employment or Federal employment.

The 1949 legislation permitted payment of the disability benefit to the named beneficiary, if the disability was the result of mental illness and the participant was unable to manage his financial affairs. This change was recommended in order to avoid the expense and delay in appointment of a conservator by the courts.

The 1953 legislation clarified the definition of earnings for disability purposes. The disability benefit must be based upon the regular monthly earnings, not including wages or salary increases subsequent to the date of disability or extra prospective earnings on a summer teaching contract not yet entered upon. If a participant was on leave of absence when disability occurred, his disability benefit would be based upon the salary rate immediately preceding the leave.

In 1953, the maximum disability benefit was increased to the same maximum that was applicable to retirement annuities; namely, $4,500 ($6,000 to presidents who were in office prior to July 1, 1953).

The 1953 legislation clarified the provision covering workmen's compensation offset. It extended the offset to include the amount of the workmen's compensation claim as well as to actual payments received by the employee and included workmen's compensation benefits under Federal as well as State law. This change was made because a University of Illinois faculty member was killed in an accident while performing work for the Federal government, and he elected to receive benefits under the Federal workmen's compensation law.

The 1955 revisions simplified the language covering maximum disability benefits. The new law incorporated the same maximums which were applicable to retirement annuities under Section 5.1 of the retirement law. This was not a substantive change.

In 1955, the workmen's compensation offset clause was clarified. The language was revised to include payments received under occupational disease acts.

The 1955 legislation specified that workmen's compensation benefits would be offset only if it was paid for loss of time. Under prior law, there was some question as to whether the System must offset for workmen's compensation reimbursement covering hospital and medical bills. In addition, payment for loss of a bodily member was essentially reimbursement for loss of future earnings power which should not be offset against the Retirement System disability benefits.

The 1959 legislation deleted the provision that the disability benefits would cease if the participant received earnings in excess of the disability. The new provision permitted a disabled employee to earn more than the disability benefit, but if he did so the excess earnings would be offset against the disability benefit. Thus, the combination of the earnings and reduced disability benefit could be equal to the salary on which the disability benefit was based.

The 1959 amendments provided that the disability benefit of a person on leave of absence would be based upon the rate of salary on the date the leave began instead of the rate immediately preceding the leave. This coincided with the amendment which required that contributions during the leave be based upon the rate of salary on the date the leave began.

The 1959 legislation also provided that a person on lay-off status for up to 100 days would be eligible for disability benefit protection with the amount of the benefit to be based upon the salary rate immediately preceding the layoff.

The 1959 changes provided that the maximum disability benefit would be that which was in effect on the date disability occurred. This change was necessary because the maximum retirement annuity in Section 5.1, which also determined the maximum disability benefits, was deleted from the statute. The language was needed to prevent increase in disability benefits to those who were already on the disability rolls.

The workmen's compensation section was expanded extensively in 1959 by setting specific standards and guidelines for determining how and when workmen's compensation benefits were to be offset against disability benefits.

In 1959, the language covering payment of disability benefits to the beneficiary in the event of mental illness of the employee, was transferred to a new Section 6.10 dealing with payment of all types of benefits to mentally incompetent persons.

The 1959 amendments deleted the provision that normal contributions would be credited to the account of the disabled employee during the period that he received disability benefits. This credit was no longer necessary because the money-purchase retirement formula was eliminated and contributions credited during disability were no longer refundable upon termination of employment.

In 1963, Section 5.3 was incorporated in Sections 15-150, 15-151, 15-152 and 15-153 of the "Illinois Pension Code".

The 1963 amendments provided that the disability benefit would be the greater of 50 percent of the basic compensation on the date disability occurred or 50 percent of the average earnings during the 24 months immediately preceding the month in which disability occurred. If the basic compensation was used in determining disability benefits, the benefit would be paid over the same period that salary payments would have been made. For example, a person who received salary over 9 months would receive disability benefits for 9 months. If the disability benefit was based upon average earnings during the 24 months preceding the month in which disability occurred, the disability benefit would be paid over a period of 12 months.

The 1971 legislation provided that workmen's compensation payments for permanent and complete loss of use of a bodily member would not be offset against the disability benefit. Under prior law, amputation of a bodily member was required to prevent offset of the workmen's compensation payments against the disability benefit.

The 1973 amendments required offset of disability income insurance against the Retirement System disability benefits, if premiums were fully or partially paid by the employer. This change was necessary because some community colleges had purchased disability income insurance, which when added to the Retirement System disability benefit, provided the employee with total income which exceeded his salary.

Refunds (Sec. 15-154)

Section 5.6 of the 1941 law provided as follows:

"Any participant whose employment with all employers has been terminated, regardless of cause, shall be entitled to a separation benefit upon application therefor, provided that on the date such application is received by the board, such participant (a) would not immediately be entitled upon application to a retirement annuity hereunder, and (b) is not then receiving or is entitled to receive any salary for personal services currently performed for the State or any agency thereof.

"The amount of any separation benefit shall be the sum of the accumulated normal contributions and the accumulated additional contributions credited to the employee on the date employment is terminated.

"Upon acceptance of a separation benefit, all existing accumulated normal contributions, accumulated additional contributions and accumulated supplemental credits of the participant shall be terminated and such credits shall not be reinstated upon subsequent participation of such participant in this system, or for any other cause."

The 1941 law provided for refund of all employee contributions including interest to the date of termination of employment, provided the employee was not eligible for a retirement annuity.

The 1949 amendments permitted a participant to reinstate credits forfeited by acceptance of a refund, if he later returns to employment covered by the System and contributes for at least three years. In order to reinstate his credits he would be required to repay the amount of the refund plus interest at the prescribed rate.

The 1951 amendments permitted payment of a refund, provided the participant was not a contributing member of the State Universities Retirement System, State Employees Retirement System or the State Teachers Retirement System. Under prior law no refund could be paid, if a person was receiving salary as defined by the retirement law even though he was not eligible to participate in the State Universities Retirement System on the basis of such salary.

The 1953 amendments permitted a person over age 60 to receive a refund if his monthly retirement annuity would be $30 or less. Under prior law, he could not receive a refund if the monthly annuity would be at least $10. Anyone under age 60 could withdraw regardless of the amount of the monthly annuity, because he was not entitled immediately to an annuity. Certification of the employer was required for retirement between ages 55 and 60.

The 1953 amendments deleted the provision that a participant could not receive a refund if he was a contributing member of the State Employees Retirement System or the State Teachers Retirement System.

The 1953 legislation deleted normal contributions credited by the State during disability from the amount of the refund. This was essentially an employer contribution rather than employee contributions, and was provided by the 1941 law only because it was necessary under the money-purchase formula to prevent reduction in retirement benefits.

The 1955 amendments provided for payment of refund when status as an "employee" terminated rather than upon termination of employment. This change was necessary in order to allow payment of a refund to a participant who transferred to part-time temporary employment or other type of employment which was not eligible for coverage under the System.

The 1955 legislation provided that a participant could not receive a refund if, on the date his status as an employee terminated, he was eligible to receive a monthly retirement annuity of at least $30. Under prior law, this eligibility was determined as of the date the application for refund was received instead of the date employee status terminated.

The 1955 changes also provided that interest shall be paid to the date "employee" status terminated rather than the date of termination of employment in order to make this provision consistent with similar clarifying changes in other provisions of the law.

The 1955 amendments also contained clarifying language regarding forfeiture of rights upon acceptance of a refund. The new law specified that all credits were forfeited. The prior law listed the type of credits which were forfeited but included all types.

In 1959, the title of the section was changed from separation benefit to refund of contributions. The change was recommended, because the prior terminology erroneously implied that the refund included more than just the employee's contributions and interest credits.

The 1959 legislation prohibited payment of a refund to a person on layoff or leave of absence status.

The 1959 amendments specified that the refund shall include the survivors insurance contributions but no interest on such contributions.

The 1959 legislation also clarified the status of a person who withdraws from the System and is later reemployed. He is considered a new employee for all purposes and subject to all qualifying conditions covering participation and eligibility for benefits.

In 1959, the years of subsequent contributing service required to qualify for reinstatement of credits forfeited by refund was reduced from three to two.

The 1959 amendments also provided that if a participant did not have a survivors insurance beneficiary at retirement, he would be entitled to a refund of the survivors insurance contributions but no interest on these contributions.

The 1961 law provided that interest shall also be paid on survivors insurance contributions as well as the normal employee contributions.

The 1961 legislation permitted a person to receive a refund of additional contributions credited to his account at the end of each fiscal year. This revision was necessary to allow annual refund of the excess survivors insurance contributions. Under the initial survivors insurance program in 1959, the additional one percent survivors insurance contribution was discontinued when the deductions during the calendar year amounted to $80. This was an administrative inconvenience for the university business offices. In 1961, the law was revised to require that the one percent be deducted from total earnings but the participant could receive a refund each year of the total deductions in excess of $80.

In 1963, Section 5.6 was incorporated in the "Illinois Pension Code" as Section 15-154.

The 1967 legislation provided that the interest to be paid upon reinstatement of credits forfeited by refund must be based upon the rate in effect on the date payment is made rather than the various rates which were applicable during the intervening period.

The 1969 amendments permitted a participant to accept a lump sum refund regardless of age or length of service at date of termination of employment. Under prior law, a refund could not be paid if the participant was eligible to receive a monthly annuity of at least $30.

The 1971 legislation provided that interest shall be paid to the date the refund is processed rather than the date employment is terminated. The language in this section was also changed in 1971 to make it clear that a participant could not receive a refund each year of those additional contributions which consisted of the 1/2 of 1 percent contribution which was paid by the employee to cover the automatic annual increase in the retirement annuity.

The 1973 amendments permitted reinstatement of credits, if a participant had contributed to the Federal Civil Service System for at least two years after receiving a refund from the State Universities Retirement System. The purpose of this change was to allow cooperative extension personnel who participate in the Federal Retirement System to return to the State Universities Retirement System and receive combined retirement benefits at least equal to that which would have been paid had they remained under the State Universities Retirement System.

The 1973 changes also permitted waiver of service credits with refund of employee contributions without interest covering the period for which service credit was waived.

Maximum Benefits (Sec. 15-154.1)

Section 15-154.1 was added to the "Illinois Pension Code" in 1963. The purpose of this section was to adjust the benefits of employees of the University of Illinois Alumni Association, Athletic Association and Foundation, so that the combination of benefits under the State Universities Retirement System and other pension plans covering employees of these units would not be greater than that which would have been payable if they had contributed to the State Universities Retirement System during the entire period of employment.

Employer Contributions (Sec. 15-155)

Section 4.1 of the 1941 law covering employer contributions, provided as follows:

"It is the intention of this Act that the State of Illinois will make contributions to this system by means of biennial appropriations of the amounts which together with the other contributions of employers out of trust, federal and other funds under their control, the contributions of the participating employees, income from investments and other income of this system will be necessary to meet the costs of maintaining and administering this system in accordance with the provisions hereof:

"(1) The total amount of the employers contribution for any fiscal year shall be the sum of the amounts estimated to be required, on the basis of the actuarial tables adopted by the board and the prescribed rate of interest to meet the supplemental annuities, disability benefits, additional death benefits and expenses of administration expected to be paid during the year and to result in the accumulation of assets at the end of the year equal to the sum of the following: (a) the liability for all normal, current, additional, reversionary and beneficiary annuities expected to be paid to the then annuitants, (b) the liability for all accumulated additional and normal contributions of the then participants, (c) the single premium reserve required for all current annuities which have then accrued because of previous earnings of the then participants, (d) additional reserves which may reasonably be required because of variations in mortality, interest and turnover experience, (e) an amount estimated to be necessary to meet the payments of supplemental annuities, current annuities, disability benefits, additional death benefits, and benefits in lieu thereof, and expenses for the succeeding year.

"(2) The total employer contribution shall be apportioned among the various funds of the State and other employers, whether trust, federal or other funds, in accordance with actuarial procedures approved by the board.

"(3) Notwithstanding any of the foregoing provisions, the amount of contributions from employers from funds other than trust and federal funds for any year shall not exceed an amount necessary to meet all payments of benefits payable during the year, and to make the assets of the system at the end of the year equal to the sum of the accumulated normal and additional contributions and the single premium reserve required for normal and additional annuities or benefits in lieu thereof, the liabilities arising out of employer contributions from trust and federal funds, and the amounts provided for in (d) and (e) of paragraph (1) hereof."

The 1941 law, as initially introduced, would have authorized full funding of the State Universities Retirement System; however, at the insistence of the Director of Finance, a qualifying paragraph was added which limited employer contributions from State funds to an amount sufficient to cover payment of benefits and expenses for the current year and to accumulate reserves to cover benefits and expenses for one year following the end of the biennium.

The 1949 amendments added service annuities to the list of benefits for which State appropriations would be required. This was a clarifying change.

The 1953 amendments added benefits payable under the State Retirement Systems Reciprocal Law to the list of benefits for which State appropriations would be made.

The 1953 legislation also directed that the appropriations from State funds be sufficient to meet the benefit payments and expenses for the current year and to accumulate a reserve sufficient to cover benefit payments for the following <u>two</u> years.

The language of Section 4.1 was clarified in 1955. The reference to specific types of annuities such as normal, supplemental, current and service was deleted and replaced by general language which covered the employer's share of all benefits.

The 1959 amendments included survivors insurance payments as a benefit for which employer contributions were to be received.

In 1963, Section 4.1 was incorporated as Section 15-155 of the "Illinois Pension Code".

The 1967 legislation provided that the State appropriations shall be at least equal to the normal or current service cost plus interest on the unfunded accrued liabilities. This amendment was designed to stabilize the deficit at the 1967 level of $143.6 million. This change was coupled with a revision which provided that contributions for Class I junior colleges would be payable from State appropriations and that the junior colleges would be reimbursed for employer contributions made prior to the effective date of this 1967 legislation.

The 1967 amendments also made it clear that funds of the university alumni associations, athletic associations and foundations must be considered as trust funds and employer contributions must be submitted on earnings paid from these funds.

Obligations of State (Sec. 15-156)

Section 7.3 of the 1941 law provided as follows:

> "It is the intention that the payment of (a) the required State contributions, (b) all benefits granted under the provisions of this system and (c) all expenses in connection with the administration and operation thereof are made obligations of the State of Illinois to the extent specified in the provisions of this Act."

In 1963, Section 7.3 of the 1941 law was incorporated as Section 15-156 of the "Illinois Pension Code".

Employee Contributions (Sec. 15-157)

Section 4.2 of the 1941 law, covering employee contributions, provided as follows:

> "Each participating employee shall make normal contributions to this system of three and one-half percent (3 1/2%) of

each payment of earnings applicable to employment on and after September 1, 1941.

"Subject to such conditions and limitations as may be determined by rules prescribed by the board, any participating employee may make additional contributions of such percentages of earnings as such employee shall elect in a written notice thereof received by the board."

The 1941 law required employee contributions of 3 1/2 percent of earnings. Additional contributions were allowed by board rule only during leave of absence without pay.

The 1945 legislation deleted reference to September 1, 1941, which was obsolete.

In 1949, the employee contribution rate was increased from 3 1/2 percent to 5 percent.

The 1951 legislation provided that contributions made after the date on which the employee qualified for the maximum retirement annuity would be considered as additional contributions.

The 1953 legislation allowed payment of contributions for prior <u>full-time</u> employment with an employer covered by the State Universities Retirement System.

The 1953 legislation also required payment of employee contributions during leave without pay except a military leave in order to receive service credit and protection during the leave. The maximum number of years for which leave contributions could be made was three years during any period of ten years.

The 1953 amendments made it clear that the board could determine whether it would accept additional contributions. The 1941 law appeared to give the participant the right to make additional contributions, but the board could determine the conditions and limitations under which the contributions could be made.

In 1955, the employee contribution was increased from 5 percent to 6 percent beginning September 1, 1955.

The 1955 amendments provided that a participant must be employed full-time immediately prior to becoming a participant in order to purchase credit for the prior employment. This change was necessary to make this section consistent with a similar provision in the section defining service.

The 1955 legislation also provided that if a participant purchases credit for prior employment, he shall be considered a participating employee during that period for all purposes, except in determining eligibility for disability benefits covering a disability which was incurred during the prior employment.

In 1959, the heading of the section was changed to "employee normal and additional contributions". The previous heading was "employee contributions".

The 1959 amendments deleted the word "immediately" from Section 4.2, paragraph (2) in order that credit may be purchased for any prior full-time employment with an employer. This change allowed purchase of credit even though there may have been a break in service prior to the date participation began.

The 1959 legislation clarified the provision covering contributions during leave of absence without pay. It included disability leave as well as military leave as leaves for which contributions could not be paid. It was not necessary for disabled persons to pay contributions during disability leave because they were fully protected for all benefits under other sections of the law.

The 1959 amendments provided that employee contributions during leave must be based upon the salary rate in effect on the date the leave begins rather than the rate immediately preceding the leave. Thus, any salary adjustment which becomes effective on or before the date the leave begins will be considered in determining employee contributions and benefits.

The 1961 legislation tied payment of contributions for prior employment to the definition of service in Section 2.11. This was a clarifying change.

The 1961 amendments added language which permitted payment covering prior full-time employment for an employer not covered by the State Universities Retirement System, provided the employer subsequently became covered by the System.

The 1961 legislation also required payment of survivors insurance and employer contributions in addition to employee normal contributions to qualify for service based upon prior full-time employment with an employer.

In 1961, an involuntary transferee from the State Employees Retirement System was permitted to receive a refund from the State Employees Retirement System and receive credit in the State Universities Retirement System by paying to this System, the amount of the refund plus interest.

In 1963, Section 4.2 was incorporated as Section 15-157 of the "Illinois Pension Code".

The 1965 legislation provided for refund of contributions based upon service in excess of that which was required to receive the maximum retirement annuity. The refund would depend upon the amount of excess service. For example, if 36 years of service was required to reach the maximum retirement annuity of 70 percent and the retiree had 40 years of service, he would receive a refund of 4/40 or 10 percent of his normal contributions at retirement, including interest.

The 1965 legislation allowed a disabled participant to make contributions during disability leave after his disability benefits expired. The prior law prohibited payment of contributions during disability leave, so there was no way to continue protection during disability leave after disability benefit payments ceased.

The 1965 amendments clarified the status of participants who pay contributions during leave. The legislation provided that a participant who pays contributions during leave without pay shall be considered a participating employee and thus fully protected for all benefits.

The 1965 legislation also required that a participant on leave return to employment at the expiration of the leave in order to receive service credit covering the period of leave. If he fails to return to employment, his contributions covering the leave shall be refunded without interest and the service credit deleted from his record.

The 1965 amendments authorized purchase of up to 10 years of service credit for other public employment in the United States. The cost to purchase this credit was 12 percent of the annual salary rate at the time participation in the State Universities Retirement System began plus interest at the rate of 4 percent compounded annually. The service credit for other public employment could not exceed 2/3 of the credit for Illinois employment, and this credit could not be considered for any purpose other than calculation of the retirement annuity.

The 1967 legislation provided that payment for prior full-time employment with an employer covered by the State Universities Retirement System shall be based upon the interest rate in effect on the date the payment is received, and not upon the various rates which may have been in effect during the intervening period.

The 1967 amendments provided that the payment for other public employment shall not exceed 50 percent of the actuarial value of the additional retirement annuity which is provided by the increase in service credit. This change guaranteed that the cost to the employee for such service would not exceed the employer's share of the cost for this service.

The 1967 legislation provided that the cost to purchase credit for other public employment by an involuntary transferee shall not exceed the amount which he would have paid for this service had he remained in the System from which he transferred. This amendment benefitted those participants who were transferred to the State Universities Retirement System from the State Teachers Retirement System and the Chicago Teachers Retirement Fund when the Community Colleges, Chicago State University and Northeastern Illinois University qualified for coverage under the State Universities Retirement System.

The 1969 amendments increased the employee contribution rate from 7 percent to 8 percent of earnings. Of the total increase of 1 percent, one-half was intended to cover a portion of the cost of the aautomatic annual increase in the retirement annuity of 1 1/2 percent, and one-half was to help finance the cost of the revised retirement annuity formula. That formula provided for a retirement benefit of 1.67 percent of final rate of earnings for each of the first 10 years of service, 1.90 percent for each of the second 10 years, 2.1 percent for each of the third 10 years, and 2.3 percent for each year of service in excess of 30.

The 1969 legislation also provided that the survivors insurance contributions in excess of $120 per year would be considered as additional contributions, and thus refundable each year at the option of the participant. Under prior law, survivors insurance contributions in excess of $80 were considered as additional contributions. The increase in survivors insurance contributions was intended to cover, at least in part, the increase in the maximum monthly survivors annuity from $200 to $250 for one survivor and $250 to $350 for two or more survivors.

The 1969 amendments provided that payment covering prior employment for a covered employer must be based upon the rate of salary on the date participation began rather than actual earnings during the prior employment. This was recommended because of the difficulty which the colleges and universities were experiencing in searching for old payroll records.

The 1971 legislation required that a participant on leave without pay return to employment for at least nine months or a period equal to the leave, whichever is less, if he wished to receive service credit covering the period of leave.

In 1972, the cost to receive credit for each year of other public employment was reduced from 12 percent of beginning annual salary plus interest to 10 percent of this salary plus interest.

The 1973 legislation clarified the language covering payment for prior employment and leaves of absence. Reference was made to employee contributions required by this section rather than normal contributions, because the phrase normal contributions did not include the 1/2 of 1 percent contribution to cover the automatic annual increase.

The 1973 amendments deleted the provision that failure to pay contributions during leave terminated status as an employee. This revision continued death, disability and survivors insurance protection during leave without pay even though the employee did not elect to pay his contributions of 8 percent. He was required to pay the 8 percent contribution only if he wished to receive service credit covering the period of leave.

The 1973 amendments reduced the cost to receive credit for other public employment from 10 percent of beginning annual salary plus 4 percent interest, to 8 percent of that salary plus interest at the prescribed rate which is in effect on the date the payment is made. The prescribed rate of interest was 4 1/2 percent in 1973. This was increased to 5 percent effective September 1, 1974.

The 1975 legislation authorized purchase of credit covering prior employment with a covered employer, provided it was one-half time or more. Under the pre-1975 law, credit could be purchased only if the prior employment was full-time.

Survivors Insurance Contributions (Sec. 15-158)

Section 4.3, covering survivors insurance contributions, was added to the retirement law in 1959. The initial law provided that the survivors insurance contribution shall be 1 percent of earnings beginning August 1, 1959 but shall not exceed $80 during the calendar year. The employers were required to discontinue the 1 percent deduction after these deductions amounted to $80 during the calendar year.

The 1961 legislation provided that the employer shall deduct the 1 percent survivors insurance contributions during the entire year, but that the contributions in excess of $80 during the fiscal year would be considered as additional contributions and thus refundable each year.

In 1963, Section 4.3 was incorporated in the "Illinois Pension Code" as

Section 15-158.

The 1969 legislation provided that survivors insurance contributions in excess of $120 per year would be considered additional contributions. The prior law set a maximum of $80. The increase was intended to cover in part, the increase in the maximum monthly survivors annuity which was approved during the 1969 legislative session.

The 1971 legislation deleted the provision that survivors insurance contributions in excess of $120 would be considered additional contributions. This change was effective September 1, 1971. This revision was designed to cover, at least in part, the 1971 change which provided that the monthly survivors annuity shall be at least 50 percent of the retirement annuity payable to a retiree or 50 percent of the retirement annuity which would have been paid to a participant at age 60 or over based upon his service and earnings credits on the date of his death.

Board of Trustees (Sec. 15-159)

Section 2.2 of the 1941 law provided as follows:

"The Board of Trustees of the University Retirement System, which shall consist of five (5) persons, three (3) of whom shall be members of the Board of Trustees of the University of Illinois, chosen by that Board, one (1) of whom shall be a member of the Normal School Board, chosen by that Board, and one (1) of whom shall be the Director of Registration and Education, ex-officio."

Following are the provisions of Section 6.1 of the 1941 law:

"This system shall be construed to be a public trust, the board as trustee thereunder shall be separate and distinct from all other entities, and such trust shall be maintained for the purpose of securing payment of the benefits to the participants, annuitants and their beneficiaries as prescribed herein.

"This system shall be administered by the Board of Trustees of the University Retirement System constituted as specified in Section 2.2. The board shall be separate and distinct from all other entities and shall be deemed a public corporation of the State of Illinois with power to enter into contracts, accept and make transfers of property, real and personal, to conduct in its corporate name all proceedings at law or in equity which in the judgment of the members of the board may be necessary to protect the interests of the State and of the intended beneficiaries under this Act, and generally to accomplish the objects and purposes thereof.

"Each person whether appointed as a trustee or becoming a trustee ex-officio shall take an oath of office before a Notary Public of the State of Illinois and shall qualify as a trustee upon the presentation to the board of a certified copy of such oath. The oath of office shall state that the person so taking such oath will diligently and honestly administer the affairs of this retirement system, and will not knowingly violate or wilfully permit to be violated any of the provisions of this Act.

"All members of the board shall serve without compensation but shall be reimbursed for any travelling expenses incurred in attending meetings of the board."

In 1951, the number of trustees was increased from 5 to 6 in order to give Southern Illinois University representation on the Board.

In 1951, the name of Normal School Board was changed to Teachers' College Board.

In 1963, Sections 2.2 and 6.1 were incorporated in Section 15-105 and Section 15-159 of the "Illinois Pension Code".

In 1967, the number of trustees was increased from 6 to 8 in order to provide representation on the board for the Board of Regents and the Junior College Board.

In 1967, the name of the Teachers College Board was changed to Board of Governors of State Colleges and Universities.

In 1975, the number of Trustees was increased from 8 to 9. The additional Trustee was to be a participant or annuitant chosen by the Governor for a term of 6 years. The legislation became effective on July 1, 1976 rather than in 1975 because of a technical change in the bill which was not finally approved until December 18, 1975.

Board's Powers and Duties (Sec. 15-160 through 15-177)

Section 6.2 of the 1941 law provided as follows:

"The board shall have, in addition to all other powers and duties arising out of this Act not otherwise specifically reserved or delegated to others, the following specific powers and duties, and is hereby authorized and directed to:

"(a) Hold regular meetings at least quarterly in each year and such special meetings at such times as the President or a majority of the board may deem necessary.

"(b) Consider and pass on all applications for annuities and benefits, authorize the granting of all annuities and benefits, and limit or suspend any payment or payments, all in accordance with the provisions of this Act.

"(c) Certify the prescribed rate of interest, prescribe rules for the determination of the value of maintenance, board, living quarters and personal laundry, and other allowances to employees in lieu of money, and adopt all necessary actuarial tables.

"(d) Submit to the Governor of the State on or before November 1st, of each year prior to each regular session of the Legislature, an estimate of the amount of appropriation required from State funds for the purposes of this system for the following biennium, and certify to the Auditor of Public Accounts or employer as the case may be from time to time by its president and secretary with its seal attached the amounts payable to the Retirement System from the various funds.

"(e) Be the custodian of all cash and securities belonging to the system, invest and reinvest all cash not required to meet current disbursements, in securities in accordance with Sec. 6.8.

"(f) Require such information as shall be necessary for the proper operation of the system from any participant, beneficiary or from any officer, department head or other person or persons in authority, as the case may be, of any employer.

"(g) Elect officers, appoint a secretary and treasurer, have a seal, employ such actuarial, legal, or medical services or corporate trustee organized under the laws of the State of Illinois with a capital of not less than one million dollars ($1,000,000.), or investment counsel and other persons as shall be required for the efficient administration of the system, and determine and fix the rate of pay of such persons or agencies.

"(h) Keep a permanent record of all proceedings of the board which record shall be available for examination by any participant, annuitant or officer of the State of Illinois, a separate account for each individual participant and annuitant, adequate accounting records which shall at all times reflect the financial condition of the system, and such additional data as shall be necessary for required calculations and valuations.

"(i) Receive all payments made to the system, make a record thereof and cause them to be deposited immediately with the treasurer of the system.

"(j) Provide for certification on its behalf by its president and secretary of all warrants upon its treasurer in accordance with actions of the board authorizing payments for benefits, expenses and investments out of funds belonging to this system.

"(k) Cause a general investigation to be made by a competent actuary during the first year of operation of the system, and at least once every three (3) years thereafter, of the retirement, disability, separation, mortality, interest, and employee earnings rates; recommend, as a result of each such investigation, the tables to be adopted for all required actuarial calculations; and cause an annual determination to be made by a competent actuary of the liabilities and reserves of the system and an annual determination of the amount and distribution of the required employer contributions.

"(l) Cause an audit of the affairs of the system to be made annually by an independent certified public accountant, and submit a copy thereof to the Governor of the State as soon as possible after the end of each fiscal year.

"(m) Make available to the participants and annuitants a financial statement including a summary of the report of the certified public accountant, and submit an individual statement indicating the amount of accumulations to the credit, as of the latest date practicable, of any participant so requesting.

"(n) Accept any gift, grant or bequest of any money or securities for the purposes designated by the grantor, if such purpose is specified as providing cash benefits for some or all of the participants or annuitants of the system, or if no such purpose is designated, for the purpose of reducing the cost of the State.

"(o) Establish by-laws, fix the number necessary for a quorum, set up an executive committee of its own members which shall have all the powers of the board except as limited by the board, establish such rules and regulations, not inconsistent with the provisions of the Act, as are deemed necessary and advisable for the efficient administration of the system, and generally carry on any other reasonable activities which are deemed necessary to accomplish the intent of this system in accordance with the provisions of this Act."

The 1953 legislation required that an actuarial investigation be made every three years instead of every five years.

In 1963, all or portions of Sections 6.1, 6.2 and 6.8 were incorporated in Sections 15-160 through 15-177 of the "Illinois Pension Code".

<u>Power to Contract and Act in Corporate Name (Sec. 15-161)</u>

The power of the System to contract and act in its corporate name was contained in Section 6.1 of the 1941 law.

Power to Hold Meetings (Sec. 15-162)

The power of the Board to hold meetings was contained in Section 6.2(a) of the 1941 law.

Power to Consider Applications and Authorize Payments (Sec. 15-163)

The power of the Board to pass on all applications and authorize payments was transferred from Section 6.2(b) of the 1941 law.

Power to Certify Interest Rate, to Set Value of Allowances and to Adopt Actuarial Tables (Sec. 15-164)

This authority to certify the interest rate, set values of allowances and adopt actuarial tables was initially included as Section 6.2(c) of the 1941 law.

Responsibility to Submit Estimates to the Governor (Sec. 15-165)

This responsibility was contained in Section 6.2(d) of the 1941 law.

Duty to be Custodian of Cash and Securities (Sec. 15-166)

This duty was transferred from Section 6.2(e) of the 1941 law.

Power to Invest Money (Sec. 15-167)

The investment authority was contained in Section 6.8 of the 1941 law. That section provided as follows:

> "The cash assets of the System in excess of the amount required for current operations shall be invested and reinvested in the following types of securities:
>
> "(a) Obligations of the United States and obligations

the interest and principal of which are unconditionally guaranteed by the United States.

"(b) Obligations of any state, or of any political subdivision in Illinois, or of any county or city in any other state having a population as shown by last federal census of not less than 30,000 inhabitants provided that such political subdivision is not permitted by law to become indebted in excess of ten (10) percent of the assessed valuation of property therein and has not defaulted for a period longer than thirty (30) days in the payment of interest or principal on any of its general obligations or indebtedness during a period of ten (10) calendar years immediately preceding such investment.

"(c) Notes or bonds, secured by first mortgage or trust deed of real estate in Illinois, whether constituting all or a part of the issue so secured where such issue outstanding and unsubordinated shall not exceed fifty percent of the value of such real estate at the time of purchase of the notes or bonds; provided, however, that where bonds or notes of less than the entire issue are purchased, all of such notes or bonds then outstanding and unsubordinated shall be on a parity one with another and the mortgage or trust deed securing the same shall provide that each owner of any such bond or note, in the event of default, may institute a legal or equitable action to collect upon such bond or note.

"(d) First mortgage bonds of any corporation of any State or other obligations of any such corporation which has no outstanding mortgage liens upon a substantial part of its property, which corporation shall not have defaulted in payment of interest or principal on any of its obligations outstanding in the hands of the public during the period of five years preceding the date of purchase.

"The term "first mortgage bonds" shall include bonds issued in whole or at least fifty percent in part to refund first mortgage bonds eligible for investment hereunder at the time of refunding.

"No investment shall be made in securities specified in paragraphs (c) and (d) of this Section which will make the then total book value of all assets invested in such securities exceed sixty (60) percent of the total book value of all assets of the System at the time, and no investments shall be made in the securities of any corporation engaged primarily in operating real estate.

"Any limitations herein set forth shall be applicable only at the time of purchase and shall not require the liquidation of any investment at any time.

"All investments shall be clearly marked to indicate ownership by the System and to the extent possible shall be registered in the name of the System.

"All investments shall be carried at a book value such that the yield, computed as a uniform interest rate compounded uniform to maturity. No adjustments shall be made in investment valuations for ordinary current market price fluctuations; but reserves may be provided for anticipated losses upon redemption as determined by the Board.

"All additions to assets received as income, interest and dividends from deposits and investments authorized by this Act shall be added to other assets and used to pay benefits in accordance with the provisions of this Act.

"Except as otherwise herein provided, no member or employee of the Board shall have any direct interest in the income, gains or profits of any investments made by the Board, nor shall any such person receive any pay or emolument for services in connection with any investment. No member or employee of the Board shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from the System. Proof that any such person shall have violated any of these restrictions shall make such person guilty of a misdemeanor or larceny as the case may be, and such person shall be punishable therefor as provided by law."

The 1959 legislation removed the restriction that not more than 60 percent of investments can be other than United States Government and state and local government issues.

The 1959 legislation also removed the provision that the System must amortize bond premiums and discounts on the basis of the yield method. This gave the System authority to use the straight line method of amortization.

The 1961 amendments permitted investments in bonds, debentures and other corporate obligations if they are rated A or better by at least 2 national security rating firms.

The 1961 legislation allowed investment of up to 10 percent of the book value of the assets in common and preferred stocks, subject to many conditions and limitations.

The authority to invest in real estate notes and bonds was removed in 1961. The prior authority was of little or no value, because the law limited such investments to 50 percent of the value of the real estate. There was little or no market for 50 percent real estate loans.

The 1961 legislation deleted the requirement that investments shall be registered in the name of the System.

In 1963, Section 6.8 was incorporated as Section 15-167 of the "Illinois Pension Code".

The 1963 legislation authorized investments in the 12 Federal Land Banks and the Inter-American Development Bank.

In 1963, the System was authorized to invest up to 15 percent of the book value of assets in common and preferred stocks. The limit under prior law was 10 percent of the book value.

The 1965 legislation increased the limit on investments in common and preferred stocks from 15 percent to 20 percent of the book value of the assets.

The 1967 amendments eliminated the requirement that direct obligations of the United States Government must be guaranteed. Only the issues of instrumentalities of the United States government need be guaranteed. This was a clarifying change. There was also a clarifying change in the provision which authorized investments in the 12 Federal Land Banks.

The 1967 legislation removed the restriction that corporate bonds and other obligations must be rated A or better. Under the revision, these obligations could be purchased as long as there has been no default by the corporation during the five years immediately preceding the purchase.

The 1967 amendments also authorized investments in Canadian government and province obligations, subject to certain restrictions, FHA mortgage notes and VA guaranteed loans.

The 1967 legislation authorized investments in common stocks if they are recommended by an investment advisor who is qualified under the Federal Investment Advisors Act of 1940 and is registered under the Illinois Securities Law. Under prior law, the recommendation for purchase of stocks could be made only by a bank or trust company.

Transfer of Investment Functions to Illinois State Board of Investments (Sec. 15-167.1)

In 1973, the Board was authorized to transfer its investment responsibilities to the Illinois State Board of Investment and to invest in any commingled investment fund or funds established by the Investment Board. This authority is contained in Section 167.1 of the "Illinois Pension Code".

In 1969, the limit on common stock investments was raised from 20 percent to 30 percent of the book value of the assets of the System.

In 1969, the System was authorized to build an office building at a cost not to exceed $575,000.

The 1971 legislation authorized investments in bank stocks, life insurance stocks and fire and casualty insurance company stocks, subject to certain restrictions and limitations.

The 1971 legislation also allowed the Board to consider mergers and consolidations in determining whether a stock has paid dividends for each of the 10 years preceding the date of purchase and in meeting other restrictions set forth in the law.

The 1971 legislation clarified the provision which authorized the construction of an office building. Under the revision, equipment is not included in determining whether the limit on cost of construction has been exceeded and rental proceeds may be used for operation, maintenance and furnishing of the building. In addition, the restriction which limited lease of space to State departments and agencies was removed.

The 1971 legislation eliminated the provision that all investments shall be marked to clearly indicate ownership by the system. This authorized registration of the securities in the name of a nominee which is the common practice.

In 1973, the limit on common stock investments was increased from 33 1/3 percent to 40 percent of the book value of the assets of the System.

The 1973 legislation deleted the requirement that common stock recommendations be made in writing and authorized common stock purchases upon approval of a majority of the trustees instead of 2/3 as required by prior law.

In 1975, the detailed investment provisions were deleted, and the Trustees were allowed to purchase the investments authorized for the Illinois State Board of Investments. This was not a substantive change because the State Investment Board investment authority was essentially the same as that set forth in Article 15 of the "Illinois Pension Code" which covered the State Universities Retirement System.

Authority to Require Information (Sec. 15-168)

The authority to require information necessary for proper administration of the System was transferred from Section 6.2(f) of the 1941 law.

Responsibility to Elect Officers and Appoint Employees (Sec. 15-169)

The responsibility to elect officers and appoint employees was contained in Section 6.2(g) of the 1941 law.

Legislation in 1975 provided that legal actions by or against the system shall be prosecuted or defended by the Attorney General or by other counsel, as the Board of Trustees decides.

Duty to Maintain Records (Sec. 15-170)

The duty to maintain records was transferred from Section 6.2(h) of the 1941 law.

The 1971 legislation authorized the microfilming of records. The microfilm would be deemed original records for all purposes, including introduction of evidence.

Authority to Receive Payments (Sec. 15-171)

The authority to receive payments was contained in Section 6.2(i) of the

1941 law.

Authority to Certify Warrants (Sec. 15-172)

The authority to certify warrants on the system's treasurer for payment of benefits and expenses was contained in Section 6.2(j) of the 1941 law.

Duty to Cause Actuarial Analyses (Sec. 15-173)

The duty to require actuarial evaluations and investigations was transferred from Section 6.2(k) of the 1941 law.

Duty to have an Audit (Sec. 15-174)

The duty of the Board to have an audit of the System's records conducted was contained in Section 6.2(l) of the 1941 law.

Responsibility to Provide Statements to Participants (Sec. 15-175)

The responsibility to make available financial statements and statements of accounts to participants upon request was transferred from Section 6.2(m) of the 1941 law.

Authority to Accept Gifts (Sec. 15-176)

The authority to accept gifts, grants or bequests was transferred from Section 6.2(n) of the 1941 law.

Authority to Make Rules (Sec. 15-177)

The authority to establish rules and regulations, adopt by-laws, fix the number necessary for a quorum and set up an executive committee was contained in Section 6.2(o) of the 1941 law.

Duties of the State Comptroller (Sec. 15-178)

Section 6.3 of the 1941 law provided as follows:

"The Auditor of Public Accounts in drawing warrants for items of salary on payroll vouchers certified after September 1, 1941, by employers included in this Act shall draw such warrants to participating employees for the amount of salary or wages specified for the period less the employee contribution to be deducted therefrom as set forth in such payroll vouchers and shall draw a warrant for the total of the employee contributions so withheld from the participating employees on each such payroll voucher to this system. In lieu of one warrant for the total of the employee contributions to this system, the Auditor of Public Accounts may draw a separate warrant payable to each employee for the amount of the required contribution of such employee so that each employee will receive the total salary or wages specified in the payroll voucher in two warrants, one for the total salary or wages less the required contribution and one for the amount of the required contribution. All warrants covering contributions to this system, together with the additional copy of the payroll supplied by the employer shall be transmitted immediately to the board.

"The Auditor of Public Accounts of the State of Illinois is authorized and directed to draw warrants upon the State treasurer payable from funds appropriated for the purposes specified in this Act upon the presentation of vouchers approved by the board."

This section was revised in 1959 to include survivors insurance contributions.

In 1963, Section 6.3 was incorporated as Section 15-178 of the "Illinois Pension Code".

In 1971, the name of the State Auditor of Public Accounts was changed to State Comptroller. This change was required under the 1970 Illinois Constitution.

Duties of Director of Finance (Sec. 15-179)

Section 6.4 of the 1941 law set forth the duties of the Director of Finance as follows:

> "The Director of Finance in considering all payroll vouchers which are required under the provisions of "An Act in relation to State Finance" approved June 10, 1919, as amended, to be approved by the Department of Finance before warrants are drawn by the Auditor of Public Accounts shall not approve such payroll vouchers if they are not prepared in accordance with Section 6.6 and shall not withhold approval of any payroll because it is prepared in accordance with Section 6.6."

In 1963, Section 6.4 became Section 15-179 of the "Illinois Pension Code".

Duties of Director of Personnel (Sec. 15-180)

Section 6.5 of the 1941 law provided that the duties of the Civil Service

Commission shall be as follows:

"The Civil Service Commission in considering all payroll vouchers which are required under provisions of "An Act to regulate the Civil Service of the State of Illinois" approved May 11, 1905, as amended, to be approved by the Civil Service Commission before warrants are drawn by the Auditor of Public Accounts shall not approve such payroll vouchers if they are not prepared in accordance with Section 6.6 and shall not withhold approval of any payroll because it is prepared in accordance with Section 6.6."

In 1963, Section 6.5 became Section 15-180 of the "Illinois Pension Code" and Civil Service Commission was changed to Director of Personnel.

Duties of Employers (Sec. 15-181)

Section 6.6 of the 1941 law listed the duties of each employer as follows:

"Each employer is hereby authorized and directed in the preparation of all payroll vouchers covering payments of salary to participating employees for employment on and after September 1, 1941 to indicate in addition to other things, (a) the amount of employee contributions specified in Section 4.2 which are to be deducted from the salary of each participating employee included in each such payroll voucher, (b) the net amount payable to each such employee after the deduction of such contribution, and (c) the total of all employee contributions so deducted. An additional certified copy of each payroll certified by each such employer, shall be prepared and forwarded along with the original payroll to the Director of Finance, Auditor of Public Accounts, or other officer receiving the original certified payroll for transmittal to the board as herein provided.

"Each employer in drawing warrants against trust or federal funds for items of salary on payroll vouchers certified by employers included in this Act after September 1, 1941 shall draw such warrants to participating employees for the amount of salary or wages specified for the period less the employee contribution to be deducted therefrom as set forth in such payroll vouchers and shall draw a warrant for the total of the employee contributions so withheld from the participating employees on each such payroll voucher to this system. The warrant drawn to this system, together with the additional copy of the payroll supplied by the employer shall be transmitted immediately to the board."

In 1959, this section was clarified. Employers were required to deduct employee survivors insurance contributions as well as normal employee contributions.

In 1963, Section 6.6 became Section 15-181 of the "Illinois Pension Code".

<u>Special Trust and Federal Funds (Sec. 15-182)</u>

Section 6.7 of the 1941 law provided as follows:

"Each employer having special trust or federal funds in its posession and control is hereby authorized and directed, to the extent not inconsistent with (a) the conditions of trust agreements governing any such trust funds and (b) the provisions of laws governing any such federal funds, to make employer contributions out of such funds to this system of the amounts certified in accordance with this Act."

The 1959 legislation required that funds of the University of Illinois Alumni Association and Foundation be considered as special trust funds in order that employer contributions at the full rate would be received on earnings paid by these organizations.

In 1961, the University of Illinois Athletic Association employees were transferred to coverage under the State Universities Retirement System. The language in Section 6.7 was revised so that funds of Alumni associations, Athletic associations and foundations affiliated with any covered employer would be considered special trust funds.

In 1963, Section 6.7 became Section 15-182 of the "Illinois Pension Code".

The 1967 legislation revised the language in Section 15-182 in order that junior college funds would be considered trust funds, and employer contributions would be paid on all earnings received from the junior colleges. However, revisions in Section 15-155 which were approved in 1967, specifically provided that the pension costs for the junior colleges would be paid from State appropriations, unless the costs covered earnings paid from trust and federal funds.

Authorizations (Sec. 15-183)

Section 7.1 of the 1941 law provided as follows:

"Each participating employee shall, by virtue of the payment of the normal contributions required to be paid to this system, receive a vested interest in the normal and additional annuities, death benefits excluding additional death benefits, and separation benefits provided in Article 5, and each such employee in consideration of such vested interest shall be deemed to have authorized and agreed to the deductions from the payments of salary of all contributions payable by such employee to this system in accordance with this Act.

"Payment of salary as prescribed by law or as contracted by an employer less the amounts of contributions provided in this Act shall, together with the specified vested rights in the benefits provided by this system, be a full and complete discharge of all claims of payments for service rendered by an employee during the period covered by any such payment, and payments of employer contributions to this system or of benefits from this system shall not be considered as a violation of Section 9 (3) of "An Act in relation to State Finance" approved June 10, 1919, as amended."

The 1959 legislation included employee survivors insurance contributions in Section 7.1 in order that the participant would have a vested interest in these contributions as well as the employee normal contributions.

In 1963, Sectirn 7.1 became Section 15-183 of the "Illinois Pension Code".

The 1971 legislation deleted the provision that the employee shall have a vested interest in the normal and survivors insurance contributions and annuities provided by his contributions. The 1970 constitution contains a clause which provides that pension benefits of public employees were contractual rights which shall not be diminished or impaired. Consequently, the vested interest provision in Section 15-183 was no longer necessary or desirable, because it provided only a limited guarantee against impairment of the portion of benefits provided by employee contributions.

Undivided Interest (Sec. 15-184)

Section 7.4 of the 1941 law provided as follows:

> "The assets of the system shall be invested as one fund, and no particular person, group of persons or entity shall have any right in any specific security or property or in any item of cash, other than an undivided interest in the whole as specified in the provisions of this Act as it now exists or is subsequently amended."

In 1963, Section 7.4 became Section 15-184 of the "Illinois Pension Code".

Exemption of Benefits from Assignment (Sec. 15-185)

Section 7.5 of the 1941 law provided that all "annuities and other benefits payable under the provisions of this Act and all accumulated credits of employees in this system shall be unassignable and shall not be subject to execution, garnishment or attachment".

In 1963, Section 7.5 became Section 15-185 of the "Illinois Pension Code".

The 1965 legislation provided that the board may offset against benefits and credits, amounts owed by a participant or annuitant to an employer covered by the System.

The 1967 legislation allowed annuitants and participants to authorize deductions for premiums under hospital-medical insurance programs which are sponsored or approved by any employer; however, the deductions for disability benefits could not begin prior to 6 months after the disability occurs.

Fraud (Sec. 15-186)

Section 7.6 of the 1941 law specified that any "person who shall knowingly make any false statement, or shall falsify or permit to be falsified any record or records of this system, in any attempt to defraud the system shall be guilty of misdemeanor, and shall be punishable therefor under the laws of the State of Illinois".

In 1963, Section 7.6 became Section 15-186 of the "Illinois Pension Code".

Felony Conviction (Sec. 15-187)

Section 1.5 was added to the retirement law in 1955. This section provided as follows:

> "Notwithstanding any other provision of this Act, none of the benefits herein provided for shall be paid to any person who is convicted of any felony relating to or arising out of or in connection with his service as an employee.
>
> "This Section shall not operate to impair any contract or vested right heretofore acquired under this Act nor to preclude the right to a refund.
>
> "All future entrants shall be deemed to have consented

to the provisions of this Section as a condition of coverage."

There is some question whether this 1955 legislation could be applied retroactively to a participant who began employment before July 9, 1955, the effective date of the amendment. There is also some question as to whether this legislation could be applied to any employee under the provision of the Illinois constitution which states that pension rights of public employees shall be considered contractual rights which cannot be diminished or impaired.

In 1963, Section 1.5 became Section 15-187 of the "Illinois Pension Code".

Judicial Review of Administrative Decisions (Sec. 15-188)

The 1945 legislation added the following Section 6.9 to the 1941 law:

"The provisions of the 'Administrative Review Act', enacted by the 64th General Assembly, and all amendments and modifications thereof, and the rules adopted pursuant thereto, shall apply to and govern all proceedings for the judicial review of final administrative decisions of the Board of Trustees hereunder. The term 'administrative decision' is defined as in Section 1 of said Administrative Review Act."

In 1963, Section 6.9 became Section 15-188 of the "Illinois Pension Code".

Commission on Investments (Sec. 15-189)

The following langauge was incorporated in Section 15-189 when the "Illinois Pension Code" was adopted in 1963:

"Except as otherwise herein provided, no member or employee of the board shall have any direct interest in the income, gains or profits of any investments made by the board, or receive any pay or emolument for services in connection with any investment. No member or employee of the board shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from the system. A violation of any of these restrictions shall constitute a misdeameanor or felony as the case may be, and shall be punishable as provided by law."

On January 1, 1973, the last sentence of this section was amended to read as follows:

"A violation of any of these restrictions shall constitute a class 4 felony."

Mentally Incompetent Persons (Sec. 15-190)

The following provisions of Section 6.10 were added to the retirement law in 1959:

"In case a person shall be mentally incompetent at the time when any right or privilege accrues to him under the provisions of this Act, a conservator or guardian may be appointed pursuant to law, and may, on behalf of the mentally incompetent person, claim and exercise any such right or privilege with the same force and effect as if the employee himself had been mentally competent and had claimed or exercised such right or privilege.

"In the event that a participant's application for benefits or a physician's certificate on file with the Board shows that the participant is mentally incompetent, and no conservator or guardian has been appointed for his estate, the benefits payable under this Act may be paid to the person previously designated by the participant and his beneficiary, if, in the opinion of the Board, the payment will be in the best interest of the participant. In accepting payment of the benefit the beneficiary agrees that it shall be treated as a trust to be used for the benefit of the participant and his dependents. The written receipt of the beneficiary who receives payment under this Section shall be an absolute discharge of the System's liability in respect of the amount so paid."

A portion of the above language was transferred from Section 5.3 which covers disability benefits. The language was expanded to cover all types of benefit payments.

In 1963, Section 6.10 became Section 15-190 of the "Illinois Pension Code".

Payment of Benefits to Minors (Sec. 15-191)

Section 6.11 was added to the retirement law in 1959. This section provided as follows:

"If under the provisions of this Act any benefits become payable to a minor, the Board may make payment (1) directly to such minor, (2) to any person who shall have legally qualified and shall be acting as guardian of the person or the property of such minor in any jurisdiction, or (3) to either parent of such minor or to any adult person with whom such minor may at the time be living, provided only that the parent or other person to whom any amount is to be paid shall have advised the Board in writing that he will hold or use such amount for the benefit of such minor. The written receipt of the minor, parent or other person who receives payment under this Section, shall be an absolute discharge of the System's liability in respect of the amount so paid."

This addition was recommended in order that benefits could be paid to or on behalf of minors without requiring the appointment of a guardian.

In 1963, Section 6.11 became Section 15-191 of the "Illinois Pension Code".

Retirement Systems Reciprocal Act (Sec. 15-192)

The 1947 amendments added the following language in Section 7.10:

"Notwithstanding any provisions in this Act to the contrary, the rights and benefits of any participant who has made contributions to either or both The State Employees' Retirement System of Illinois, created by 'An Act to provide for the creation, maintenance, and administration of a retirement and benefit system for certain officers and employees of the State of Illinois, their dependents and beneficiaries', approved July 23, 1943, as amended, and the Teachers' Retirement System of the State of Illinois, created by 'An Act in relation to a Teachers' Retirement System of the State of Illinois," approved July 17, 1939, as amended, or as created by or continued in Article 25 of "The School Code," approved May 1, 1945, as amended, and the liabilities of this System to such participant and to such other systems shall be subject to and determined by the provisions of "An Act to provide for reciprocal allowance of credits for retirement, death, and disability benefits between the State Employees' Retirement System of Illinois, the University Retirement System of Illinois and the Teachers' Retirement System of the State of Illinois, and for the transfer of certain funds between said systems," as adopted by the sixty-fifth General Assembly."

The 1947 Reciprocal Act provided reciprocity for retirement annuities among the State Employees Retirement System, State Teachers Retirement System and State Universities Retirement System. Each system calculated the retirement annuity and certified the amount to the last system which paid the combined annuities. The last system received only the employee contributions from the first system.

In 1955, the State Retirement Systems Reciprocal Law was incorporated as a part of the law governing the State Universities Retirement System. This Reciprocal Law covered all systems in Illinois except the police and fire funds.

In 1959, obsolete language pertaining to the 1947 Reciprocal Law was deleted.

In 1963, Section 7.10 became Section 15-192 of the "Illinois Pension Code".

Reinsurance (Sec. 15-193)

Section 7.7 of the 1941 law provided as follows:

"The board shall have the power at any time that it appears desirable and advantageous, to contract with any recognized and solvent legal reserve life insurance company for the payment of any benefits specified in this Act, provided such contract applies alike to all persons of the same class and does not cause any discrimination nor create conditions which will substantially limit or reduce the equity or security of any other participant or annuitant in the system at the time. In the event any such contracts are entered into, the board shall have power to certify vouchers for the payment to any such contractor out of funds belonging to this system of the amounts to be paid under such contracts."

In 1963, Section 7.7 was incorporated in the "Illinois Pension Code" as Section 15-193.

Waiver of Service and Benefits (Sec. 15-194)

The following language was incorporated in Section 15-194 in 1973:

"A participant or annuitant may elect to waive all or any portion of his service credit and benefits which may be payable to him under this Article."

This language was recommended in order to permit waiver of benefits by cooperative extension personnel, so that they could be returned to employment covered by the State Universities Retirement System without qualifying for excessive benefits from the Federal Civil Service System and the State Universities Retirement System. The University of Illinois agreed that an employee of the cooperative extension service would not be returned to a position covered by the State Universities Retirement System, unless he elects to waive that portion of the combined retirement annuity which exceeds the retirement annuity which would have been payable had he remained under the State Universities Retirement System during his entire period of employment with the Extension Service.

This amendment was also desirable in order that retirees or beneficiaries could receive payments from the Veterans Administration which set certain income limitations in determining eligibility for veteran benefits.

A former Section 15-194 which dealt with application of liberalizing amendments, was repealed in 1971, and the language was transferred to Section 1-105 of the "Illinois Pension Code".

<u>Violation of Contract (Sec. 15-195)</u>

Section 7.2 of the 1941 law provided as follows:

> "The provisions of this Act, however, shall not apply to any person who on the effective date hereof has a contract of employment with an employer which would be violated by the requirement of participation as specified in Section 3.2 unless such person elects to participate herein. Each such person who shall have had contributions deducted under this system or who shall have been notified of the creation of this system,

shall be deemed to have elected to participate unless such person files with the board prior to December 1, 1941 a written notice of election not to participate. Any person so electing not to participate shall forever thereafter be precluded from participating in this system."

The 1959 legislation deleted the last sentence which precluded subsequent participation by a person who elected not to participate.

In 1963, Section 7.2 became Section 15-159 of the "Illinois Pension Code".

APPENDIX A

EFFECTIVE DATE OF AMENDMENTS TO STATE UNIVERSITIES RETIREMENT SYSTEM ACT

Effective Date of Amendment	Sections Amended
September 1, 1941	All sections became effective that date
July 1, 1945	6.9
July 24, 1945	2.11, 5.5, 7.8
July 2, 1947	2.3*
July 21, 1947	2.3*
July 25, 1949	2.10, 4.1, 4.2, 5.1, 5.3, 5.4, 5.6
July 11, 1951	1.2, 2.2, 2.3, 2.11, 4.2, 5.1, 5.3, 5.4, 5.6
July 17, 1953	2.4, 2.5, 2.7, 2.9, 2.11, 2.17, 3.2, 4.1, 4.2, 5.1, 5.3, 5.4, 5.5, 5.6, 6.2
July 1, 1955	2.3
July 9, 1955	1.5
July 13, 1955	2.4, 2.9, 2.11, 2.16, 2.20, 2.22, 2.23, 2.29, 2.30, 3.2, 4.1, 4.2, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 7.10
July 14, 1959	2.3*, 2.4, 2.8, 2.9, 2.10, 2.11, 2.12, 2.13, 2.19, 2.31, 2.32, 2.33, 2.34, 2.35, 2.36, 3.2, 4.1, 4.2, 4.3, 5.1, 5.2, 5.3, 5.4, 5.5, 5.5-1, 5.5-2, 5.6, 6.3, 6.6, 6.7, 6.8, 6.10, 6.11, 6.12, 7.1, 7.2, 7.10
July 17, 1959	2.3*
August 3, 1961	1.3, 2.3, 2.11, 2.12, 3.2, 4.2, 4.3, 5.4, 5.6, 6.7, 6.8
March 18, 1963	Pension Code adopted - all section numbers changed and name of system was changed.
August 5, 1963	106, 107, 110, 112, 118, 134, 136, 153, 154.1, 167
July 1, 1965	145*, 152*
July 15, 1965	106, 107*, 112, 141, 152*
August 18, 1965	107*, 110, 111, 113, 120, 135, 137, 139, 140, 145*, 148, 152*, 157, 167, 185
July 1, 1967	106, 107, 111, 112, 113*, 125, 134, 135, 141, 142, 145, 150, 152, 154, 157, 159*, 167, 182, 185

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Effective Date of Amendment	Sections Amended
July 31, 1967	113*, 159*
September 8, 1967	155
September 6, 1968	113, 159
July 18, 1969	155, 167*
August 15, 1969	125, 134, 136, 146, 154, 157, 158, 167*
August 26, 1969	145
August 28, 1969	112
September 30, 1969	136.1, 194
July 1, 1970	167
July 15, 1971	112, 113, 118, 135*, 136*, 136.1, 145, 146, 154, 157, 158
August 4, 1971	111, 116, 117, 119, 134, 140, 141, 142, 144, 147, 153, 167, 170, 183
August 19, 1971	106, 135*, 136*
July 1, 1972	167*
January 1, 1973	186, 189
August 28, 1973	107*, 111, 112, 113, 120, 125, 129, 135, 136, 139, 142, 146, 147, 150, 152, 153, 154, 157, 167, 194
September 10, 1973	106, 107*
October 1, 1973	107*, 155, 165, 167.1, 178, 179, 181
September 5, 1974	113
August 25, 1975	169
September 3, 1975	136, 136.1, 146*
September 5, 1975	107, 113, 150, 157
September 17, 1975	146*
July 1, 1976	125, 159, 167

*Section amended more than once during the same legislative session.

APPENDIX A (continued)

The July 2, 1947 and July 21, 1947 amendments to Section 2.3 involved only change in name of employers.

The July 14, 1959 and July 17, 1959 revisions in Section 2.3 added the University of Illinois Alumni Association and Foundation as well as the Illinois Commission of Higher Education as employers.

The July 15, 1965 revision of Section 107 provided that the age 58 limitation on participation would not be applicable, if the person had credits under any of the other systems covered by the Illinois Reciprocity Law. The August 18, 1965 change in Section 107 provided that a person on disability leave shall be considered an employee only during the first 60 days of the disability leave and while receiving disability benefits or workmen's compensation. The August 18, 1965 amendments also provided that absences of less than 30 calendar days shall not be considered as an interruption of employee status.

The July 1, 1965 amendment to Section 145 provided that the combined credits in the State Employees, State Teachers and State Universities Retirement Systems shall be considered in determining eligibility for survivors benefits. The August 18, 1965 revision of Section 145 provided that in order to qualify for survivors insurance benefits, the husband of a female annuitant must be dependent upon his wife at her retirement as well as at the time of her death.

The July 1, 1965 amendment to Section 152 restored reciprocity for disability benefit purposes among the State Employees, State Teachers and State Universities Retirement Systems. Combined credits in all three systems may be considered in determining eligibility for disability benefits as well as length of time that benefits could be paid. The July 15, 1965 change in Section 152 provided that pension credits in other retirement systems covered by the Reciprocal Law shall be considered in determining eligibility for and length of time that disability benefits can be paid. The August 18, 1965 amendment to Section 152 provided that in determining the duration of disability benefits, only those earnings covering service for which credit was granted prior to the beginning date of disability benefits shall be considered.

The July 1, 1967 change in Section 113 provided that a person may purchase credit for other public employment if he contributes for at least 5 years to one or more of the following systems: State Universities, State Teachers and Chicago Teachers Retirement Fund. The July 1, 1967 amendments also provided that the <u>combined</u> credit for out-of-state teaching and other public employment under these three systems shall not exceed 10 years. In addition, direct credit could be purchased in the State Universities Retirement System for prior credits in another system covered by the Reciprocal Law if the person was an involuntary transferee and could not qualify for a retirement annuity under the system from which he transferred. The July 31, 1967 changes in Section 113 were identical to those included in the bill which became effective on July 1, 1967; consequently, there was no duplication and <u>July 1, 1967</u> was the effective date for all changes in Section 113.

The July 1, 1967 change in Section 159 provided representation on the Board from the Junior College Board. The July 31, 1967 amendment provided representation from the Junior College Board and the Board of Regents.

The July 18, 1969 revision of Section 167 authorized the System to construct an office building at a cost not to exceed $575,000 and to lease space to any department, board, commission or instrumentality of the state. The August 15, 1969 amendments to Section 167 authorized investments in stocks of up to 33 1/3% of the total assets. The previous limit was 20%.

The July 15, 1971 amendment to Section 135 changed the 10-year service requirement to qualify for a retirement annuity to 8 years and deleted the provision that a person could qualify at age 55 with 8 or more years of service if employment terminated after attainment of that age. The August 19, 1971 revision provided that a person could qualify for a retirement annuity at any age if he had at least 35 years of service.

The July 15, 1971 amendment to Section 136 made the following changes:

1. Eliminated the penalty for early retirement for a participant who continues to be disabled after benefits expire and also for service as a policeman and fireman,

2. Provided that the employer annuity applicable to contributions based upon other public employment shall be equal to that provided by the normal contributions paid by the employee for this service, and

3. Increased the automatic annual adjustment from 1 1/2% to 2% beginning January 1, 1972 and provided that the first adjustment shall be 1.667% of the annuity multiplied by the number of months which elapsed from the date of retirement to the date the automatic annual increase begins.

The August 19, 1971 amendment to Section 136 provided that the penalty for retirement before age 60 shall not be applicable to a participant who has at least 35 years of service.

The August 28, 1973 amendment to Section 107 deleted the requirement that a person on leave without pay contribute 8% in order to maintain his status as an employee and continue his disability and survivors insurance protection. However, he was required to pay the 8% contribution, if he wished to receive service credit covering the leave. The September 10, 1973 revision of Section 107 provided that any person appointed by the Governor under the Civil Administrative Code shall be an employee, if he is a participant in this system on the date that his appointment is effective. The October 1, 1973 revision of Section 107 substituted State Comptroller for Auditor in paragraph one.

The September 3, 1975 amendment to Section 146 provided that Rule 4 (minimum annuity formula) shall be considered in determining the minimum and maximum survivors annuity. The September 17, 1975 amendment to Section 146 increased the monthly survivors annuity from $250 to $300 for one survivor and $350 to $500 for two or more survivors.