



## **MINUTES**

**Quarterly Meeting of the Legal & Legislative Committee  
of the Board of Trustees of the  
State Universities Retirement System  
Friday, December 6, 2024, 9:00 a.m.  
Northern Trust - 50 S. LaSalle – Global Conference Center – Chicago, IL  
\*Optional Remote Connection for Members of the Public\***

This meeting was held in person at Northern Trust in Chicago, IL.

The following trustees were present: Dr. Andry Bodnaruk; Dr. Fred Giertz; Mr. Richard Figueroa, Mr. Scott Hendrie, Mr. Pranav Kothari, Mr. John Lyons, Mr. Herbert Pitman; Dr. Steven Rock (chair), Mr. Collin Van Meter, and Mr. Antonio Vasquez.

Others present: Ms. Suzanne Mayer, Executive Director; Ms. Bianca Green, General Counsel; Mr. Albert Lee, Associate General Counsel; Ms. Heather Kimmons, Associate Legal Counsel; Mr. Michael Schlachter, Chief Investment Officer (CIO); Ms. Anna Dempsey, Investment Counsel; Ms. Nichole Hemming, Chief Human Resources Officer; Mr. Jefferey Saiger, Chief Strategy & Technology Officer; Ms. Tara Myers, Chief Financial Officer; Ms. Jackie Hohn, Chief Internal Auditor; Ms. Kristen Houch, Director of Legislative and Stakeholder Relations; Ms. Kelly Carson, Ms. Chelsea McCarty and Ms. Annette Ackerman, Executive Assistants; and Mr. Michael Calabrese of Foley.

Legal & Legislative Committee roll call attendance was taken. Trustee Bodnaruk, present; Trustee Giertz, present; Trustee Lyons, present; Trustee Pittman, present; and Trustee Rock (chair), present.

## **APPROVAL OF MINUTES**

Trustee Rock presented the minutes from the Legal & Legislative Committee meeting of September 13, 2024.

Trustee Giertz made the following motion:

- That the minutes from the September 13, 2024, Legal & Legislative Committee meeting be approved as presented.

Trustee Bodnaruk seconded the motion which passed via all committee members present voting in favor of the motion.

## **CHAIRPERSON'S REPORT**

Trustee Rock did not have a chairperson's report.

## LEGISLATIVE CONSULTANT INTRODUCTION

Ms. Kristen Houch introduced the new external legislative consultant, Mr. Ron Holmes. Mr. Holmes introduced himself and provided a brief overview of his career.

## LEGISLATIVE UPDATE AND POTENTIAL LEGISLATIVE CHANGES

Ms. Houch provided the legislative update which included a review of information relating to the General Assembly. Ms. Houch discussed information on the governor’s funding proposal and the Tier 2 Fair Retirement and Recruitment Act. Ms. Houch provided an overview of Federal legislation in the U.S. Congress that passed the U.S. House of Representatives on November 12, 2024, related to a repeal of the Government Pension Offset and Loophole Elimination Provisions. These are provisions of Federal Law that reduce Social Security benefits to account for benefits paid by non-coordinated systems. Although this doesn’t directly affect SURS, it will affect some SURS members.

Mr. Albert Lee provided an overview of technical corrections SURS is proposing for legislative bills for the Spring 2025 Session to the 104<sup>th</sup> General Assembly. These corrections are: Extending Waiver deadline for Survivor Insurance Benefits and corrections to Tier 2 Final Average Earnings.

Trustee Giertz made the following motion:

- That the Legal & Legislative Committee approve the draft technical corrections to 40 ILCS 5/15–148 substantially in the form presented for submission to the General Assembly.

Trustee Bodnaruk seconded the motion, which passed via the following roll call vote.

Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Pitman	-	aye
Trustee Rock	-	aye

Next, Trustee Giertz made the following motion:

- That the Legal & Legislative Committee approve the draft technical corrections to 40 ILCS 5/15–112(b) substantially in the form presented for submission to the General Assembly.

Trustee Bodnaruk seconded the motion, which passed via the following roll call vote.

Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Pitman	-	aye
Trustee Rock	-	aye

A copy of the documents titled “Board and Website Summaries,” “We Are Illinois Tier 2 Fair Retirement and Recruitment Act,” “Illinois Economic and Fiscal Policy Report,” “Governor and

Members of the Illinois General Assembly,” and “2025 House and Senate Calendar” are included as part of these minutes as [Exhibit 1](#), [Exhibit 2](#), [Exhibit 3](#), [Exhibit 4](#), [Exhibit 5](#), and [Exhibit 6](#).

A copy of the report titled “Memo to Legal and Legislative Committee Technical Corrections (Sec 15–148 and 15–112)” is included as part of these minutes as [Exhibit 7](#).

## **RULEMAKING AND COMPLIANCE UPDATE**

### **Status of Pending Rules**

Mr. Albert Lee presented an overview regarding the status of pending rules. Mr. Lee reminded trustees that during the February/March 2024 quarterly meeting, the board approved proposed rulemakings for First Notice publication. The Administrative topics included: benefit suspensions; service credit adjustments; the 6% Rule; evidence to establish age, parentage, or marital status; the 20% earnings limitation, *de minimis* amounts that are exempt from overpayment recovery efforts; benefit forfeitures for felony convictions; line-of-duty police officer disability benefits; disability retirement annuity claims procedure; and board candidate petitions. The First Notice version was published in Volume 48 of the Illinois Register on August 2, 2024. SURS received one public comment from a representative of AFSCME Council 31. SURS responded to the public commenter and will be revising the rulemaking to address the public commenter’s concerns before submitting the amended proposed rulemaking changes for Second Notice review by the Joint Committee on Administrative Rules (JCAR). An *Ex Parte* Communication memorandum and report was created by SURS General Counsel to disclose the receipt of this *ex parte* communication. The report, dated October 15, 2024, was submitted by Bianca Green the Executive Ethics Commission as required by law.

A copy of the staff memorandum titled “Memo to LL Committee Rulemaking Update” and “Exhibit A–First Notice Changes” has been incorporated into these minutes as [Exhibit 8](#) and [Exhibit 9](#).

### **Compliance Stop Light Report**

Ms. Bianca Green highlighted a few items in the November 2024 Compliance Report and provided an overview of the same.

A copy of the staff report titled “November 2024 Stoplight Report” has been incorporated into these minutes as [Exhibit 10](#).

## **APPROVAL OF JANUARY 2025 REGULATORY AGENDA**

Ms. Bianca Green presented the proposed January 2025 Regulatory Agenda for the committee’s consideration. She reminded the committee that twice each year, (in January and July) SURS must file its regulatory agenda with the Illinois Secretary of State’s Office in Springfield, IL. Ms. Green explained the proposed January 2025 Regulatory Agenda is the same as the July 2024 agenda filed by SURS.

Trustee Giertz made the following motion:

- That the proposed January 2025 Regulatory Agenda be approved as presented and be filed in substantially the same format.

Trustee Bodnaruk seconded the motion which passed via the following roll call vote:

Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Pittman	-	aye
Trustee Rock	-	aye

A copy of the “January 2025 Regulatory Agenda” has been incorporated into these minutes as [Exhibit 11](#).

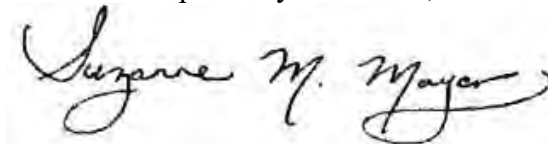
### **PUBLIC COMMENT**

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

There was no further business brought before the committee and Trustee Giertz moved to adjourn the meeting. The motion was seconded by Trustee Bodnaruk, and it passed via the following roll call vote.

Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Pitman	-	aye
Trustee Rock	-	aye

Respectfully submitted,



Ms. Suzanne M. Mayer  
Executive Director and Secretary, Board of Trustees

SMM:aa

Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<b>Legislation Passed Both Houses</b>						
<a href="#">HB 4844</a> <a href="#">(ENRL)</a>	Rep. Gabel (Sen. Cunningham)	First 2024 General Revisory	Creates the First 2024 General Revisory Act. Establishes that the Act is not intended to make any substantive change in the law. Establishes the intent of the Act to reconcile conflicts that have arisen from multiple amendments and enactments and make technical corrections and revisions in the law. Amends the SURS article of the Illinois Pension Code to incorporate references to Public Act 103-0080 and Public Act 103-0548. Makes other changes. Effective Immediately.		No	Governor Pritzker Signed into Law as Public Act 103-0605 (Effective 7/1/24)
<a href="#">HB 4959</a> <a href="#">(ENRL)</a>	Rep. Gabel (Sen. Sims)	FY 2025 Budget Implementation Act	Creates the FY 2025 Budget Implementation Act. Makes changes in State programs necessary to implement the State budget for FY 2025. Amends the State Finance Act and the Revised Uniform Unclaimed Property Act to pay a portion of the annual required State contribution to SURS for FY 2025 from the State Pensions Fund. Allows the Travel Regulation Council to provide, by rule, for alternative methods of determining the appropriate reimbursement rate for a traveler's subsistence expenses based upon the length of travel, as well as the embarkation point and destination. Amends the GARS, SERS, SURS, TRS, and JRS articles of the Illinois Pension Code to require the applicable Board, at the request of the State Comptroller, to submit multiple monthly payments for advance payment of State contributions due to the System, beginning in FY 2025. Makes other changes. Effective Immediately.	Similar to HA #2 to SB 2665 (Rep. Gordon-Booth)	No	Governor Pritzker Signed into Law as Public Act 103-0588 (Effective 7/1/24)
<a href="#">HB 5450</a> <a href="#">(ENRL)</a>	Rep. Ford (Sen. Halpin)	Repeal IBHE Sick Leave Report	Amends the SURS article of the Illinois Pension Code to make the following requirements inoperative on and after December 31, 2026: (1) that the Illinois Board of Higher Education and Governor's Office of Management and Budget prepare an annual report showing the amount by which costs associated with compensable sick leave have been reduced as a result of the termination of compensable sick leave accrual on and after January 1, 1998 by employees of higher education institutions who are participants in SURS; (2) that the report is disseminated to SURS, COGFA, IBHE, and the Governor; and (3) that the report must be taken into account by COGFA in making any recommendation to extend by legislation beyond December 31, 2002 the provision that allows a SURS participant to retire at any age with 30 or more years of service. Makes other changes.		No	Governor Pritzker Signed into Law as Public Act 103-0862 (Effective 1/1/25)
<a href="#">SB 251</a> <a href="#">(ENRL)</a>	Sen. Sims (Rep. Gordon-Booth)	FY 2025 Operating and Capital Budgets	Appropriates the full certified State contribution to SURS for FY 2025 (\$2,212,810,000). (Of this amount, \$1,997,810,000 comes from the General Revenue Fund and \$215 million comes from the State Pensions Fund). Appropriates the full certified State contribution to the College Insurance Program for FY 2025 (\$9,191,049) from the Education Assistance Fund. (CIP provides health insurance benefits for certain community college retirees and their eligible dependents.) Appropriates \$226,800 for the Governor's salary for FY 2025. (40 ILCS 5/15-155(j-5) requires SURS employers to pay the employer normal cost on the portion of an employee's earnings that exceeds the Governor's salary. The Governor's salary is \$216,000 for FY 2024.) Makes other changes. Effective Immediately.		No	Governor Pritzker Signed into Law as Public Act 103-0589 (Effective 6/5/24)
<b>Resolutions Adopted</b>						

Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

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Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">HR 596</a>	Rep. Stuart	Adjunct Faculty Fair Treatment	Urges that adjuncts/non-tenure/part-time instructors in institutions of higher education be treated with the same respect, recognition, value, and standards as full-time instructors and no longer be second class citizens within the ranks of higher education professionals as has been the practice within these institutions of higher learning. Affirms that these professionals, who have the same credentials as the full-time instructors, are being underpaid to do the same job. Pledges to seek solutions that include, but are not limited to, legislated salary parity, mandated access to health benefits, and full and fair pension reporting and accountability for all part-time/contingent/adjunct Illinois public teachers, librarians, counselors, and educational support personnel.	Nearly Identical to SR 76 (Sen. Martwick)	No	House Adopted Resolution on 4/30/24 (106-0-0)

**Legislation Passed First House**

<a href="#">HB 3765</a> <a href="#">(ENGR)</a>	Rep. Kifowit (Sen. Cunningham)	Public Safety Pension Omnibus	Amends the General Provisions Article of the Illinois Pension Code to require downstate police, downstate firefighters, Chicago police, Chicago firefighters, IMRF, Cook County, SERS, and SURS to implement deferred retirement option plans (DROPs) for public safety employees by January 1, 2026. Requires the following amounts to be credited to a DROP member's account: the monthly retirement annuity (including automatic annual increases), employee contributions, and interest based on the actual rate of return on investment experienced by the applicable pension fund or retirement system (but not less than zero). Requires the account balance to be paid to the DROP member as a lump sum. Amends the downstate police, downstate firefighters, Chicago police, and Chicago firefighters pension fund articles of the Illinois Pension Code to adopt the Retirement Systems Reciprocal Act. Makes other changes.	Nearly Identical to HA #2 to HB 3765 (Rep. Kifowit) but includes interest on DROP accounts	Yes	Senate Referred to Assignments Committee on 5/22/24; Passed the House (109-0-0) on 5/22/24
<a href="#">HB 4508</a> <a href="#">(ENGR)</a>	Rep. Kifowit (Sen. Martwick)	SURS Tier II Police Retire at Age 55	Amends the SURS article of the Illinois Pension Code to allow a Tier II police officer with at least 20 years of service to retire at age 55. (Currently, Tier II police officers with at least 20 years of service can retire at age 60.)	Similar to SB 3453 (Sen. Martwick)	Yes	Senate Referred to Assignments Committee on 4/19/24; Passed the House (101-11-0) on 4/18/24

**Legislation Passed Committee**

<a href="#">HB 3519</a>	Rep. Kifowit	Tier II Pension Benefits	Amends the General Provisions, IMRF, Chicago Municipal, Cook County, SERS, and SURS Articles of the Illinois Pension Code to modify benefits under Tier II. Establishes that changes made by the legislation are intended to be retroactive to January 1, 2011 and apply without regard to whether a member or participant is in active service on or after the effective date of the legislation. Reduces the Tier II final rate of earnings period to the highest 5 consecutive years of service within the last 10 years of employment. (Currently, the Tier II final rate of earnings period is the highest 8 consecutive years of service out of the last 10 years of employment.) Increases the Tier II pensionable earnings limit to the federal Social Security Wage Base. (Currently, the Tier II pensionable earnings limitation is less than the federal Social Security Wage Base.) Allows a Tier II member to retire at age 60 with at least 20 years of service credit or age 67 with at least 10 years of service credit. Contains a provision allowing certain Tier II members to retire prior to age 60 with a reduced benefit. Applies automatic annual increases beginning 1 year after retirement. (Currently, automatic annual increases begin on the later of age 67 or 1 year after retirement.) Allows a Tier II member to receive an automatic annual increase on annuities calculated at the greater of 3% or 1/2 of CPI-U, non-compounded. (Currently, Tier II members receive automatic annual increases equal to the lesser of 3% or 1/2 of CPI-U, non-compounded.) Makes other changes.	Similar to HB 3520 (Rep. Kifowit), SB 3627 (Sen. D. Turner), and SB 3628 (Sen. D. Turner)	Yes	House Re- Referred to Rules Committee on 4/19/24
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Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">HB 3520</a>	Rep. Kifowit	Tier II Pension Benefits	Amends the General Provisions, IMRF, Chicago Municipal, Cook County, SERS, and SURS Articles of the Illinois Pension Code to modify benefits under Tier II. Establishes that changes made by the legislation are intended to be retroactive to January 1, 2011 and apply without regard to whether a member or participant is in active service on or after the effective date of the legislation. Allows a Tier II member to retire at age 60 with at least 20 years of service credit or age 67 with at least 10 years of service credit. Contains a provision allowing certain Tier II members to retire prior to age 60 with a reduced benefit if the System allows Tier I members to retire prior to age 60 with a reduced benefit. Applies automatic annual increases beginning 1 year after retirement. (Currently, automatic annual increases begin on the later of age 67 or 1 year after retirement.) Makes other changes.	Similar to HB 3519 (Rep. Kifowit), SB 3627 (Sen. D. Turner), and SB 3628 (Sen. D. Turner)	Yes	House Re- Referred to Rules Committee on 4/19/24
<a href="#">HB 4873</a>	Rep. Kifowit	Tier II Pensions Omnibus	Amends several articles of the Illinois Pension Code. Increases the Tier II pensionable earnings limitation to the Social Security Taxable Wage Base over a 4-year period (from FY 2026 to FY 2029). Modifies the Tier II automatic annual increases to be 3% non-compounded and applies them beginning the January 1st occurring on or after 1 year after retirement. (Currently, Tier II AAIs are the lesser of 3% or 1/2 of CPI-U, non-compounded, and begin on the January 1st occurring on or after the later of age 67 or 1 year after retirement.) Creates a Deferred Retirement Option Plan ("DROP") for members of SERS, SURS, TRS, and the CTPF. Allows eligible members to elect to participate in the DROP until January 1, 2029. Provides that an eligible member is an active member who can retire with a full and unreduced pension, is not receiving a disability or retirement annuity, and is covered by a collective bargaining agreement. Establishes that the DROP account consists of an amount equal to the member's monthly retirement annuity, any automatic annual increases thereon, and the member's employee contributions into a notional account on behalf of the DROP member. Provides that the amounts in the DROP do not accrue interest and will be paid to the member in a lump-sum. Allows a Tier II member to retire at age 62 with 35 years of service credit, age 64 with 20 years of service credit, or age 67 with 10 years of service credit. (Currently, Tier II members can retire at age 67 with 10 years of service credit or age 62 with 10 years of service credit and a reduced benefit.) Allows SURS Tier II police to retire at age 55 with 20 years of service credit. (Currently, SURS II police can retire at age 60 with 20 years of service credit.) Repeals provisions related to Tier III pension reform. Amends the General Obligation Bond Act and the State Finance Act to authorize \$500 million to be used to reduce the unfunded liability of the State-funded retirement systems and CTPF, once the bond authorized by Public Act 93-2 are retired. Adopts the Retirement Systems Reciprocal Act under the Downstate Police Pension Fund and Downstate Firefighters Pension Fund articles of the Illinois Pension Code. Makes other changes. Effective July 1, 2025.	Similar to HB 4098 (Rep. Kifowit) -- DROPs administered by Systems	Yes	House Re- Referred to Rules Committee on 4/19/24

**Pension Funding Legislation**

Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">HB 5851</a>	Rep. Kifowit	Governor Funding Proposal	Amends the Budget Stabilization Act to require the Comptroller to transfer the following amounts from the General Revenue Fund to the Pension Stabilization Fund: \$175 million in FY 2030; \$250 million annually in FY 2031 through FY 2033; and \$750 million annually in FY 2034 through FY 2040. Amends the GARS, SERS, SURS, TRS, and JRS articles of the Illinois Pension Code to change the funding target from 90% by the end of FY 2045 to 100% by the end of FY 2048. Excludes contributions scheduled to be received in a future state fiscal year under the Budget Stabilization Act from the calculation of the State contribution to the systems. Establishes the State contribution between FY 2026 and FY 2034 as the amount to bring the assets up to 100% of the liabilities by the end of FY 2048, calculated as a level percentage of payroll under the projected unit credit actuarial cost method. Establishes the State contribution between FY 2035 and FY 2048 as: (1) the contribution amount for the upcoming State fiscal year estimated in the previous year's actuarial valuation plus (2) an adjustment for differences in the unfunded liability reported in the current actuarial valuation and the unfunded liability reported in the previous year's actuarial valuation implemented in equal annual amounts over a 20-year period so that the total assets equal 100% of the total actuarial liabilities 20 years after the State fiscal year during which the contribution is made, calculated as a level percentage of payroll under the projected unit credit actuarial cost method. Establishes that the State contribution beginning in FY 2049 as: (1) the contribution amount for the upcoming State fiscal year estimated in the previous year's actuarial valuation plus (2) an adjustment for differences in the unfunded liability reported in the current actuarial valuation and the unfunded liability reported in the previous year's actuarial valuation implemented in equal annual amounts over a 20-year period so that the total assets of the system equal 100% of the total actuarial liabilities of the system 20 years after the State fiscal year during which the contribution is made, calculated under the entry age normal actuarial cost method. Ends the smoothing of the cost of changes in actuarial or investment assumptions beginning in FY 2035. Ends the smoothing of investment gains and losses beginning on and after July 1, 2034. Effective Immediately.	Identical to SB 3954 (Sen. Martwick)	Possible	House Referred to Rules Committee on 5/16/24



Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">SB 3954</a>	Sen. Martwick	Governor Funding Proposal	Amends the Budget Stabilization Act to require the Comptroller to transfer the following amounts from the General Revenue Fund to the Pension Stabilization Fund: \$175 million in FY 2030; \$250 million annually in FY 2031 through FY 2033; and \$750 million annually in FY 2034 through FY 2040. Amends the GARS, SERS, SURS, TRS, and JRS articles of the Illinois Pension Code to change the funding target from 90% by the end of FY 2045 to 100% by the end of FY 2048. Excludes contributions scheduled to be received in a future state fiscal year under the Budget Stabilization Act from the calculation of the State contribution to the systems. Establishes the State contribution between FY 2026 and FY 2034 as the amount to bring the assets up to 100% of the liabilities by the end of FY 2048, calculated as a level percentage of payroll under the projected unit credit actuarial cost method. Establishes the State contribution between FY 2035 and FY 2048 as: (1) the contribution amount for the upcoming State fiscal year estimated in the previous year's actuarial valuation plus (2) an adjustment for differences in the unfunded liability reported in the current actuarial valuation and the unfunded liability reported in the previous year's actuarial valuation implemented in equal annual amounts over a 20-year period so that the total assets equal 100% of the total actuarial liabilities 20 years after the State fiscal year during which the contribution is made, calculated as a level percentage of payroll under the projected unit credit actuarial cost method. Establishes that the State contribution beginning in FY 2049 as: (1) the contribution amount for the upcoming State fiscal year estimated in the previous year's actuarial valuation plus (2) an adjustment for differences in the unfunded liability reported in the current actuarial valuation and the unfunded liability reported in the previous year's actuarial valuation implemented in equal annual amounts over a 20-year period so that the total assets of the system equal 100% of the total actuarial liabilities of the system 20 years after the State fiscal year during which the contribution is made, calculated under the entry age normal actuarial cost method. Ends the smoothing of the cost of changes in actuarial or investment assumptions beginning in FY 2035. Ends the smoothing of investment gains and losses beginning on and after July 1, 2034. Effective Immediately.	Identical to HB 5851 (Rep. Kifowit)	Possible	Senate Referred to Assignments Committee on 5/15/24

**Recent Pension Legislation Filed**

Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">HB 5909</a>	Rep. Kifowit	Undo Tier II Pension Reform	Amends several articles of the Illinois Pension Code to adjust benefits for certain Tier II members in service on and after January 1, 2025. (Tier II members who are not in service on and after January 1, 2025 do not receive the benefit adjustments, with the potential exceptions of the change to the pensionable earnings limitation and automatic annual increases.) Specifically: (1) Increases the Tier II pensionable earnings limitation to the Social Security wage base, beginning January 1, 2025. Applies the change retroactively to earnings received between January 1, 2011 and January 1, 2025 but does not require a retroactive adjustment of employee contributions or benefit payments made during that period. (2) Adjusts the Tier II final rate of earnings period for Tier II members who receive earnings on and after January 1, 2025 to the greater of the highest 4 consecutive academic years of service or the final 48 consecutive months of employment. (3) Increases the amount of Tier II automatic annual increases in retirement annuities to 3% non-compounded, beginning January 1, 2025. (4) Adjusts the Tier II age and service credit requirements for a retirement annuity to be the same as those of participants on December 31, 2010 (i.e., Tier I members: any age with 30 years of service, age 55 with 8 years of service, and age 62 with 5 years of service). (5) Attempts to allow Tier II police officers in service on or after January 1, 2025 to retire under the alternative formula at age 50 with 25 years of service or age 55 with 20 years of service. (6) Applies automatic annual increases in retirement annuities beginning on the January 1 occurring 1 year after retirement. (7) Establishes that a Tier I member remains a Tier I member in any reciprocal system (see JRS lawsuit). (8) Creates vested inactive and Tier I AAI buyouts under GARS, CTPF, and JRS. (9) Adds downstate police pension funds, downstate firefighters pension funds, the Chicago police pension fund, and the Chicago firefighters pension fund to the Retirement Systems Reciprocal Act. (10) Allows Tier I and Tier II SURS members to receive up to 2 years of service credit for unused, unpaid sick leave. (11) Attempts to retroactively re-instate exemptions to the 6% billing rule (i.e., the statutory requirement that employers pay the present value of the cost of benefits due to the portion of salary increases exceeding 6% during the member's final rate of earnings period to SURS) for salary increases given since June 1, 2005. (12) Makes other changes. Effective Immediately.	We Are One Coalition Initiative; Identical to SB 3988 (Sen. Martwick)	Yes	House Referred to Rules Committee on 11/12/24

Contact: Office of Legislative Affairs		Last Updated 11/21/24
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**103RD GENERAL ASSEMBLY - 2024**

**Legislation amending the Illinois Pension Code is highlighted in yellow**

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Rule Changes	Status
<a href="#">SB 3988</a>	Sen. Martwick	Undo Tier II Pension Reform	Amends several articles of the Illinois Pension Code to adjust benefits for certain Tier II members in service on and after January 1, 2025. (Tier II members who are not in service on and after January 1, 2025 do not receive the benefit adjustments, with the potential exceptions of the change to the pensionable earnings limitation and automatic annual increases.) Specifically: (1) Increases the Tier II pensionable earnings limitation to the Social Security wage base, beginning January 1, 2025. Applies the change retroactively to earnings received between January 1, 2011 and January 1, 2025 but does not require a retroactive adjustment of employee contributions or benefit payments made during that period. (2) Adjusts the Tier II final rate of earnings period for Tier II members who receive earnings on and after January 1, 2025 to the greater of the highest 4 consecutive academic years of service or the final 48 consecutive months of employment. (3) Increases the amount of Tier II automatic annual increases in retirement annuities to 3% non-compounded, beginning January 1, 2025. (4) Adjusts the Tier II age and service credit requirements for a retirement annuity to be the same as those of participants on December 31, 2010 (i.e., Tier I members: any age with 30 years of service, age 55 with 8 years of service, and age 62 with 5 years of service). (5) Attempts to allow Tier II police officers in service on or after January 1, 2025 to retire under the alternative formula at age 50 with 25 years of service or age 55 with 20 years of service. (6) Applies automatic annual increases in retirement annuities beginning on the January 1 occurring 1 year after retirement. (7) Establishes that a Tier I member remains a Tier I member in any reciprocal system (see JRS lawsuit). (8) Creates vested inactive and Tier I AAI buyouts under GARS, CTPF, and JRS. (9) Adds downstate police pension funds, downstate firefighters pension funds, the Chicago police pension fund, and the Chicago firefighters pension fund to the Retirement Systems Reciprocal Act. (10) Allows Tier I and Tier II SURS members to receive up to 2 years of service credit for unused, unpaid sick leave. (11) Attempts to retroactively re-instate exemptions to the 6% billing rule (i.e., the statutory requirement that employers pay the present value of the cost of benefits due to the portion of salary increases exceeding 6% during the member's final rate of earnings period to SURS) for salary increases given since June 1, 2005. (12) Makes other changes. Effective Immediately.	We Are One Coalition Initiative; Identical to HB 5909 (Rep. Kifowit)	Yes	Senate Referred to Assignments Committee on 11/12/24



## FIX TIER 2!

# PASS THE FAIR RETIREMENT AND RECRUITMENT ACT

*HB5909 (Rep. Kifowit) / SB3988 (Sen. Martwick)*

**Illinois has a problem: Unfair retirement benefits for teachers, firefighters, nurses, and other public service workers are so low that they do not provide a stable retirement.** That poor retirement plan has made it difficult to hire the workers we need to serve our communities.

Politicians caused the problem when they created a lower "Tier 2" pension benefit for public workers hired after Jan. 1, 2011. These unfair cuts make it difficult for retirees—many of whom can't participate in Social Security—to pay for things like food and medicine, especially with high inflation.

Tier 2 members must pay just as much for their pension as those on the better Tier 1 plan. In fact, many pay more into the pension system than their benefit is worth. And most Tier 2 members can't retire before age 67.

**But there's a solution. The Fair Retirement and Recruitment Act will begin to fix Tier 2, promoting retirement security, recruitment, and retention for public service workers across Illinois.**

## The Fair Retirement and Recruitment Act will:

- ✓ Bring the final average salary pension calculation back in line with Tier 1.
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- ✓ Align the Tier 2 retirement age requirements with Tier 1.
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*The Act also makes a variety of job-specific changes to the pension code to address issues particular to various professions and pension calculations.*

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SPRINGFIELD 62706

**JB PRITZKER**  
**GOVERNOR**

November 1, 2024

**ALEXIS STURM**  
**DIRECTOR**

## ILLINOIS ECONOMIC AND FISCAL POLICY REPORT

The Governor's Office of Management and Budget (GOMB), pursuant to 20 ILCS 3005/7.3, annually submits an Economic and Fiscal Policy Report to the General Assembly outlining the long-term economic and fiscal policy objectives of the State, along with the economic and fiscal policy intentions for the upcoming fiscal year and for the subsequent four fiscal years. The report also includes a comparison of the current fiscal year's enacted budget with the current outlook for the fiscal year along with fiscal and policy options GOMB recommends for consideration by the General Assembly and the Governor to remedy any budgetary shortfalls in the current year or the five following fiscal years.

### ECONOMIC REVIEW

#### NATIONAL ECONOMIC CONDITIONS

The national economy appears to be settling into a "Goldilocks and the Three Bears economy," in which inflation remains a little too hot, the stock market is still a little too cold, and the job market remains statistically about right. After several years of the Federal Reserve raising interest rates, its lever to try to control inflation in the national economy, calendar year 2024 was expected to be when the Federal Funds rate could begin to be lowered. Persistently increasing housing prices and a strong job market pushed out the first rate cut to the fall – during the Fed's September meeting.<sup>1</sup> According to minutes from that meeting, "a substantial majority" of central bankers backed the half point rate cut. The short-term outcome of the move has been positive for the economy, including a September jobs report that beat economists' predictions.<sup>2</sup>

Whether these signs will finally allay fears of a recession and provide comfort that the Federal Reserve hit a 'soft landing' (a slowdown in economic growth that avoids a recession) is unknown. While the economy has continued to add jobs throughout 2024, consumers' views on the economy have stumbled, falling significantly in September from summer levels.<sup>3</sup> The disconnect between consumer confidence about the

current and future conditions of the economy and what the data suggests is happening can be explained by worries about jobs and lingering frustrations over past price increases.

Economic uncertainty is not surprising, and mixed signals are not helping. The rate of job openings, absent the September rebound, has declined to pre-pandemic levels, wage growth has slowed, and there has been a slight upward trend in the unemployment rate, all of which would normally suggest rougher economic times ahead. That said, the Dow Jones Industrial Average is up nearly 30 percent year-over-year and continues to reach record highs.

The difference between normal economic conditions signaling recession and today's conditions is that negative labor market trends and tight financial conditions were necessary to bring inflation down to a reasonable level. However, prices that rose over the past two calendar years are also unlikely to revert to lower levels. While consumers may eventually adjust to these new price norms, they are not yet far enough removed from a long period of lower prices to mollify consumer anxiety.

The future is always over the horizon and tomorrow's economy may be ready for a new chapter. There are currently no weak links in the national income formula, but there is still a measure of uncertainty. Consumption, investment, government spending, and net exports are trending towards strength, and with loosening monetary policy controls it stands to reason these economic conditions could improve over time. However, large shifts in monetary and fiscal policy over the next twelve months could push the economy towards a different trajectory, as could the uncertainty around wars being fought around the world, such as in Ukraine and the Middle East. Escalations in these conflicts could lead to significant downward pressure for the national and global economy. Sectors like energy are already stressed, and one significant disruption in supply could mean a return of inflation, as could the implementation of steeper and broader tariffs. Only time will tell how the national economy will respond to these potential external events, and forecasters are cautious about the future.

### ***Real Gross Domestic Product***

Second quarter U.S. Real Gross Domestic Product (GDP) for calendar year 2024 increased at a higher-than-forecast annualized rate of 3.0 percent.<sup>4</sup> Recent growth is attributable to strong consumer spending, private inventory investment, and government spending and comes on the back of a revised quarter one estimate of 1.6 percent (an upward revision of 0.2 percentage points from previously published estimates).<sup>5</sup> The components of GDP growth during these periods indicate a strong base for the country's economy, supporting the idea that economic standards like inflation, employment, and real wages may improve. Baseline estimates for quarter three GDP prepared by Deloitte remain relatively positive.<sup>6</sup> Their forecasts noted that continued manufacturing investment and consumer spending should support continued GDP growth.

### ***Labor Market and Income***

By most measures, the U.S. labor market is entering a period of stable growth after several periods of what economists believed was very strong, but unsustainable growth. Monthly job growth averaged 225,000 in calendar year 2023, far below the 399,000 new jobs per month averaged in 2022.<sup>7</sup> Over the same time, the unemployment rate remained at an all-time low and layoffs were limited. While periods of wage growth are good for workers and the overall economy, several periods of abnormally high wage growth may result in too much strain on the economy if firms were to suddenly pass along those high prices to consumers. While wage inflation was the story in calendar year 2023, the growth in wages could be the reason why the economy may avoid a recession. The most recent report from the Congressional Budget Office (CBO) anticipates a slight increase in the unemployment rate and layoffs in calendar year

2024.<sup>8</sup> The outcome of these changes may weigh on the economy but is not expected to have a significant impact on growth.

### *Inflation*

Higher prices have very real negative impacts on consumers and can distort public policy decision making. Therefore, the main post-pandemic economic story has been the Federal Reserve's efforts to bring inflation back down to its preferred 2 percent target. While inflation seems to have subsided towards more manageable levels, prices that have risen over the last few years are not expected to decline. Because inflationary growth in prices has declined significantly closer to its target, at its most recent meeting the Fed lowered the benchmark policy rate to a range of 4.75 to 5.0 percent, down from the 5.25 to 5.5 percent range it had maintained since July of calendar year 2023. The overall growth of prices is expected to slow slightly in calendar year 2024 before reaching and stabilizing at the preferred rate of 2 percent by calendar 2026.

### *Personal Consumption, Wages, and Credit*

The underpinnings of a stable labor market and moderating inflation mean that consumer spending can continue to be the backbone of the U.S. economy, both in terms of real spending and future optimism. Since January 2021, nominal Personal Consumption Expenditures (PCE) on services and goods have accounted for much of the current economic growth. While this trend was initially supported by federal fiscal stimulus, personal savings, higher wages, and household debt have adjusted to support these increased consumption patterns. Household nominal disposable incomes increased in calendar year 2023 at an annualized rate of 6.9 percent.<sup>9</sup> Over the same period, household debt (mortgage debt and credit card borrowing) increased substantially. According to the Federal Reserve Bank of New York, calendar year 2024 started with U.S. household debt reaching a record high of \$17.3 trillion.<sup>10</sup> While high amounts of debt are not ideal, they do highly correlate to high levels of consumption and optimism about future job prospects and wages.

### *Economic Forecasts*

Economic forecasts evolve regularly. This forecast is presented in the context of an economic outlook that is moving away from above-trend growth towards below-trend growth with some baseline uncertainty due to national politics, international geopolitical tensions, and lingering energy and housing inflation. This report will discuss the 'baseline' economic forecast from September 2024 provided by S&P Global, a national economic forecasting firm. S&P Global gives its September baseline forecast a 55 percent probability and includes an assumed slowdown in labor market growth and GDP growth but does not project a recession in the short-term. Typically, an economic forecast that assumes a slow-down in GDP growth and a softening of labor market conditions (increased unemployment rates and declining job openings) would lead to more recessionary signals, but this forecast expects this period to be a means of moderating wage and price inflation. S&P estimates that U.S. GDP growth will average 2.6 percent for calendar year 2024 and 1.8 percent for calendar year 2025. The out-year revenue forecast, which is also built upon the September 2024 baseline outlook, anticipates national GDP growth within a range of 1.6 to 1.8 percent on average throughout the forecast period.<sup>11</sup>

The projected level of economic activity is attributable to the factors described earlier. While the overall rate of inflation is showing signs of decreasing, core price increases are still slightly above the Fed's preferred target of 2 percent. Current levels of consumption are supported by rising real disposable

income and higher levels of consumer debt. If wage growth subsides too much and consumer debt becomes unmanageable, aggregate demand may tail off.

The baseline forecast assumes that modest increases to the unemployment rate may continue as the labor market loosens. The forecast assumes the national unemployment rate will hover around the full-employment rate of 4.3 percent for the remainder of fiscal year 2025 and into the out-years.

Personal consumption expenditures (PCE) on goods and services are expected to remain elevated through the remainder of fiscal year 2025 and into the out-years but at diminishing levels. PCE on goods was boosted by fiscal stimulus and by substituting away from services – and has remained at those levels even as inflation has eroded purchasing power. However, growth is expected to be minimal. PCE on services during the same timeframe has returned to pre-pandemic levels. In the forecast, overall PCE growth will be constrained until economic conditions improve.

The S&P forecast incorporates the impact of the Infrastructure Investment and Jobs Act (IIJA) and the Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS) Act. IIJA is expected to increase spending by \$300 billion over the next four calendar years, while the CHIPS Act will provide another \$280 billion over the same timeframe.

S&P expects the Federal Reserve to continue reducing the Federal Funds rate over time. The median projection of the Federal Funds rate, which currently ranges between 4.75 percent and 5.0 percent, is expected to decline by two 0.25-point cuts before the end of calendar year 2024. Additional rate cuts of varying sizes will likely take place over the remainder of fiscal year 2025. In most scenarios, further rate declines will be dependent on economic data, but the earliest the Federal Funds rate is expected to revert to the 2.5 - 2.75 percent range is fiscal year 2026.

Variables	FY25 (b)	FY26 (b)	FY27 (b)	FY28 (b)	FY29 (b)	FY30 (b)
U.S. Real Gross Domestic Product	1.8%	1.8%	1.6%	1.7%	1.8%	1.7%
U.S. Corporate Profits	4.4%	1.6%	1.5%	2.2%	2.9%	3.0%
Illinois Unemployment Rate	5.30%	5.46%	5.53%	5.43%	5.22%	5.02%
Illinois Non-Farm Employment	0.6%	-0.1%	-0.3%	-0.3%	-0.2%	-0.1%
Illinois Wage and Salaries	4.2%	4.2%	3.6%	3.5%	3.5%	3.4%
Illinois Personal Income	3.9%	5.1%	4.6%	4.0%	3.9%	3.7%
Illinois Personal Consumption Expenditures	1.6%	2.0%	2.4%	2.4%	2.6%	2.7%

Source: S&P Global September 2024 Forecast (b/baseline) scenario.

## ILLINOIS' ECONOMIC CONDITIONS AND FORECAST

The economic conditions in Illinois are similar to national conditions. Both economies continue to show signs of resilience, but the state economy is showing signs of slowing in areas such as employment and



consumer spending. Prices for rent, energy, and food all have increased year-over-year, at both the state and national level. Salaries and average wages have increased but not kept pace with rising costs.

### Real GSP and Productivity

The State's Real Gross State Product (GSP) is up year-over-year but is showing signs of slowing. As with the national economy, GSP not adjusted for inflation tells a different story; in nominal terms, the State's GSP has increased in every quarter since the beginning of 2021.<sup>12</sup>

### Labor market

Illinois' labor market lags slightly behind the national average. Unemployment, which hovered around the full employment level of 4.3 percent in June of calendar year 2023, has now increased to 5.3 percent 15 months later.<sup>13</sup> This level is 1.2 percentage points higher than the national unemployment rate for the same month (September).<sup>14</sup> The Illinois labor force participation (LFP) rate has made up for its recessionary losses and is currently higher than the national average. This equates to overall positive signs for the State's economy, as it seems more working age adults are choosing to work outside the home instead of not working. Hourly earnings have continued at a steady clip, while wages and salaries have slowed like the nation but remain higher than most regional peer states. Job postings on the website Indeed, a measure of total open positions, are down substantially both in Illinois and nationally since last fiscal year. Payroll jobs have had steady growth with September 2024 jobs up 35,400 or 0.6 percent over the prior year. The government sector has led much of the recent job growth for the State, followed by the private education and healthcare sector. Professional and business services, along with financial activities and information, have all experienced decreases over the same period.<sup>15</sup> According to a report filed by the U.S. Chamber of Commerce on national job shortage trends, decreases in positions within the professional and business services sector are broad-based and may be linked to labor shortages,<sup>16</sup> while job openings in the financial sector may be paused until financial conditions improve.

Metrics (all seasonally adjusted)	February 2020 (pre-pandemic)	Pandemic-era max/min (mm/yy)	Sep-23	Aug-24	Sep-24
<b>Unemployment Rate, United States</b>	3.5%	14.7% (04/20)	3.8%	4.2%	4.1%
<b>Unemployment Rate, Illinois</b>	3.8%	17.4% (04/20)	4.7%	5.3%	5.3%
<b>Labor Force Participation Rate, United States</b>	63.5%	60.2% (04/20)	62.8%	62.7%	62.7%
<b>Labor Force Participation Rate, Illinois</b>	64.8%	62.3% (01/21)	64.5%	65.0%	65.0%
<b>Average Hourly Earnings, United States</b>	\$28.81	\$28.81 (02/20)	\$34.01	\$35.23	\$35.36
<b>Average Hourly Earnings, Illinois</b>	\$29.75	\$29.75 (02/20)	\$33.57	\$33.82	\$34.22
<b>Job Postings on Indeed, United States (2/1/20=100)</b>	98.6	61.0 (05/20)	127.33	112.17	112.03
<b>Job Postings on Indeed, Illinois (2/1/20=100)</b>	98.6	60.8 (05/20)	114.57	102.85	102.93

Sources: US Bureau of Labor Statistics, Indeed, and Federal Reserve Bank of St. Louis.

Note: "Pandemic-era max/min" is meant to represent the month at which the pandemic's effects were most severe and shows the month at which labor force participation, hourly earnings, and job postings were lowest, and at which unemployment was highest. Job postings data is updated daily; the figure used is from the last day of the month except for in the case of the max/min.

### Economic Forecasts

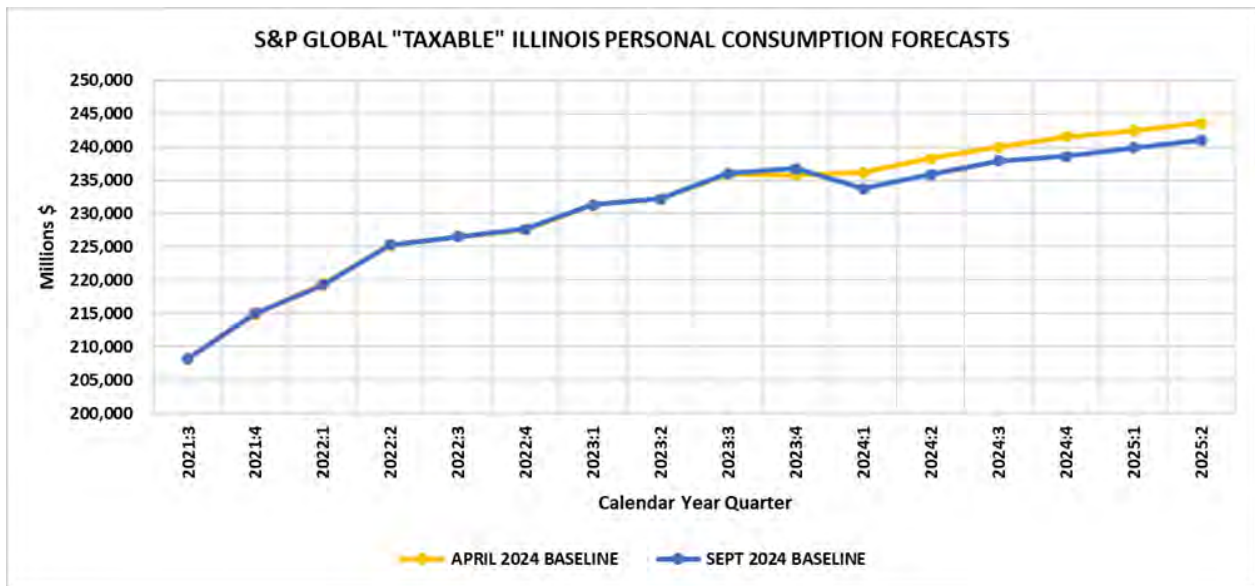
State revenue growth has been slowing down for sources tied to consumer activity, particularly collections of corporate income and sales taxes. Conversely, individual income tax collections have been relatively strong due to wage and salary stability, increased working hours, and low amounts of layoffs. From that source, collections from withholding income have been improving year-over-year, while collections from

non-withholding income have begun to rebound after a few years' worth of declines. Nationally, declines in non-withholding income have largely been linked to soft patches in the stock market.

Corporate profits, the basis of corporate income tax collections, are largely tied to consumer spending and prices. During periods of high prices and high consumer spending, which have taken place over the previous few fiscal years, corporate profits grew beyond historic highs. As profit levels have moderated, so too have corporate income tax collections. As indicated in the table above, corporate profits are declining nationwide.

There are also signs that consumer spending on durable goods, the basis of Illinois' sales tax collections, has slowed during fiscal year 2025. At the national level, retail sales have continued to grow at roughly 2 percent above prior year numbers, slower than in previous years, but still reflecting growth, while Illinois gross sales tax collections have recently declined a bit year-over-year. There could be many reasons for this, including state law changes regarding taxation of lease streams and potential shifts between purchases of goods and services within Illinois. The consumer spending rate on both goods and non-taxed service consumption has been at historic highs for the last several fiscal years and may be reverting to historical levels. There is also the real chance that households, facing higher cost of living and relatively high household debt levels, have decided to scale back unsustainable spending patterns that emerged over the last few years. Additionally, the strength of the housing market can impact household spending on durable goods.

The below graph illustrates how the S&P estimate for Illinois taxable expenditures differs from the data used in April.



As mentioned above, household debt, particularly credit card debt, has risen to historic highs. If consumer debt is maximized, consumers may be adjusting spending on non-essential items as a means of reducing debt or to replenish lost savings. Since sales tax activity over previous fiscal years was mostly bolstered by consumers utilizing savings and credit cards at higher-than-average rates, a reversal in that trend was always likely, as that type of financing is not sustainable over long periods of time.

The current baseline forecast does not factor in a recession in the short-term. The rate of growth in the real GSP is anticipated to moderate in fiscal year 2025 and remain at that level until conditions for the national economy change. In the September 2024 baseline forecast, the state unemployment rate is expected to average 5.0 to 5.5 percent during fiscal years 2025 and 2026 before settling around 5.6

percent for the out years. Wages and salaries growth are forecasted to stabilize as the tight labor market loosens, before declining in the out years. Long-term growth prospects anticipate jobs added in the professional and business service sector, and some growth in the manufacturing sector.

## A REVIEW OF THE ENACTED FISCAL YEAR 2025 BUDGET

On June 5 and 7, 2024, the Governor signed into law the appropriations bill, budget implementation legislation, and related revenue omnibus contained in Public Acts 103-0588, 103-0589, and 103-0592. The fiscal year 2025 enacted budget focuses on making investments primarily in early childhood education, K-12 education, higher education, human services, economic development, and poverty reduction. Additionally, the Governor signed Public Act 103-0591, which increased the debt authorization in the General Obligation Bond Act by \$2.349 billion and the debt authorization in the Build Illinois Bond Act by \$1.339 billion to support the new capital appropriations contained in the enacted fiscal year 2025 budget.

### *Updated Fiscal Year 2025 Projections*

Following a review of the fiscal year 2025 general funds revenue performance year-to-date, GOMB is revising the budget forecast as outlined in the following table. Through the first four months of fiscal year 2025, individual income taxes and income derived from investments have exceeded budget forecasts, reflecting the conservative nature of the initial forecast. As a result, GOMB is reporting a combined \$569 million in increases to the revenue forecast from those sources. Offsetting those gains are decreases in the budget forecast for corporate income, transfers in, and sales tax collections. As mentioned above, the nation is experiencing a decline in corporate profits and accordingly Illinois is seeing a decline in sales tax activity. Economic forecasts of spending for the remainder of the year are weaker than previously forecast as well. Due to these signals, GOMB is reducing the revenue forecast by \$354 million for those sources.

In total, the General Funds revenue forecast is revised upward by \$199 million or 0.4 percent, using a review of actual performance fiscal year-to-date and the economic projections under the S&P Global September baseline forecast for fiscal year 2025. However, GOMB continues to monitor these forecasts closely as inflation and national and international factors may impact the economy in uncertain ways.

Under the updated forecast, base revenues and transfers in from other State funds are estimated to total \$53.479 billion. The State's three largest revenue sources, individual income tax, corporate income tax, and state sales tax, are estimated to total \$42.987 billion, an increase of \$1.691 billion (4.1%) from fiscal year 2024. The estimate assumes a \$692 million sales tax allocation to the Road Fund and deposits of \$2.725 billion into the Local Government Distributive Fund, the Downstate Public Transportation Fund, and the Public Transportation Fund. For fiscal year 2025, \$200 million from state's share of sales tax collections that is normally deposited into the Downstate Public Transportation Fund and the Public Transportation Fund will instead be funded by the Road Fund and Underground Storage Tank Fund. These deposits are not included in the above totals. In future fiscal years, these deposits are scheduled to revert back to the state's share of sales tax collections.

Other state source revenues are projected to total \$3.971 billion, a \$3 million increase from fiscal year 2024 levels. Transfers into the General Funds are projected to total \$2.497 billion, a decrease of \$301

million (10.8%) from fiscal year 2024. This decrease is largely due to \$294 million less being transferred from the Income Tax Refund Fund.

Federal revenues are projected to total \$4.024 billion, a decrease of \$502 million from fiscal year 2024. Fiscal year 2024 amounts benefited from a one-time retroactive draw.

<b>Changes to FY 2025 Projections</b>			
<b>(\$ in Millions)</b>			
<b>Revenues</b>		<b>Expenditures</b>	
Income Taxes	\$ 485	Updated Lapsed Appropriation	
Sales Taxes	(211)	Estimate and Reappropriations	\$ 66
Transfers In	(64)	FY25 GO Bond Debt Service	50
All Other Changes	(11)	SERS Continuing Appropriation	\$ (263)
<b>Total Base Revenue</b>	<b>\$ 199</b>	<b>Total Expenditure Changes</b>	<b>\$ (147)</b>
<b>Revision to Forecast:</b>			
<b>Estimated Surplus from FY25 Enacted</b>	<b>\$ 211</b>		
Increase to Base Revenue Forecast	199		
Increase in Projected Expenditures	(147)		
Revised Budget Stabilization Fund			
Set Aside Estimate		(246)	
<b>Revised Surplus/(Deficit)</b>	<b>\$ 16</b>		

\* Budget Stabilization Fund Set Aside during Fiscal Year 2025 has increased due to the shift of the deposit of the June 2024 repayment from the UI Trust Fund from June to July 2024.

Note: Totals may not add due to rounding.

The fiscal year 2025 budget's revised estimated base operating expenditures are \$51.103 billion. This amount includes a \$263 million continuing appropriation that was invoked by the State Employees' Retirement System (SERS) at the start of the fiscal year. This continuing appropriation may be invoked if the previous fiscal year's General Revenue Fund appropriated amount is less than what the certified percent contribution relative to actual General Revenue Fund personal services payments would require. Base statutory transfers out of the General Funds are projected to decrease by approximately \$332 million to \$445 million in fiscal year 2025 from fiscal year 2024 transfers out of \$777 million. Debt service for general obligation bonds is projected to total \$1.670 billion from the General Funds. This estimate is down \$50 million from the original fiscal year 2025 estimated amount following the successful completion of refunding for savings of existing general obligation debt. The result is an estimated surplus for fiscal year 2025 of \$262 million, of which \$246 million will be reserved in the Budget Stabilization Fund.

## **FIVE YEAR BUDGETARY FORECAST**

Pursuant to 20 ILCS 3005/7.3, attached to this report is a financial walk down of the budgetary outlook for fiscal year 2026 through fiscal year 2030.

The projections assume growth in revenues under existing law in fiscal year 2026 and the remainder of the forecast period utilizing the September 2024 S&P Global baseline forecast. Expenditure projections are driven by statutory increases in pension payments based on end of fiscal year 2024 actuarial results, projected debt service amounts, and GOMB's preliminary estimates of fiscal year 2026 spending pressures. Future year expenditure projections are trend growth numbers that assume no significant reforms or spending controls aside from what is in current statute.

### **Estimated Resources**

GOMB and the Department of Revenue estimate that under current statutes, base General Funds revenues for fiscal year 2026 will total \$53.406 billion. This reflects a fiscal year 2026 General Funds

revenue estimate that is slightly below fiscal year 2025 revised estimates. Revenue estimates are based on projections provided by Illinois Department of Revenue economists based on the S&P Global September 2024 baseline forecast.

The diversion rate of 9.15 percent of total individual income tax revenues in fiscal year 2026 to the Income Tax Refund Fund is assumed to continue for the remainder of the forecast. The corporate income tax forecast assumes a refund fund diversion rate of 14 percent in fiscal year 2026 and is maintained over the remainder of the forecast. Fiscal year 2026 individual income taxes deposited to the General Funds are forecast to total \$27.776 billion and corporate income tax is forecast to total \$5.525 billion, reflecting modest economic growth.

Fiscal year 2026 General Funds sales tax revenues are estimated to total \$10.369 billion. Fiscal year 2026 and future years reflect the full impact of the shift of state sales tax on motor fuel purchases from the General Funds to the Road Fund, with approximately \$873 million (total 5 percent state share) estimated to be deposited in fiscal year 2026.

Fiscal year 2026 estimated base General Funds receipts from federal sources total \$4.104 billion. This estimate is based on appropriations that are expected to generate federal match if payments are released timely. Generally, federal reimbursements for Medicaid spending are returned to the same fund that was used for the original expenditure. It is assumed that the Department of Healthcare and Family Services will continue to maximize use of the General Funds for Medicaid spending, which will produce moderate growth over the forecast horizon.

### *Estimated Expenditures*

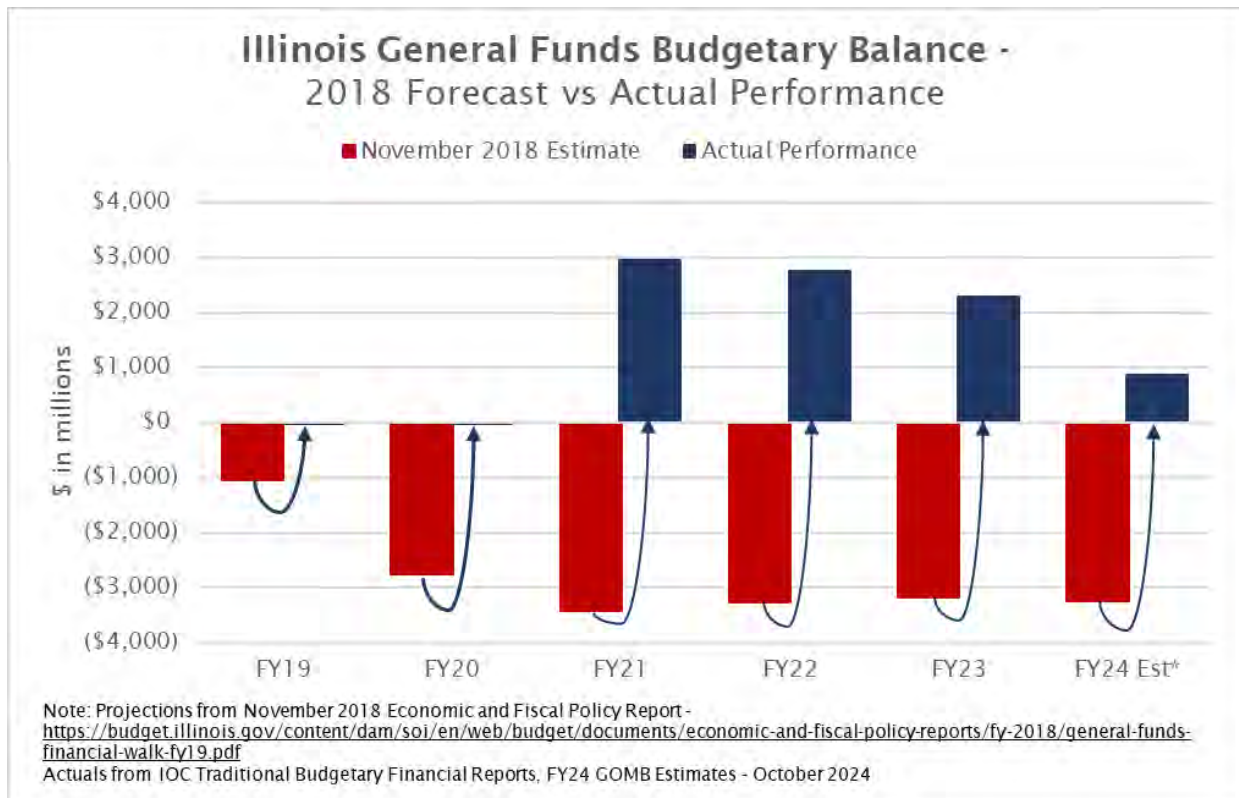
Fiscal year 2026 total General Funds spending in the financial walk down is estimated at \$56.393 billion. Fiscal year 2026 estimates are based on an assumed increase in evidence-based funding for education by a minimum of \$350 million per year, projections regarding the impact of medical inflation and drop off of one-time FEMA reimbursement revenues for HFS on state Medicaid and health insurance costs, moderate growth rates in the various categories of state spending from fiscal year 2025 appropriations, and pension spending consistent with the retirement systems' projections from the end of fiscal year 2024 actuarial reports. To illustrate potential future-year spending, moderate growth rates in various spending categories are carried forward and do not assume significant reforms or spending controls aside from what is in current law.

### *Fiscal Year Results*

As noted above, GOMB estimates fiscal year 2025 will result in a budget surplus. Based on the current assessment of revenues and maintenance budget pressures for fiscal year 2026, estimated expenditures (including the set aside in the Budget Stabilization Fund) would exceed revenues by \$3.173 billion – which will be addressed in the Governor's Fiscal Year 2026 Introduced Budget.

While a daunting challenge to balance spending pressures in the face of a flat revenue outlook, the Governor remains committed to taking steps to further improve Illinois' fiscal position and address any potential budgetary shortfalls that may arise – as has been done every year since he took office in 2019. The ability to fund new programs will be severely limited. As illustrated in the chart below, the Governor and General Assembly have demonstrated a commitment to addressing fiscal year shortfalls that may be illustrated in this preliminary five-year projection. The chart compares the out-year fiscal year shortfalls illustrated in the November 2018 Economic and Fiscal Policy Report and the actual budgetary balance achieved in the later fiscal years. The administration took the challenge facing Illinois in 2019 seriously, and these shortfalls were addressed through prudent fiscal management policies that paid down debts

early, balanced revenues with targeted expenditure increases, and reacted timely to changes in economic conditions.



## POLICY OBJECTIVES AND INTENTIONS

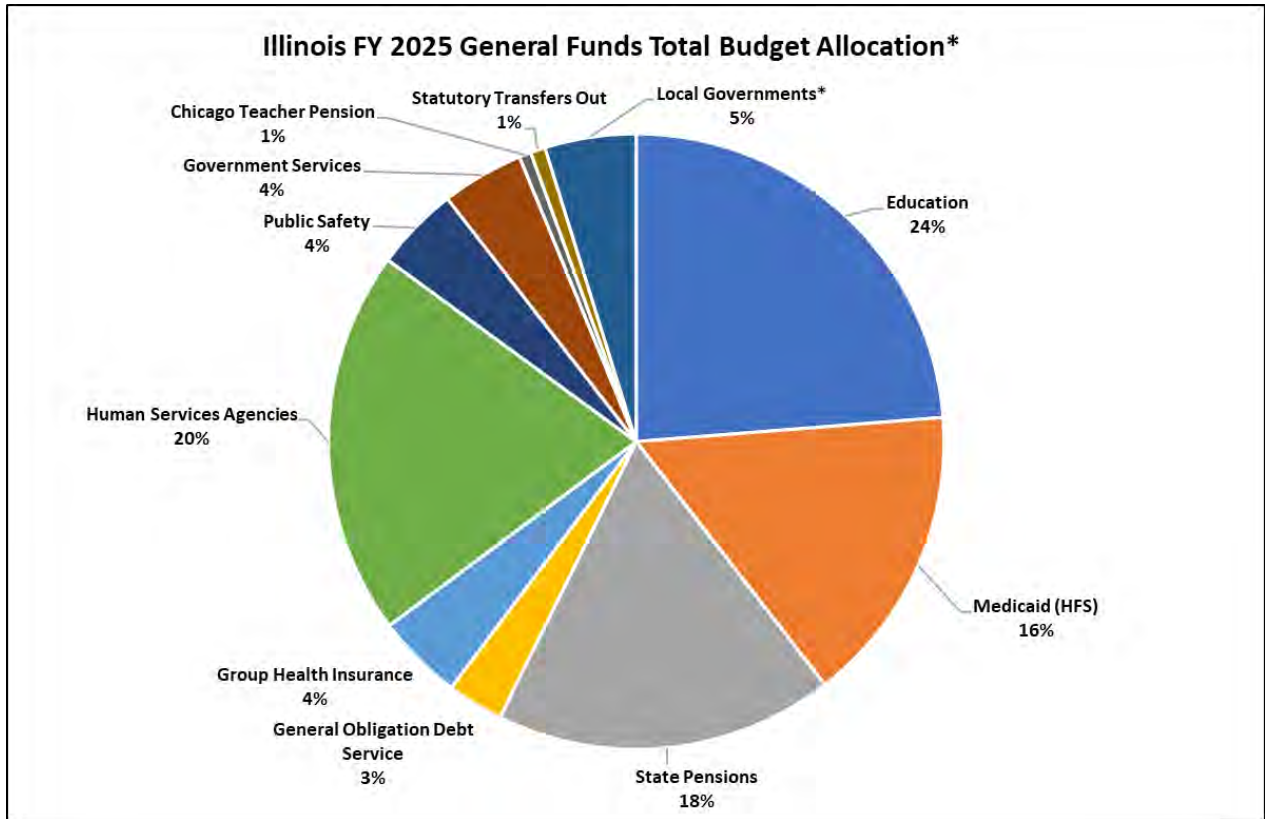
Governor Pritzker remains committed to maintaining fiscal stability in Illinois' budget and spurring statewide economic growth. A key priority is investing in Illinois' people, educational system, infrastructure, and programs that assist the most vulnerable. These investments will strengthen the economy and ensure that Illinois is a strong competitor in the global marketplace.

The fiscal year 2022 and fiscal year 2023 budget allowed for additional steps toward fiscal stability through actions such as early repayment of COVID-19 Pandemic borrowings, directing funds to further pay down the State's existing payables and reserving additional funds for future fiscal emergencies or economic downturns. The fiscal year 2024 budget built on the progress in the earlier budgets with additional early debt retirement and budgetary surplus to grow reserves. These actions, along with continued investment in economic development and responsible budget management on the spending side, will improve the budgetary outlook for future years.

Even with a balanced budget for fiscal year 2025 and an improved financial performance, the State must continue to build on the progress made in recent years while carefully preparing to face an uncertain fiscal outlook due to national economic conditions. **Illinois is constitutionally required to pass a balanced budget for each fiscal year – thus, any challenges must be addressed as they arise.**

It should be noted that, as the below chart illustrates, Illinois' General Funds budget supports a wide range of priority areas and that spending reductions cannot be implemented broadly across-the-board. Areas such as debt service on state general obligation bonds, pension payments, Medicaid, and areas that are

covered by consent decrees reflect approximately 40 percent of the State’s General Funds spending. Education spending – primarily base school support (e.g. Evidence Based Funding and transportation reimbursements), state university operations, and need-based assistance – encompass another 24 percent of the budget.



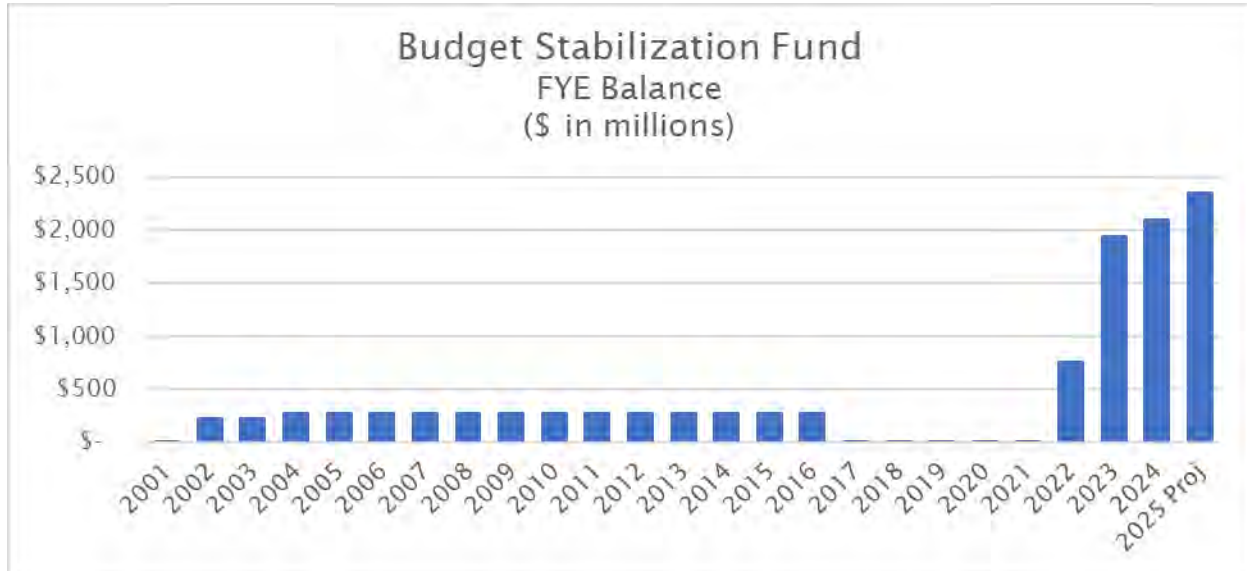
*\*Includes income and sales tax revenue sharing with local governments. Beginning in Fiscal Year 2018, revenue-sharing income tax collections were deposited directly into the Local Government Distributive Fund, and revenue-sharing sales tax collections were deposited directly into the Public Transportation Fund and the Downstate Public Transit fund for distribution to units of local government. Prior to Fiscal Year 2018, those monies were deposited into the General Funds and transferred from GRF to these local funds. The \$2.7 billion shared with local governments is included in the General Funds budget chart to illustrate the nature of the funding.*

**Saving for the Future.** Illinois created the Budget Stabilization Fund in 2001 with the intent to use it as a “rainy day” fund for future fiscal emergencies or economic downturns. After that original funding, very little was contributed to the fund, and it was used as a tool to assist with cash flow until it was nearly drained in fiscal year 2017. During fiscal year 2017, the \$275 million Budget Stabilization Fund balance was used to pay bills related to the budget impasse.

The COVID-19 Pandemic demonstrated how important a robust rainy day fund is to stabilizing state finances. Some states drew on their rainy day funds in 2020, while Illinois and a few others turned to short-term borrowing for cash flow assistance during unprecedented circumstances caused the pandemic. However, strong revenue performance nationally in 2021 and 2022 enabled states to replenish and even increase their rainy day funds from fiscal year 2020 levels. The 50-state total of rainy day fund balances increased to a record level of \$134.5 billion at the start of fiscal year 2023. However, Illinois’ fund at that point was estimated to only cover 6 days of operations, lower than the national median of 42.3 days.<sup>17</sup> While Illinois has since moved its balance higher and is at a record of \$2.2 billion, Illinois still has among

the smallest state rainy day fund balances on a relative basis. Statutory provisions have been added in recent years ensuring continued contributions to the Budget Stabilization Fund:

- 10% of cannabis tax revenues (approximately \$25 million in fiscal year 2024)
- Monthly transfers of \$3.75 million from GRF beginning July 1, 2023 (\$45 million/year)
- Repayment over 10 years from State’s \$450 million loan to UI Trust Fund (est. \$45 million/year)
- Interest earnings on Fund’s balance (\$91 million received in fiscal year 2024)



*Reducing Debt Obligations and Saving on Interest Costs.* Across fiscal years 2022, 2023, and 2024, Illinois has paid **over \$11 billion** towards outstanding debts and liabilities – reducing the interest burden for the State’s taxpayers as efficiently as possible as Illinois emerged from the COVID-19 Pandemic. In 2020, the State undertook several borrowings to address the revenue shortfalls brought on by the COVID-19 Pandemic, including \$3.2 billion in borrowing from the Federal Reserve Municipal Liquidity Facility (MLF), millions in interfund borrowing, and \$400 million under the State Treasurer’s investment borrowing powers. As of the end of fiscal year 2022, the State had paid back these borrowings in their entirety – significantly reducing interest costs and removing the burden of repayment from out years.

For fiscal year 2024, Illinois directed funds towards the remaining Railsplitter Tobacco Settlement Authority Tobacco Settlement Revenue Bonds. In December 2010, the Railsplitter Tobacco Settlement Authority issued revenue bonds in the amount of \$1.5 billion to address a portion of the State’s unpaid bill backlog resulting from the Great Recession. The repayment stream was the State’s tobacco settlement payments under the Master Settlement Agreement between various states and various cigarette manufacturers. Of the original \$1.5 billion issued in 2010 and refinanced in 2017, approximately \$450 million – or nearly 1/3 of the original issue – remained outstanding going into fiscal year 2024. In September 2023, the Railsplitter Tobacco Settlement Authority undertook a cash defeasance of the remaining outstanding bonds with proceeds from a recent Attorney General settlement resolving claims regarding certain payments from tobacco companies.<sup>18</sup> The tobacco payment stream is now freed up to be used as ongoing annual state revenues to support the State’s Medicaid program.

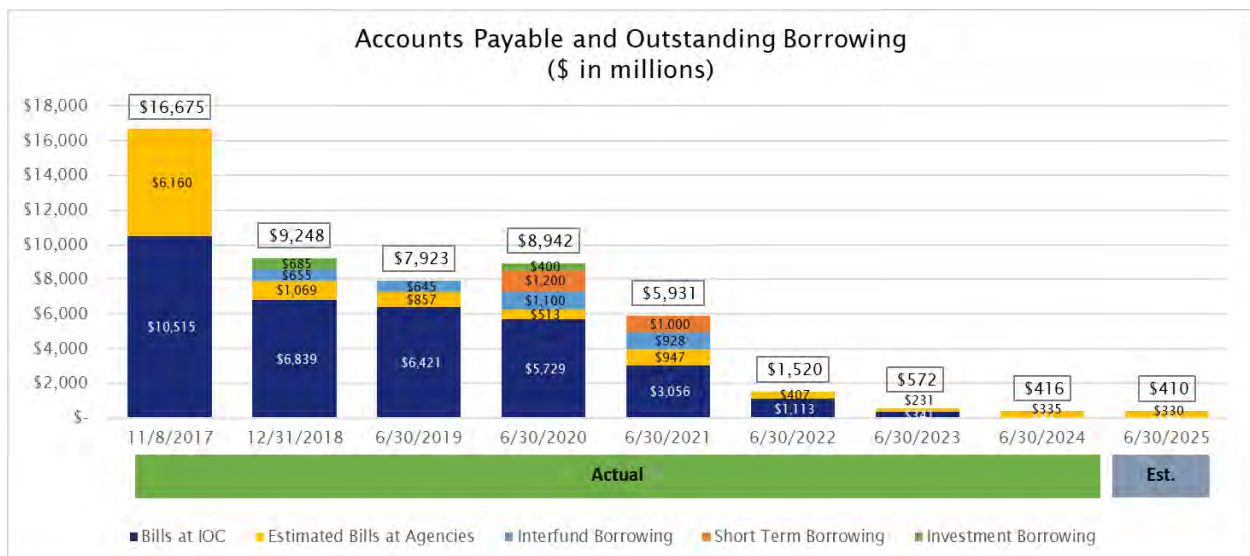
Like many states, Illinois had a healthy balance (\$1.85 billion) in its Unemployment Insurance Trust fund before the pandemic. To keep unemployment benefits flowing to jobless workers once the pandemic hit,



the fund was drained, and the Trust Fund was forced to borrow money from the U.S. Department of Labor which needed to be repaid. After several steps taken by the Governor and the General Assembly to reduce the amounts owed from advances of \$4.5 billion, Illinois' Trust Fund was fully repaid by January 2023.

Restoring Illinois' Fiscal House Debt Paydowns (\$ in millions)	
<b>FY22:</b>	
Early COVID borrowing repayment	\$1,985
Unfunded College Illinois! liabilities	\$250
Additional Pension Contribution	\$300
Debt Transparency Act Accounts Payable Reduction	\$2,483
<b>FY23:</b>	
Additional Pension Contribution	\$400
Debt Transparency Act Accounts Payable Reduction	\$949
<b>FY24:</b>	
Railsplitter bonds defeasance	\$449
Estimated Accounts Payable Reduction	\$156
<b>FY22/FY23: UI Trust Fund</b>	<b>\$4,063</b>
<b>Total Debt Paydown</b>	<b>\$11,035</b>

*Continued Reduction in Unpaid Bills.* At the end of fiscal year 2024, the Illinois Office of the Comptroller's estimate for the General Funds and Health Insurance Reserve Fund bill payables totaled \$416 million.<sup>19</sup> This reflects a reduction of \$8.8 billion in liabilities since December 2018. In future budget years, maintaining these lower payables level by enacting balanced budgets will save Illinois taxpayers millions in interest costs and keep Illinois at a customary accounts payable cycle.



*Economic Development Investments.* The State’s fiscal position is dependent on the strength of the businesses that underpin the Illinois economy by providing jobs and investment throughout the State. With that in mind, the Governor is deploying the State’s Invest In Illinois Fund (its ‘closing fund’) and other economic development tools to help the Department of Commerce and Economic Opportunity with business development and provide the State the flexibility to tailor development packages to each unique situation.

*Spending Controls.* To manage future year budget constraints, the Governor continues to instruct agency directors to prudently manage operations with the limited available resources of state government. During this administration, the Governor has implemented spending controls in a number of areas with new efficiencies. He believes the people of Illinois expect high quality programs and services, as well as the most efficient and effective use of their tax dollars. The Governor believes that support for quality education, access to health care, and sufficient social services are all part of the essential functions of state government. Optimizing operations while identifying all possible efficiencies will help the State achieve balanced budgets in future years.

## ESTIMATED INTEREST EXPENSES

The State Prompt Payment Act (30 ILCS 540/3-2) specifies the timeframe in which bills for goods and services shall be paid. If the bills are not paid within the specified time frame, an interest penalty is applied for each month, or portion thereof, until final payment is made. Similarly, the Illinois Insurance Code (215 ILCS 5/368a and 5/370a) establishes timely pay for healthcare services under the State Employees Group Health Insurance Program. If healthcare services bills are not paid within the specified time frame, the healthcare service provider is entitled to interest for each month, or a portion thereof, until final payment is made.

In order to calculate the interest due to an eligible vendor or provider, an agency must know two critical dates: the date the proper bill or invoice was received by the agency and the date the payment to the eligible vendor or provider was issued by the Illinois Office of the Comptroller (the Comptroller). Agencies use the dates to calculate the number of days that passed beyond the established payment timeframes and the appropriate interest due to the vendor or provider. Until such time as a bill is paid, the agencies are not able to calculate interest. The Comptroller determines which bills get paid and when, making it difficult for agencies to project an interest amount.

Due to fluctuations in the receipt of invoices and the timing of the Comptroller’s payment decisions, future interest expense estimates cannot be made. Illinois has seen a significant improvement from recent years when agencies submitted to the Comptroller prompt payment interest vouchers and other Central Management Services state employee health insurance interest payments at much higher levels. In fiscal year 2018, vouchers totaled \$980 million, fiscal year 2019 - \$160 million, fiscal year 2020 - \$137 million, fiscal year 2021 - \$112 million, fiscal year 2022 - \$35 million, fiscal year 2023 - \$23 million, and fiscal year 2024 - \$13 million.

STATE OF ILLINOIS GENERAL FUNDS FINANCIAL WALK DOWN Governor's Office of Management and Budget						
	FY 2025 Estimated	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
<i>(\$ in millions)</i>						
<b>RESOURCES</b>						
<b>State Sources: Revenues</b>						
Net Individual Income Taxes	26,992	27,776	28,280	29,192	30,210	31,293
Net Corporate Income Taxes	5,299	5,525	5,440	5,191	5,319	5,458
Net Sales Taxes	10,696	10,369	10,528	10,748	10,972	11,222
Public Utility Taxes	691	684	677	670	664	657
All Other Sources	3,280	2,832	2,682	2,580	2,580	2,576
<b>Total State Sources: Revenues</b>	<b>46,959</b>	<b>47,186</b>	<b>47,608</b>	<b>48,381</b>	<b>49,744</b>	<b>51,207</b>
<b>State Sources: Transfers In</b>						
Lottery	902	906	924	943	961	981
Gaming	177	182	230	270	270	270
Adult-Use Cannabis	123	123	130	131	133	134
Sports Wagering	200	204	208	212	216	221
Other Transfers	1,095	700	721	743	765	788
<b>Total State Sources</b>	<b>49,455</b>	<b>49,301</b>	<b>49,821</b>	<b>50,680</b>	<b>52,090</b>	<b>53,600</b>
Federal Sources	4,024	4,104	4,187	4,270	4,356	4,443
<b>TOTAL RESOURCES</b>	<b>53,479</b>	<b>53,406</b>	<b>54,008</b>	<b>54,951</b>	<b>56,446</b>	<b>58,043</b>
<b>EXPENDITURES</b>						
<b>1. Education</b>	<b>13,513</b>	<b>14,035</b>	<b>14,569</b>	<b>15,003</b>	<b>15,439</b>	<b>15,877</b>
PreK-12 Education	10,897	11,341	11,794	12,144	12,495	12,845
Higher Education	2,616	2,694	2,775	2,858	2,944	3,032
<b>2. Economic Development</b>	<b>382</b>	<b>388</b>	<b>390</b>	<b>391</b>	<b>392</b>	<b>393</b>
<b>3. Public Safety</b>	<b>2,522</b>	<b>2,613</b>	<b>2,710</b>	<b>2,805</b>	<b>2,903</b>	<b>3,005</b>
<b>4. Human Services</b>	<b>11,519</b>	<b>12,093</b>	<b>12,572</b>	<b>13,070</b>	<b>13,588</b>	<b>14,126</b>
<b>5. Healthcare</b>	<b>8,961</b>	<b>10,061</b>	<b>10,413</b>	<b>10,778</b>	<b>11,155</b>	<b>11,545</b>
<b>6. Environment and Culture</b>	<b>132</b>	<b>136</b>	<b>138</b>	<b>141</b>	<b>144</b>	<b>147</b>
<b>7. Government Services</b>	<b>4,888</b>	<b>5,243</b>	<b>5,357</b>	<b>5,472</b>	<b>5,589</b>	<b>5,708</b>
Group Health Insurance	2,327	2,877	2,949	3,023	3,098	3,176
Chicago Teachers' Pension System	354	363	366	369	370	370
Government Services	2,207	2,003	2,041	2,081	2,121	2,162
<b>8. Unspent Appropriations</b>	<b>(950)</b>	<b>(990)</b>	<b>(1,022)</b>	<b>(1,056)</b>	<b>(1,078)</b>	<b>(1,113)</b>
<b>Total Operating Budget</b>	<b>40,968</b>	<b>43,579</b>	<b>45,127</b>	<b>46,603</b>	<b>48,132</b>	<b>49,689</b>
<b>EXPENDITURES: PENSIONS</b>						
K-12 Education Pensions	6,204	6,496	6,651	6,883	7,042	7,186
State Universities' Pensions	1,998	2,106	2,151	2,260	2,332	2,400
State Employees' Pensions	1,933	1,971	1,976	2,021	2,044	2,065
<b>Total Pension Costs</b>	<b>10,135</b>	<b>10,572</b>	<b>10,778</b>	<b>11,165</b>	<b>11,418</b>	<b>11,651</b>
<b>EXPENDITURES: TRANSFERS OUT OF GENERAL FUNDS</b>						
Statutory Transfers Out	445	454	461	470	477	484
GO Bond Debt Service	1,670	1,788	1,762	1,667	1,581	1,237
<b>Total Transfers Out</b>	<b>2,114</b>	<b>2,243</b>	<b>2,223</b>	<b>2,137</b>	<b>2,058</b>	<b>1,720</b>
<b>TOTAL EXPENDITURES</b>	<b>53,217</b>	<b>56,393</b>	<b>58,128</b>	<b>59,905</b>	<b>61,608</b>	<b>63,060</b>
<b>General Funds Surplus/(Deficit)</b>	<b>262</b>	<b>(2,987)</b>	<b>(4,121)</b>	<b>(4,955)</b>	<b>(5,163)</b>	<b>(5,017)</b>
<b>Budget Stabilization Fund Contribution</b>	<b>(246)</b>	<b>(186)</b>	<b>(173)</b>	<b>(155)</b>	<b>(143)</b>	<b>(135)</b>
<b>Base General Funds Surplus/(Deficit)</b>	<b>16</b>	<b>(3,173)</b>	<b>(4,294)</b>	<b>(5,110)</b>	<b>(5,306)</b>	<b>(5,152)</b>

Key to Agencies by Outcome	
<p><b>1. Education</b>                      PreK-12 Education                          Department of Early Childhood                          Illinois State Board of Education                      Higher Education                          Illinois Board of Higher Education                          Chicago State University                          Eastern Illinois University                          Governors State University                          Northeastern Illinois University                          Western Illinois University                          Illinois State University                          Northern Illinois University                          Southern Illinois University                          University of Illinois                          Illinois Community College Board                          Illinois Student Assistance Commission                          Illinois Mathematics and Science Academy                          State Universities Civil Service System</p> <p><b>2. Economic Development</b>                          Department of Agriculture                          Department of Commerce and Economic Opportunity                          Department of Labor                          Department of Transportation                          Illinois Commerce Commission                          Human Rights Commission                          Southwestern Illinois Development Authority</p> <p><b>3. Public Safety</b>                          Department of Corrections                          Department of Financial and Professional Regulation                          Department of Insurance                          Department of Military Affairs                          Department of State Police                          Environmental Protection Agency                          Illinois Criminal Justice Information Authority                          Illinois Workers' Compensation Commission                          Law Enforcement Training and Standards Board                          Prisoner Review Board                          Property Tax Appeal Board                          Illinois Emergency Management Agency                          Illinois Labor Relations Board                          Office of the State Fire Marshal</p> <p><b>4. Human Services</b>                          Department on Aging                          Department of Children and Family Services                          Department of Juvenile Justice                          Department of Employment Security                          Department of Human Rights                          Department of Human Services                          Department of Public Health                          Department of Veterans' Affairs                          Illinois Deaf and Hard of Hearing Commission                          Illinois Guardianship and Advocacy Commission</p>	<p>Illinois Council on Developmental Disabilities</p> <p><b>5. Healthcare</b>                          Department of Healthcare and Family Services</p> <p><b>6. Environment and Culture</b>                          Department of Natural Resources                          Illinois Arts Council                          Abraham Lincoln Presidential Library and Museum</p> <p><b>7. Government Services (including employees health insurance)</b>                          General Assembly and Legislative Agencies                          Office of the Auditor General                          Supreme Court and Illinois Court System                          Supreme Court Historic Preservation Commission                          Courts Commission                          Judicial Inquiry Board                          Office of the State Appellate Defender                          Office of the State's Attorneys Appellate Prosecutor                          Court of Claims                          Office of the Governor                          Office of the Lieutenant Governor                          Office of the Attorney General                          Office of the Secretary of State                          Office of the State Comptroller                          Office of the State Treasurer                          State Board of Elections                          Department of Central Management Services                          Department of Innovation and Technology                          Department of Lottery                          Department of Revenue                          Governor's Office of Management and Budget                          Office of Executive Inspector General                          Executive Ethics Commission                          Capital Development Board                          Civil Service Commission                          Commission on Equity and Inclusion                          Procurement Policy Board                          Illinois Independent Tax Tribunal                          Illinois Gaming Board                          Illinois Racing Board                          Other Government Services*                          Chicago Teachers' Pension and Retirement System</p> <p><b>8. Pensions</b>                          Teachers' Retirement System                          State Universities' Retirement System                          General Assembly Retirement System                          Judges' Retirement System                          State Employees' Retirement System</p>

\* Includes contributions to the Teachers' Retirement Insurance Program, College Insurance Program, operational expenses of the State Employees' Retirement System, and any additional appropriation authority needed to address the shortfall in contributions to the system in prior years (approximately \$263 million in fiscal year 2025).

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- <sup>1</sup> Board of Governors of the Federal Reserve System (US), [Federal Reserve Board - Federal Reserve issues FOMC statement](#), September 18, 2024
- Derek Saul, “U.S. Added 100,000 More Jobs Than Expected Last Month As Labor Market Rockiness Eases,” Forbes, October 4, 2024, [Jobs Report Smashes Expectations As Rocky Labor Market Improves \(forbes.com\)](#)
- <sup>3</sup> The Consumer Confidence Survey, “US Consumer Confidence Fell in September,” September 24, 2024, [US Consumer Confidence \(conference-board.org\)](#)
- <sup>4</sup> U.S. Bureau of Economic Analysis, Gross Domestic Product, (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, Second Quarter 2024 and Annual Update, September 26, 2024 [Gross Domestic Product | U.S. Bureau of Economic Analysis \(BEA\)](#)
- <sup>5</sup> S&P Global, U.S. Executive Summary, September 2024, [Connect](#), Retrieved October 27, 2024.
- <sup>6</sup> Ira Kalish and Robyn Gibbard, “United States Economic Forecast,” Deloitte, September 20, 2024, [US Economic Forecast Q3 2024 | Deloitte Insights](#)
- <sup>7</sup> U.S. Bureau of Labor Statistics, Current Employment Statistics Highlights, Jan 5, 2024, <https://www.bls.gov/ces/publications/highlights/2023/current-employment-statistics-highlights-12-2023.pdf>
- <sup>8</sup> Congressional Budget Office, “An Update to the Budget and Economic Outlook: 2024 to 2034,” June 18, 2024, [An Update to the Budget and Economic Outlook: 2024 to 2034 | Congressional Budget Office](#)
- <sup>9</sup> Fitch Ratings, “U.S. Consumer Spending Likely Moderates in 2024; Labor Market Underpins Resilience, Feb 5, 2024, [U.S. Consumer Spending Likely Moderates in 2024; Labor Market Underpins Resilience \(fitchratings.com\)](#)
- <sup>10</sup> Federal Reserve Bank of New York, Household Debt Rose by \$184 Billion in Q1 2024; Delinquency Transition Rates Increased Across All Debt Types, May 14, 2024, [Household Debt Rose by \\$184 Billion in Q1 2024; Delinquency Transition Rates Increased Across All Debt Types - FEDERAL RESERVE BANK of NEW YORK \(newyorkfed.org\)](#)
- <sup>11</sup> S&P Global, U. S. Economic Outlook, Executive Summary, September 2024, retrieved from [Connect](#)
- <sup>12</sup> S&P Global, State Analysis: Forecast Data: Quarterly Data – Illinois, September, 2024, retrieved from Connect by S&P Global, [Connect](#) October 27, 2024.
- <sup>13</sup> U.S. Bureau of Labor Statistics, Illinois Local Area Unemployment Statistics, retrieved October 27, 2024, [Bureau of Labor Statistics Data](#)
- <sup>14</sup> [https://ides.illinois.gov/content/dam/soi/en/web/ides/news\\_announcementsdoclibrary/accessible-news-documents/oct2024\\_statewide.pdf](https://ides.illinois.gov/content/dam/soi/en/web/ides/news_announcementsdoclibrary/accessible-news-documents/oct2024_statewide.pdf)
- <sup>15</sup> Ibid
- <sup>16</sup> Stephanie Ferguson and Makinzi Hoover, U.S. Chamber of Commerce, Understanding America’s Labor Shortage: The Most Impacted Industries, October 15, 2024, [Understanding America’s Labor Shortage: The Most Impacted Industries | U.S. Chamber of Commerce](#)
- <sup>17</sup> “Record State Budget Reserves Buffer Against Mounting Fiscal Threats,” the Pew Charitable Trust, March 16, 2023, accessed November 10, 2023. [Record State Budget Reserves Buffer Against Mounting Fiscal Threats | The Pew Charitable Trusts \(pewtrusts.org\)](#)
- <sup>18</sup> [ATTORNEY GENERAL RAOUL ILLINOIS RECEIVES OVER \\$800 MILLION FROM TOBACCO MANUFACTURERS.pdf](#)
- <sup>19</sup> [Debt Transparency Report for June 2024 \(illinoiscomptroller.gov\)](#), accessed October 27, 2024

January XX, 2025

To the Honorable Governor of the State of Illinois and the Honorable Members of the Illinois General Assembly:

The State Universities Retirement System (“SURS”) provides disability, retirement, death, and survivor benefits to over 250,000 members and beneficiaries of 61 public universities, community colleges, and affiliated agencies throughout Illinois. We manage approximately \$29.5 billion in investments across three core retirement plans and one supplemental deferred compensation plan and pay over \$3 billion in benefits annually.

As we prepare to begin the 104<sup>th</sup> General Assembly, we wanted to thank Illinois officials for their recent efforts to improve the funded status of SURS. Since the phase-in period ended in FY 2010, the State has adhered to the statutorily required payments necessary to help the System attain a funded status of 90% by the end of FY 2045. Additionally, for the first time in Illinois’ history, between FY 2022 and FY 2023, the State made supplemental contributions of \$96.9 million to SURS, and starting in FY 2025, the State has made earlier payments to enable the System to generate additional investment income. These prudent decisions illustrate the fiscal discipline that has led to the State’s nine credit upgrades over a two-year period.

Despite the progress made, there is still significant work to do to improve the funded status of the System. The current statutory funding law contributes to increased growth in unfunded liability and relies heavily on assumptions about future active members who are projected to join the System through FY 2045. While the funded ratio of the System continues to improve slightly from one year to the next, due to State contributions that are insufficient compared to those calculated under a reasonable actuarially determined policy, it is projected to remain below 50% until FY 2030, 60% until FY 2037, and 70% until FY 2041, when it improves by 20% over the final four years of the funding schedule, if all actuarial assumptions are realized. Should a major economic downturn occur before the System’s funded status reaches 90%, the State may experience increased pressure to make growing pension payments at a time of depressed revenues.

It is with these considerations in mind that we highlight the need to update the current statutory funding policy to an actuarially sound funding formula. Under an actuarially sound funding formula, the State annually contributes the normal cost of benefits earned plus the amount necessary to amortize 100% of the unfunded liability as of the most recent fiscal year (and any annual changes in the unfunded liability each fiscal year thereafter) over a period of 20 years or less. Such an actuarially sound funding formula would help to ensure the funded status of the System continues to improve and that promised benefits continue to be paid in a timely manner.

We expect several proposals related to pension benefits to be introduced during the 104<sup>th</sup> General Assembly, especially to address the Tier II safe harbor issue, recruitment, and retention. Thoughtful evaluation of these proposals will be particularly important, given that the first Tier II member is expected to fail safe harbor testing in FY 2025. In the analysis and consideration of these proposals, we would encourage the legislature to carefully consider how to fund current and future benefits promised to our members in accordance with actuarial standards and best practices.

To that end, we offer our assistance to you as you consider legislation to adjust benefits without negatively impacting System funding. If there is anything we can do to help you build upon your progress towards strengthening the System's funded status, please do not hesitate to contact us. We thank you for your help in securing the funding necessary to finance the promised benefits of more than 250,000 members and beneficiaries in retirement.

Sincerely,

Suzanne M. Mayer  
Executive Director

# January 2025



ILLINOIS HOUSE OF REPRESENTATIVES  
 104th General Assembly Emanuel "Chris" Welch, Speaker

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
29	30	31	1 <i>New Years Day</i> STATE HOLIDAY	2 <b>TENTATIVE SESSION</b>	3 <b>TENTATIVE SESSION</b>	4 <b>TENTATIVE SESSION</b>
5 <b>TENTATIVE SESSION</b>	6 <b>TENTATIVE SESSION</b>	7 <b>TENTATIVE SESSION</b>	8 <b>INAUGURATION</b>	9 <b>SESSION</b>	10	11
12	13	14	15	16	17	18
19	20 <i>Martin Luther King Jr. Day</i> STATE HOLIDAY	21	22	23	24 <b>HOUSE LRB REQUEST DEADLINE</b> <b>LRB BLACKOUT BEGINS</b>	25
26	27	28 <b>SESSION</b>	29 <b>SESSION</b>	30 <b>SESSION</b>	31	1



# February 2025



ILLINOIS HOUSE OF REPRESENTATIVES  
 104th General Assembly Emanuel "Chris" Welch, Speaker

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
26	27	28	29	30	31	1
2	3	4 <b>SESSION</b>	5 <b>SESSION</b>	6 <b>SESSION</b>	7 <b>INTRODUCTION OF HBS DEADLINE END OF LRB BLACKOUT</b>	8
9	10	11	12 <i>Lincoln's Birthday</i> STATE HOLIDAY	13	14 <i>Valentine's Day</i>	15
16	17 <i>Presidents' Day</i> STATE HOLIDAY	18 <b>SESSION</b>	19 <b>SESSION GOVERNOR'S BUDGET ADDRESS</b>	20 <b>SESSION</b>	21	22
23	24	25 <b>SESSION</b>	26 <b>SESSION</b>	27 <b>SESSION</b>	28 <i>Ramadan Begins</i>	1

# March 2025



ILLINOIS HOUSE OF REPRESENTATIVES  
 104th General Assembly Emanuel "Chris" Welch, Speaker

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
23	24	25	26	27	28	1
2	3	4 <b>SESSION</b>	5 <i>Ash Wednesday</i> <b>SESSION</b>	6 <b>SESSION</b>	7	8
9 <i>Daylight Savings Begins</i>	10	11 <b>SESSION</b>	12 <b>SESSION</b>	13 <b>SESSION</b>	14	15
16	17 <i>St. Patrick's Day</i>	18 <b>SESSION</b>	19 <b>SESSION</b>	20 <b>SESSION</b>	21 <b>SESSION</b> <b>HB COMMITTEE DEADLINE</b>	22
23	24	25 <b>SESSION</b>	26 <b>SESSION</b>	27 <b>SESSION</b>	28 <b>SESSION</b>	29
30 <i>Eid al-Fitr</i>	31	1	2	3	4	5

# April 2025



ILLINOIS HOUSE OF REPRESENTATIVES  
 104th General Assembly Emanuel "Chris" Welch, Speaker

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
30	31	1	2	3	4	5
6	7 <b>SESSION</b>	8 <b>SESSION</b>	9 <b>SESSION</b>	10 <b>SESSION</b>	11 <b>SESSION HB 3RD READINGS</b>	12 <i>Passover Begins</i>
13	14	15	16	17	18 <i>Good Friday</i>	19
20 <i>Easter Sunday</i>	21	22 <b>SESSION</b>	23 <b>SESSION</b>	24 <b>SESSION</b>	25	26
27	28	29 <b>SESSION</b>	30 <b>SESSION</b>	1	2	3

# May 2025



ILLINOIS HOUSE OF REPRESENTATIVES  
 104th General Assembly Emanuel "Chris" Welch, Speaker

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
27	28	29	30	1 <b>SESSION</b>	2	3
4	5	6 <b>SESSION</b>	7 <b>SESSION</b>	8 <b>SESSION</b>	9 <b>SESSION SB COMMITTEE DEADLINE</b>	10
11 <i>Mother's Day</i>	12	13 <b>SESSION</b>	14 <b>SESSION</b>	15 <b>SESSION</b>	16 <b>SESSION</b>	17
18	19	20 <b>SESSION</b>	21 <b>SESSION</b>	22 <b>SESSION</b>	23 <b>SESSION SB 3RD READING</b>	24
25	26 <i>Memorial Day</i> STATE HOLIDAY	27 <b>SESSION</b>	28 <b>SESSION</b>	29 <b>SESSION</b>	30 <b>SESSION</b>	31 <b>SESSION ADJOURNMENT</b>

# 2025

ILLINOIS SENATE CALENDAR  
104<sup>TH</sup> GENERAL ASSEMBLY  
SENATE PRESIDENT DON HARMON



## JANUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			<b>1</b> NEW YEAR'S DAY STATE HOLIDAY	<b>2</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>	<b>3</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>	<b>4</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>
<b>5</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>	<b>6</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>	<b>7</b> <i>TENTATIVE SESSION 103RD GENERAL ASSEMBLY</i>	<b>8</b> SESSION INAUGURATION 104TH GENERAL ASSEMBLY	<b>9</b> SESSION	<b>10</b>	<b>11</b>
<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>
<b>19</b>	<b>20</b> MARTIN LUTHER KING JR. DAY STATE HOLIDAY	<b>21</b>	<b>22</b>	<b>23</b>	<b>24</b> <b>DEADLINE</b> <i>House &amp; Senate LRB Requests LRB Black Out Period Begins</i>	<b>25</b>
<b>26</b>	<b>27</b>	<b>28</b> SESSION	<b>29</b> SESSION	<b>30</b> SESSION	<b>31</b>	

### IMPORTANT DATES

**January 8** - Inauguration of the 104th General Assembly

**January 24** - DEADLINE - House & Senate LRB Requests / LRB Black Out Period Begins (No requests accepted)

# 2025



## FEBRUARY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						<b>1</b>
<b>2</b>	<b>3</b>	<b>4 SESSION</b>	<b>5 SESSION</b>	<b>6 SESSION</b>	<b>7</b> <b>DEADLINE</b> <i>Introduction of Senate and House Bills LRB Amendment Requests Begin</i>	<b>8</b>
<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b> LINCOLN'S BIRTHDAY STATE HOLIDAY	<b>13</b>	<b>14</b>	<b>15</b>
<b>16</b>	<b>17</b> PRESIDENTS DAY STATE HOLIDAY	<b>18 SESSION</b>	<b>19 SESSION</b> GOVERNOR'S BUDGET & STATE OF THE STATE ADDRESS	<b>20 SESSION</b>	<b>21</b>	<b>22</b>
<b>23</b>	<b>24</b>	<b>25 SESSION</b>	<b>26 SESSION</b>	<b>27 SESSION</b>	<b>28</b> RAMADAN BEGINS	

### IMPORTANT DATES

**February 7** - DEADLINE - Introduction of Senate and House Bills / LRB Amendment Requests Begin  
**February 19** - Governor's Budget & State of the State Address

# 2025

ILLINOIS SENATE CALENDAR  
104<sup>TH</sup> GENERAL ASSEMBLY  
SENATE PRESIDENT DON HARMON

Exhibit 6



## MARCH

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
						1
2	3	4 SESSION	5 SESSION ASH WEDNESDAY	6 SESSION	7	8
9 DAYLIGHT SAVING BEGINS	10	11	12	13	14	15
16	17 ST. PATRICK'S DAY	18 SESSION	19 SESSION	20 SESSION	21 SESSION DEADLINE Substantive Senate Bills Out of Committee	22
23	24	25	26	27	28	29
30 RAMADAN ENDS EID AL-FITR	31					

### IMPORTANT DATES

**March 21** - DEADLINE - Substantive Senate Bills Out of Committee

# 2025

ILLINOIS SENATE CALENDAR  
104<sup>TH</sup> GENERAL ASSEMBLY  
SENATE PRESIDENT DON HARMON

Exhibit 6



## APRIL

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		<b>1</b> SESSION	<b>2</b> SESSION	<b>3</b> SESSION	<b>4</b>	<b>5</b>
<b>6</b>	<b>7</b>	<b>8</b> SESSION	<b>9</b> SESSION	<b>10</b> SESSION	<b>11</b> SESSION	<b>12</b>
					<b>DEADLINE</b> <i>Third Reading Substantive Senate Bills</i>	PASSOVER BEGINS
<b>13</b>  PALM SUNDAY	<b>14</b>	<b>15</b>	<b>16</b>	<b>17</b>	<b>18</b>  GOOD FRIDAY	<b>19</b>
<b>20</b>  PASSOVER ENDS EASTER SUNDAY	<b>21</b>	<b>22</b>	<b>23</b>  ADMINISTRATIVE PROFESSIONALS DAY	<b>24</b>	<b>25</b>	<b>26</b>
<b>27</b>	<b>28</b>	<b>29</b> SESSION	<b>30</b> SESSION			

### IMPORTANT DATES

**April 11** - DEADLINE - Third Reading Substantive Senate Bills



# 2025



## MAY

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				1 SESSION	2	3
4	5 CINCO DE MAYO	6 SESSION	7 SESSION	8 SESSION	9 SESSION <b>DEADLINE</b> <i>House Bills Out of Committee</i>	10
11 MOTHER'S DAY	12	13 SESSION	14 SESSION	15 SESSION	16	17
18	19	20 SESSION	21 SESSION	22 SESSION	23 SESSION <b>DEADLINE</b> <i>Third Reading Substantive House Bills</i>	24
25	26 MEMORIAL DAY STATE HOLIDAY PM SESSION	27 SESSION	28 SESSION	29 SESSION	30 SESSION	31 SESSION ADJOURNMENT

### IMPORTANT DATES

- May 9 - DEADLINE - Substantive House Bills Out of Committee
- May 23 - DEADLINE - Third Reading Substantive House Bills
- May 31 - Adjournment

## MEMORANDUM

**To: Legal & Legislative Committee, SURS Board of Trustees**  
**From: Albert J. Lee, Senior Associate General Counsel**  
**Date: November 22, 2024**  
**Re: Proposed Technical Corrections to Illinois Pension Code**

---

The SURS Legal Department presents two draft technical corrections to the SURS statutes for the Board's approval. Board approval will permit staff to begin efforts to introduce one or more legislative bills during the Spring 2025 Session of the 104th General Assembly.

### **I. Extending Waiver Deadline for Survivors Insurance Benefits**

Section 15-148 of the Illinois Pension Code (40 ILCS 5/15-148) allows a survivor (or a personal representative of the estate of a deceased or disabled survivor) to waive survivor benefits in writing within six months after a SURS member's death and before any survivor benefits are paid. Some survivors, particularly adult disabled children, waive their benefits to prevent their income from exceeding certain state and/or federal limits to qualify for long-term care assistance programs. The 6-month deadline has been problematic in cases where there are delays in receiving death or employment-related information necessary to calculate survivor benefits. SURS has no control over such factors and does not have the authority to grant waivers after the statutory deadline has passed. The legislative proposal (attached as "Exhibit A") seeks to give survivors meaningful opportunities to waive survivor benefits regardless of such administrative delays by amending the waiver deadline under Section 15-148 of the Illinois Pension Code to be six months after SURS notifies the survivor about his or her survivor benefits.

### **II. Corrections to Tier II Final Average Earnings**

Section 15-112(b) of the Illinois Pension Code (40 ILCS 5/15-112(b)) sets forth the Final Average Earnings (FAE) used to calculate retirement benefits for Tier II members (who first participated in SURS on or after January 1, 2011). The FAE generally averages the member's final career earnings for use in the General Formula (Gross Annuity = Years of Service x FAE x 2.2%).

When Tier II was first enacted in April 2010 under Public Act 96-889, one generic FAE provision under Article 1, Section 1-160(b) of the Illinois Pension Code applied to all the state-wide retirement systems. For SURS, the Tier II FAE lengthened the averaging period from Tier I's highest 4 years (or final 48 months) to the highest 8 years of service within the last 10 years of service (or highest 96 months within the last 120 months). About six months after Tier II was enacted, Public Act 96-1490 brought the Tier II FAE provision into the SURS statutes under Article 15, Section 15-112(b) of the Illinois Pension Code to clarify how the Tier II provisions were to interact with existing FAE formula. Staff has identified two inadvertent omissions that should have been included in Public Act 96-1490 when moving Section 1-160(b) to Section 15-112(b).

First, Public Act 96-1490 should have included the phrase “of service” in Section 15-112(b) concerning the average annual earnings of the highest 8 academic years over the last 10 academic years prior to termination. The phrase “of service,” which still exists in Section 1-160(b), allows SURS to disregard academic years in which the member did not perform service for a SURS employer. Without the phrase, SURS would be required to include empty academic years in the measurement period and in the averaging formula, leading to a potentially diminished FAE.

To use an extreme example for illustration purposes, suppose a Tier II member was employed from AY2012 through AY2021 and was employed for one year in AY2031 before retiring. The annual average would derive from the last 10 academic years as a fixed period, regardless of whether any service was rendered in those years. Based on this measurement window, only AY2031’s earnings would be included in the FAE calculation. The earnings in AY2012 through AY2021 would be disregarded because they would fall outside of the fixed 10-year window (AY2022 to AY2031). The AY2031 earnings would be divided by eight to find the FAE. By contrast, the phrase “of service” would require SURS to use only the academic years containing service and skip the non-service years. Thus, SURS would reference the earnings in AY2012 through AY2021 and in AY2031 to compose the 10-year measurement window and to find the highest consecutive 8-year average within that period. This would result in a much truer representation of the member’s career average earnings than an FAE based on one year of earnings.

Second, Public Act 96-1490 should have included the annual earnings average for “non-faculty staff” (*i.e.*, “an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year”). Under Tier I, non-faculty staff receive the higher of a monthly or an annual average. The monthly average is the average of the earnings during the 48-month period ending with termination of employment. The annual average is the average of the four highest academic years of service. Although the averaging periods for the monthly and annual averages were lengthened to the highest 96 months within the last 120 months and the highest 8 years within the last 10 years, respectively, Tier II did not expressly eliminate annual averages for non-faculty staff. Yet, Public Act 96-1490 did not include them under portion of Section 15-112(b) directed at non-faculty staff. Another indication that this was an inadvertent omission is that Section 1-160(b) continues to provide that each system is to apply the monthly or annual calculation applicable to each Article of the Illinois Pension Code. In other words, Tier II never intended to remove pre-existing calculation methods (whether monthly or annual) under the Article applicable to the member, but merely altered them to have longer measurement periods.

The legislative proposal (attached as “Exhibit B”) seeks to technically correct these two omissions under Section 15-112(b) of the Illinois Pension Code.

**Staff Recommendation: That the Legal & Legislative Committee approve the draft technical corrections to Sections 15-148 and 15-112(b) of the Illinois Pension Code substantially in the form presented for submission to the General Assembly.**

## **EXHIBIT A**

AN ACT concerning public employee benefits.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 5. The Illinois Pension Code is amended by changing Section 15-148 as follows:

(40 ILCS 5/15-148) (from Ch. 108 1/2, par. 15-148)

Sec. 15-148. Survivors insurance benefits - General provisions. The survivors annuity is payable monthly. Any annuity due but unpaid upon the death of the annuitant, shall be paid to the annuitant's estate.

A person who becomes entitled to more than one survivors insurance benefit because of the death of 2 or more persons shall receive only the largest of the benefits; except that this limitation does not apply to a survivors insurance beneficiary who is entitled to a survivor's annuity by reason of a mental or physical disability.

A survivors insurance beneficiary or the personal representative of the estate of a deceased survivors insurance beneficiary or the personal representative of a survivors insurance beneficiary who is under a legal disability may waive the right to receive survivorship benefits, provided written notice of the waiver is given by the beneficiary or representative to the board within 6 months after the System notified such person of the benefits payable upon the death of the participant or annuitant and before any payment is made pursuant to an application filed by such person.

(Source: P.A. 92-424, eff. 8-17-01.)

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

## **EXHIBIT B**

AN ACT concerning public employee benefits.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 5. The Illinois Pension Code is amended by changing Section 15-112 as follows:

(40 ILCS 5/15-112) (from Ch. 108 1/2, par. 15-112)

Sec. 15-112. Final rate of earnings. "Final rate of earnings":

(a) This subsection (a) applies only to a Tier 1 member.

For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, the average annual earnings during the 48 consecutive calendar month period ending with the last day of final termination of employment or the 4 consecutive academic years of service in which the employee's earnings were the highest, whichever is greater. For any other employee, the average annual earnings during the 4 consecutive academic years of service in which his or her earnings were the highest. For an employee with less than 48 months or 4 consecutive academic years of service, the average earnings during his or her entire period of service. The earnings of an employee with more than 36 months of service under item (a) of Section 15-113.1 prior to the date of becoming a participant are, for such period, considered equal to the average earnings during the last 36 months of such service.

(b) This subsection (b) applies to a Tier 2 member.

For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, the average annual earnings obtained by dividing by 8 the total earnings of the employee during the 96 consecutive months in which the total earnings were the highest within the last 120 months prior to termination or the average annual earnings during the 8 consecutive academic years of service within the 10 years of service prior to termination in which the employee's earnings were the highest, whichever is greater.

For any other employee, the average annual earnings during the 8 consecutive academic years of service within the 10 years of service prior to termination in which the employee's earnings were the highest. For an employee with less than 96 consecutive months or 8 consecutive academic years of service, whichever is

necessary, the average earnings during his or her entire period of service.

The changes made to this subsection (b) by this amendatory Act of the 104<sup>th</sup> General Assembly are corrections and clarifications of existing law and are intended to be retroactive to the effective date of Public Act 96-1490, notwithstanding the provisions of Section 1-103.1 of this Code.

(c) For an employee on leave of absence with pay, or on leave of absence without pay who makes contributions during such leave, earnings are assumed to be equal to the basic compensation on the date the leave began.

(d) For an employee on disability leave, earnings are assumed to be equal to the basic compensation on the date disability occurs or the average earnings during the 24 months immediately preceding the month in which disability occurs, whichever is greater.

(e) For a Tier 1 member who retires on or after the effective date of this amendatory Act of 1997 with at least 20 years of service as a firefighter or police officer under this Article, the final rate of earnings shall be the annual rate of earnings received by the participant on his or her last day as a firefighter or police officer under this Article, if that is greater than the final rate of earnings as calculated under the other provisions of this Section.

(f) If a Tier 1 member is an employee for at least 6 months during the academic year in which his or her employment is terminated, the annual final rate of earnings shall be 25% of the sum of (1) the annual basic compensation for that year, and (2) the amount earned during the 36 months immediately preceding that year, if this is greater than the final rate of earnings as calculated under the other provisions of this Section.

(g) In the determination of the final rate of earnings for an employee, that part of an employee's earnings for any academic year beginning after June 30, 1997, which exceeds the employee's earnings with that employer for the preceding year by more than 20 percent shall be excluded; in the event that an employee has more than one employer this limitation shall be calculated separately for the earnings with each employer. In making such calculation, only the basic compensation of employees shall be considered, without regard to vacation or overtime or to contracts for summer employment. Beginning September 1, 2024, this subsection (g) also applies to an employee who has been employed at 1/2 time or less for 3 or more years.

(h) The following are not considered as earnings in determining final rate of earnings: (1) severance or separation

pay, (2) retirement pay, (3) payment for unused sick leave, and (4) payments from an employer for the period used in determining final rate of earnings for any purpose other than (i) services rendered, (ii) leave of absence or vacation granted during that period, and (iii) vacation of up to 56 work days allowed upon termination of employment; except that, if the benefit has been collectively bargained between the employer and the recognized collective bargaining agent pursuant to the Illinois Educational Labor Relations Act, payment received during a period of up to 2 academic years for unused sick leave may be considered as earnings in accordance with the applicable collective bargaining agreement, subject to the 20% increase limitation of this Section. Any unused sick leave considered as earnings under this Section shall not be taken into account in calculating service credit under Section 15-113.4.

(i) Intermittent periods of service shall be considered as consecutive in determining final rate of earnings.

(Source: P.A. 103-548, eff. 8-11-23.)

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



## MEMORANDUM

**To: Legal & Legislative Committee, SURS Board of Trustees**  
**From: Albert J. Lee, Senior Associate General Counsel**  
**Date: November 22, 2024**  
**Re: Rulemaking Update**

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At the March 2024 quarterly meeting, the Board approved proposed rulemakings for First Notice publication regarding several administrative topics (*see* Rulemaking Update memorandum dated February 16, 2024), including benefit suspensions, service credit adjustments, the 6% Rule, evidence to establish age, parentage, or marital status, the 20% earnings limitation, *de minimis* amounts that are exempt from overpayment recovery efforts, benefit forfeitures for felony convictions, line-of-duty police officer disability benefits, disability retirement annuity claims procedure, and board candidate petitions.

The First Notice version was published in Volume 48 of the Illinois Register on August 2, 2024 (48 Ill. Reg. 10992 (August 2, 2024)). SURS has met the minimum 45-day requirement for First Notice and has received one public comment from a representative of AFSCME Council 31. SURS has responded to the public commenter and will be making minor revisions to the rulemaking to address the public commenter's concerns when submitting for Second Notice review by the Joint Committee on Administrative Rules. Enclosed with this memorandum is the Ex Parte Communication Report, dated October 15, 2024, submitted by General Counsel Bianca Green to the Executive Ethics Commission pertaining to this public comment.





## MEMORANDUM

**To:** Mr. Nathan Rice, [Nathan.Rice@Illinois.gov](mailto:Nathan.Rice@Illinois.gov)  
 Executive Director, Executive Ethics Commission

**From:** Bianca T. Green *BTG*  
 General Counsel, State Universities Retirement System (“SURS”)

**Date:** October 15, 2024

**RE:** Ex Parte Communications – Communications / Questions regarding proposed new Administrative Rule, to be codified as 80 Ill. Adm. Code § 1600.160 - “Information Requested / Benefits Suspension” rule

Please be advised that I am submitting this memo in compliance with Title 2, Section 1620.820 of the EEC Rules to report *ex parte* communications SURS has received relative to the proposed Information Requested / Benefits Suspension” rule currently in the First Notice period with JCAR.

### **I. Ex Parte Communication from the AFSCME Council 31 – September 16, 2024**

SURS Senior Associate General Counsel, Mr. Albert Lee, received the attached *ex parte* communication from Ms. Martha Merrill, Director of Research and Employee Benefits, AFSCME Council 31, Chicago, IL via an email she sent to him on September 16, 2024 regarding SURS proposed rule 1600.160. (See email from M. Merrill, attached as hereto as “Exhibit A.”) A copy of SURS’ proposed rulemaking 1600.160 for “Information Requested / Benefits Suspension” is attached hereto as “Exhibit B.”

Ms. Merrill’s inquiries and comments regarding this proposed new rule involve her concerns about: 1) the origin of this rule that allows for the suspension of member benefits (it actually stems from a statute: 40 ILCS 5/15-168), 2) the length of the 90-day window for members to respond to SURS’ requests for information, 3) the definition of what will constitute “proper notification” of SURS’ requests to the members and 4) the protection of the rights of SURS members relative to this proposed rule. Mr. Lee responded Ms. Merrill via a letter dated October 14, 2024 that he emailed to her on that same date. The letter and corresponding transmittal email are attached hereto as “Group Exhibit C.”

To the best of my knowledge, neither Ms. Merrill nor anyone else associated with AFSCME Council 31 has responded to Mr. Lee’s response letter. Further, to the best of my knowledge, no one from SURS has engaged in any other *ex parte* communications with Ms. Merrill or with anyone else regarding this proposed rule or regarding any other pending SURS administrative rulemakings currently in the First Notice Period with JCAR.

SURS will update this disclosure if any additional *ex parte* communications are received.

**Bianca T. Green**

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**From:** Albert Lee  
**Sent:** Monday, September 16, 2024 5:59 PM  
**To:** Bianca T. Green  
**Subject:** FW: SURS- Proposed Amendments

**EXHIBIT A**

Hello Bianca:

Please find below an *ex parte* communication regarding the proposed rulemaking in First Notice.

Albert

**From:** Martha Merrill <MMerrill@afscme31.org>  
**Sent:** Monday, September 16, 2024 3:58 PM  
**To:** Albert Lee <ALee@surs.org>  
**Cc:** Dominic E. Watson <DWatson@afscme31.org>; Joanna Webb-Gauvin <JWebb-Gauvin@afscme31.org>; Legislative Department <LegislativeDepartment@afscme31.org>  
**Subject:** SURS- Proposed Amendments

Mr. Lee,

Please accept these written comments in response to the proposed amendments to the Illinois Administrative Code for the State Universities Retirement System published in Volume 48, Issue 31 of the 2024 Illinois Register.

AFSCME Council 31 has concerns related to the new section 1600.160 which authorizes the System to suspend benefit processing or the payment of additional benefits due to the participant, annuitant or beneficiary's failure to provide certain information within 90 calendar days of the date of the Systems request.

Annuitants and beneficiaries are highly dependent on their monthly pension checks to cover rent and pay for groceries and medical expenses. Delays of benefit processing or the suspension of annuity payments will be extremely disruptive and will have detrimental impacts on participants lives.

First, we feel 90 days from the date of the request is far too short a response window to cease processing benefits.

Moreover, the proposed rule doesn't provide any specifics on how annuitants, beneficiaries and participants rights will be protected. Will the System's requests for information be sent by certified mail to ensure receipt by the participant, beneficiary or annuitant? Will the request for information provide clear notice that failure to respond could result in benefits being suspended? Will the System attempt to contact the participant, beneficiary or annuitant more than once prior to the 90 day period concluding, preferably by multiple communication methods (mail, email, phone)? If the System determines it will suspend benefits, will that notice be sent by certified mail with clear notice of the 30 day grace period? How long will it take for the participant to receive benefit payments if they are suspended and then resumed? All these are reasonable questions that must be answered prior to any amendment being adopted that would allow the System to disrupt benefits.

The rule allows for the System's determination for suspension to be based on whether the participant, annuitant, or beneficiary has been properly notified of the need for the requested information. However, "properly notified" isn't defined.

Without clear and reasonable notification procedures and protocols in place to ensure the rights of participants, annuitants and beneficiaries are protected, we believe this proposed rule is problematic and could unfairly harm participants.

Thank you  
Martha Merrill  
Director of Research and Employee Benefits  
AFSCME Council 31  
205 N. Michigan Avenue, Suite 2100  
Chicago, IL 60601  
Phone: 312.641.6060  
Fax: 312.861.0979

EXHIBIT B

ILLINOIS REGISTER

11001

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## STATE UNIVERSITIES RETIREMENT SYSTEM

## NOTICE OF PROPOSED AMENDMENTS

"Prescribed Rate of Interest" – *The rate of interest to be used in actuarial valuation and in development of actuarial tables. The prescribed rate of interest is determined by the Board on the basis of the probable average effective rate of interest on a long term basis. [40 ILCS 5/15-125(1)]*

"Principal Office of SURS" – State Universities Retirement System, 1901 Fox Drive, Champaign IL 61820.

"SURS" or "System" – State Universities Retirement System created by Article 15 of the Code [40 ILCS 5/Art. 15].

"Tier 1 Member" – A SURS participant or annuitant defined under Section 15-108.1 of the Code.

"Tier 2 Member" – A SURS participant or annuitant defined under Section 15-108.2 of the Code.

"USERRA" – Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. USC 4301 et seq.).

(Source: Amended at 48 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)



**Section 1600.160 Information Submission Deadlines, Penalties, and Suspensions**

Purpose. This Section implements Section 15-168 of the Code, which authorizes the System to require such information as shall be necessary for the proper operation of the system from any participant or beneficiary or annuitant or from any current or former employer of a participant or annuitant. Such information may include, but is not limited to, employment contracts. [40 ILCS 5/15-168].

- a) Necessary Information. Information deemed necessary for the proper operation of the System shall include the following categories of information. Any information requested under this Section shall be treated as "submitted" only if the information is complete and accurate.
- 1) Information necessary to calculate, pay, or finalize any benefit claim;
  - 2) Information necessary to prepare a benefit estimate;

## STATE UNIVERSITIES RETIREMENT SYSTEM

## NOTICE OF PROPOSED AMENDMENTS

- 3) Information necessary to clarify or correct information previously received;
  - 4) Payroll reversal information or other accounting data concerning employee earnings and contributions; or
  - 5) Employment history documents, such as certification and termination reports, and other reports concerning employment status.
- b) Employer Submission Deadlines and Penalties.
- 1) A "request" for necessary information is any solicitation of information or data to be provided in electronic format, letter, e-mail, fax, or other written correspondence. Each item of information or data shall constitute a separate request for information, even if multiple items are solicited on the same form or document.
  - 2) An employer in receipt of a System request for necessary information shall submit the requested information to the System within 90 calendar days after the date of the initial request.
  - 3) Penalty Determination. The System may decide to assess penalties at any time after the 91<sup>st</sup> calendar day following the date of the initial request. The determination of whether to assess penalties shall be made on a case-by-case basis and shall be based on the following considerations:
    - A) whether the delay in submitting the information is due to factors that are beyond the employer's control;
    - B) whether the employer has exhibited repeated patterns of noncompliance within the past three years; and
    - C) whether the employer has been properly notified of the need for the requested information according to this Section.
  - 4) Notice of Penalties. If the System determines that penalties are to be assessed, it shall issue a notice to the employer stating that penalties shall accrue if the necessary information is not submitted within a 30-day grace period starting from the date of the notice. The notice shall describe the

## STATE UNIVERSITIES RETIREMENT SYSTEM

## NOTICE OF PROPOSED AMENDMENTS

nature of the necessary information that has been requested. If the employer submits the necessary information within the 30-day grace period, then no penalties shall be assessed.

- 5) Penalty Billing. If the employer fails to submit the requested information within the 30-day grace period, then the System shall assess penalties at the rate of \$250 per calendar day counting from the 91<sup>st</sup> day after the initial request date until the information is submitted, with a maximum penalty of \$25,000 per delinquent request. Upon the employer's submission of the necessary information or the accrual of \$25,000 in penalties per delinquent request, whichever occurs earlier, the System shall issue the final penalty bill to the employer. The final bill shall contain a calculation of the penalty assessment and notify the employer of its rights to appeal the assessment within 35 days after the billing date pursuant to Section 1600.510.
- 6) Payment of Penalty. The employer shall pay the assessed penalties stated in the final bill within one year after the date of the bill. All payments must be received within one calendar year after receipt of the information by the System or one calendar year of reaching the maximum penalty of \$25,000, whichever occurs earlier. If the employer fails to make complete payment within the applicable timeframe, then the System may, after giving notice to the employer, certify the delinquent amount to the State Comptroller, and the Comptroller shall thereupon deduct the certified delinquent amount from State funds payable to the employer and pay them instead to the System. [40 ILCS 5/15-168(b)]. If the employer is a community college district, then the System may also recover any delinquency in assessed penalties that have not been paid for more than 120 days after the one-year deadline by certifying the amount to the county treasurer of the county in which the employer is located pursuant to Section 15-155.1(b) of the Code.
- c) Participant, Annuitant, and Beneficiary Submission Deadlines and Benefit Suspensions.
  - 1) If a participant, beneficiary, or annuitant fails to provide any information that is necessary for the calculation, payment, or finalization of any benefit under Article 15 within 90 calendar days of the date of the System's request under Section 15-168(a) of the Code, then the System

## STATE UNIVERSITIES RETIREMENT SYSTEM

## NOTICE OF PROPOSED AMENDMENTS

*may immediately cease processing the benefit and may not pay any additional benefit payment to the participant, beneficiary, or annuitant until the requested information is provided. [40 ILCS 5/15-168(c)].*

- 2) The System's determination of whether to suspend benefit processing or the payment of additional benefits due to the participant, annuitant, or beneficiary's failure to submit necessary information shall be based on the following factors:
  - A) whether the delay in submitting the information is due to factors that are beyond the participant, annuitant, or beneficiary's control;
  - B) whether the participant, annuitant, or beneficiary has exhibited repeated patterns of noncompliance concerning other information requests; and
  - C) whether the participant, annuitant, or beneficiary has been properly notified of the need for the requested information according to this Section.
- 3) Notice of Suspension. If the System determines that benefit processing or benefit payments are to be suspended, it shall issue a notice of suspension to the participant, annuitant, or beneficiary who failed to submit the necessary information that provides details about the nature of the information that is requested and a 30-day grace period within which information must be submitted to avoid such suspension.
- 4) Upon the participant, annuitant, or beneficiary's complete and accurate submission of the necessary information, the System shall resume benefit processing and pay any suspended benefit payments without interest.

(Source: Added at 48 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

## SUBPART B: CONTRIBUTIONS AND SERVICE CREDIT

**Section 1600.260 Part-time/Concurrent Service Adjustment**

This Section will clarify how the *percentage of time employed for each year of employment* is determined for the service adjustment under Section 15-134.1(b) of the Code. This percentage



1901 Fox Drive, Champaign, IL 61820-7333  
 800-275-7877 • 217-378-8800 • (Fax) 217-378-9800  
[www.surs.org](http://www.surs.org)

Legal Department

October 14, 2024

EXHIBIT Group C

**Via E-Mail**

AFSCME Council 31  
 Attn: Martha Merrill, Director of Research and Employee Benefits  
 205 N. Michigan Avenue, Suite 2100  
 Chicago, Illinois 60601  
 Email: [mmerrill@afscme31.org](mailto:mmerrill@afscme31.org)

**Re: Response to Rulemaking Comments  
 First Notice Publication: 48 Ill. Reg. 10992 (Aug. 2, 2024)**

Dear Director Merrill:

This letter is in response to your written comments submitted via e-mail on September 16, 2024, concerning SURS' proposed rulemakings that were published for First Notice in Volume, Issue 31, Page 10992 of the Illinois Register on August 2, 2024. Your comments were primarily directed to the addition of a new Section 1600.160 under Title 80, Part 1600 of the Illinois Administrative Code entitled, "Information Submission Deadlines, Penalties, and Submissions." Generally summarized, your comments emphasized the need for more specificity in practices designed to ensure the protection of SURS rights and benefits for participants, annuitants, and beneficiaries.

SURS staff recognizes your concern and the proposed rulemaking is intended to address the occasional circumstance in which the very individuals who stand to benefit the most from cooperating with SURS during the benefit application and payment process fail to respond to SURS after receiving repeated requests from SURS for information required for benefit finalization and payment (e.g., address information, bank account information, tax information, marital documentation, and medical records).

Effective January 1, 2017, Public Act 99-897 granted SURS the *discretionary* authority to suspend benefits or benefit processing for non-compliant individuals who fail to provide necessary information more than 90-days following the request for such information. Section 15-168(c) of the Illinois Pension Code (40 ILCS 5/15-168(c)) states:

(c) If a participant, beneficiary, or annuitant fails to provide any information that is necessary for the calculation, payment, or finalization of any benefit under this Article within 90 calendar days of the date of the System's request under subsection (a) of this Section, then the System may immediately cease processing the benefit and may not pay any additional benefit payment to the participant, beneficiary, or annuitant until the requested information is provided.

40 ILCS 5/15-168(c) (2024). Subsection (a) provides:



Director Martha Merrill, AFSCME Council 31  
Response to Rulemaking Comments  
October 14, 2024  
Page 2 of 2


(a) To require such information as shall be necessary for the proper operation of the system from any participant or beneficiary or annuitant or from any current or former employer of a participant or annuitant. Such information may include, but is not limited to, employment contracts.

40 ILCS 5/15-168(a).

In addition to the statutorily imposed 90-day response deadline, the proposed rulemaking provides factors for determining whether benefits or processing should be suspended. SURS intends for this process to be pursued as a last resort for individuals who have repeatedly ignored requests by SURS for information required to process their benefits. At a minimum, SURS mails written requests to members at their last recorded home address on file. Additional means of contact are used via phone calls and secure electronic notices that are sent through the SURS Member Website. The use of certified mail and the frequency of such mailings are typically assessed on a case-by-case basis to ensure the efficient use of SURS resources. After repeated attempts to obtain information have been made, SURS will issue a final letter that triggers the 90-day response deadline. This statutory response deadline will be made clear in the letter sent to the member. If the individual does not respond to the request within 90 days, a notice of suspension letter will be issued to the member that also provides information for the additional statutory 30-day cure period. After the suspension of payments or processing has occurred, the payments or processing will only resume (with the payment of any suspended benefits without interest) as soon as administratively possible upon the receipt of the necessary requested information. A specific time-period for re-starting benefits or processing reinstated benefits cannot be specified in the proposed rulemaking due to the wide variety in the complexity of claims that the rulemaking is intending to cover and due to the hundreds of other claims and benefits that will already be pending in the processing queue at SURS.

Your comment concerning the ambiguity around what constitutes whether a participant, annuitant, or beneficiary has been “properly notified” is well-taken and we will amend the proposed rulemaking to specify the elements of proper notification, such as mailing the required correspondence to the last known home address on file at SURS when we submit our rulemaking to the Joint Committee on Administrative Rules (JCAR) for Second Notice.

Sincerely:



Albert J. Lee  
Senior Associate Counsel  
SURS Legal Department

## Bianca T. Green

---

**From:** Albert Lee  
**Sent:** Monday, October 14, 2024 4:32 PM  
**To:** Martha Merrill  
**Cc:** Bianca T. Green  
**Subject:** RE: SURS- Proposed Amendments  
**Attachments:** Ltr to AFSCME re Proposed Rulemaking 10.14.2024.pdf

Greetings Director Merrill:

Please find attached our response to your public comments on the SURS proposed rulemaking that is currently in First Notice.

Sincerely,

**Albert J. Lee** | Senior Associate General Counsel

State Universities Retirement System

A. 1901 Fox Drive, Champaign IL, 61820

P. 217-378-8861 F. 217-378-9801

W. [www.surs.org](http://www.surs.org) E. [alee@surs.org](mailto:alee@surs.org)



**From:** Martha Merrill <MMerrill@afscme31.org>

**Sent:** Monday, September 16, 2024 3:58 PM

**To:** Albert Lee <ALee@surs.org>

**Cc:** Dominic E. Watson <DWatson@afscme31.org>; Joanna Webb-Gauvin <JWebb-Gauvin@afscme31.org>; Legislative Department <LegislativeDepartment@afscme31.org>

**Subject:** SURS- Proposed Amendments

Mr. Lee,

Please accept these written comments in response to the proposed amendments to the Illinois Administrative Code for the State Universities Retirement System published in Volume 48, Issue 31 of the 2024 Illinois Register.

AFSCME Council 31 has concerns related to the new section 1600.160 which authorizes the System to suspend benefit processing or the payment of additional benefits due to the participant, annuitant or beneficiary's failure to provide certain information within 90 calendar days of the date of the Systems request.

Annuitants and beneficiaries are highly dependent on their monthly pension checks to cover rent and pay for groceries and medical expenses. Delays of benefit processing or the suspension of annuity payments will be extremely disruptive and will have detrimental impacts on participants lives.

First, we feel 90 days from the date of the request is far too short a response window to cease processing benefits.

Moreover, the proposed rule doesn't provide any specifics on how annuitants, beneficiaries and participants rights will be protected. Will the System's requests for information be sent by certified mail to ensure receipt by the participant, beneficiary or annuitant? Will the request for information provide clear notice that failure to respond could result in benefits being suspended? Will the System attempt to contact the participant, beneficiary or annuitant more than once prior to the 90 day period concluding, preferably by multiple communication methods

(mail, email, phone)? If the System determines it will suspend benefits, will that notice be sent by certified mail with clear notice of the 30 day grace period? How long will it take for the participant to receive benefit payments if they are suspended and then resumed? All these are reasonable questions that must be answered prior to any amendment being adopted that would allow the System to disrupt benefits.

The rule allows for the System's determination for suspension to be based on whether the participant, annuitant, or beneficiary has been properly notified of the need for the requested information. However, "properly notified" isn't defined.

Without clear and reasonable notification procedures and protocols in place to ensure the rights of participants, annuitants and beneficiaries are protected, we believe this proposed rule is problematic and could unfairly harm participants.

Thank you  
Martha Merrill  
Director of Research and Employee Benefits  
AFSCME Council 31  
205 N. Michigan Avenue, Suite 2100  
Chicago, IL 60601  
Phone: 312.641.6060  
Fax: 312.861.0979

**EXHIBIT A**

**FIRST NOTICE CHANGES**

**Agency:** State Universities Retirement System

**Rulemaking:** 80 Ill. Adm. Code 1600 (48 Ill. Reg. 10,992)

**Changes:**

1. In line 369, change "Section." to "Section, such as by mail sent to the individual's last known address on file with the System, by e-mail sent to the individual's last known e-mail address on file, by secure message sent to the individual's account on the SURS member website, by telephone call, or by a combination of such notification methods."

# NOVEMBER COMPLIANCE REPORT (2024)

Report Owner: Compliance Officer		* indicates new requirement/change in requirement			Due < 30 days	Past Due/Missed		
Department	Report	Filed With	Frequency	Statute/Rule	EOQ= End of Quarter	EOM=End of Month	Status	Notes
<b>ADMINISTRATION COMPLIANCE ITEMS</b>								
Administration	Travel Exception Report	Illinois Higher Education Travel Control Board	Quarterly - due the 15th of the month after the quarter ends	80 IL 2900.105	10/3/2024	1/15/2025	Complete	This is due by the 15th of the month after the Q ends.
Administration	Drivers License & Insurance Certification - Staff and Trustees	Annual to Executive Director and also to University of Illinois	Annual - certification to be provided between July 1-31 of each year OR within 30 days after new employment begins, whichever is later	625 ILCS 5/7-203, 625 ILCS 5/7-601(c), 625 ILCS 5/10-101(b), JCAR 44 Ill. Adm. Code Sec 5040.500 and 80 Ill. Adm. Code Sec. 3000.300(f)(1)	7/2/2024	6/30/2025	Complete	
Administration	Oath of Office - all trustees	Kept electronically at SURS	Ad Hoc	40 ILCS 5/15-159(h)	As needed	As needed	Complete	
Administration	Mandatory 8-hour trustee training for educational hours (ethics and fiduciary topics)	Annual Certification of Completion sent by SURS ED to Public Pension Division of Department of Insurance	Annual training to be completed by 6/30; report to follow	40 ILCS 5/1-113.18	7/2/2024	6/30/2025	Complete	
Administration	Notice of Regularly Scheduled Board Meetings	Posted in SURS Lobby and SURS website	Annual	5 ILCS 120/2.02(a) Board votes on the schedule in June and schedule is posted by July 1 and again by December 31	Jun-23	Dec-24	Due < 30 days	
Administration	Verbatim Audio or Video Recordings of Regular Open or Special Open Meetings (if any)	Post online at SURS.org	Only post these if we actually have them as there is no legal requirement to make audio or video recordings of open meetings	15 ILCS 50/20	As needed	As needed	Complete	
Administration	Verbatim Recordings of Closed Session Meetings	Keep internally for at least 18 months; and then board can vote to discard or keep	Kept after each closed session	5 ILCS 120/2.06	As needed	As needed	Complete	
Administration	Copies of All Approved Board and Committee Minutes - <b>Open Sessions</b>	online - SURS.org (post for at least 60 days)	After finalized and approved for each meeting	5 ILCS 120/2.06 and 40 ILCS 5/15-170	As needed	As needed	Complete	
Administration	Copies of All Approved Board and Committee Minutes - <b>Closed Sessions</b>	Keep electronically at SURS and only posted to SURS website when board votes to open the minutes (then post for at least 60 days)	After finalized and approved for each meeting	5 ILCS 120/2.06 and 40 ILCS 5/15-170	As needed	As needed	Complete	
Administration	Disclosure of Appointed Trustee Interest in State Contracts, Disclosure of Conflicts of Interest and initial Statement of Economic Interest - trustees	Illinois Secretary of State	Ad Hoc - upon appointment	5 ILCS 420/3A-30, 15 ILCS 50/15, and Article 4A of the Governmental Ethics Act	As needed	As needed	Complete	
Administration	Trustee Indemnification Agreements	Keep electronically at SURS	Ad Hoc	40 ILCS 5/1-107 & SURS Board Governance Bylaws	As needed	As needed	Complete	
Administration	IPad User Agreements	Keep electronically at SURS	Ad Hoc	Internal Operational Requirement	As needed	As needed	Complete	
Administration	Performance Systems Report	Governor and posted on SURS website	Quarterly	30 ILCS 25/3-15	TBD	TBD	Complete	Still determining whether this is a SURS required compliance item separate from the PAR report below. And - are we providing all of the required information?
<b>INTERNAL AUDIT COMPLIANCE ITEMS</b>								
Audit	Deceased Annuitant Reporting	Per internal audit - death matches are still done regularly as required by statute but there is no statutory requirement to report them anywhere and per recent changes, they are no longer being reported to the board. The death matches are now being done by the DDD team at SURS.	No actual report required for the board or to any third party.	40 ILCS 5/1-140	No longer reported	No longer reported	Complete	

# NOVEMBER COMPLIANCE REPORT (2024)

Audit	Fiscal Year Two Year Audit Plan - Identifying internal audits for the pending fiscal year	Internal - Approved by the SURS Executive Director - then filed internally	Annual - due by 6/30	Fiscal Control & Internal Auditing Act; 30 ILCS 10/2003(a)(1)	Approved by ED 6/26/2024	6/30/2025	
Audit	Fiscal Year Audit Completion Report - Two Year Audit Plan - Detailed Report for how audit plan was carried out for that FY	Internal - Filed with the SURS Executive Director	Annual - due by 9/30	Fiscal Control & Internal Auditing Act; 30 ILCS 10/2003(a)(1)	9/13/2024	9/30/2025	
Audit	FCIAA Internal Control Certification	Office of the IL Auditor General	Annual (filed by 5/1)	Fiscal Control & Internal Auditing Act; 30 ILCS 10/3003	4/19/2024	5/1/2025	
Audit	Submission of System Audit Report completed by Office of Auditor General (due after FY end) -- this is a "sign-off approval" of the financial audit that allows SURS to publish the Annual Comprehensive Financial Report (ACFR)	SURS submits a copy of the audit to the Governor. The Office of the Auditor General submits copies to the Commission, the Governor, the Speaker and minority leader of the House and President and Minority Leader of the Senate	Annual - due as soon as possible after the completion of the audit after the end of each fiscal year	State Auditing Act and 30 ILCS 5/3-14 and 40 ILCS 5/15-174	FY23 - 5/29/2024	FY24 (no set filing deadline - typically wait until financial and compliance audits are done and send them all together - usually in May)	
<b>ACCOUNTING / FINANCE COMPLIANCE ITEMS</b>							
Finance	GAAP Package	Comptroller	Annual (usually by the 3rd week of September - Comptroller sends a letter with the prelim filing date for that year and SURS is to file its final package as quickly as we can after the prelim filing) Statute says due by 10/31	15 ILCS 540/19.5	Prelim filed 9/27/2024 - Final due when final numbers are done - updated filed 10/24/2024	10/31/2025	This is a specific set of reports that we have to file with the Comptroller. This is NOT the ACFR.
Finance	Annual Comprehensive Financial Report (ACFR)	Comptroller - we Post System Annual Comprehensive Financial Report to website (voluntarily send copies to OAG, Comptroller, GOMB) , (Audit sends to Governor)	Annual - by January 7	40 ILCS 5/15-175 and 30 ILCS 105/3(a) and 30 ILCS 105/9.08	FY23 posted to SURS website on 3/4/2024 after the OAG released it on 2/29/2024. It was sent to Comptroller in mid-March 2024	FY24 - pending	This cannot be released until the OAG releases it.
Finance	Public Accountability Report (PAR report is different from ACFR)	Comptroller	Annual (indicator worksheet by 9/15, final report by 12/15)	Statewide Accounting Management Systems (SAMS) 30 ILCS 25/3-15	12/4/2023	12/15/2024	
Finance	IRS Form 941-Employer Fed Tax Return Form and State of Illinois Form (details of info on W-2 forms)	IRS and State of Illinois	Quarterly	IRS CODE	10/8/2024	1/31/2025	
Finance	IRS Form 945 Annual Return of Withheld Federal Tax (relates to the 1099R forms)	IRS only	Annual	IRS CODE	1/30/2024	1/31/2025	
Finance	Cash Receipts and Disbursement Reports	Comptroller	Quarterly	15 ILCS 405/16	10/31/2024	1/31/2025	
Finance	Agency Fixed Asset Report	Comptroller	Quarterly	15 ILCS 405/16	10/28/2024	10/31/2025	
Finance	Accounts Receivable Report	Comptroller	Quarterly	15 ILCS 405/16	10/15/2024	1/31/2025	
Finance	Illinois State Legislature Package (part of the appropriations process to help prepare for the budget hearings)	This includes request from GA with a narrative with questions to complete, requested spreadsheet with budget numbers for last FY, current FY and est. next FY. Copy of Org chart, ACFR sent. Send to IL Senate and House and to both Republican and Democratic caucuses (include 4 paper copies of the package + 4 copies of the SURS ACFR by email and paper copy)	Annual - Letter sent to SURS and response is due within 48 hours after the Governor's Budget Address	This is not required by statute but the General Assembly expects to have this information from SURS; see the GA list of ISL forms	2/22/2024	Feb. 2025	
Finance	Preliminary Certification of Annual State Contribution (this is done by letter and certification reflecting board approval)	State Actuary, Governor, and General Assembly	Annual (Preliminary due by 11/1)	40 ILCS 5/15-165(a-5)	10/29/2023	11/1/2025	
Finance	Final Certification of Annual State Contribution	State Actuary, Governor, and General Assembly	Annual (final due by 1/15)	40 ILCS 5/15-165(a-5)	12/19/2023	1/15/2025	
Finance	Report on SMP/RSP Participation Rate - Letter done by SURS actuary that SURS provides	COGFA	Annual	40 ILCS 5/15-158.3	10/29/2024	11/15/2025	
Finance	Cert. of State Contribution of Community College Annuitant and survivor health benefits (CIP)	Governor, Director of CMS, and Comptroller	Annual (final by 11/15)	5 ILCS 375/6.10(c)	10/29/2024	11/15/2025	

**NOVEMBER COMPLIANCE REPORT (2024)**

Finance	Department of Insurance Report (filing fee check in amount of \$8,000 for Annual Compliance Fee to the IL Dept. of Insurance, made payable to IL State Treasurer)	Pension Division of Illinois Dept. of Ins.	Annual - Report due by 12/31	40 ILCS 5/1A-109 & 110 and 40 ILCS 5/1A-113 includes the penalties for a failure to timely files these reports. The \$8,000 filing fee is due by June 30 for the following state FY.	12/15/2023	12/31/2024	
Finance	Department of Insurance - Payment of Annual Compliance Fee (see above)	Pension Division of Illinois Dept. of Ins. - check payable to IL Treasurer	Fee Due by 6/30 for the following state FY (invoiced by the Dept. of Insurance) Annual by 1/31	40 ILCS 5/1A-112	4/23/2024	6/30/2025	
Finance	IRS Form 1099R - forms sent to members	IRS	Annual by 1/31	IRS CODE	1/31/2024	1/31/2025	
Finance	IRS Form 1099R - NEC (non-employee compensation)	Mailed to recipients (applicable vendors) and e-filed report as proof of filing to IRS; same due date	Annual by 1/31	IRS CODE	1/30/2024	1/31/2025	
Finance	IRS Form 1099R (FIRE) (report with details behind the 1099R forms)	IRS	Annual by 4/1 (unless extension given)	IRS CODE	4/2/2024	4/1/2025	
Finance	IRS Form 1099R Tax report (FIRE)	Forms sent to SURS members	Annual - Postmarked by 1/31	IRS CODE	1/31/2024	1/31/2025	Is this the same as 30 above?
Finance	IRS 1042S Forms: Withholding US income of Foreign Persons - sent to members	IRS	Annual by 3/15	IRS CODE	3/5/2024	3/15/2025	
Finance	IRS 1042 Tax Return	IRS	Annual by 3/15	IRS CODE	3/5/2024	3/15/2025	
Finance	Actuarial Valuation	SURS Board requests this from SURS actuary and includes this with the certified state contribution; send to employers as well	Annual (no set date in statute)	40 ILCS 5/15-173	Prelim to board for approval in October 2024	Prelim to board in October of 2025	This has to be done to go to the GA by 11/1 for the prelim and by 1/15 for the final Submission of System Reports to COGFA
Finance	Actuarial Experience Study	SURS Board requests this from the SURS actuary and uses it to re-evaluate the actuarial assumptions	Every 3 years (no set date in statute)	40 ILCS 5/15-173	Presented to Board in June of 2024 (June 30, 2020 - June 30, 2023)	June of 2025	
Finance	Fee Imposition Report	SURS sends to Comptroller who sends to Gen. Assembly	Annual - to Comptroller by 7/31; Comptroller to GA by 9/1	15 ILCS 405/16.2	7/25/2024	7/31/2025	
Finance	5 year review of 90% funding target	COGFA	5 years	40 ILCS 1/103.3	10/27/2021	12/31/2026	The ED sends a letter to COGFA on this issue via K. Houch
Finance	Annual review/presentation of MWDB policy goal for the next fiscal year	Presented to the SURS Diversity Committee and approved by the Board	Annual - Investments reports the overall numbers in the SURS report. See below.	40 ILCS 5/1-109.1(6)	September 2024 Board Meeting	September 2025 Board meeting	
Finance	Certification of Overpayments	Internal and Board of Trustees	Determined Internally	80 Ill Adm. Code Sec.1600.450	As needed	As needed	
Finance	IRS W-2 forms to SURS employees and EBA members	Sent to Staff with Report to IRS	Annual by 1/31	IRS CODE	1/31/2024	Jan-25	Finance and HR work together on these. They go out through ADP.
Finance	IRS W-3 Form	IRS	Annual	IRS Code	1/23/2024	1/31/2025	
Finance	Information to COGFA when requested	COGFA	Ad Hoc/At will/as requested	40 ILCS 5/22-803	As requested	As requested	
Finance	Submission of System Information to COGFA	COGFA	Annual by 3/1 (these go out via same prelim and final deadlines of 11/1 and 1/15 for the actuarial valuation and annual certification)	40 ILCS 5/22-1001	Prelim info sent 10/29/2024 and Final info is pending.	Prelim to be sent by 11/1/2024 and final due by 1/15/2025	This typically goes out in December/January: valuation, certification, appropriation cert, CIP appropriate amounts and RSP participation info.

**NOVEMBER COMPLIANCE REPORT (2024)**

Finance	Debt Transparency Report	Comptroller	Now annual (due by 7/31)	30 ILCS 105/9.08	7/2/2024	7/31/2025	SURS received a waiver of monthly reporting and as of 8/30/23 we now only have to file an annual report. Per Tara, normal cost recommendations are taken from GRS to the Board for annual approval in October. Once approved this information is posted to the SURS website for employers.
Finance	GRS (actuary) gives SURS a letter that is approved by SURS Board that includes the employer normal cost of the DB plan	Approved letter is published on SURS.org	Annual	<u>statutory reference?</u>	10/24/2023	10/31/2025	
Finance	Certification of Prescribed Rate of Interest and Effective Rate of Interest	SURS board approves each year in December and the information is shared with the public via a press release	December (to become effective on the following 7/1)	40 ILCS 5/15-125 and 40 ILCS 5/15-164	12/8/2023	12/31/2024	Per Tara, the SURS board votes on this each December and it is used for everything except money purchase which is determined by the Comptroller. This is a new reporting requirement. Threshold for reporting is \$50,000.
Finance	IRS Form 1098-F (payment of penalties exceeding \$50,000)	Payor and then the IRS	Annual reporting - Form due to payor by Jan. 31 and then file the form with the IRS by 2/28 (if paper) or by 4/1 (if electronic)	IRS Section 6050X	As needed	As needed	The Treasurer's Office has confirmed that the reports we have provided at this point will comply with the statute until our PAS project is complete.
Finance	Participation in Deferred Compensation Plan	Details must be made public and are included in the ACFR	Annual (no set date in statute)	40 ILCS 5/15-202	Same as ACFR publication date - see above	Same as ACFR Publication date - see above	
<b>ACCOUNTING -- FINANCE -- MEMBER SERVICES</b>							
Finance/Mem Serv	Illinois Revised Unclaimed Property Act	IL Treasurer's Office	Annual report due 11/1 reporting period covers 7/1-6/30 of the preceding year	765 ILCS 1026/15-402 (for property held outside the trust) and 403 (due date) and 765 ILCS 1026/15-1505 (for property held in the trust) SURS must retain records for 10 years after date last report was filed unless shorter period is allowed by rule per 765 ILCS 1026/15-404	The reports SURS can file for RMD and Death relating to RUUPA were filed on 8/5/2024 for FY24. These are the only reports we can provide until the PAS project is done.	Report for FY25 due on 11/1/2025	
Finance/Mem Serv	Financial Statements to Participants / Service Credit Statements / Annual Benefit Summary Statements	Full ACFR is posted to SURS.org once released. Individual statements are sent members and annuitants from Member Services	Annually for the system when the ACFR is done. Individual reports sent out in mid-November (Statute only requires indiv. Statements to go out if requested by the member.	40 ILCS 5/15-170 and 15-175	Ongoing	Ongoing	
Finance/Mem Serv	Reports to Reciprocal	Sent to Reciprocal Systems	As requested	40 ILCS 5/20-126	Ongoing	ongoing	
Human Resources	Consumer Coverage Disclosure Act - Health Insurance	Health Insurance Information to be provided to employees	At the time of hire and annually thereafter (using CMS generated information)	820 ILCS 46/10	Ongoing	Ongoing	



# NOVEMBER COMPLIANCE REPORT (2024)

Human Resources	Separation Report	State Universities Civil Service System	Monthly (w/n 10 days of end of month)	Civil Service Rule 250.30 and/or 250.140c	11/1/2024	12/10/2024		
Human Resources	Monthly Wage Report	IDES taxnet Online	Monthly (EXCEPT 1/4/7/10)	305 ILCS 5/11-5.2	10/31/2024	12/31/2024		
Human Resources	Form UI-3	IDES taxnet Online	Quarterly (1/31, 4/30, 7/31, 10/31)	305 ILCS 5/11-5.2	10/3/2024	1/31/2025		
Human Resources	Report of Employee Served (Civil Service Report)	State Universities Civil Service System	Quarterly (w/n 10 days within End of Quarter)	Civil Service Rule 250.30 and/or 250.140c	10/3/2024	1/31/2025		
Human Resources	Exempt Employees Report	State Universities Civil Service System	Quarterly	110 ILCS 70/36(e)	10/3/2024	1/31/2025		
Human Resources	Occupational Ethnic and Gender Report	State Universities Civil Service System	Quarterly (w/n 10 days of end of quarter)	Civil Service Rule 240.30 and/or 250.140c	10/3/2024	1/10/2025		
Human Resources	Agency Workforce Report	Secretary of State; Office of Governor	Annual	5 ILCS 410/5, 5 ILCS 410/15 and 5 ILCS 410/20	12/22/2023	12/31/2024		
Human Resources	TA-2 - Headquarters Report	Legislative Audit Commission	Bi-Annually	St. Fin. Act 30 ILCS 105/12-3	6/13/2024	1/15/2025		
Human Resources	I-9 Eligibility	Internal Kept in Employee's Personnel File	Ad Hoc w/n 20 days of hire	Dept. Homeland Security - Immigration and Reform Act of 1986	At Time of Hire	As needed		
Human Resources	1094C and 1095C Reports	Sent to SURS Staff with W-2s, then Filed with the IRS	Annual by 2/28 (paper form) or 3/31 (electronically)	IRS CODE	Jan-24	1/31/2025		
Human Resources	Earned Income and Tax Credit Information Notice	Sent to SURS staff with W-2 via the ADP System	Annual	820 ILCS 170/15	1/31/2024	1/31/2025		
Human Resources	Civil Service Salary Report	State Universities Civil Service System	Bi-annually due 4/15 and 10/15	110 ILCS 70/36b	10/3/2024	4/15/2025		
Human Resources	Report on State Employees Combined Appeal (SECA) Voluntary Deductions for SURS staff and annuitants	Comptroller	Annual by 3/1	5 ILCS 340/5 (staff) and 8(c) (annuitants)	1/4/2024	3/1/2025		Confirm that we are sending this information in for staff and annuitants
Human Resources	Revolving Door Policy Sign Off and Ongoing List	Provided to staff upon hiring with SURS to maintain internal list. Updated list provided to Governor's office when requested. We do not provide info for electronic portal	As needed / ad hoc	5 ILCS 430/5-45	Time of Hire	Ongoing		
Human Resources	Adverse Judgment / Administrative Ruling Report for EEOC violations	IL Department of Human Rights	Annual Report due 7/1 for the preceding calendar year	775 ILCS 5/2-108	Only required if SURS had an adverse judgment or administrative ruling against it in the preceding year	Ad Hoc		
Human Resources	SSA 1945 - Form Confirming to New Hire that Employer does not Participate in Social Security	Internal In File - for all new SURS employees	Ad Hoc w/n 20 days of hire	Social Security Administration	Time of Hire	Ongoing		
<b>INFORMATION TECHNOLOGY COMPLIANCE ITEMS</b>								
Information Technology	Data Breach Report - Personal Info Protection Act	Notice to member must be sent "in the most expedient time possible and without unreasonable delay." If impacts > 500 residents, the Attorney General's office must be notified	Ad Hoc	815 ILCS 530/10	Eff. 1/1/20	As needed		
<b>INVESTMENTS COMPLIANCE ITEMS</b>								
Investments	Investment Update Report	Online Surs.org	75 days after month end	Internal procedure - monthly	September posted 11/18/2024	October due 12/15/2024		These reports are often delayed - waiting for private equity information and quarter end delays.
Investments	Investments Information Report - Monthly	Online Surs.org	Monthly (by the 15th)	30 ILCS 237/10	11/14/2024	12/15/2024		
Investments	Report to Gov. on MWDB Firms / HR / Vendors	Governor and General Assembly	Annual by January 1	40 ILCS 5/1-109.1(8)	12/28/2023	1/1/2025		

NOVEMBER COMPLIANCE REPORT (2024)

Investments	Investment Transparency Disclosures - Must list total amount of fund, asset allocations, current/historical returns, listing of investment advisers, performance against benchmarks, list of all consultants, list of all contractors, RFP info, names and emails for board members and senior staff, and description of each contract as required under 1-113.14(g)	Posted to SURS.org	Quarterly - this information disclosed in a combination of other compliance items tracked separately. There is no one single report for these items.	40 ILCS 5/1-113.14 and 5/1-113.16	See Investment Compliance Items generally	See Investment Compliance Items generally	
Investments	Consultant Report on MWDB searches*	Consultant must disclose to the SURS Board of Trustees	Annual by January 1	40 ILCS 5/1-113.22	Both - 12/28/23	1/1/2025	*These are filed in the same document with the item below. *Both statutes, as written, are impossible to meet. Auditors have accepted 1/31 as the due date.
Investments	Consultant Report on Economic Opportunities*	Consultant must disclose to the SURS Board of Trustees	Annual by January 1	40 ILCS 5/1-113.23	Both - 12/28/23	1/1/2025	
Investments	Quinquennial Rep. US Owned Foreign Securities**	Federal Reserve Bank	Only upon request 5 years	22 USC Sec 3101	2022 (no report required)	Not due until 2027	
Investments	Restricted Companies Divestiture Reporting*	Illinois Investment Policy Board Formerly to the Dept. of Financial and Professional Regulation - now filed with the Public Pension Division of the Department of Insurance	Annual by April 1	40 ILCS 5/1-110.16(g)	3/27/2024	4/1/2025	
Investments	Illinois Finance Entity/High Risk Home Loan Act Cert.	Governor and General Assembly	Annual	40 ILCS 5/1-110.10	8/19/2024	9/30/2025	
Investments	Invest in Illinois - Report of Economic Opportunity Investments in Illinois	Governor and General Assembly	Annual by September 1	40 ILCS 5/1A-108.5(c)	8/29/2024	9/1/2025	
Investments	Annual SEC ADV's from Financial managers	SEC	Annual-120 days from FY end	US Investment Advisors Act of 1940	Ongoing	Ongoing	*not all managers are required to file by 4/1
Investments	Investment Manager Fee Disclosure to the Board (DB Plan) and description of investment adviser and consultant contracts posted to SURS website	SURS.org website	Quarterly	40 ILCS 5/1-113.14(e)(f) and (g) and 40 ILCS 5/1-113.16(d)	11/20/2024	3/31/2024	Regina provides this info.
Investments	Investment Manager and Consultant Fee Disclosure - (DC Plan) Fees and Description of every investment contract	SURS.org website	Quarterly	40 ILCS 5/1-113.14(e) and (g) and 40 ILCS 5/1-113.16(d)	10/9/2024	1/31/2025	Brian provides this info.
Investments	Written Investment Policies - must include references to sustainability factors used in decision-making under IL Sustainable Investing Act, 30 ILCS 238	Illinois Department of Insurance, Illinois Procurement Policy Board and SURS.org website	Ad Hoc - within 30 days after policy is amended	40 ILCS 5/1-113.14(b) and 40 ILCS 5/1-113.17	10/3/2024	As needed	
Investments	Investment Procurement Policy	Illinois Procurement Policy Board and posted on SURS Website	Ad Hoc - best practice - file updated versions of the policy even though statute is silent on follow-up filings. Any procurement exceptions must be identified on the SURS website. (sole source, emergency, <1 yr. w/ value , 20k and Follow-on-Funds	40 ILCS 5/1-113.14(b)	10/3/2024	As needed	
Investments	General Investment Policy - Initial Filing and Updates	Illinois Department of Insurance	Ad Hoc	40 ILCS 5/1-113.17	10/3/2024	w/30 days of updates to policy	

**NOVEMBER COMPLIANCE REPORT (2024)**

Investments	Investment Services - Description of all Investment Services Contracts, company, total amount of contract, total fees paid/to be paid and disclosure approved by SURS board describing factors that contributed to the selection of investment advisor or consultant	Posted on the SURS website when services are obtained	Ongoing	40 ILCS 5/1-113.14 (g)	Ongoing	Ongoing	This statutory requirement is met by the public disclosure of the DB and DC fee info and by the Fund of Fund Disclosures made by Investments -- all of which are posted to the SURS website.
Investments	Disclosure of Fund of Fund Investments to include description of each contract, total commitment, and disclosure approved by SURS board describing factors that contributed to the selection of investment advisor or consultant	SURS.org website	Ongoing	40 ILCS 5/1-113.15(b)	As needed	As needed	
Investments	Procurement Forms - Uniform RFP Documents	Posted on the SURS website when issued	ongoing	40 ILCS 5/1-113.14(f)	As needed	As needed	
Investments	Managers' Annual Certification of Fiduciary Duty and Compliance with Insurance Requirements	Internal on file	Annual	contract provisions	5/31/2024	9/1/2025	
Investments	Fiduciary Report: Proxy Voting Guidelines for Voting Proxy Ballots and detailed report regarding how the board considers sustainability factors in investments	Posted to SURS website	Annual - due by 9/1	40 ILCS 5/15-177.6	8/29/2024	9/1/2025	
Investments	Illinois Sustainable Investing Act - Inv. Policy New Requirements (eff. 1-1-2020)	Illinois Department of Insurance	Ad Hoc	30 ILCS 238/15 and 40 ILCS 5/1-113.17	As needed	w/30 days of update	
<b>LEGAL &amp; ETHICS COMPLIANCE ITEMS</b>							
Legal & Ethics	Ethics Officer Designation Notice	IL Executive Ethics Commission	As Needed/Ad Hoc	5 ILCS 430/20-23	As needed	as needed	
<b>TRAINING REQUIREMENTS</b>							
Legal & Ethics	General Ethics Training Plan for Staff and Trustees	SURS Internal Auditor and OEIG	Annual (no specific date in statute)	5 ILCS 430/5-10	1/16/2024	1/15/2025	This is a line item on the year end training report.
Legal & Ethics	Ethics Orientation for State of Illinois <b>Staff</b> - Paper	OEIG	within 30 days of hire	5 ILCS 430/5-10	As needed	As needed	
Legal & Ethics	Annual Ethics Training <b>Trustees</b> (OneNet)	Regular Annual Ethics Act training certification goes to OEIG	Annual (to be completed by 6/30 - final completion must be done by 12/31*)	5 ILCS 430/5-10 (regular annual)	12/31/2023*	12/31/2024	* some were late
Legal & Ethics	Annual Completed Ethics Training <u>Report</u> of Completion - <b>Trustees</b> (OneNet)	Regular Annual Ethics Act training certification goes to OEIG	Annual - report due by 1/15 of the following year	5 ILCS 430/5-10 (regular annual)	1/16/2024	1/15/2025	
Legal & Ethics	Annual Ethics Training <b>Staff</b> (OneNet)	OEIG	Annual by 12/31	5 ILCS 430/5-10	12/31/2024	12/31/2025	
Legal & Ethics	Annual Ethics Training <u>Report</u> of Completion - <b>Staff</b> (OneNet)	Report goes to the OEIG	Annual - report due by 1/15 of the following year	5 ILCS 430/5-10	1/16/2024	1/15/2025	
Legal & Ethics	Anti-Discrimination and Harassment Training for <b>Trustees</b> (OneNet)	OEIG	Annual (to be completed by 6/30 - final completion must be done by 12/31) AND must be done w/in 30 days of commencing elected or appointed trustee position	5 ILCS 430/5-10.5(a-5)	12/31/2023*	12/31/2024	Did all the trustees complete this before 6/30/2024?
Legal & Ethics	Anti-Discrimination and Harassment Training for <b>Trustees</b> - <u>Report</u> of Completion (OneNet)	IL Executive Ethics Commission - OEIG	Annual - report due by 1/15 of following year & w/in 30 days of commencing elected or appointed position/office	5 ILCS 430/5-10.5(a-5)	1/16/2024	1/15/2025	
Legal & Ethics	Anti-Discrimination and Harassment Training for <b>Staff</b> (OneNet)	IL Executive Ethics Commission - OEIG	Annual	5 ILCS 430/5-10.5(a-5)	12/31/2023	12/31/2024	
Legal & Ethics	Anti-Discrimination and Harassment Training for <b>Staff</b> - Report of Completion (OneNet)	IL Executive Ethics Commission - OEIG	Annual - report due by 1/15 of following year	5 ILCS 430/5-10.5(a-5)	1/16/2024	1/15/2025	

# NOVEMBER COMPLIANCE REPORT (2024)

Legal & Ethics	Cybersecurity Training for <b>Trustees</b> (OneNet)	IL Dept. of Innovation and Technology	Annual	20 ILCS 450/25 - there is no separate reporting requirement	12/31/2023*	12/31/2024	Did all the trustees complete this before 6/30/2024?
Legal & Ethics	Cybersecurity Training for <b>Staff</b> (OneNet)	IL Dept. of Innovation and Technology	Annual	20 ILCS 450/25 -there is no separate reporting requirement	12/31/2024	12/31/2025	
Legal & Ethics	FOIA Officer Training & Annual Certification - <b>Staff</b>	IL Attorney General	Annual	5 ILCS 140/3.5	Dec-24	12/31/2025	
Legal & Ethics	Open Meetings Act - <b>Trustee</b> Training	IL Attorney General - Public Access Counselor	One Time - within 90 days of taking the oath	5 ILCS 120/1.05(b)	As needed	As needed	
Legal & Ethics	OMA Officer Training - designated SURS <b>Staff</b>	IL Attorney General - Public Access Counselor	Annual	5 ILCS 120/1.05(a)	12/31/2024	12/31/2025	
Legal & Ethics	Additional Diversity/Inclusion / LGBTQ+ / Critical Threat Response Training offered by the Governor's Office - staff (voluntarily done)	Governor's Office	Annual (voluntary)	This is voluntary for SURS per the discretion of the EC as it is only mandated for public agencies by an Executive Order	12/31/2023	12/31/2024*	*if SURS decides to voluntarily take this additional training again
<b>LEGAL &amp; ETHICS MISCELLANEOUS COMPLIANCE ITEMS</b>							
Legal & Ethics	SURS Regulatory Agenda - Administrative Rules	IL Secretary of State	Bi-annual, to be filed by 1/1 and 7/1	5 ILCS 100/5-60	6/12/2024	1/1/2025	
Legal & Ethics	Revolving Door Policy Notifications - Designated SURS Staff	IL Executive Inspector General	As Needed/Ad Hoc	5 ILCS 430/5-5-45	Time of Hire	As needed	
Legal & Ethics	Statement of Economic Interests (Trustees and Designated Staff members)	IL Secretary of State	Annual	5 ILCS 420/4A-101	5/1/2024 - staff 5/1/2024 - trustees	5/1/2025	
Legal & Ethics	Ex Parte Communications Reports	Executive Ethics Commission	As Needed/Ad Hoc	5 ILCS 430/5-50	9/13/2017	As needed	
Legal & Ethics	Certificate of Status of Exempt Property - for 1801 Fox Drive and 1901 Fox Drive	Chief County Assessment Officer (Urbana, IL)	Annual by 4/15	35 ILCS 200/15-10 through 15-20	2/28/2024	4/1/2025	
Legal & Ethics	Fraud	SURS Board of Trustees and/or Appropriate State's Attorney	As needed	40 ILCS 5/1-135 and 40 ILCS 5/15-186	6/3/2022	As needed	These forms are mailed to SURS from the County Assessor.
Legal & Ethics	QILDRO Forms Electronically Available	SURS.org website	Ongoing requirement	40 ILCS 5/1-119	current	as updated	
Legal & Ethics	ARDC Registration - staff attorney law license renewal	IL Supreme Court and ARDC	Annual	Supreme Court Rule 756	12/31/2023	12/31/2024	This needs to be updated annually to reflect the new budget figure.
Legal & Ethics	Freedom of Information Manual - Public Facing	Posted to SURS.org	Ongoing requirement - to be updated annually	5 ILCS 140/4	6/10/2024	6/30/2025	

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ILLINOIS REGISTER

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STATE UNIVERSITIES RETIREMENT SYSTEM

JANUARY 2025 REGULATORY AGENDA

a) Part (Heading and Code Citation): Universities Retirement (80 Ill. Adm. Code 1600)

1) Rulemaking:

A) Description: The System anticipates rulemaking affecting the following:

Amend SURS administrative rules to include necessary substantive changes and technical corrections to reflect the impact of new statutory changes.

Amend Section 1600.270 (Employer Contributions for Benefit Increases Resulting from Earnings Increases Exceeding 6%) to add exclusion concerning any earnings increase resulting from overload work performed in an academic year subsequent to an academic year in which the employer was unable to offer or allow to be conducted overload work due to an emergency declaration limiting such activities under (40 ILCS 5/15-155(h-5)).

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

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

Amend Section 1600.460 (Accelerated Pension Benefit Payment In Lieu of Any Pension Benefit) to reflect the extended deadline of June 30, 2026 as referenced in Public Act 102-718, effective May 5, 2022.

Amend Section 1600.461 (Accelerated Pension Benefit Payment for a Reduction and Delay in AAI) to reflect the extended deadline of June 30, 2026 as referenced Public Act 102-718, effective May 5, 2022.

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

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

## ILLINOIS REGISTER

## STATE UNIVERSITIES RETIREMENT SYSTEM

## JANUARY 2025 REGULATORY AGENDA

compliance by members and penalties for non-compliance by employers).

Promulgate rules to clarify SURS' benefit forfeiture procedures and refund calculation methods arising from work-related felonies under Section 15-187 of the Illinois Pension Code (40 ILCS 5/15-187).

Amend Section 1600.710 (Petitions) to remove any reference to the required or permissive use of the last four digits of the social security numbers of SURS members on nominating petitions for contributing member candidates and annuitant candidates.

- B) Statutory Authority: Article 15 of the Illinois Pension Code, [40 ILCS 5/15-177].
- C) Scheduled meeting/hearing dates: Written comments may be submitted during the 45-day public comment period following publication of the proposed rule in the *Illinois Register*. No public hearings are anticipated.
- D) Date agency anticipates First Notice: Some of these are already in first notice. Others expected in Summer 2025 through Winter 2025
- E) Affect on small businesses, small municipalities or not for profit corporations: None
- F) Agency contact person for information:
- Bianca T. Green, General Counsel  
State Universities Retirement System  
1901 Fox Drive  
Champaign, IL 61820
- (217) 378-8825  
Fax: (217) 378-9801  
[bgreen@surs.org](mailto:bgreen@surs.org)
- G) Related rulemakings and other pertinent information: Other Amendments may be necessary based on emergent issues.