
IN THE
APPELLATE COURT OF ILLINOIS
FIRST DISTRICT

MARK WANCKET, KIMBERLY BEACHY, SALLY	)	Appeal from the
CRAY, CARL HOLMAN, ELIZABETH MINDER,	)	Circuit Court of
TERALANDUR VENKATESH, AND DENNIS	)	Cook County.
WILLIAMS,	)	
	)	No. 22 CH 11560
Plaintiffs-Appellants,	)	
	)	
v.	)	Honorable
	)	Michael T. Mullen,
STATE EMPLOYEES' RETIREMENT SYSTEM OF	)	Judge, presiding.
ILLINOIS and BOARD OF TRUSTEES OF THE STATE	)	
EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS,	)	
	)	
Defendants-Appellees.	)	

JUSTICE PUCINSKI delivered the judgment of the court, with opinion.
Justices Hyman and C.A. Walker concurred in the judgment and opinion.

OPINION

¶ 1

I. INTRODUCTION

¶ 2

This case presents an issue of first impression regarding the meaning of “lump sum salary payments,” as outlined in section 14-103.10 (40 ILCS 5/103.10 (West 2022)) under the Illinois Pension Code, in relation to section 14-108 (*id.* § 14-108). We are asked to determine whether

bimonthly payments made by respondent for accumulated unused vacation and sick time are included as compensation in the calculation of a state employee's final average compensation used to determine their retirement annuity under section 14-103.12 of the Pension Code (*id.* § 14-103.12) or whether they are excluded as "lump sum salary payments" (see *id.* § 14-103.10) pursuant to Pension Code section 14-108.

¶ 3 The amount of retirement annuity that a retiree receives is derived from their final average compensation. See *id.* § 14-108. Final average compensation means

"the monthly compensation obtained by dividing the total compensation of an employee during the period of: (1) the 48 consecutive months of service within the last 120 months of service in which the total compensation was the highest, or (2) the total period of service, if less than 48 months, by the number of months of service in such period; provided that for purposes of a retirement annuity the average compensation for the last 12 months of the 48-month period shall not exceed the final average compensation by more than 25%." *Id.* § 14-103.12(a).

¶ 4 Compensation is defined as follows:

"For periods of service on and after January 1, 1978, all remuneration for personal services performed defined as 'wages' under the Social Security Enabling Act, including that part of such remuneration which is in excess of any maximum limitation provided in such Act, and including any benefits received by an employee under a sick pay plan in effect before January 1, 1981, but *excluding lump sum salary payments*:

(1) *for vacation,*

(2) *for accumulated unused sick leave,*

(3) upon discharge or dismissal,

(4) for approved holidays.” (Emphasis added.) *Id.* § 14-103.10(b).

¶ 5 We find that the bimonthly payments for (i) vacation and (ii) accumulated unused sick leave are “lump sum salary payments” as installment payments towards a known and definite sum owing and are thus properly excluded from the meaning of “compensation” under section 14-108. The plural term “payments” entails the possibility that multiple installments are made toward the enumerated payment categories, which themselves have historically been treated as lump sums. Petitioners’ interpretation of “lump sum” in isolation, although supported by dictionary definitions, is unsustainable, as it conflicts with the broader statutory text and scheme and leads to absurd results. Thus, we affirm.

¶ 6 II. BACKGROUND

¶ 7 Plaintiff-appellants Mark Wancket, Sally Cray, Elizabeth Minder, Teralandur Venkatesh, Dennis Williams, Kimberly Beachy, and Carl Holman are retired former employees of the Illinois State Board of Education (ISBE). Each plaintiff-appellant receives a pension from the state through the State Employees’ Retirement System (SERS), administered by the Board of Trustees (Board). Each of the appellants seeks review of final administrative decisions issued by the Board that held that accelerated vacation and sick day payments should be excluded from SERS’ calculation of final average compensation for the purposes of calculating pensions under section 14-103.10 (*id.* § 14-103.10).

¶ 8 The petitioners generally fall into three categories. From least-recently to most-recently retired: (1) Mark Wancket, Teralandur Venkatesh, and Dennis Williams seek review of agency decisions reducing their pensions (counts I, VI, VII); (2) Sally Cray and Elizabeth Minder seek review of agency decisions reducing their pensions *and* directing them to pay back pension

overpayments pursuant to section 14-148.1 of the Pension Code (*id.* § 14-148.1) (permitting SERS to seek recovery for overpayment when the error was discovered within three years) (counts III, V); and (3) Kimberly Beachy and Carl Holman seek a review of agency decisions that excluded accelerated vacation and sick day payments in the calculation of their pension benefits (counts II, IV).

¶ 9 Although the posture between the individual appellants varies, they all raise the same question: Does the Pension Code exclude compensation for vacation time and accumulated unused sick leave, made across several payments, from the calculation of an employee’s “final average compensation” when calculating pension annuities under the Pension Code? SERS maintains that payments for vacation and accumulated unused sick leave are “lump sum salary payments” (see *id.* § 14-103.10) excluded from the final average compensation calculation under section 14-103.12 (*id.* § 14-103.12). Appellants argue that payments for vacation and sick leave are not excluded “lump sum salary payments” when they are made in installments.

¶ 10 Since each petitioner’s claim implicates the same legal issue, rather than litigate each retiree’s administrative review claims individually, the parties have briefed and argued the case based on the facts of Wancket’s case.

¶ 11 Wancket’s Case

¶ 12 Mark Wancket retired from ISBE on December 31, 2011, with 32 years of service. Around January 2009, Wancket tendered an irrevocable notice of intent to retire in three years, effective December 31, 2011. By tendering his notice, Wancket triggered the accelerated compensation plan provision of his employment contract (negotiated through collective bargaining between Local 3236 of the Illinois Federation of State Office Educators (IFSOE) and ISBE). Under the accelerated compensation provision, Wancket liquidated 75 of his accumulated, unused

vacation days and 58.6 of his accumulated unused sick days, amounting to around a \$1,250 increase to his monthly salary. Because SERS determines annuity payments based on the employee's final average compensation, this bump to Wancket's monthly compensation resulted in an estimated \$80,000 in benefits overpayments to Wancket over the course of a decade.

¶ 13 In late 2021, SERS discovered that ISBE had been reporting payments for accumulated unused vacation days and sick days as "base pay" on certain employees' payroll reports to the State Comptroller and SERS. ISBE explained to SERS that this adjustment was related to the "vacation liquidation agreement" (a.k.a., the accelerated compensation provision) that employees may exercise under the collective bargaining agreement.¹ SERS maintained that this practice improperly reported employee compensation, resulting in SERS overcalculating pension benefits for certain retirees.

¶ 14 SERS subsequently identified retired ISBE employees whose pensions had been increased as a consequence of the vacation liquidation agreements and issued letters explaining that their pensions annuities would be recalculated to exclude sick and vacation leave payments from the calculation of their compensation. Thus, each of those retirees was advised that their retirement annuities would be reduced. In cases where the error was discovered within three years, ISBE directed the retirees to repay the annuity overpayments.

¹Independent of the pension consequences, petitioners suggest that the accelerated compensation plan provides both the employer and employees benefits. The employees get to liquidate their benefits earlier, and for ISBE, the provision incentivizes higher-paid senior employees to retire. The irrevocable retirement notices are also useful to ISBE in making staffing and hiring decisions. Nonetheless, the retirees claim that they reasonably believed (and relied on their belief) that the accelerated payments would increase their pensionable compensation.

¶ 15 SERS also realized that it had erroneously withheld pension contributions from the vacation and sick day payments as a result of how ISBE had reported the compensation. The letters explained to the retirees that improperly withheld contributions would be refunded. For Wancket, around \$1,800 in additional pension contributions had been withheld.

¶ 16 Wancket sought to challenge the agency's reduction of his pension. The agency held a hearing, and a hearing officer ultimately recommended that the Board deny Wancket's challenge. In August of 2022, the Executive Committee of SERS's Board of Trustees (the "Committee") adopted the officer's recommendation, finding that the statutory exclusion of "lump sum salary payments" entailed the payment of unused vacation and sick days in installments. The Committee found that it was "the policy of SERS to treat any payment that represents the cashing out of an unused vacation day or sick day as a lump sum salary payment excluded from pensionable compensation" and that it was consistent with this policy and the statute to treat installment payments as "lump sum salary payments" excluded from the calculation of final average compensation. The Committee analogized to Illinois family law cases where alimony in gross (*i.e.*, a lump sum payment made in lieu of periodic alimony) was paid in installments. Thus, the Committee concluded, installment payments are compatible with the definition of "lump sum" where the installments are paid towards a definite sum. The Committee also bolstered their decision by citing numerous cases from other jurisdictions where vacation days and unused sick time were held to be excluded from pension or benefits calculation under their respective statutory schemes.

¶ 17 Wancket appealed to the full Board of Trustees, filing a brief and exceptions to the Committee's decision. At its October 25, 2022, hearing, the Board voted to ratify the decision of the Committee over Wancket's objections. On October 27, 2022, the Board issued a final

administrative decision denying Wancket’s administrative appeal. On the same day, the Board issued substantially similar final administrative decisions to the other petitioners.

¶ 18 On November 29, 2022, Wancket and the other petitioners brought an administrative review action to challenge the Board’s decisions. On November 3, 2025, after receiving briefing and hearing oral argument, the circuit court denied plaintiffs’ motion for summary judgment and affirmed the Board’s administrative decision. The court issued an oral decision in which it explained that the Board’s interpretation of “lump sum salary payments” could refer to multiple installment payments of the sum total owed for the unused vacation and sick days. The court also held that plaintiffs’ interpretation was unreasonable and in conflict with the legislature’s clear purpose in enacting the statute: “to prevent artificially inflating an employee’s pension by *** using [an employee’s unused vacation and sick leave] to calculate a pension” or, more briefly, “to remedy the issue of pension spiking.”

¶ 19 Two days later, petitioners filed this appeal.

¶ 20 III. ANALYSIS

¶ 21 Under the Pension Code, “lump sum salary payments *** for vacation *** [and] for accumulated unused sick leave” are excluded from compensation when calculating the “final average compensation” to determine retirement annuities. See *id.* §§ 14-103.10(b), 14-103.12. Between the parties, there is no dispute that a single payout for unused vacation and sick days, upon the retirement of an employee, would not be included in that employee’s final average compensation calculation. But the parties dispute whether payments for unused sick and vacation days, structured in multiple payments, would be excluded from the final average compensation calculation.

¶ 22 In the case at hand, ISBE paid out for unused sick and vacation days to certain employees in semi-monthly payroll. Pursuant to a provision in the collective bargaining agreement between ISBE and its employees (originally negotiated in the 1999 to 2001 collective bargaining agreement and updated in later agreements), employees may elect to enter into a vacation liquidation agreement. Under this provision, the retiring employee would submit an irrevocable notice of intent to retire in 24 or 36 months, and, in exchange, the employee would receive payments for unused, accrued vacation and sick leave in bimonthly salary paychecks over the final two or three years of employment rather than in a singular payment upon retirement.

¶ 23 This appeal therefore requires us to decide whether paying accumulated unused vacation and sick leave through regular payroll installments makes those payments pensionable compensation or whether they remain excluded “lump sum salary payments.”

¶ 24 A. Standard

¶ 25 Decisions of the Board are reviewable under the Administrative Review Law (735 ILCS 5/3-101 *etc.* (West 2022)). 40 ILCS 5/14-150 (West 2022). On appeals of the circuit court’s decision on a complaint for administrative review, we review the administrative decision rather than the circuit court’s decision. *Esquivel v. Retirement Board of the Policemen’s Annuity & Benefit Fund of Chicago*, 2011 IL App (1st) 111010, ¶ 18. On review, we may affirm on any basis in the record. *Wortham v. Village of Barrington Hills*, 2022 IL App (1st) 210888, ¶ 25. The applicable standard of review depends upon “ ‘whether the question presented is one of fact, one of law, or a mixed question of fact and law.’ ” *Cinkus v. Village of Stickney Municipal Officers Electoral Board*, 228 Ill. 2d 200, 210 (2008) (quoting *American Federation of State,*

County & Municipal Employees, Council 31 v. Illinois State Labor Relations Board, State Panel, 216 Ill. 2d 569, 577 (2005)).

¶ 26 This litigation turns solely on an issue of statutory interpretation. The facts are not in dispute. We are asked to review only the Board’s interpretation of section 14-103.10 of the Pension Code. “[A]n agency’s interpretation of the meaning of the language of a statute constitutes a pure question of law.” *Id.* Statutory construction is a question of law that is considered *de novo* on review. *Roselle Police Pension Board v. Village of Roselle*, 232 Ill. 2d 546, 552 (2009).

¶ 27 When interpreting a statute, the court’s primary goal is to ascertain and give effect to the legislature’s intent. *Id.* The most reliable indicator of legislative intent is the statutory language itself, given its plain and ordinary meaning. *Id.* When the statute does not define a particular word or phrase, “it is entirely appropriate to look to the dictionary to ascertain the plain and ordinary meaning of the term.” *People v. Chapman*, 2012 IL 111896, ¶ 24. “Each word, clause, and sentence of a statute must be given a reasonable meaning, if possible, and should not be rendered superfluous.” *Chicago Teachers Union, Local No. 1 v. Board of Education of Chicago*, 2012 IL 112566, ¶ 15. Our supreme court has advised against “dissecting an individual word or phrase from a statutory provision and mechanically applying to it a dictionary definition” when determining legislative intent. *Corbett v. County of Lake*, 2017 IL 121536, ¶ 28.

¶ 28 “Where the language is clear and unambiguous, we must apply the statute without resort to further aids of statutory construction.” *Krohe v. City of Bloomington*, 204 Ill. 2d 392, 395 (2003). A statute is ambiguous where its construction is susceptible to “two equally reasonable and conflicting interpretations.” *Land v. Board of Education of Chicago*, 202 Ill. 2d 414, 426

(2002); see also *Krohe*, 204 Ill. 2d at 395-96 (“A statute is ambiguous if it is capable of being understood by reasonably well-informed persons in two or more different ways.”).

¶ 29 The interpretation of a statute by an agency that is charged with administering the statute is afforded “substantial weight and deference.” *Stillo v. State Retirement Systems*, 305 Ill. App. 3d 1003, 1007 (1999) (citing *Abrahamson v. Illinois Department of Professional Regulation*, 153 Ill. 2d 76, 88 (1992)).

¶ 30 Where there is a question as to the legislative intent and clarity of the language of a pension statute, the statute must be “liberally construed in favor of the rights of the pensioner.” *Prazen v. Shoop*, 2013 IL 115035, ¶ 39; *Carmichael v. Laborers’ & Retirement Board Employees’ Annuity & Benefit Fund of Chicago*, 2018 IL 122793, ¶ 50 (where pension statute found to be ambiguous, courts must apply liberal construction in favor of the pensioner).

¶ 31 In addition to the plain text, “the court may consider the reason for the law, the problems sought to be remedied, the purposes to be achieved, and the consequences of construing the statute one way or another.” *Sigcho-Lopez v. Illinois State Board of Elections*, 2022 IL 127253, ¶ 28. In construing a statute, we must presume that the legislature did not intend an absurd result. *Carmichael*, 2018 IL 122793, ¶ 45 (citing *People v. Fort*, 2017 IL 118966, ¶ 35).

¶ 32 B. “Lump Sum”

¶ 33 The phrase “lump sum” in section 14-103.10(b) (40 ILCS 5/14-103.10(b) (West 2022)) is not defined by the Pension Code, and no Illinois court has interpreted its meaning in this provision. The proper construction of “lump sum” is thus a matter of first impression in Illinois.

¶ 34 1. Petitioners’ Interpretation

¶ 35 Petitioners’ interpretation of the Pension Code is based upon a strict interpretation of the phrase “lump sum.” According to petitioners, the plain text of the Pension Code provides that

one-time salary payments (*i.e.*, payments by “lump sum”) within the enumerated categories are excluded from pension calculations. Multiple payments, including installments made for enumerated items (*e.g.*, unused vacation time), are argued to fall outside of the definition of “lump sum” and, hence, are not excluded under the Code.

¶ 36 Read in a vacuum, petitioners’ interpretation of the isolated phrase “lump sum” is consistent with how several dictionaries define the term. Black’s Law Dictionary defines “lump sum” as “A single payment made once, usu. at a particular time, as opposed to a series of smaller payments.” *Sum*, Black’s Law Dictionary (12th ed. 2024). The phrase “lump-sum payment” shares a similar definition, meaning “[a] payment of a large amount all at once, as opposed to a series of smaller payments over time.” *Payment*, Black’s Law Dictionary (12th ed. 2024). The Merriam-Webster Online Dictionary defines “lump sum” as “an amount of money that is paid at one time : a single sum of money.” Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/lump%20sum> (last visited Sept. 23, 2026) [<http://perma.cc/8EA7-DL2Q>]. The American Heritage Dictionary defines “lump” as “[n]ot broken or divided into parts” as in “*one lump payment*.” (Emphasis in original.) American Heritage Dictionary 746 (2d coll. ed. 1985). And it defines “sum” as “[2] [t]he whole amount, quantity, or number; aggregate *** [3] An amount of money.” *Id.* at 1218.

¶ 37 Each cited definition specifically contradistinguishes lump sum payments from installments or smaller, periodic payments. Petitioners argue that these dictionary definitions support a plain text reading of the statute that limits the exclusion to one-time, complete payments for unused vacation and sick time.

¶ 38 For petitioners, this definition effectively ends the analysis. If this restrictive interpretation of “lump sum” modifies “payments,” then anything other than a single payment per category

falls outside the exclusion. Although petitioners' reading has some support in the dictionary definitions, we do not find it reasonable when the phrase is read in the context of the statute as a whole.

¶ 39 While arguing that the provision does not implicate the legislature's interest in preventing "pension spiking," petitioners argue that the legislature was concerned with something approximating it. According to petitioners, "[t]here is a straightforward, rational reason why the legislature would have limited the compensation exclusion to single, lump sum payments *** [L]arge, one-time payments would have the most unpredictable impact on the actuarial assumptions of the pension system." Despite insisting upon this legislative purpose, petitioners struggle to justify why the legislature drew the line where it did. Ironically, by attempting to tie their reading of the statute to this legislative intent, petitioners only demonstrate how severely underinclusive the exclusion would be under their reading. According to petitioners, the legislature was concerned with large, singular payments, but apparently was not concerned if the same payment was split into two or more payments, even if the ultimate effect was the same.

¶ 40 When challenged on this point, petitioners embrace the arbitrariness, defending the underinclusiveness as legislative choice: "[L]ines drawn by the legislature tend to be arbitrary, as lines generally are, but that the government is in the business of drawing them." See *Alamo Rent A Car, Inc. v. Ryan*, 268 Ill. App. 3d 268, 275 (1994). According to petitioners, the legislature had to draw a line somewhere in deciding what was included in or excluded from pensionable compensation, and we cannot second guess their policy decision where the statute is clear even if the line drawn appears to be inadequate for its legislative purpose.

¶ 41 But there is no obvious reason why the legislature would have drawn the line at one payment. Even granting petitioners' point that lawmaking entails the drawing of arbitrary lines, this line seems particularly arbitrary, and it obviously does not serve the legislature's purpose in drafting the exclusion.

¶ 42 First, petitioners attempt to justify the legislature's choice to limit the exclusion to one-time payments by suggesting they are more disruptive than two or more payments, but there is no foundation for the assertion that they are or that the legislature believed that they were. Petitioners attempt to rationalize the assumption in the context of this case where 72 payments were made over three years, suggesting that SERS had enough lead-up to account for these payments. But this is also dubious; no briefing is offered as to when or how these actuarial assumptions are made, nor how much lead time is necessary for the pension system to account for an inflation in employee pensionable compensation in their final three years. Petitioners' narrow reading of the legislative intent is built upon an unfounded premise.

¶ 43 Second, the legislature need not have drawn a line here at all: in respondents' interpretation, what matters is not the manner of payment, but the source of the payment. That petitioners' interpretation requires that we make an exceedingly narrow assumption of legislative intent *and* accept the exclusion's ineffectiveness as just a consequence of arbitrary legislative line-drawing is good reason to infer that the interpretation is simply not a reasonable or accurate construction.

¶ 44 Third, petitioners' interpretation also places too much weight on how the payments are made and too little on what they are for. The statute does not exclude lump sum payments generally. It identifies four categories: vacation, accumulated unused sick leave, discharge or dismissal, and approved holidays. The specific identification of those categories supports

SERS's view that the source of the payment matters. Spreading a payment for one of those categories over several categories does not change its source.

¶ 45 Petitioners' ultimate recourse is to *Carmichael*, and the principle that pension statutes must be constructed in favor of the pensioner. To the extent that there is any "lingering doubt about the meaning or effect of the provisions *** we must resolve that doubt in favor of the members of this State's public retirement system." *Carmichael*, 2018 IL 122793, ¶ 24. Petitioners insist that, given the dictionary definitions of "lump sum," their interpretation of the statute is reasonable. At the very least, the contextual meaning of the terms "lump sum" and "payments" are ambiguous, so even if the statute is susceptible to SERS' construction, petitioners assert that *Carmichael* requires that we adopt the interpretation in favor of the pensioners.

¶ 46 But petitioners' construction of "lump sum salary payments" is not reasonable when the provision is read as a whole. The statute therefore is not ambiguous, and the *Carmichael* presumption does not apply.

¶ 47 2. Respondent's Interpretation

¶ 48 Respondent offers a counter-interpretation that the term "lump sum" entails installment payments against a definite amount. For respondent, the essential quality of a "lump sum" is that it corresponds to a known and definite amount of money owed, rather than the manner of payment. Under this interpretation, the value of unused, accumulated time is a discrete amount of money—a "lump sum"—owed to retirees distinct from their bimonthly salary (which is indeterminate and ongoing in comparison). Consequently, the method of payment is irrelevant; a lump sum may be paid all at once, or payments may be made against the lump sum owed.

¶ 49 SERS argues that the language of the clear legislative intent of the provision was to prevent "pension spiking." "Pension spiking" describes the artificial inflation of a retiree's pension

annuity that is effected by the disbursement of payments during the final average compensation reporting period (typically last few years of the retiree’s employment). A retiree’s pension annuity is calculated using their highest consecutive years of compensation. A pension can be “spiked” where payments that would otherwise be made outside of the reporting period are shifted into that period, creating the appearance of a higher average compensation. See *Pisani v. City of Springfield*, 2017 IL App (4th) 160417, ¶ 11 (“[R]egardless of what the lump sum is for, the objective is to make the final rate of earnings artificially large, so as to increase the amount of the annuity.”). “Because pension spiking *** ‘is likely one of the many causes of the serious underfunding problem *** in Illinois,’ the General Assembly has passed laws that are calculated to prevent pension spiking.” *Id.* ¶ 12 (quoting Illinois Municipal Retirement Fund Board).

¶ 50 The statutory scheme supports SERS’s interpretation. The provision excludes categories of payments from being treated as compensation for the purposes of pension calculations. The categories of payments excluded under section 14-103.10(b) are types of payments for benefits accumulated over time and typically paid out in a single sum on retirement or termination. Because these benefits are not paid out regularly, but instead accumulate over time, there is an inherent risk that employees and employers could shift payments into the final average compensation reporting period for work done from outside of that period—a classic form of pension spiking. The statute’s exclusion evinces a clear legislative intent to prevent that type of pension manipulation.

¶ 51 SERS’s interpretation is also consistent with a construction of the term “lump sum.” Under SERS’s interpretation, “lump sum” describes a fixed amount attributable to one of the listed categories; it does not require that the entire amount be paid at once. Payments for sick leave,

vacation time, holidays, or upon discharge or dismissal are typically for discrete amounts and are generally not made periodically. So, payments within these categories can reasonably be characterized as payments of lump sums. Moreover, the statute also contemplates that these payments might be made earlier. The statute lists “vacation” and “sick leave” payments alongside payments “upon discharge or dismissal,” suggesting that the legislature intended to exclude payments for the listed categories even if paid prior to termination.

¶ 52 That SERS treats accumulated unused sick leave and vacation time as non-pensionable “lump sum” is evident from their historical practice. In 2011 and 2016, SERS issued bulletins concerning payroll practices to various state agencies including ISBE. The 2011 payroll bulletin states that the enumerated categories under section 14-103.10(b) (40 ILCS 5/14-103.10(b) (West 2022)) are “lump sum salary payments,” which are “EXCLUDED from any employee retirement contribution liability.” The 2016 bulletin accorded with this guidance, advising state agencies to process lump sum payouts of holiday time “using the lump sum fields within the payroll system.” After quoting the full list under section 14-103.10(b), the bulletin emphasized that “under no circumstances should they be paid as gross adjustments allowing retirement deductions to be taken and wages to be falsely accumulated.”

¶ 53 SERS’s guidance reflects its longstanding view that payments covered by the statutory exclusion should not be processed in a way that allows retirement deductions to be taken and pensionable wages to accumulate. Although not binding, the “interpretation of a statute by the agency charged with its administration is generally given deference” unless it is erroneous. *Taddeo v. Board of Trustees of the Illinois Municipal Retirement Fund*, 216 Ill. 2d 590, 595 (2005).

¶ 54 We address, briefly, two additional arguments made by SERS in support of its interpretation. First, SERS attempts to found a construction of “lump sum” that entails installments by looking to family law cases. In a number of cases, courts refer to “ ‘lump sum property settlement[s]’ ” under which maintenance or alimony were payable in installments. See, e.g., *Walters v. Walters*, 409 Ill. 298, 299 (1951); *Roberts v. Roberts*, 90 Ill. App. 2d 184, 186 (1967); *Koivun v. Koivun*, 45 Ill. App. 3d 39, 41-42 (1977); *In re Marriage of Hildebrand*, 166 Ill. App. 3d 795, 799 (1988). The use of “lump sum” in these cases fits into a distinction between awards of alimony or spousal support in gross and periodical support. Alimony made “in gross” refers to a fixed monetary sum, whereas “periodic” alimony refers to alimony payments made periodically for an indefinite amount of time. See *Koivun*, 45 Ill. App. 3d at 41-42. Typically, alimony in gross defines the total amount owed for alimony as a single sum in a property settlement that is agreed to “in lieu of all alimony,” which, for the parties, has the added benefit of not being modifiable by a court (e.g., on the occasion of the supported spouse’s remarriage). *Walters*, 409 Ill. at 302-03. “Lump sum” settlements are therefore related to *in gross* alimony as distinguished from periodic alimony in these cases.

¶ 55 For our purposes, these cases offer little support. First, we note that the phrase “lump sum payments” is not found in any of the above cases. Instead, the phrase “lump sum” modifies “award” or “settlement agreement.” This follows from the aforementioned distinction between *in gross* and periodic alimony: the award of a lump sum maintenance obligation defines the obligation as a single, definite sum, in contradistinction to a periodic, indefinite maintenance obligation. See, e.g., *Koivun*, 45 Ill. App. 3d at 42 (“[D]efendant agreed to forego receiving periodic alimony for an indefinite period of time and agreed to a certain lump sum settlement paid in installments.”).

¶ 56 First, as we discuss in the following section, we do find that it is consistent with the definitions of “lump sum” to describe a particular payment obligation as a “lump sum” that may be payable in installments. See *Kroger Co. v. Blumenthal*, 13 Ill. 2d 222, 224 (1958).

¶ 57 Second, SERS argues that its interpretation aligns with earlier versions of the statutory provision and that we ought to consider the history of amendments to the Pension Code to determine the legislative intent. Prior to the 1978 amendment, the Pension Code defined compensation as “[s]alary or wages payable on a regular payroll *** to any person for personal services currently performed.” Ill. Rev. Stat. 1975, ch. 108½, ¶ 14-113 (amended and renumbered 1978). The limited discussion available regarding the amendment suggests that the legislature amended the Pension Code as to revise the definition of “final average compensation to parallel the Social Security Act definition.” 80th Ill. Gen. Assem., Senate Proceedings, June 24, 1977, at 208 (statements of Senator Egan). SERS emphasizes that the amendment was introduced as a “housekeeping, clean up type bill” (*id.*), to argue that the legislature did not intend that for the amendment to significantly modify the meaning of compensation. SERS therefore asks that we construe the current text of the statute in a manner consistent with the prior amendment to exclude vacation and sick time payments.

¶ 58 We do not find the limited legislative discussion, or the prior amendments to the provision, to be useful in construing the meaning of the operative provision. The current text of the statute is substantially different from the prior version, and we ought to derive the meaning of the statute from its plain meaning rather than presume a legislative intent not to have changed the meaning.

¶ 59 In summary, we do not find petitioners’ interpretation of the statute to be consistent with its text or purpose. Petitioners’ interpretation of the phrase “lump sum” may be accurate in

isolation, but this does not end our analysis. We must consider the significance of the phrase within its specific statutory context. In doing so, we find that petitioners’ interpretation does not warrant application of the *Carmichael* principle of liberal construction (2018 IL 122793, ¶ 50). The words lump sum cannot be used in isolation; they are specifically related to the enumerated categories—vacation and unused sick pay—and must be construed in the context of the entire statutory provision. That an isolated word can bear more than one meaning does not make a statute ambiguous when only one meaning remains reasonable after the provision is read as a whole. Because petitioners’ interpretation conflicts with the specific exclusion of these categories, we do not find that their interpretation is plausible. Hence, we do not apply *Carmichael*.

¶ 60

C. Payments

¶ 61

This construction of “lump sum” does not conclude our analysis. The briefs present a second ambiguity with respect to the pluralized term, “payments.” The statute excludes “lump sum salary *payments*[] (1) for vacation, (2) for accumulated unused sick leave” and for two other categories. (Emphasis added.) 40 ILCS 5/14-103.10(b) (West 2022).

¶ 62

Here, SERS argues that, even if the bimonthly payments do not qualify as a *single* lump sum salary payment, they are lump sum salary payments, plural, towards the excluded categories. As an example of this use case, SERS cites *Kroger Co.*, 13 Ill. 2d at 224 (employer made separation payment in “two lump sum payments”).² The Board noted this in its decision: “any lump sum included in the regular salary of an employee could be construed to fall within

²We note also that the legislature’s use of the phrase “lump sum” elsewhere suggests the possibility of multiple “lump sum” payments. For example, in section 14a of the State Finance Act, the statute provides that unused time “shall be payable to the employee in a *single* lump sum payment.” (Emphasis added.) 30 ILCS 105/14a(c) (West 2022).

the plain definition of lump sum salary payment, even if the payment is recurring.” Thus, the payments must still be excluded from final average compensation under section 14-103.10(b).

¶ 63 Petitioners dispute this interpretation, arguing that the plural “payments” could refer to lump sum payments made across each category. In other words, the term “payments” allows for the possibility that an employer could make separate lump sum payments for vacation time and unused sick leave. Under petitioners’ interpretation, the statute would still capture end-of-employment lump sum payments made separately for each of the enumerated categories, but it does not and should not capture multiple payments made in any individual category. Petitioners add that the Board’s interpretation of “payments” would conflict with the meaning of “lump sum” or otherwise render it superfluous.

¶ 64 Considered alone, “payments” could refer either to multiple payments within a category or to separate payments for different categories. But we do not determine ambiguity by reading a word in isolation. We read the statutory language as a whole. When we do so, only SERS’s interpretation is reasonable. The rule that pension statutes are liberally construed in favor of pensioners does not require us to adopt a reading that is unreasonable when considered in the context of the statute as a whole. See *Roselle Police Pension Board*, 232 Ill. 2d at 552-53 (“The principle that the language of pension statutes is to be liberally construed in favor of the rights of the pensioner is no exception to [the rules of statutory construction].”); *Salcedo v. Retirement Board of the Policemen’s Annuity & Benefit Fund of Chicago*, 2023 IL App (1st) 220728, ¶ 58.

¶ 65 Ultimately, when “payments” is read in the context of the statute as a whole, petitioners’ construction leads to the unreasonable results discussed next. We accordingly adopt the Board’s construction.

¶ 66

D. Absurd Results

¶ 67

Petitioners' interpretation is unsustainable because it unavoidably entails absurd consequences.

¶ 68

1. Treating Like Employees Differently

¶ 69

Petitioners' interpretation of the statute results in the treatment of identically situated employees differently based solely on the mechanism by which their vacation days are paid out. Suppose that there are two employees who start and retire in the same year, who occupy the same role, and who have the same union-bargained compensation package, including the same number of allotted sick and vacation days. Suppose also that these two employees accumulate the same number of unused vacation and sick days by the time they retire. The only difference between these hypothetical employees is how their accumulated days are paid out: the first receives payment for his unused days on termination in a single payment; the second receives payment for his unused days in payments over the final two years of his employment.

¶ 70

There is no obvious legislative purpose for treating these two employees differently. Yet, Petitioners' interpretation of the statute would grant the second employee a greater lifetime annuity, thousands more annually, merely because ISBE structured the payment of these benefits differently. There is similarly no reason to believe that the legislature intended to bestow a greater lifetime annuity for employees that stockpiled their vacation or sick time over employees that used their time off. Employees in both groups receive full compensation for all accumulated time, whether the time is used or paid out. There is no obvious legislative purpose in disincentivizing employees not to use time off (particularly since the state is on the hook for paying out all of that unused time when the employee retires). There is also no clear legislative

purpose that is served by rewarding employees for taking remuneration for unused time in multiple payments rather than a single payment. The result of petitioners' interpretation is a significant disparity arising from an arbitrary difference.

¶ 71 We are not persuaded by petitioners' attempt to backfill the legislative purpose to justify this arbitrary result. Petitioners suggest that the legislature may have been concerned with the impact of large lump sum payments at the end of employment resulting in "pension spikes" or unanticipated increases in pensions that would disrupt actuarial assumptions in the management of the pension. Petitioners further suggest that multiple payments towards unused leave time would be less disruptive than a large payment on termination. We find this explanation implausible. For one, as we explain below, the way ISBE structured these payments constitutes "pension spiking," since the inclusion of compensation earned in prior years results in the overcalculation of an employee's final average compensation and, hence, an inflated annuity. The practice implicates exactly the same policy concerns as pension-spiking: thumbing the scale on the employee's later years of compensation for a more favorable pension calculation. *Cf. Pisani*, 2017 IL App (4th) 160417, ¶ 12 (observing that the General Assembly passed laws calculated to prevent "pension spiking"). And that increased pension is not the result of ISBE increasing an employee's compensation package—an employee that opts into the accelerated compensation plan is still earning the same salary the employee would otherwise earn and receives the same benefits and benefits payments as the employee would otherwise receive. Without having to account for increased pensionable compensation on its books, ISBE created an additional burden on SERS's books.

¶ 72 We do not think there is a material distinction between a single payment and several smaller payments, where the effect of both is to shift compensation earned over time into the period

used to determine final average compensation for pension annuities. Although a spike created by 72 separate payments may not seem as sharp or sudden a spike as a single payment, the result is the same in either case: a retiree arbitrarily receives a higher pension annuity by allocating accumulated earnings into payments during the final average compensation reporting period.

¶ 73 To draw the legislature’s concern with “pension spiking” so narrowly would expose the statute to unsustainable and unanticipated manipulation of benefits payments to circumvent a clear legislative purpose. We find it doubtful that the Illinois legislature intended for an employee’s unilateral choice to result in such a significant windfall.

¶ 74 Our analysis accords with the highest courts in other jurisdictions that similarly rejected the premise that their respective legislatures intended to allow arbitrary differences between employees based on vacation use or manner of benefits payments. *Longley v. State Employees Retirement Comm’n*, 931 A.2d 890, 904 (Conn. 2007) (finding it “highly unlikely that the legislature also intended to bestow a substantial annual windfall ***—in essence, a lifetime annuity—merely because [employees] chose to stockpile their vacation time rather than to use it”); *Amos v. Metropolitan Government of Nashville & Davidson County*, 259 S.W.3d 705, 714 (Tenn. 2008) (“In our view, calculating the lump-sum payments with employees’ pensions would create an unintended ‘windfall’ for employees who did not take vacation.”); see *West Virginia Consolidated Public Retirement Board v. Carter*, 633 S.E.2d 521, 528 (W. Va. 2006).

¶ 75 2. The Thirteen-Month Year

¶ 76 Petitioners’ interpretation also results in a conflict with the purpose and text of the final average compensation provision. To elucidate this conflict, we sketch the following scenario:

Suppose, for the sake of simplicity, that an employee with 25 years of service has accrued two full months of vacation and sick time prior to exercising ISBE's accelerated compensation plan to retire in two years. Those two months of accrued vacation and sick days are part of compensation the employee earned and received (in the sense that the employee could have used those days to take off from work) in his or her first 25 years of service.

¶ 77 Having opted into ISBE's accelerated compensation plan, rather than receiving a one-time payout for his unused days on termination of employment, this employee receives compensation for the two unused months in 24 payments, made over the course of two years.

¶ 78 For the purposes of calculating "final average compensation" to determine a retiree's annuity, SERS looks to the total compensation from the highest 48 months of compensation of the last 120 months of service. 40 ILCS 5/14-103.12 (West 2022). Presumably, the highest 48 months for our hypothetical employee will include his final 24 months (assuming that his final years are when his salary is highest and granting that the unused day payouts will bump up this compensation).

¶ 79 The inclusion of the unused days in payments during the final 24 months results in a peculiar, and rather problematic, result: the total compensation for each of the final two years amounts to 13 months of compensation each, rather than 12. This is because our employee receives his twelve months of salary as normal, with an additional month of salary (from unused days) paid out over the course of each year. Notably, the unused days paid out were not earned during the 12-month period in which they were paid out; they are not part of that year's compensation. Rather, payment for those unused days is compensation from prior years that has been squeezed into the retiree's final years of employment.

¶ 80 Petitioners’ approach therefore creates an overcalculation of compensation when determining a retiree’s “final average compensation.” Final average compensation is calculated using employee compensation over a 48-month period. To include compensation for service time completed outside of that 48-month period would artificially inflate the “average” compensation calculation. Petitioners’ interpretation of the lump sum exclusion therefore results in an irreconcilable conflict between sections 14-103.12 and 14-103.10(b). The inclusion of unused vacation and sick time from outside of the 48-month period is not compatible with the 48-month limitation on the average compensation calculation.

¶ 81 The logical inconsistency is also plain when considering the purpose of section 14-103.12. The fundamental purpose of “final average compensation” is to determine the highest average salary of the employee in the last 10 years of service. The statute aims to avoid outliers disadvantaging employees by isolating the 48 consecutive months within the last 120 where the employee’s compensation was “highest.” At the same time, it avoids outliers in the opposite direction: for employees with less than 48 months of service, “the average compensation for the last 12 months *** shall not exceed the final average compensation by more than 25%.” 40 ILCS 5/14-103.12(a) (West 2022); see *Pisani*, 2017 IL App (4th) 160417, ¶ 12 (making the same inference with respect to municipal retirement fund statute (40 ILCS 5/7-116(d) (West 2012))). The legislature clearly drafted the statute with the intent to isolate the employee’s average compensation at its highest for the purposes of determining pension benefits. The inclusion of unused vacation and sick time from prior years, thumbing the scale during the employee’s final few years of service, is not consistent with the legislature’s purpose in this provision, and it is logically inconsistent with the meaning of “average.” The word “average” implies a representative sampling of employee compensation over a period of time. The

addition of compensation earned outside of that scope is inconsistent with the goal of determining the employee’s “average” compensation. *Cf. In re Hohensee*, 525 N.Y.S.2d 733, 734-35 (App. Div. 1988) (“[H]ad petitioner taken his vacation[,] he would have received his regular wages during that period. *** [T]he cash equivalent he received *** was in addition to his regular compensation and thus extraordinary [citations]” and “was properly excluded in arriving at the amount of petitioner’s final average salary.”).

¶ 82 Our analysis here is consistent with other jurisdictions that regard this scenario as absurd or otherwise inconsistent with their statutory scheme. See, e.g., *Longley*, 931 A.2d at 903 (Inclusion of unused days in final year’s compensation “results in a calculation of retirement benefits that is predicated on an effective period of employment in excess of three years,” violating statutory temporal requirements.);³ *American Federation of State County & Municipal Employees Local 2384 v. City of Phoenix*, 466 P.3d 1158, 1163 (Ariz. 2020) (inclusion of “lump-sum payout would effectively include three years and two months of compensation within the three-year average”); *Amos*, 259 S.W.3d at 714 (“inclusion of their lump-sum payment for the maximum vacation accrual would extend the pension calculation period to sixty-three months” violating the metropolitan code requirement that pensions be based on a 60 month calculation).

¶ 83 We find the Board’s interpretation of section 14-103.10(b) reasonable and consistent with the statutory scheme. The plural “payments” allows for multiple lump sum payments toward a

³Summarizing the state employee retirement commission’s position, the appellate court wrote: “ ‘[A] lump sum payment for accrued vacation time cannot be factored into the final year’s salary directly ***. To do so would impermissibly add *time* to the calculation of a retiree’s three highest paid years of state service because, under [General Statutes] § 5–154(m), state service is defined as including “accrued vacation time,” and, under § 5–154(n), a year of state service can include only twelve calendar months.’ ” (Emphasis in original.) *Longley*, 931 A.2d at 894 (quoting *Longley v. State Employees Retirement Comm’n*, 887 A.2d 904, 906 (Conn. App. Ct. 2005)).

fixed amount owed for unused vacation or sick leave. Considered alone, “payments” could also refer to separate payments for different categories. But that possible reading does not make the statute ambiguous. When the provision is read as a whole, petitioners’ interpretation produces the unreasonable results we have described. Only the Board’s interpretation gives reasonable effect to the provision as a whole.

¶ 84

IV. CONCLUSION

¶ 85

We find that the payments made to petitioners for unused sick leave and vacation time are lump sum salary payments excludable from the calculation of an employee’s final average compensation under section 14-103.12.

¶ 86

Affirmed.

Wancket v. State Employees' Retirement System of Illinois, 2026 IL App (1st) 232256

Decision Under Review: Appeal from the Circuit Court of Cook County, No. 22-CH-11560; the Hon. Michael T. Mullen, Judge, presiding.

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