

**100TH GENERAL ASSEMBLY****State of Illinois****2017 and 2018****SB2284**

Introduced 1/10/2018, by Sen. Chuck Weaver

**SYNOPSIS AS INTRODUCED:**

See Index

Amends the General Assembly Article of the Illinois Pension Code. Requires the General Assembly Retirement System to establish a self-directed retirement plan. Provides that for persons who become a participant on or after the effective date of the amendatory Act, participation in the System shall be limited to participation in the self-directed retirement plan. Allows a Tier 1 or Tier 2 participant to make an irrevocable election to participate in the self-directed retirement plan instead of the defined benefit plan. Makes changes to the pensionable salary for active participants. Provides that upon a participant's first day of participation in the self-directed retirement plan, the participant becomes vested in his or her contributions to the self-directed retirement plan, the employer's contributions to the self-directed retirement plan, and the investment returns attributable to those contributions credited to his or her account. Provides that a member who has filed notice of an election not to participate may become a Tier 3 participant without making a specified required contribution by filing with the board a written rescission of the election not to participate if he or she elects to participate in the self-directed retirement plan. Provides that a member who files the written rescission without making the required contribution and only participates in the self-directed retirement plan may not receive credit for service as a member prior to the date of the rescission. Repeals a provision added by Public Act 98-599, which has been held unconstitutional, that defines "Tier 1 participant" and "Tier 2 participant".

LRB100 13770 RPS 28492 b

FISCAL NOTE ACT  
MAY APPLYPENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing  
5 Section 2-117 and by adding Sections 2-105.3 and 2-167 as  
6 follows:

7 (40 ILCS 5/2-105.3 new)

8 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier  
9 3 participant.

10 "Tier 1 participant": A participant who first became a  
11 participant before January 1, 2011.

12 In the case of a Tier 1 participant who elects to  
13 participate in the self-directed retirement plan under Section  
14 2-167, that participant shall be deemed a Tier 1 participant  
15 only with respect to service performed or established before  
16 the effective date of that election.

17 "Tier 2 participant": A participant who first became a  
18 participant on or after January 1, 2011 and before the  
19 effective date of this amendatory Act of the 100th General  
20 Assembly.

21 In the case of a Tier 2 participant who elects to  
22 participate in the self-directed retirement plan under Section  
23 2-167, that participant shall be deemed a Tier 2 participant

1 only with respect to service performed or established before  
2 the effective date of that election.

3 "Tier 3 participant": A participant who first becomes a  
4 participant on or after the effective date of this amendatory  
5 Act of the 100th General Assembly; or a Tier 1 or Tier 2  
6 participant who elects to participate in the self-directed  
7 retirement plan under Section 2-167 of this Code, but only with  
8 respect to service performed or established on or after the  
9 effective date of that election.

10 (40 ILCS 5/2-117) (from Ch. 108 1/2, par. 2-117)

11 Sec. 2-117. Participants - Election not to participate.

12 (a) Every person who was a member on November 1, 1947, or  
13 in military service on such date, is subject to the provisions  
14 of this system beginning upon such date, unless prior to such  
15 date he or she filed with the board a written notice of  
16 election not to participate.

17 Every person who becomes a member after November 1, 1947,  
18 and who is then not a participant becomes a participant  
19 beginning upon the date of becoming a member unless, within 24  
20 months from that date, he or she has filed with the board a  
21 written notice of election not to participate.

22 (b) A member who has filed notice of an election not to  
23 participate (and a former member who has not yet begun to  
24 receive a retirement annuity under this Article) may become a  
25 participant with respect to the period for which the member

1 elected not to participate upon filing with the board, before  
2 April 1, 1993, a written rescission of the election not to  
3 participate. Upon contributing an amount equal to the  
4 contributions he or she would have made as a participant from  
5 November 1, 1947, or the date of becoming a member, whichever  
6 is later, to the date of becoming a participant, with interest  
7 at the rate of 4% per annum until the contributions are paid,  
8 the participant shall receive credit for service as a member  
9 prior to the date of the rescission, both before and after  
10 November 1, 1947. The required contributions shall be made  
11 before commencement of the retirement annuity; otherwise no  
12 credit for service prior to the date of participation shall be  
13 granted.

14 (c) A member who has filed notice of an election not to  
15 participate may become a Tier 3 participant without making a  
16 contribution under subsection (b) by filing with the board a  
17 written rescission of the election not to participate if he or  
18 she elects to participate in the self-directed retirement plan  
19 under subsection (d) of Section 2-167. A member who files the  
20 written rescission pursuant to this subsection may not receive  
21 credit for service as a member prior to the date of the  
22 rescission.

23 (Source: P.A. 86-273; 87-1265.)

24 (40 ILCS 5/2-167 new)

25 Sec. 2-167. Self-directed retirement plan.

1       (a) For the purposes of this Section:

2               "Active participant" means a participant who is in  
3       active service in the System.

4               "Consumer price index-u" means the index published by  
5       the Bureau of Labor Statistics of the United States  
6       Department of Labor that measures the average change in  
7       prices of goods and services purchased by all urban  
8       consumers, United States city average, all items, 1982-84 =  
9       100.

10              "Defined benefit plan" means the retirement plan  
11              available under this Article to Tier 1 or Tier 2  
12              participants who have not made the election authorized  
13              under this Section.

14              "Employer" means the State.

15              "Pensionable salary" means the amount of salary used by  
16              the System to calculate the amount of an individual's  
17              retirement annuity.

18       (b) On and after the effective date of this amendatory Act  
19       of the 100th General Assembly, a Tier 3 participant's  
20       participation in the System shall be limited to participation  
21       in the self-directed retirement plan established under  
22       subsection (d) of this Section.

23              An active Tier 1 or Tier 2 participant of this System may  
24              elect to cease accruing benefits in the defined benefit plan  
25              and begin accruing benefits for future service in the  
26              self-directed retirement plan established under subsection

1 (d). The election to participate in the self-directed  
2 retirement plan is voluntary and irrevocable.

3 For an active Tier 1 or Tier 2 participant who elects to  
4 participate in the self-directed retirement plan, all service  
5 credit under the System (including service under any  
6 participating system if the participant elects to use the  
7 reciprocal provisions of Article 20) shall be considered for  
8 purposes of vesting in the benefits provided prior to the  
9 effective date of this Section, but only service earned and  
10 contributions made before that effective date shall be  
11 considered in determining the amount of those benefits. In lieu  
12 of receiving any such benefits, an active Tier 1 or Tier 2  
13 participant who elects to participate in the self-directed  
14 retirement plan may elect to have an account balance  
15 established in his or her self-directed retirement plan account  
16 in an amount equal to the amount of the contribution refund  
17 that the participant would be eligible to receive if he or she  
18 withdrew from service on the effective date of this Section and  
19 elected a refund of contributions, except that this  
20 hypothetical refund shall include interest at the effective  
21 rate for the respective years. The System shall make these  
22 transfers of assets to the self-directed plan as tax-free  
23 transfers in accordance with Internal Revenue Service  
24 guidelines.

25 (c) The pensionable salary of an active participant shall  
26 be equal to the average final monthly salary of the

1 participant. For a participant who first becomes a participant  
2 of this System on or after the effective date of this  
3 amendatory Act of the 100th General Assembly, the average final  
4 monthly salary determined by dividing the total salary of the  
5 participant during the 96 consecutive months of service within  
6 the last 120 months of service in which the total compensation  
7 was the highest by the number of months of service in that  
8 period; however, the highest salary for annuity purposes may  
9 not exceed \$106,800, except that that amount shall annually  
10 thereafter be increased by the lesser of (i) 3% of that amount,  
11 including all previous adjustments, or (ii) the annual  
12 unadjusted percentage increase (but not less than zero) in the  
13 consumer price index-u for the 12 months ending with the  
14 September preceding each November 1. The new amount resulting  
15 from each annual adjustment shall be determined by the Public  
16 Pension Division of the Department of Insurance and made  
17 available to the Board by November 1 of each year.

18 (d) As soon as practicable after the effective date of this  
19 amendatory Act of the 100th General Assembly, the System shall  
20 establish a self-directed retirement plan that allows Tier 3  
21 participants the opportunity to accumulate assets for  
22 retirement through a combination of employee and employer  
23 contributions that may be invested in mutual funds, collective  
24 investment funds, or other investment products and used to  
25 purchase annuity contracts, either fixed or variable or a  
26 combination thereof. The plan must be qualified under the

1 Internal Revenue Code of 1986.

2 At any time after withdrawal from service, a participant in  
3 the self-directed plan shall be entitled to a benefit that is  
4 based on the account values attributable to his or her  
5 participant contributions and the employer contributions, as  
6 well as any investment returns attributable to those  
7 contributions. Upon a participant's first day of participation  
8 in the self-directed retirement plan, the participant becomes  
9 vested in his or her contributions to the self-directed  
10 retirement plan, the employer's contributions to the  
11 self-directed retirement plan, and the investment returns  
12 attributable to those contributions credited to his or her  
13 account.

14 (e) All persons who begin to participate in this System on  
15 or after the effective date of this amendatory Act of the 100th  
16 General Assembly and any active Tier 1 or Tier 2 participant  
17 who makes the election provided in subsection (b) shall  
18 participate in the self-directed retirement plan established  
19 under subsection (d) and, in lieu of the contributions  
20 otherwise provided for in this Article, shall contribute 8% of  
21 salary to the plan. The employer of each of those participants  
22 shall contribute 7% of salary to that plan on behalf of the  
23 participant.

24 (f) The provisions of this amendatory Act of the 100th  
25 General Assembly apply notwithstanding any other law,  
26 including Section 1-160 of this Code. If there is a conflict



1 between the provisions of this amendatory Act of the 100th  
2 General Assembly and any other law, the provisions of this  
3 Section shall control.

4 (40 ILCS 5/2-105.1 rep.)

5 Section 10. The Illinois Pension Code is amended by  
6 repealing Section 2-105.1.

1 INDEX

2 Statutes amended in order of appearance

3 40 ILCS 5/2-105.3 new

4 40 ILCS 5/2-117 from Ch. 108 1/2, par. 2-117

5 40 ILCS 5/2-167 new

6 40 ILCS 5/2-105.1 rep.