



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB2745

by Rep. Thomas Morrison

SYNOPSIS AS INTRODUCED:

- 40 ILCS 5/2-105.3 new
- 40 ILCS 5/2-167 new
- 40 ILCS 5/2-105.1 rep.

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 participants 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.

LRB101 09216 RPS 54310 b

FISCAL NOTE ACT
MAY APPLY

PENSION 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 adding
5 Sections 2-105.3 and 2-167 as follows:

6 (40 ILCS 5/2-105.3 new)

7 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier
8 3 participant. "Tier 1 participant": A participant who first
9 became a participant before January 1, 2011.

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

15 "Tier 2 participant": A participant who first became a
16 participant on or after January 1, 2011 and before the
17 effective date of this amendatory Act of the 101st General
18 Assembly.

19 In the case of a Tier 2 participant who elects to
20 participate in the self-directed retirement plan under Section
21 2-167, that participant shall be deemed a Tier 2 participant
22 only with respect to service performed or established before
23 the effective date of that election.

1 "Tier 3 participant": A participant who first becomes a
2 participant on or after the effective date of this amendatory
3 Act of the 101st General Assembly; or a Tier 1 or Tier 2
4 participant who elects to participate in the self-directed
5 retirement under Section 2-167 of this Code, but only with
6 respect to service performed or established on or after the
7 effective date of that election.

8 (40 ILCS 5/2-167 new)

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

10 (a) For the purposes of this Section:

11 "Active participant" means a participant who is in active
12 service in the System.

13 "Consumer price index-u" means the index published by the
14 Bureau of Labor Statistics of the United States Department of
15 Labor that measures the average change in prices of goods and
16 services purchased by all urban consumers, United States city
17 average, all items, 1982-84 = 100.

18 "Defined benefit plan" means the retirement plan available
19 under this Article to Tier 1 or Tier 2 participants who have
20 not made the election authorized under this Section.

21 "Employer" means the State.

22 "Pensionable salary" means the amount of salary used by the
23 System to calculate the amount of an individual's retirement
24 annuity.

25 (b) On and after the effective date of this amendatory Act

1 of the 101st General Assembly, a Tier 3 participant's
2 participation in the System shall be limited to participation
3 in the self-directed retirement plan established under
4 subsection (d) of this Section.

5 An active Tier 1 or Tier 2 participant of this System may
6 elect to cease accruing benefits in the defined benefit plan
7 and begin accruing benefits for future service in the
8 self-directed retirement plan established under subsection
9 (d). The election to participate in the self-directed
10 retirement plan is voluntary and irrevocable.

11 For an active Tier 1 or Tier 2 participant who elects to
12 participate in the self-directed retirement plan, all service
13 credit under the System (including service under any
14 participating system if the participant elects to use the
15 reciprocal provisions of Article 20) shall be considered for
16 purposes of vesting in the benefits provided prior to the
17 effective date of this Section, but only service earned and
18 contributions made before that effective date shall be
19 considered in determining the amount of those benefits. In lieu
20 of receiving any such benefits, an active Tier 1 or Tier 2
21 participant who elects to participate in the self-directed
22 retirement plan may elect to have an account balance
23 established in his or her self-directed retirement plan account
24 in an amount equal to the amount of the contribution refund
25 that the participant would be eligible to receive if he or she
26 withdrew from service on the effective date of this Section and

1 elected a refund of contributions, except that this
2 hypothetical refund shall include interest at the effective
3 rate for the respective years. The System shall make these
4 transfers of assets to the self-directed plan as tax-free
5 transfers in accordance with Internal Revenue Service
6 guidelines.

7 (c) The pensionable salary of an active participant shall
8 be equal to the average final monthly salary of the
9 participant. For a participant who first becomes a participant
10 of this System on or after the effective date of this
11 amendatory Act of the 101st General Assembly, the average final
12 monthly salary determined by dividing the total salary of the
13 participant during the 96 consecutive months of service within
14 the last 120 months of service in which the total compensation
15 was the highest by the number of months of service in that
16 period; however, the highest salary for annuity purposes may
17 not exceed \$106,800, except that that amount shall annually
18 thereafter be increased by the lesser of (i) 3% of that amount,
19 including all previous adjustments, or (ii) the annual
20 unadjusted percentage increase (but not less than zero) in the
21 consumer price index-u for the 12 months ending with the
22 September preceding each November 1. The new amount resulting
23 from each annual adjustment shall be determined by the Public
24 Pension Division of the Department of Insurance and made
25 available to the Board by November 1 of each year.

26 (d) As soon as practicable after the effective date of this

1 amendatory Act of the 101st General Assembly, the System shall
2 establish a self-directed retirement plan that allows Tier 3
3 participants the opportunity to accumulate assets for
4 retirement through a combination of employee and employer
5 contributions that may be invested in mutual funds, collective
6 investment funds, or other investment products and used to
7 purchase annuity contracts, either fixed or variable or a
8 combination thereof. The plan must be qualified under the
9 Internal Revenue Code of 1986.

10 At any time after withdrawal from service, a participant in
11 the self-directed plan shall be entitled to a benefit that is
12 based on the account values attributable to his or her
13 participant contributions and the employer contributions, as
14 well as any investment returns attributable to those
15 contributions. Upon a participant's first day of participation
16 in the self-directed retirement plan, the participant becomes
17 vested in his or her contributions to the self-directed
18 retirement plan, the employer's contributions to the
19 self-directed retirement plan, and the investment returns
20 attributable to those contributions credited to his or her
21 account.

22 (e) All persons who begin to participate in this System on
23 or after the effective date of this amendatory Act of the 101st
24 General Assembly and any active Tier 1 or Tier 2 participant
25 who makes the election provided in subsection (b) shall
26 participate in the self-directed retirement plan established

1 under subsection (d) and, in lieu of the contributions
2 otherwise provided for in this Article, shall contribute 8% of
3 salary to the plan. The employer of each of those participants
4 shall contribute 7% of salary to that plan on behalf of the
5 participant.

6 (f) The provisions of this amendatory Act of the 101st
7 General Assembly apply notwithstanding any other law. If there
8 is a conflict between the provisions of this amendatory Act of
9 the 101st General Assembly and any other law, the provisions of
10 this Section shall control.

11 (40 ILCS 5/2-105.1 rep.)

12 Section 10. The Illinois Pension Code is amended by
13 repealing Section 2-105.1.