



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB2349

by Rep. John E. Bradley

SYNOPSIS AS INTRODUCED:

40 ILCS 5/24-101	from Ch. 108 1/2, par. 24-101
40 ILCS 5/24-105.1	
40 ILCS 5/24-107	from Ch. 108 1/2, par. 24-107

Amends the Deferred Compensation Article of the Illinois Pension Code. Provides that a school district or community college district may administer a plan authorized in Section 403(b) of the Internal Revenue Code of 1986 and may authorize companies to provide annuities and other investments as part of the plan without a competitive selection process, subject to certain stated conditions. Among those conditions, provides that the company may not charge more than 10 times the fees and expenses of an investment in the deferred compensation plan for State employees. Effective immediately.

LRB098 09395 EFG 39536 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 changing
5 Sections 24-101, 24-105.1, and 24-107 as follows:

6 (40 ILCS 5/24-101) (from Ch. 108 1/2, par. 24-101)

7 Sec. 24-101. Notwithstanding any law to the contrary, the
8 State of Illinois or any unit of local government or school
9 district may enter into a written contract with any of its
10 employees to defer a part of their gross compensation and may
11 invest such funds in any such manner as prescribed by the
12 deferred compensation program adopted by it under this Article.
13 Compensation deferred pursuant to a deferred compensation
14 program adopted under this Article shall not exceed the amount
15 of compensation allowed to be deferred without being subject to
16 income tax in the year in which it is earned, pursuant to
17 Section 403(b) or 457 of the United States Internal Revenue
18 Code or laws supplementary or amendatory thereto.

19 It is hereby declared to be in the public interest to
20 provide public employees with a plan for the deferral of
21 compensation and the accrual of income and gain thereon if such
22 deferred compensation be invested, and to encourage the
23 continued service of public employees by making available such

1 benefits to them.

2 (Source: P.A. 82-145.)

3 (40 ILCS 5/24-105.1)

4 Sec. 24-105.1. Changes in federal law. To the extent that
5 federal law or regulations which require a governmental
6 employer to own the assets of its deferred compensation plan
7 are changed to allow plans established under Section 403(b) or
8 457 of the Internal Revenue Code to hold their assets in trust,
9 a custodial account, an annuity contract, an insurance contract
10 or some other contract, the Department of Central Management
11 Services and units of local government with plans established
12 under Section 24-107 shall within a reasonable time amend their
13 plans accordingly.

14 (Source: P.A. 89-478, eff. 6-18-96.)

15 (40 ILCS 5/24-107) (from Ch. 108 1/2, par. 24-107)

16 Sec. 24-107. Local government plans.

17 (a) Any unit of local government or school district may
18 establish for its employees a deferred compensation program.
19 Participation shall be by written agreement between each
20 employee and the legislative authority of the unit of local
21 government or school district providing for the deferral of
22 such compensation and the subsequent investment and
23 administration of such funds.

24 (b) Any unit of local government may establish an

1 employer-funded money purchase retirement plan for those of its
2 full time employees who are not eligible to participate in any
3 pension fund or retirement system established under Articles 2
4 through 18 of this Code. Contributions to the plan shall be
5 made by the unit of local government only from general purpose
6 funds not derived from real property taxes imposed by the unit,
7 at a rate to be determined from time to time by the unit of
8 local government. However, the rate of employer contribution
9 shall be (i) the same for all employees participating in the
10 plan, and (ii) not more than 10% of the employee's salary.

11 Any benefits accruing to the participants in a retirement
12 plan established under this subsection shall be protected from
13 impairment in accordance with Article XIII, Section 5 of the
14 Illinois Constitution. However, the unit of local government
15 establishing such a plan may terminate it at any time, unless
16 it has otherwise contractually agreed with its participating
17 employees.

18 (c) The agency or department designated by the unit of
19 local government or school district to establish and administer
20 a plan or program authorized under subsection (a) or (b) of
21 this Section may invest the assets of the plan in investments
22 deemed appropriate by the agency or department, including but
23 not limited to life insurance or annuity contracts, and share
24 or share certificate accounts of State or federal credit
25 unions, the accounts of which are insured as required by the
26 Illinois Credit Union Act or the Federal Credit Union Act,

1 whichever is applicable. The payment of employer contributions
2 to a retirement plan established under subsection (b), and
3 investment and payment to a participant of deferred
4 compensation and income or gain thereon, if any, shall not be
5 construed to be prohibited uses of the general assets of the
6 unit of local government or school district.

7 (d) A school district or community college district may
8 administer a plan authorized in Section 403(b) of the Internal
9 Revenue Code of 1986, and its subsequent amendments, and may
10 authorize companies to provide annuities and other investments
11 as part of the plan without a competitive selection process, if
12 the school district or community college district includes the
13 following provisions in its agreements with the authorized
14 companies:

15 (1) The company will fully disclose all fees and
16 expenses to the school or community college district and to
17 employees.

18 (2) No annuity or other investment will have total fees
19 and expenses that are more than (i) double the fees charged
20 by the same company to a public employee for a similar
21 product in a contiguous state or (ii) 10 times the fees and
22 expenses of an investment in the deferred compensation plan
23 for State employees.

24 (3) No individual product fees will be charged to
25 participants in the plan, including but not limited to
26 surrender fees, back-end loads, and redemption fees.

1 (4) The company will not provide undisclosed
2 commissions or incentives to agents, representatives, or
3 brokers, including but not limited to free trips and cash
4 bonuses.

5 (5) Nothing of value, including but not limited to
6 cash, food, and drink, will be provided by any employee or
7 representative of the company, or any agent,
8 representative, or broker, to an officer or employee of the
9 school or community college to gain access to the officer
10 or employee.

11 This Section does not limit the power or authority of any
12 unit of local government, school district or any institution
13 supported in whole or in part by public funds to establish and
14 administer ~~any other~~ deferred compensation plans other than
15 those described herein that may be authorized by law and deemed
16 appropriate by the officials of such subdivisions or
17 institutions.

18 (Source: P.A. 87-794.)

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