



Personnel and Pensions Committee

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09600HB3798ham001

LRB096 09737 AMC 23695 a

1 AMENDMENT TO HOUSE BILL 3798

2 AMENDMENT NO. _____. Amend House Bill 3798 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by adding
5 Sections 2-103.1, 2-103.2, 2-117.4, 2-126.2, and 2-162.1, and
6 changing Section 2-126 as follows:

7 (40 ILCS 5/2-103.1 new)

8 Sec. 2-103.1. Traditional benefit package. "Traditional
9 benefit package" means the defined benefit retirement program
10 maintained by the System, which includes retirement annuities
11 payable directly from the System, as provided in Sections
12 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
13 payable directly from the System, as provided in Sections
14 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
15 refunds, as provided in Section 2-123.

1 (40 ILCS 5/2-103.2 new)

2 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
3 the defined contribution retirement program maintained by the
4 System, as described in Section 2-126.2. The self-managed plan
5 does not include retirement annuities or survivor's benefits
6 payable directly from the System, as provided in Sections
7 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
8 2-121.3 or refunds determined under Section 2-123.

9 (40 ILCS 5/2-117.4 new)

10 Sec. 2-117.4. Retirement program elections.

11 (a) For the purposes of this Section:

12 "Eligible participant" means either a currently eligible
13 participant or a newly eligible participant of the System.

14 "Currently eligible participant" means a person who is a
15 participant under this Article before the day on which the
16 System first offers the self-managed plan as an alternative to
17 the traditional benefit package.

18 "Newly eligible participant" means a person who first
19 becomes a participant on or after the date on which the System
20 first offers the self-managed plan as an alternative to the
21 traditional benefit package.

22 (b) When the System offers to participants under this
23 Article a self-managed plan as an alternative to the
24 traditional benefit package, each currently eligible
25 participant shall be given the choice to elect which retirement

1 program he or she wishes to participate in with respect to all
2 periods of covered employment occurring on, before, and after
3 the effective date of the participant's election. The
4 retirement program election made by a currently eligible
5 participant must be made in writing, in the manner prescribed
6 by the System, and within the time period described in this
7 Section.

8 If a currently eligible participant elects the
9 self-managed plan, then that election is irrevocable. If a
10 currently eligible participant who elected to participate or
11 participated by default in the traditional benefit plan
12 terminates employment under this Article, then the
13 participant, upon his or her subsequent re-employment under
14 this Article, may make an election under this Section.

15 A currently eligible participant who fails to make an
16 election under this Section shall, by default, participate in
17 the traditional benefit package.

18 (c) A currently eligible participant may elect to
19 participate in the traditional benefit package or the
20 self-managed plan.

21 A currently eligible participant must make this election
22 within 5 years after the effective date of the adoption of the
23 self-managed plan under Section 2-126.2 or, in the case of a
24 currently eligible participant who terminates employment under
25 this Article, within 6 months after his or her re-employment
26 under this Article.

1 A newly eligible participant is automatically enrolled in
2 the self-managed plan under Section 2-162.2.

3 (d) If the currently eligible participant elects to
4 participate in the self-managed plan, the system shall fund
5 their account as stated in subsection (f) of Section 2-126.2.

6 (e) A currently eligible participant shall be provided with
7 written information prepared or prescribed by the System that
8 describes the participant's retirement program choices. The
9 eligible participant shall be offered an opportunity to receive
10 counseling from the System prior to making his or her election.
11 This counseling may consist of videotaped materials, group
12 presentations, individual consultation with an employee or
13 authorized representative of the System in person or by
14 telephone or other electronic means, or any combination of
15 these methods.

16 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

17 Sec. 2-126. Contributions by participants.

18 (a) Each participant shall contribute toward the cost of
19 his or her retirement annuity a percentage of each payment of
20 salary received by him or her for service as a member as
21 follows: for service between October 31, 1947 and January 1,
22 1959, 5%; for service between January 1, 1959 and June 30,
23 1969, 6%; for service between July 1, 1969 and January 10,
24 1973, 6 1/2%; for service after January 10, 1973, 7%; for
25 service after December 31, 1981, 8 1/2%.

1 (b) Beginning August 2, 1949, each male participant, and
2 from July 1, 1971, each female participant shall contribute
3 towards the cost of the survivor's annuity 2% of salary.

4 A participant who has no eligible survivor's annuity
5 beneficiary may elect to cease making contributions for
6 survivor's annuity under this subsection. A survivor's annuity
7 shall not be payable upon the death of a person who has made
8 this election, unless prior to that death the election has been
9 revoked and the amount of the contributions that would have
10 been paid under this subsection in the absence of the election
11 is paid to the System, together with interest at the rate of 4%
12 per year from the date the contributions would have been made
13 to the date of payment.

14 Notwithstanding any provision in this subsection (b) to the
15 contrary, in the case of an employee who participates in the
16 self-managed plan under Section 2-126.2, contributions for a
17 survivor's annuity shall instead be used to finance the
18 benefits available under Section 2-126.2.

19 (c) Beginning July 1, 1967, each participant shall
20 contribute 1% of salary towards the cost of automatic increase
21 in annuity provided in Section 2-119.1. These contributions
22 shall be made concurrently with contributions for retirement
23 annuity purposes.

24 (d) In addition, each participant serving as an officer of
25 the General Assembly shall contribute, for the same purposes
26 and at the same rates as are required of a regular participant,

1 on each additional payment received as an officer. If the
2 participant serves as an officer for at least 2 but less than 4
3 years, he or she shall contribute an amount equal to the amount
4 that would have been contributed had the participant served as
5 an officer for 4 years. Persons who serve as officers in the
6 87th General Assembly but cannot receive the additional payment
7 to officers because of the ban on increases in salary during
8 their terms may nonetheless make contributions based on those
9 additional payments for the purpose of having the additional
10 payments included in their highest salary for annuity purposes;
11 however, persons electing to make these additional
12 contributions must also pay an amount representing the
13 corresponding employer contributions, as calculated by the
14 System.

15 (Source: P.A. 90-766, eff. 8-14-98.)

16 (40 ILCS 5/2-126.2 new)

17 Sec. 2-126.2. Self-managed plan.

18 (a) The General Assembly finds that the State should have
19 the flexibility to provide a defined contribution
20 (self-managed) plan for eligible participants. Accordingly,
21 the General Assembly Retirement System is hereby authorized to
22 establish and administer a self-managed plan, which shall offer
23 participants the opportunity to accumulate assets for
24 retirement through a combination of participant and State
25 contributions that may be invested in mutual funds, collective

1 investment funds, or other investment products and used to
2 purchase annuity contracts, either fixed or variable or a
3 combination of fixed and variable. The plan must be qualified
4 under the Internal Revenue Code of 1986.

5 (b) The Board shall adopt the self-managed plan established
6 under this Section for participants under this Article. The
7 adoption of the self-managed plan makes available to the
8 eligible participants under this Article the elections
9 described in Section 2-117.4.

10 The General Assembly Retirement System shall be the plan
11 sponsor for the self-managed plan and shall prepare a plan
12 document and adopt any rules and procedures as are considered
13 necessary or desirable for the administration of the
14 self-managed plan. Consistent with its fiduciary duty to the
15 participants and beneficiaries of the self-managed plan, the
16 Board of Trustees of the System may delegate aspects of plan
17 administration as it sees fit to companies authorized to do
18 business in this State.

19 (c) The System shall solicit proposals to provide
20 administrative services and funding vehicles for the
21 self-managed plan from insurance and annuity companies and
22 mutual fund companies, banks, trust companies, or other
23 financial institutions authorized to do business in this State.
24 In reviewing the proposals received and approving and
25 contracting with no fewer than 2 and no more than 7 companies,
26 the Board of Trustees of the System shall consider, among other

1 things, the following criteria:

2 (1) the nature and extent of the benefits that would be
3 provided to the participants;

4 (2) the reasonableness of the benefits in relation to
5 the premium charged;

6 (3) the suitability of the benefits to the needs and
7 interests of the participants and the State; and

8 (4) the ability of the company to provide benefits
9 under the contract and the financial stability of the
10 company.

11 The System shall periodically review each approved
12 company. A company may continue to provide administrative
13 services and funding vehicles for the self-managed plan only so
14 long as it continues to be an approved company under contract
15 with the Board.

16 In addition to the companies approved by the System under
17 this subsection (c), the System may offer its participants an
18 investment fund managed by the Illinois State Board of
19 Investment.

20 (d) Participants in the program must be allowed to direct
21 the transfer of their account balances among the various
22 investment options offered, subject to applicable contractual
23 provisions. The participant shall not be deemed a fiduciary by
24 reason of providing such investment direction. A person who is
25 a fiduciary shall not be liable for any loss resulting from
26 that investment direction and shall not be deemed to have

1 breached any fiduciary duty by acting in accordance with that
2 direction. Neither the System nor the State shall guarantee any
3 of the investments in the participant's account balances.

4 (e) A currently eligible participant, as defined in Section
5 2-117.4, must make a written election to participate in the
6 self-managed plan in accordance with the provisions of Section
7 2-117.4 and the procedures established by the System.
8 Participation in the self-managed plan shall begin on the first
9 day of the month immediately following the month in which the
10 currently eligible participant's election is filed with the
11 System or when a newly eligible participant, as defined in
12 Section 2-117.4, enters the System, but not sooner than the
13 effective date of the self-managed plan. The System shall make
14 the self-managed plan available under this Article by January
15 1, 2010. A member's participation in the traditional retirement
16 package under this Article shall terminate on the date that
17 participation in the self-managed plan begins.

18 A member who has elected to participate in the self-managed
19 plan under this Section must continue participation while he or
20 she remains a participant under this Article, and may not
21 participate in the traditional benefit package.

22 Participation in the self-managed plan under this Section
23 shall constitute participation in the General Assembly
24 Retirement System.

25 A participant under this Section shall be entitled to the
26 benefits of Article 20 of this Code.

1 (f) If, at the time a participant elects to participate in
2 the self-managed plan, the participant has rights and credits
3 in the System due to previous participation in the traditional
4 benefit package, the System shall establish for the participant
5 an opening account balance in the self-managed plan, equal to
6 (1) the amount of the contribution refund that the participant
7 would be eligible to receive under Section 2-123 if the
8 participant terminated employment on that date and elected a
9 refund of contributions and (2) an amount equal to the amount
10 of employee contributions, plus interest. The interest used in
11 this subsection (f) shall be calculated using the actual annual
12 rates of return that the System has earned during the time
13 period corresponding to the actual investment of the
14 contributions being transferred. The System shall transfer
15 assets from the defined benefit retirement program to the
16 self-managed plan, as a tax-free transfer in accordance with
17 Internal Revenue Service guidelines, for purposes of funding
18 the participant's opening account balance.

19 (g) Notwithstanding any other provision of this Article, a
20 participant may not purchase or receive service or service
21 credit applicable to the traditional benefit package under this
22 Article for any period during which the employee was a
23 participant in the self-managed plan established under this
24 Section.

25 (h) The self-managed plan shall be funded by contributions
26 from participants in the self-managed plan and State

1 contributions as provided in this Section.

2 The contribution rate for participants in the self-managed
3 plan under this Section shall be equal to the member
4 contribution rate for other participants in the System, as
5 provided in Section 2-126. This required contribution shall be
6 made as an employer pick-up under Section 414(h) of the
7 Internal Revenue Code of 1986 or any successor Section thereof.
8 Any participant in the System's traditional benefit package
9 prior to his or her election to participate in the self-managed
10 plan shall continue to have the employer pick up the
11 contributions required under Section 2-126. However, the
12 amounts picked up after the election of the self-managed plan
13 shall be remitted to and treated as assets of the self-managed
14 plan. In no event shall a participant have the option of
15 receiving these amounts in cash. Participants may make
16 additional contributions to the self-managed plan in
17 accordance with procedures prescribed by the System, to the
18 extent permitted under rules adopted by the System.

19 The program shall provide for State contributions to be
20 credited to each self-managed plan participant in an amount
21 equal to the employee contributions required under this
22 Section.

23 The State of Illinois shall make contributions by
24 appropriations to the System for participants in the
25 self-managed plan under this Section. The amount required shall
26 be certified by the Board of Trustees of the System and paid by

1 the State in accordance with Section 2-134. The System shall
2 not be obligated to remit the required State contributions to
3 any of the insurance and annuity companies, mutual fund
4 companies, banks, trust companies, financial institutions, or
5 other sponsors of any of the funding vehicles offered under the
6 self-managed plan until it has received the required State
7 contributions from the State.

8 (i) A participant in the self-managed plan becomes vested
9 in the State contributions credited to his or her accounts in
10 the self-managed plan on the earliest to occur of the
11 following: (1) attainment of 5 years of service credit; (2) the
12 death of the participating member while employed under this
13 Article, if the member has completed at least 1.5 years of
14 service; or (3) the member's election to retire and apply the
15 reciprocal provisions of Article 20 of this Code.

16 A participant in the self-managed plan who receives a
17 distribution of his or her vested amounts from the self-managed
18 plan while not yet eligible for retirement under this Article
19 (and Article 20, if applicable) shall forfeit all service
20 credit and accrued rights in the System; if he or she
21 subsequently becomes a participant under this Article again, he
22 or she shall be considered a new participant. If a former
23 participant again becomes a participating member (or becomes
24 employed by a participating system under Article 20 of this
25 Code) and continues as such for at least 2 years, all rights,
26 service credits, and previous status as a participant shall be

1 restored upon repayment of the amount of the distribution, with
2 interest at the actuarially assumed rate from the date of
3 distribution until the date of payment.

4 (j) If a participant in the self-managed plan who is vested
5 in State contributions terminates employment, the participant
6 shall be entitled to a benefit that is based on the account
7 values attributable to both State and member contributions and
8 any investment return thereon.

9 If a participant in the self-managed plan who is not vested
10 in State contributions terminates employment, the participant
11 shall be entitled to a benefit based solely on the account
12 values attributable to the participant's contributions and any
13 investment return thereon, and the State contributions and any
14 investment return thereon shall be forfeited. Any State
15 contributions that are forfeited shall be held in escrow by the
16 company investing those contributions and shall be used, as
17 directed by the System, for future allocations of State
18 contributions or for the restoration of amounts previously
19 forfeited by former participants who again become
20 participating members.

21 (40 ILCS 5/2-162.1 new)

22 Sec. 2-162.1. New benefit increases. To the extent that the
23 changes made to this Article by this amendatory Act of the 96th
24 General Assembly authorizing the System to offer a self-managed
25 plan are determined to be a new benefit increase within the

1 meaning of Section 2-162, the changes made by this amendatory
2 Act are exempt from the provisions of subsection (d) of Section
3 2-162.

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