



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

HB4593

by Rep. Mike Fortner

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly, State Employee, Downstate Teacher, and Judges Articles of the Illinois Pension Code. Allows certain eligible employees to elect to participate in a self-managed program of retirement benefits instead of the program of retirement benefits currently offered and automatically enrolls certain participants in the General Assembly Retirement system, certain SERS members who are employed in double-exempt positions, and certain TRS members who are employed in a contractual position with a governing board. Provides that a self-managed plan shall authorize a participating employee to accumulate assets for retirement through a combination of employer and employee contributions that may be invested at the employee's direction in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts. Requires the System to make the self-managed plan available by January 1, 2010. Provides that, to the extent that the changes made by the amendatory Act are determined to be a new benefit increase under new benefit increase provisions, the changes are exempt from the 5-year expiration provision. Effective immediately.

LRB096 13385 AMC 28114 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 2-103.1, 2-103.2, 2-117.4, 2-126.2, 2-162.1,  
6 14-103.40, 14-103.41, 14-104.14, 14-133.2, 16-122.2, 16-122.3,  
7 16-124.5, 16-158.2, 16-203.1, 18-118.1, 18-118.2, 18-120.2,  
8 18-133.2, and 18-169.1 and changing Sections 2-126, 14-133,  
9 14-152.2, 16-152, and 18-133 as follows:

10 (40 ILCS 5/2-103.1 new)

11 Sec. 2-103.1. Traditional benefit package. "Traditional  
12 benefit package" means the defined benefit retirement program  
13 maintained by the System, which includes retirement annuities  
14 payable directly from the System, as provided in Sections  
15 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities  
16 payable directly from the System, as provided in Sections  
17 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution  
18 refunds, as provided in Section 2-123.

19 (40 ILCS 5/2-103.2 new)

20 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means  
21 the defined contribution retirement program maintained by the  
22 System, as described in Section 2-126.2. The self-managed plan

1 does not include retirement annuities or survivor's benefits  
2 payable directly from the System, as provided in Sections  
3 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and  
4 2-121.3 or refunds determined under Section 2-123.

5 (40 ILCS 5/2-117.4 new)

6 Sec. 2-117.4. Retirement program elections.

7 (a) For the purposes of this Section:

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

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

14 "Newly eligible participant" means a person who first  
15 becomes a participant on or after the date on which the System  
16 first offers the self-managed plan as an alternative to the  
17 traditional benefit package.

18 (b) When the System offers to participants under this  
19 Article a self-managed plan as an alternative to the  
20 traditional benefit package, each currently eligible  
21 participant shall be given the choice to elect which retirement  
22 program he or she wishes to participate in with respect to all  
23 periods of covered employment occurring on, before, and after  
24 the effective date of the participant's election. The  
25 retirement program election made by a currently eligible

1 participant must be made in writing, in the manner prescribed  
2 by the System, and within the time period described in this  
3 Section.

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

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

14 (c) A currently eligible participant may elect to  
15 participate in the traditional benefit package or the  
16 self-managed plan. A currently eligible participant must make  
17 this election within one year after the effective date of the  
18 adoption of the self-managed plan under Section 2-126.2 or, in  
19 the case of a currently eligible participant who terminates  
20 employment under this Article, within one year after his or her  
21 re-employment under this Article.

22 A newly eligible participant is automatically enrolled in  
23 the self-managed plan under Section 2-126.2.

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

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

11       (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

12       Sec. 2-126. Contributions by participants.

13       (a) Each participant shall contribute toward the cost of  
14 his or her retirement annuity a percentage of each payment of  
15 salary received by him or her for service as a member as  
16 follows: for service between October 31, 1947 and January 1,  
17 1959, 5%; for service between January 1, 1959 and June 30,  
18 1969, 6%; for service between July 1, 1969 and January 10,  
19 1973, 6 1/2%; for service after January 10, 1973, 7%; for  
20 service after December 31, 1981, 8 1/2%.

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

24       A participant who has no eligible survivor's annuity  
25 beneficiary may elect to cease making contributions for

1 survivor's annuity under this subsection. A survivor's annuity  
2 shall not be payable upon the death of a person who has made  
3 this election, unless prior to that death the election has been  
4 revoked and the amount of the contributions that would have  
5 been paid under this subsection in the absence of the election  
6 is paid to the System, together with interest at the rate of 4%  
7 per year from the date the contributions would have been made  
8 to the date of payment.

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

14 (c) Beginning July 1, 1967, each participant shall  
15 contribute 1% of salary towards the cost of automatic increase  
16 in annuity provided in Section 2-119.1. These contributions  
17 shall be made concurrently with contributions for retirement  
18 annuity purposes.

19 (d) In addition, each participant serving as an officer of  
20 the General Assembly shall contribute, for the same purposes  
21 and at the same rates as are required of a regular participant,  
22 on each additional payment received as an officer. If the  
23 participant serves as an officer for at least 2 but less than 4  
24 years, he or she shall contribute an amount equal to the amount  
25 that would have been contributed had the participant served as  
26 an officer for 4 years. Persons who serve as officers in the

1 87th General Assembly but cannot receive the additional payment  
2 to officers because of the ban on increases in salary during  
3 their terms may nonetheless make contributions based on those  
4 additional payments for the purpose of having the additional  
5 payments included in their highest salary for annuity purposes;  
6 however, persons electing to make these additional  
7 contributions must also pay an amount representing the  
8 corresponding employer contributions, as calculated by the  
9 System.

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

11 (40 ILCS 5/2-126.2 new)

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

13 (a) The General Assembly finds that the State should have  
14 the flexibility to provide a defined contribution  
15 (self-managed) plan for eligible participants. Accordingly,  
16 the General Assembly Retirement System is hereby authorized to  
17 establish and administer a self-managed plan, which shall offer  
18 participants the opportunity to accumulate assets for  
19 retirement through a combination of participant and State  
20 contributions that may be invested in mutual funds, collective  
21 investment funds, or other investment products and used to  
22 purchase annuity contracts, either fixed or variable or a  
23 combination of fixed and variable. The plan must be qualified  
24 under the Internal Revenue Code of 1986.

25 (b) The Board shall adopt the self-managed plan established

1 under this Section for participants under this Article. The  
2 adoption of the self-managed plan makes available to the  
3 eligible participants under this Article the elections  
4 described in Section 2-117.4.

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

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

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

25 (2) the reasonableness of the benefits in relation to  
26 the premium charged;



1           (3) the suitability of the benefits to the needs and  
2           interests of the participants and the State; and

3           (4) the ability of the company to provide benefits  
4           under the contract and the financial stability of the  
5           company.

6           The System shall periodically review each approved  
7           company. A company may continue to provide administrative  
8           services and funding vehicles for the self-managed plan only so  
9           long as it continues to be an approved company under contract  
10           with the Board.

11           In addition to the companies approved by the System under  
12           this subsection (c), the System may offer its participants an  
13           investment fund managed by the Illinois State Board of  
14           Investment.

15           (d) Participants in the program must be allowed to direct  
16           the transfer of their account balances among the various  
17           investment options offered, subject to applicable contractual  
18           provisions. The participant shall not be deemed a fiduciary by  
19           reason of providing such investment direction. A person who is  
20           a fiduciary shall not be liable for any loss resulting from  
21           that investment direction and shall not be deemed to have  
22           breached any fiduciary duty by acting in accordance with that  
23           direction. Neither the System nor the State shall guarantee any  
24           of the investments in the participant's account balances.

25           (e) Currently eligible participants as defined in Section  
26           2-117.4, must make a written election to participate in the

1 self-managed plan in accordance with the provisions of Section  
2 2-117.4 and the procedures established by the System.  
3 Participation in the self-managed plan shall begin on the first  
4 day of the month immediately following the month in which the  
5 participant's election is filed with the System, but not sooner  
6 than the effective date of the self-managed plan. The System  
7 shall make the self-managed plan available under this Article  
8 by January 1, 2010. A member's participation in the traditional  
9 retirement package under this Article shall terminate on the  
10 date that participation in the self-managed plan begins.

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

15 Participation in the self-managed plan under this Section  
16 shall constitute participation in the General Assembly  
17 Retirement System.

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

20 (f) If, at the time a participant elects to participate in  
21 the self-managed plan, the participant has rights and credits  
22 in the System due to previous participation in the traditional  
23 benefit package, the System shall establish for the participant  
24 an opening account balance in the self-managed plan, equal to  
25 (1) the amount of the contribution refund that the participant  
26 would be eligible to receive under Section 2-123 if the

1 participant terminated employment on that date and elected a  
2 refund of contributions and (2) an amount equal to the amount  
3 of employee contributions, plus interest. The interest used in  
4 this subsection (f) shall be calculated using the actual annual  
5 rates of return that the System has earned during the time  
6 period corresponding to the actual investment of the  
7 contributions being transferred. The System shall transfer  
8 assets from the defined benefit retirement program to the  
9 self-managed plan, as a tax-free transfer in accordance with  
10 Internal Revenue Service guidelines, for purposes of funding  
11 the participant's opening account balance.

12 (g) Notwithstanding any other provision of this Article, a  
13 participant may not purchase or receive service or service  
14 credit applicable to the traditional benefit package under this  
15 Article for any period during which the employee was a  
16 participant in the self-managed plan established under this  
17 Section.

18 (h) The self-managed plan shall be funded by contributions  
19 from participants in the self-managed plan and State  
20 contributions as provided in this Section.

21 The contribution rate for participants in the self-managed  
22 plan under this Section shall be equal to the member  
23 contribution rate for other participants in the System, as  
24 provided in Section 2-126. This required contribution shall be  
25 made as an employer pick-up under Section 414(h) of the  
26 Internal Revenue Code of 1986 or any successor Section thereof.

1 Any participant in the System's traditional benefit package  
2 prior to his or her election to participate in the self-managed  
3 plan shall continue to have the employer pick up the  
4 contributions required under Section 2-126. However, the  
5 amounts picked up after the election of the self-managed plan  
6 shall be remitted to and treated as assets of the self-managed  
7 plan. In no event shall a participant have the option of  
8 receiving these amounts in cash. Participants may make  
9 additional contributions to the self-managed plan in  
10 accordance with procedures prescribed by the System, to the  
11 extent permitted under rules adopted by the System.

12 The program shall provide for State contributions to be  
13 credited to each self-managed plan participant in an amount  
14 equal to the employee contributions required under this  
15 Section.

16 The State of Illinois shall make contributions by  
17 appropriations to the System for participants in the  
18 self-managed plan under this Section. The amount required shall  
19 be certified by the Board of Trustees of the System and paid by  
20 the State in accordance with Section 2-134. The System shall  
21 not be obligated to remit the required State contributions to  
22 any of the insurance and annuity companies, mutual fund  
23 companies, banks, trust companies, financial institutions, or  
24 other sponsors of any of the funding vehicles offered under the  
25 self-managed plan until it has received the required State  
26 contributions from the State.

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

9       A participant in the self-managed plan who receives a  
10 distribution of his or her vested amounts from the self-managed  
11 plan while not yet eligible for retirement under this Article  
12 (and Article 20, if applicable) shall forfeit all service  
13 credit and accrued rights in the System; if he or she  
14 subsequently becomes a participant under this Article again, he  
15 or she shall be considered a new participant. If a former  
16 participant again becomes a participating member (or becomes  
17 employed by a participating system under Article 20 of this  
18 Code) and continues as such for at least 2 years, all rights,  
19 service credits, and previous status as a participant shall be  
20 restored upon repayment of the amount of the distribution, with  
21 interest at the actuarially assumed rate from the date of  
22 distribution until the date of payment.

23       (j) If a participant in the self-managed plan who is vested  
24 in State contributions terminates employment, the participant  
25 shall be entitled to a benefit that is based on the account  
26 values attributable to both State and member contributions and

1 any investment return thereon.

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

14 (40 ILCS 5/2-162.1 new)

15 Sec. 2-162.1. New benefit increases. To the extent that the  
16 changes made to this Article by this amendatory Act of the 96th  
17 General Assembly authorizing the System to offer a self-managed  
18 plan are determined to be a new benefit increase within the  
19 meaning of Section 2-162, the changes made by this amendatory  
20 Act are exempt from the provisions of subsection (d) of Section  
21 2-162.

22 (40 ILCS 5/14-103.40 new)

23 Sec. 14-103.40. Traditional benefit package. "Traditional  
24 benefit package" means the defined benefit retirement program

1 maintained by the System, which includes retirement annuities  
2 payable directly from the System, as provided in Sections  
3 14-107, 14-108, 14-113, and 14-114; survivor's annuities  
4 payable directly from the System, as provided in Sections  
5 14-120, 14-121, and 14-121.1; and contribution refunds, as  
6 provided in Section 14-130.

7 (40 ILCS 5/14-103.41 new)

8 Sec. 14-103.41. Self-managed plan. "Self-managed plan"  
9 means the defined contribution retirement program maintained  
10 by the System, as described in Section 14-133.2. The  
11 self-managed plan does not include retirement annuities or  
12 survivor's benefits payable directly from the System, as  
13 provided in Sections 14-107, 14-108, 14-113, 14-114, 14-120,  
14 14-121, and 14-121.1 or refunds determined under Section  
15 14-130.

16 (40 ILCS 5/14-104.14 new)

17 Sec. 14-104.14. Retirement program elections.

18 (a) For the purposes of this Section:

19 "Currently eligible participant" means a person who is a  
20 member under this Article before the day on which the System  
21 first offers the self-managed plan as an alternative to the  
22 traditional benefit package.

23 "Double-exempt participant" means a person who first  
24 becomes a member on or after the date on which the System first

1 offers the self-managed plan as an alternative to the  
2 traditional benefit package and who is employed in a  
3 double-exempt position.

4 "Double-exempt position" means a position that is both  
5 Rutan-exempt and exempt from the Personnel Code under Section  
6 4(d)(1) or Section 4(d)(3) of that Code.

7 "Eligible participant" means either a currently eligible  
8 participant or a newly eligible participant of the System.

9 "Newly eligible participant" means a person who first  
10 becomes a member on or after the date on which the System first  
11 offers the self-managed plan as an alternative to the  
12 traditional benefit package and who is not employed in a  
13 double-exempt position.

14 "Rutan" means the opinion of the United States Supreme  
15 Court in *Rutan v. Republican Party of Illinois*, 497 U.S. 62  
16 (1990).

17 (b) When the System offers to members under this Article a  
18 self-managed plan as an alternative to the traditional benefit  
19 package, each eligible participant shall be given the choice to  
20 elect which retirement program he or she wishes to participate  
21 in with respect to all periods of covered employment occurring  
22 on, before, and after the effective date of the participant's  
23 election. The retirement program election made by an eligible  
24 participant must be made in writing, in the manner prescribed  
25 by the System, and within the time period described in this  
26 Section.



1       If an eligible participant elects the self-managed plan,  
2       then that election is irrevocable. If an eligible participant  
3       who elected to participate or participated by default in the  
4       traditional benefit plan terminates employment under this  
5       Article, then the participant, upon his or her subsequent  
6       re-employment under this Article, may make an election under  
7       this Section.

8       An eligible participant who fails to make an election under  
9       this Section shall, by default, participate in the traditional  
10      benefit package.

11      (c) An eligible participant may elect to participate in the  
12      traditional benefit package or the self-managed plan.

13      A currently eligible participant must make this election  
14      within one year after the effective date of the adoption of the  
15      self-managed plan under Section 14-133.2 or, in the case of a  
16      currently eligible participant who terminates employment under  
17      this Article, within one year after his or her re-employment  
18      under this Article.

19      A newly eligible participant must make this election within  
20      one year after the effective date of the adoption of the  
21      self-managed plan under Section 14-133.2 or within one year  
22      after the newly eligible participant becomes a member of the  
23      System, whichever is later, or, in the case of a newly eligible  
24      participant who terminates employment under this Article,  
25      within one year after his or her re-employment under this  
26      Article.

1       A double-exempt participant is automatically enrolled in  
2 the self-managed plan under Section 14-133.2.

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 14-133.2.

6       (e) An eligible participant shall be provided with written  
7 information prepared or prescribed by the System that describes  
8 the participant's retirement program choices. The eligible  
9 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 5/14-133) (from Ch. 108 1/2, par. 14-133)

17       Sec. 14-133. Contributions on behalf of members.

18       (a) Each participating employee shall make contributions  
19 to the System, based on the employee's compensation, as  
20 follows:

21           (1) Covered employees, except as indicated below, 3.5%  
22 for retirement annuity, and 0.5% for a widow or survivors  
23 annuity;

24           (2) Noncovered employees, except as indicated below,  
25 7% for retirement annuity and 1% for a widow or survivors

1 annuity;

2 (3) Noncovered employees serving in a position in which  
3 "eligible creditable service" as defined in Section 14-110  
4 may be earned, 1% for a widow or survivors annuity plus the  
5 following amount for retirement annuity: 8.5% through  
6 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%  
7 in 2004 and thereafter;

8 (4) Covered employees serving in a position in which  
9 "eligible creditable service" as defined in Section 14-110  
10 may be earned, 0.5% for a widow or survivors annuity plus  
11 the following amount for retirement annuity: 5% through  
12 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004  
13 and thereafter;

14 (5) Each security employee of the Department of  
15 Corrections or of the Department of Human Services who is a  
16 covered employee, 0.5% for a widow or survivors annuity  
17 plus the following amount for retirement annuity: 5%  
18 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%  
19 in 2004 and thereafter;

20 (6) Each security employee of the Department of  
21 Corrections or of the Department of Human Services who is  
22 not a covered employee, 1% for a widow or survivors annuity  
23 plus the following amount for retirement annuity: 8.5%  
24 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and  
25 11.5% in 2004 and thereafter.

26 Notwithstanding any provision in this subsection (a) to the

1 contrary, in the case of an employee who participates in the  
2 self-managed plan under Section 14-133.2, contributions for a  
3 survivor's annuity shall instead be used to finance the  
4 benefits available under Section 14-133.2.

5 (b) Contributions shall be in the form of a deduction from  
6 compensation and shall be made notwithstanding that the  
7 compensation paid in cash to the employee shall be reduced  
8 thereby below the minimum prescribed by law or regulation. Each  
9 member is deemed to consent and agree to the deductions from  
10 compensation provided for in this Article, and shall receipt in  
11 full for salary or compensation.

12 (Source: P.A. 92-14, eff. 6-28-01.)

13 (40 ILCS 5/14-133.2 new)

14 Sec. 14-133.2. Self-managed plan.

15 (a) The General Assembly finds that the State should have  
16 the flexibility to provide a defined contribution  
17 (self-managed) plan for eligible participants. Accordingly,  
18 the State Employees' Retirement System of Illinois is hereby  
19 authorized to establish and administer a self-managed plan,  
20 which shall offer participants the opportunity to accumulate  
21 assets for retirement through a combination of participant and  
22 State contributions that may be invested in mutual funds,  
23 collective investment funds, or other investment products and  
24 used to purchase annuity contracts, either fixed or variable or  
25 a combination of fixed and variable. The plan must be qualified

1 under the Internal Revenue Code of 1986.

2 (b) The Board shall adopt the self-managed plan established  
3 under this Section for participants under this Article. The  
4 adoption of the self-managed plan makes available to the  
5 eligible participants under this Article the elections  
6 described in Section 14-104.14.

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

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

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

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

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

5           (4) the ability of the company to provide benefits  
6           under the contract and the financial stability of the  
7           company.

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

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

17           (d) Participants in the program must be allowed to direct  
18           the transfer of their account balances among the various  
19           investment options offered, subject to applicable contractual  
20           provisions. The participant shall not be deemed a fiduciary by  
21           reason of providing such investment direction. A person who is  
22           a fiduciary shall not be liable for any loss resulting from  
23           that investment direction and shall not be deemed to have  
24           breached any fiduciary duty by acting in accordance with that  
25           direction. Neither the System nor the State shall guarantee any  
26           of the investments in the participant's account balances.

1       (e) Currently eligible participants and newly eligible  
2 participants, as defined in Section 14-104.14, must make a  
3 written election to participate in the self-managed plan in  
4 accordance with the provisions of Section 14-104.14 and the  
5 procedures established by the System. Participation in the  
6 self-managed plan shall begin on the first day of the month  
7 immediately following the month in which the participant's  
8 election is filed with the System, but not sooner than the  
9 effective date of the self-managed plan. The System shall make  
10 the self-managed plan available under this Article by January  
11 1, 2010. A member's participation in the traditional retirement  
12 package under this Article shall terminate on the date that  
13 participation in the self-managed plan begins.

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

18       Participation in the self-managed plan under this Section  
19 shall constitute participation in the State Employees'  
20 Retirement System of Illinois.

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

23       (f) If, at the time a participant elects to participate in  
24 the self-managed plan, the participant has rights and credits  
25 in the System due to previous participation in the traditional  
26 benefit package, the System shall establish for the participant

1 an opening account balance in the self-managed plan, equal to  
2 (1) the amount of the contribution refund that the participant  
3 would be eligible to receive under Section 14-130 if the  
4 participant terminated employment on that date and elected a  
5 refund of contributions and (2) an amount equal to the amount  
6 of employee contributions, plus interest. The interest used in  
7 this subsection (f) shall be calculated using the actual annual  
8 rates of return that the System has earned during the time  
9 period corresponding to the actual investment of the  
10 contributions being transferred. The System shall transfer  
11 assets from the defined benefit retirement program to the  
12 self-managed plan, as a tax-free transfer in accordance with  
13 Internal Revenue Service guidelines, for purposes of funding  
14 the participant's opening account balance.

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

21 (h) The self-managed plan shall be funded by contributions  
22 from participants in the self-managed plan and State  
23 contributions as provided in this Section.

24 The contribution rate for participants in the self-managed  
25 plan under this Section shall be equal to the member  
26 contribution rate for other participants in the System, as



1 provided in Section 14-133. This required contribution shall be  
2 made as an employer pick-up under Section 414(h) of the  
3 Internal Revenue Code of 1986 or any successor Section thereof.  
4 Any participant in the System's traditional benefit package  
5 prior to his or her election to participate in the self-managed  
6 plan shall continue to have the employer pick up the  
7 contributions required under Section 14-133. However, the  
8 amounts picked up after the election of the self-managed plan  
9 shall be remitted to and treated as assets of the self-managed  
10 plan. In no event shall a participant have the option of  
11 receiving these amounts in cash. Participants may make  
12 additional contributions to the self-managed plan in  
13 accordance with procedures prescribed by the System, to the  
14 extent permitted under rules adopted by the System.

15 The program shall provide for State contributions to be  
16 credited to each self-managed plan participant in an amount  
17 equal to the employee contributions required under this  
18 Section.

19 The State of Illinois shall make contributions by  
20 appropriations to the System for participants in the  
21 self-managed plan under this Section. The amount required shall  
22 be certified by the Board of Trustees of the System and paid by  
23 the State in accordance with Sections 14-132 and 14-135.08. The  
24 System shall not be obligated to remit the required State  
25 contributions to any of the insurance and annuity companies,  
26 mutual fund companies, banks, trust companies, financial

1 institutions, or other sponsors of any of the funding vehicles  
2 offered under the self-managed plan until it has received the  
3 required State contributions from the State.

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

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

26 (j) If a participant in the self-managed plan who is vested

1 in State contributions terminates employment, the participant  
2 shall be entitled to a benefit that is based on the account  
3 values attributable to both State and member contributions and  
4 any investment return thereon.

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

17 (40 ILCS 5/14-152.2)

18 Sec. 14-152.2. New benefit increases.

19 (a) The General Assembly finds and declares that the  
20 amendment to Section 14-104 made by this amendatory Act of the  
21 95th General Assembly that allows members to establish  
22 creditable service for certain participation in the University  
23 of Illinois Government Public Service Internship Program  
24 (GPSI) constitutes a new benefit increase within the meaning of  
25 Section 14-152.1. Funding for this new benefit increase will be

1 provided by additional employee contributions under subsection  
2 (r) of Section 14-104.

3 (b) To the extent that the changes made to this Article by  
4 this amendatory Act of the 96th General Assembly authorizing  
5 the System to offer a self-managed plan are determined to be a  
6 new benefit increase within the meaning of Section 14-152.1,  
7 the changes made by this amendatory Act are exempt from the  
8 provisions of subsection (d) of Section 14-152.1.

9 (Source: P.A. 95-652, eff. 10-11-07.)

10 (40 ILCS 5/16-122.2 new)

11 Sec. 16-122.2. Traditional benefit package. "Traditional  
12 benefit package" means the defined benefit retirement program  
13 maintained by the System, which includes retirement annuities  
14 payable directly from the System, as provided in Sections  
15 16-132, 16-133, 16-133.1, and 16-136; survivor's annuities  
16 payable directly from the System, as provided in Sections  
17 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,  
18 and 16-143.1; and contribution refunds, as provided in Section  
19 16-151.

20 (40 ILCS 5/16-122.3 new)

21 Sec. 16-122.3. Self-managed plan. "Self-managed plan"  
22 means the defined contribution retirement program maintained  
23 by the System, as described in Section 16-158.2. The  
24 self-managed plan does not include retirement annuities or

1 survivor's benefits payable directly from the System, as  
2 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,  
3 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and  
4 16-143.1 or refunds determined under Section 16-151.

5 (40 ILCS 5/16-124.5 new)

6 Sec. 16-124.5. Retirement program elections.

7 (a) For the purposes of this Section:

8 "Currently eligible participant" means a person who is a  
9 teacher under this Article before the day on which the System  
10 first offers the self-managed plan as an alternative to the  
11 traditional benefit package.

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

14 "Newly eligible participant" means a person who first  
15 becomes a teacher on or after the date on which the System  
16 first offers the self-managed plan as an alternative to the  
17 traditional benefit package and who is subject to a collective  
18 bargaining agreement.

19 "Contractual participant" means a person who first becomes  
20 a teacher on or after the date on which the System first offers  
21 the self-managed plan as an alternative to the traditional  
22 benefit package and who is employed in a contractual position  
23 with the governing board.

24 (b) When the System offers to teachers under this Article a  
25 self-managed plan as an alternative to the traditional benefit

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

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

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

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

21 A currently eligible participant must make this election  
22 within one year after the effective date of the adoption of the  
23 self-managed plan under Section 16-158.2 or, in the case of a  
24 currently eligible participant who terminates employment under  
25 this Article, within one year after his or her re-employment  
26 under this Article.

1       A newly eligible participant must make this election within  
2 one year after the effective date of the adoption of the  
3 self-managed plan under Section 16-158.2 or within one year  
4 after the newly eligible participant becomes a member of the  
5 System, whichever is later, or, in the case of a newly eligible  
6 participant who terminates employment under this Article,  
7 within one year after his or her re-employment under this  
8 Article.

9       A contractual participant is automatically enrolled in the  
10 self-managed plan under Section 16-158.2.

11       (d) If the currently eligible participant elects to  
12 participate in the self-managed plan, the system shall fund  
13 their account as stated in subsection (f) of Section 16-158.2.

14       (e) An eligible participant shall be provided with written  
15 information prepared or prescribed by the System that describes  
16 the participant's retirement program choices. The eligible  
17 participant shall be offered an opportunity to receive  
18 counseling from the System prior to making his or her election.  
19 This counseling may consist of videotaped materials, group  
20 presentations, individual consultation with an employee or  
21 authorized representative of the System in person or by  
22 telephone or other electronic means, or any combination of  
23 these methods.

24       (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

25       Sec. 16-152. Contributions by members.

1 (a) Each member shall make contributions for membership  
2 service to this System as follows:

3 (1) Effective July 1, 1998, contributions of 7.50% of  
4 salary towards the cost of the retirement annuity. Such  
5 contributions shall be deemed "normal contributions".

6 (2) Effective July 1, 1969, contributions of 1/2 of 1%  
7 of salary toward the cost of the automatic annual increase  
8 in retirement annuity provided under Section 16-133.1.

9 (3) Effective July 24, 1959, contributions of 1% of  
10 salary towards the cost of survivor benefits. Such  
11 contributions shall not be credited to the individual  
12 account of the member and shall not be subject to refund  
13 except as provided under Section 16-143.2.

14 (4) Effective July 1, 2005, contributions of 0.40% of  
15 salary toward the cost of the early retirement without  
16 discount option provided under Section 16-133.2. This  
17 contribution shall cease upon termination of the early  
18 retirement without discount option as provided in Section  
19 16-176.

20 Notwithstanding any provision in this subsection (a) to the  
21 contrary, in the case of an employee who participates in the  
22 self-managed plan under Section 16-158.2, contributions for a  
23 survivor's annuity shall instead be used to finance the  
24 benefits available under Section 16-158.2.

25 (b) The minimum required contribution for any year of  
26 full-time teaching service shall be \$192.



1 (c) Contributions shall not be required of any annuitant  
2 receiving a retirement annuity who is given employment as  
3 permitted under Section 16-118 or 16-150.1.

4 (d) A person who (i) was a member before July 1, 1998, (ii)  
5 retires with more than 34 years of creditable service, and  
6 (iii) does not elect to qualify for the augmented rate under  
7 Section 16-129.1 shall be entitled, at the time of retirement,  
8 to receive a partial refund of contributions made under this  
9 Section for service occurring after the later of June 30, 1998  
10 or attainment of 34 years of creditable service, in an amount  
11 equal to 1.00% of the salary upon which those contributions  
12 were based.

13 (e) A member's contributions toward the cost of early  
14 retirement without discount made under item (a)(4) of this  
15 Section shall not be refunded if the member has elected early  
16 retirement without discount under Section 16-133.2 and has  
17 begun to receive a retirement annuity under this Article  
18 calculated in accordance with that election. Otherwise, a  
19 member's contributions toward the cost of early retirement  
20 without discount made under item (a)(4) of this Section shall  
21 be refunded according to whichever one of the following  
22 circumstances occurs first:

23 (1) The contributions shall be refunded to the member,  
24 without interest, within 120 days after the member's  
25 retirement annuity commences, if the member does not elect  
26 early retirement without discount under Section 16-133.2.

1           (2) The contributions shall be included, without  
2 interest, in any refund claimed by the member under Section  
3 16-151.

4           (3) The contributions shall be refunded to the member's  
5 designated beneficiary (or if there is no beneficiary, to  
6 the member's estate), without interest, if the member dies  
7 without having begun to receive a retirement annuity under  
8 this Article.

9           (4) The contributions shall be refunded to the member,  
10 without interest, within 120 days after the early  
11 retirement without discount option provided under Section  
12 16-133.2 is terminated under Section 16-176.

13 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

14           (40 ILCS 5/16-158.2 new)

15           Sec. 16-158.2. Self-managed plan.

16           (a) The General Assembly finds that the State should have  
17 the flexibility to provide a defined contribution  
18 (self-managed) plan for eligible teachers. Accordingly, the  
19 Teachers' Retirement System of the State of Illinois is hereby  
20 authorized to establish and administer a self-managed plan,  
21 which shall offer participants the opportunity to accumulate  
22 assets for retirement through a combination of participant and  
23 State contributions that may be invested in mutual funds,  
24 collective investment funds, or other investment products and  
25 used to purchase annuity contracts, either fixed or variable or

1 a combination of fixed and variable. The plan must be qualified  
2 under the Internal Revenue Code of 1986.

3 (b) The Board shall adopt the self-managed plan established  
4 under this Section for teachers under this Article. The  
5 adoption of the self-managed plan makes available to the  
6 eligible teachers under this Article the elections described in  
7 Section 16-124.5.

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

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

26 (1) the nature and extent of the benefits that would be

1 provided to the participants;

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

4 (3) the suitability of the benefits to the needs and  
5 interests of the participants and the State; and

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

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

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

18 (d) Participants in the program must be allowed to direct  
19 the transfer of their account balances among the various  
20 investment options offered, subject to applicable contractual  
21 provisions. The participant shall not be deemed a fiduciary by  
22 reason of providing such investment direction. A person who is  
23 a fiduciary shall not be liable for any loss resulting from  
24 that investment direction and shall not be deemed to have  
25 breached any fiduciary duty by acting in accordance with that  
26 direction. Neither the System nor the State shall guarantee any

1 of the investments in the participant's account balances.

2 (e) Currently eligible participants and newly eligible  
3 participants, as defined in Section 16-124.5, must make a  
4 written election to participate in the self-managed plan in  
5 accordance with the provisions of Section 16-124.5 and the  
6 procedures established by the System. Participation in the  
7 self-managed plan shall begin on the first day of the month  
8 immediately following the month in which the participant's  
9 election is filed with the System, but not sooner than the  
10 effective date of the self-managed plan. The System shall make  
11 the self-managed plan available under this Article by January  
12 1, 2010. A member's participation in the traditional retirement  
13 package under this Article shall terminate on the date that  
14 participation in the self-managed plan begins.

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

19 Participation in the self-managed plan under this Section  
20 shall constitute participation in the Teachers' Retirement  
21 System of the State of Illinois.

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

24 (f) If, at the time a participant elects to participate in  
25 the self-managed plan, the participant has rights and credits  
26 in the System due to previous participation in the traditional

1 benefit package, the System shall establish for the participant  
2 an opening account balance in the self-managed plan, equal to  
3 (1) the amount of the contribution refund that the participant  
4 would be eligible to receive under Section 16-151 if the  
5 participant terminated employment on that date and elected a  
6 refund of contributions and (2) an amount equal to the amount  
7 of employee contributions, plus interest. The interest used in  
8 this subsection (f) shall be calculated using the actual annual  
9 rates of return that the System has earned during the time  
10 period corresponding to the actual investment of the  
11 contributions being transferred. The System shall transfer  
12 assets from the defined benefit retirement program to the  
13 self-managed plan, as a tax-free transfer in accordance with  
14 Internal Revenue Service guidelines, for purposes of funding  
15 the participant's opening account balance.

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

22 (h) The self-managed plan shall be funded by contributions  
23 from participants in the self-managed plan and State  
24 contributions as provided in this Section.

25 The contribution rate for participants in the self-managed  
26 plan under this Section shall be equal to the member

1 contribution rate for other participants in the System, as  
2 provided in Section 16-152. This required contribution shall be  
3 made as an employer pick-up under Section 414(h) of the  
4 Internal Revenue Code of 1986 or any successor Section thereof.  
5 Any participant in the System's traditional benefit package  
6 prior to his or her election to participate in the self-managed  
7 plan shall continue to have the employer pick up the  
8 contributions required under Section 16-152. However, the  
9 amounts picked up after the election of the self-managed plan  
10 shall be remitted to and treated as assets of the self-managed  
11 plan. In no event shall a participant have the option of  
12 receiving these amounts in cash. Participants may make  
13 additional contributions to the self-managed plan in  
14 accordance with procedures prescribed by the System, to the  
15 extent permitted under rules adopted by the System.

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

20 The State of Illinois shall make contributions by  
21 appropriations to the System for participants in the  
22 self-managed plan under this Section. The amount required shall  
23 be certified by the Board of Trustees of the System and paid by  
24 the State in accordance with Section 16-158. The System shall  
25 not be obligated to remit the required State contributions to  
26 any of the insurance and annuity companies, mutual fund

1 companies, banks, trust companies, financial institutions, or  
2 other sponsors of any of the funding vehicles offered under the  
3 self-managed plan until it has received the required State  
4 contributions from the State.

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

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



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

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

18       (40 ILCS 5/16-203.1 new)

19       Sec. 16-203.1. New benefit increases. To the extent that  
20       the changes made to this Article by this amendatory Act of the  
21       96th General Assembly authorizing the System to offer a  
22       self-managed plan are determined to be a new benefit increase  
23       within the meaning of Section 16-203, the changes made by this  
24       amendatory Act are exempt from the provisions of subsection (d)  
25       of Section 16-203.

1 (40 ILCS 5/18-118.1 new)

2 Sec. 18-118.1. Traditional benefit package. "Traditional  
3 benefit package" means the defined benefit retirement program  
4 maintained by the System, which includes retirement annuities  
5 payable directly from the System, as provided in Sections  
6 18-124, 18-125, and 18-125.1; survivor's annuities payable  
7 directly from the System, as provided in Sections 18-128,  
8 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution  
9 refunds, as provided in Section 18-129.

10 (40 ILCS 5/18-118.2 new)

11 Sec. 18-118.2. Self-managed plan. "Self-managed plan"  
12 means the defined contribution retirement program maintained  
13 by the System, as described in Section 18-133.2. The  
14 self-managed plan does not include retirement annuities or  
15 survivor's benefits payable directly from the System, as  
16 provided in Sections 18-124, 18-125, 18-125.1, 18-128,  
17 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds  
18 determined under Section 18-129.

19 (40 ILCS 5/18-120.2 new)

20 Sec. 18-120.2. Retirement program elections.

21 (a) For the purposes of this Section:

22 "Currently eligible participant" means a person who is a  
23 participant under this Article before the day on which the

1 System first offers the self-managed plan as an alternative to  
2 the traditional benefit package.

3 "Eligible participant" means either a currently eligible  
4 participant or a newly eligible participant of the System.

5 "Newly eligible participant" means a person who first  
6 becomes a participant on or after the date on which the System  
7 first offers the self-managed plan as an alternative to the  
8 traditional benefit package.

9 (b) When the System offers to members under this Article a  
10 self-managed plan as an alternative to the traditional benefit  
11 package, each eligible participant shall be given the choice to  
12 elect which retirement program he or she wishes to participate  
13 in with respect to all periods of covered employment occurring  
14 on, before, and after the effective date of the participant's  
15 election. The retirement program election made by an eligible  
16 participant must be made in writing, in the manner prescribed  
17 by the System, and within the time period described in this  
18 Section.

19 If an eligible participant elects the self-managed plan,  
20 then that election is irrevocable. If an eligible participant  
21 who elected to participate or participated by default in the  
22 traditional benefit plan terminates employment under this  
23 Article, then the participant, upon his or her subsequent  
24 re-employment under this Article, may make an election under  
25 this Section.

26 An eligible participant who fails to make an election under

1 this Section shall, by default, participate in the traditional  
2 benefit package.

3 (c) An eligible participant may elect to participate in the  
4 traditional benefit package or the self-managed plan.

5 A currently eligible participant must make this election  
6 within one year after the effective date of the adoption of the  
7 self-managed plan under Section 18-133.2 or, in the case of a  
8 currently eligible participant who terminates employment under  
9 this Article, within one year after his or her re-employment  
10 under this Article.

11 A newly eligible participant must make this election within  
12 one year after the effective date of the adoption of the  
13 self-managed plan under Section 18-133.2 or within one year  
14 after the newly eligible participant becomes a member of the  
15 System, whichever is later, or, in the case of a newly eligible  
16 participant who terminates employment under this Article,  
17 within one year after his or her re-employment under this  
18 Article.

19 (d) If the currently eligible participant elects to  
20 participate in the self-managed plan, the system shall fund  
21 their account as stated in subsection (f) of Section 18-133.2.

22 (e) An eligible participant shall be provided with written  
23 information prepared or prescribed by the System that describes  
24 the participant's retirement program choices. The eligible  
25 participant shall be offered an opportunity to receive  
26 counseling from the System prior to making his or her election.

1 This counseling may consist of videotaped materials, group  
2 presentations, individual consultation with an employee or  
3 authorized representative of the System in person or by  
4 telephone or other electronic means, or any combination of  
5 these methods.

6 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

7 Sec. 18-133. Financing; employee contributions.

8 (a) Effective July 1, 1967, each participant is required to  
9 contribute 7 1/2% of each payment of salary toward the  
10 retirement annuity. Such contributions shall continue during  
11 the entire time the participant is in service, with the  
12 following exceptions:

13 (1) Contributions for the retirement annuity are not  
14 required on salary received after 18 years of service by  
15 persons who were participants before January 2, 1954.

16 (2) A participant who continues to serve as a judge  
17 after becoming eligible to receive the maximum rate of  
18 annuity may elect, through a written direction filed with  
19 the Board, to discontinue contributing to the System. Any  
20 such option elected by a judge shall be irrevocable unless  
21 prior to January 1, 2000, and while continuing to serve as  
22 judge, the judge (A) files with the Board a letter  
23 cancelling the direction to discontinue contributing to  
24 the System and requesting that such contributing resume,  
25 and (B) pays into the System an amount equal to the total

1 of the discontinued contributions plus interest thereon at  
2 5% per annum. Service credits earned in any other  
3 "participating system" as defined in Article 20 of this  
4 Code shall be considered for purposes of determining a  
5 judge's eligibility to discontinue contributions under  
6 this subdivision (a) (2).

7 (3) A participant who (i) has attained age 60, (ii)  
8 continues to serve as a judge after becoming eligible to  
9 receive the maximum rate of annuity, and (iii) has not  
10 elected to discontinue contributing to the System under  
11 subdivision (a) (2) of this Section (or has revoked any such  
12 election) may elect, through a written direction filed with  
13 the Board, to make contributions to the System based only  
14 on the amount of the increases in salary received by the  
15 judge on or after the date of the election, rather than the  
16 total salary received. If a judge who is making  
17 contributions to the System on the effective date of this  
18 amendatory Act of the 91st General Assembly makes an  
19 election to limit contributions under this subdivision  
20 (a) (3) within 90 days after that effective date, the  
21 election shall be deemed to become effective on that  
22 effective date and the judge shall be entitled to receive a  
23 refund of any excess contributions paid to the System  
24 during that 90-day period; any other election under this  
25 subdivision (a) (3) becomes effective on the first of the  
26 month following the date of the election. An election to

1 limit contributions under this subdivision (a)(3) is  
2 irrevocable. Service credits earned in any other  
3 participating system as defined in Article 20 of this Code  
4 shall be considered for purposes of determining a judge's  
5 eligibility to make an election under this subdivision  
6 (a)(3).

7 (b) Beginning July 1, 1969, each participant is required to  
8 contribute 1% of each payment of salary towards the automatic  
9 increase in annuity provided in Section 18-125.1. However, such  
10 contributions need not be made by any participant who has  
11 elected prior to September 15, 1969, not to be subject to the  
12 automatic increase in annuity provisions.

13 (c) Effective July 13, 1953, each married participant  
14 subject to the survivor's annuity provisions is required to  
15 contribute 2 1/2% of each payment of salary, whether or not he  
16 or she is required to make any other contributions under this  
17 Section. Such contributions shall be made concurrently with the  
18 contributions made for annuity purposes.

19 Notwithstanding any provision in this subsection (c) to the  
20 contrary, in the case of an employee who participates in the  
21 self-managed plan under Section 14-133.2, contributions for a  
22 survivor's annuity shall instead be used to finance the  
23 benefits available under Section 18-133.2.

24 (Source: P.A. 91-653, eff. 12-10-99.)

25 (40 ILCS 5/18-133.2 new)

1           Sec. 18-133.2. Self-managed plan.

2           (a) The General Assembly finds that the State should have  
3 the flexibility to provide a defined contribution  
4 (self-managed) plan for eligible participants. Accordingly,  
5 the Judges Retirement System of Illinois is hereby authorized  
6 to establish and administer a self-managed plan, which shall  
7 offer participants the opportunity to accumulate assets for  
8 retirement through a combination of participant and State  
9 contributions that may be invested in mutual funds, collective  
10 investment funds, or other investment products and used to  
11 purchase annuity contracts, either fixed or variable or a  
12 combination of fixed and variable. The plan must be qualified  
13 under the Internal Revenue Code of 1986.

14           (b) The Board shall adopt the self-managed plan established  
15 under this Section for participants under this Article. The  
16 adoption of the self-managed plan makes available to the  
17 eligible participants under this Article the elections  
18 described in Section 18-120.2.

19           The Judges Retirement System of Illinois shall be the plan  
20 sponsor for the self-managed plan and shall prepare a plan  
21 document and adopt any rules and procedures as are considered  
22 necessary or desirable for the administration of the  
23 self-managed plan. Consistent with its fiduciary duty to the  
24 participants and beneficiaries of the self-managed plan, the  
25 Board of Trustees of the System may delegate aspects of plan  
26 administration as it sees fit to companies authorized to do



1 business in this State.

2 (c) The System shall solicit proposals to provide  
3 administrative services and funding vehicles for the  
4 self-managed plan from insurance and annuity companies and  
5 mutual fund companies, banks, trust companies, or other  
6 financial institutions authorized to do business in this State.  
7 In reviewing the proposals received and approving and  
8 contracting with no fewer than 2 and no more than 7 companies,  
9 the Board of Trustees of the System shall consider, among other  
10 things, the following criteria:

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

13 (2) the reasonableness of the benefits in relation to  
14 the premium charged;

15 (3) the suitability of the benefits to the needs and  
16 interests of the participants and the State; and

17 (4) the ability of the company to provide benefits  
18 under the contract and the financial stability of the  
19 company.

20 The System shall periodically review each approved  
21 company. A company may continue to provide administrative  
22 services and funding vehicles for the self-managed plan only so  
23 long as it continues to be an approved company under contract  
24 with the Board.

25 In addition to the companies approved by the System under  
26 this subsection (c), the System may offer its participants an

1 investment fund managed by the Illinois State Board of  
2 Investment.

3 (d) Participants in the program must be allowed to direct  
4 the transfer of their account balances among the various  
5 investment options offered, subject to applicable contractual  
6 provisions. The participant shall not be deemed a fiduciary by  
7 reason of providing such investment direction. A person who is  
8 a fiduciary shall not be liable for any loss resulting from  
9 that investment direction and shall not be deemed to have  
10 breached any fiduciary duty by acting in accordance with that  
11 direction. Neither the System nor the State shall guarantee any  
12 of the investments in the participant's account balances.

13 (e) Currently eligible participants and newly eligible  
14 participants, as defined in Section 18-120.2, must make a  
15 written election to participate in the self-managed plan in  
16 accordance with the provisions of Section 18-120.2 and the  
17 procedures established by the System. Participation in the  
18 self-managed plan shall begin on the first day of the month  
19 immediately following the month in which the participant's  
20 election is filed with the System, but not sooner than the  
21 effective date of the self-managed plan. The System shall make  
22 the self-managed plan available under this Article by January  
23 1, 2010. A member's participation in the traditional retirement  
24 package under this Article shall terminate on the date that  
25 participation in the self-managed plan begins.

26 A member who has elected to participate in the self-managed

1 plan under this Section must continue participation while he or  
2 she remains a participant under this Article, and may not  
3 participate in the traditional benefit package.

4 Participation in the self-managed plan under this Section  
5 shall constitute participation in the Judges Retirement System  
6 of Illinois.

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

9 (f) If, at the time a participant elects to participate in  
10 the self-managed plan, the participant has rights and credits  
11 in the System due to previous participation in the traditional  
12 benefit package, the System shall establish for the participant  
13 an opening account balance in the self-managed plan, equal to  
14 (1) the amount of the contribution refund that the participant  
15 would be eligible to receive under Section 18-129 if the  
16 participant terminated employment on that date and elected a  
17 refund of contributions and (2) an amount equal to the amount  
18 of employee contributions, plus interest. The interest used in  
19 this subsection (f) shall be calculated using the actual annual  
20 rates of return that the System has earned during the time  
21 period corresponding to the actual investment of the  
22 contributions being transferred. The System shall transfer  
23 assets from the defined benefit retirement program to the  
24 self-managed plan, as a tax-free transfer in accordance with  
25 Internal Revenue Service guidelines, for purposes of funding  
26 the participant's opening account balance.

1       (g) Notwithstanding any other provision of this Article, a  
2 participant may not purchase or receive service or service  
3 credit applicable to the traditional benefit package under this  
4 Article for any period during which the employee was a  
5 participant in the self-managed plan established under this  
6 Section.

7       (h) The self-managed plan shall be funded by contributions  
8 from participants in the self-managed plan and State  
9 contributions as provided in this Section.

10       The contribution rate for participants in the self-managed  
11 plan under this Section shall be equal to the member  
12 contribution rate for other participants in the System, as  
13 provided in Section 18-133. This required contribution shall be  
14 made as an employer pick-up under Section 414(h) of the  
15 Internal Revenue Code of 1986 or any successor Section thereof.  
16 Any participant in the System's traditional benefit package  
17 prior to his or her election to participate in the self-managed  
18 plan shall continue to have the employer pick up the  
19 contributions required under Section 18-133. However, the  
20 amounts picked up after the election of the self-managed plan  
21 shall be remitted to and treated as assets of the self-managed  
22 plan. In no event shall a participant have the option of  
23 receiving these amounts in cash. Participants may make  
24 additional contributions to the self-managed plan in  
25 accordance with procedures prescribed by the System, to the  
26 extent permitted under rules adopted by the System.

1       The program shall provide for State contributions to be  
2 credited to each self-managed plan participant in an amount  
3 equal to the employee contributions required under this  
4 Section.

5       The State of Illinois shall make contributions by  
6 appropriations to the System for participants in the  
7 self-managed plan under this Section. The amount required shall  
8 be certified by the Board of Trustees of the System and paid by  
9 the State in accordance with Sections 18-132 and 18-140. The  
10 System shall not be obligated to remit the required State  
11 contributions to any of the insurance and annuity companies,  
12 mutual fund companies, banks, trust companies, financial  
13 institutions, or other sponsors of any of the funding vehicles  
14 offered under the self-managed plan until it has received the  
15 required State contributions from the State.

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

24       A participant in the self-managed plan who receives a  
25 distribution of his or her vested amounts from the self-managed  
26 plan while not yet eligible for retirement under this Article

1 (and Article 20, if applicable) shall forfeit all service  
2 credit and accrued rights in the System; if he or she  
3 subsequently becomes a participant under this Article again, he  
4 or she shall be considered a new participant. If a former  
5 participant again becomes a participating member (or becomes  
6 employed by a participating system under Article 20 of this  
7 Code) and continues as such for at least 2 years, all rights,  
8 service credits, and previous status as a participant shall be  
9 restored upon repayment of the amount of the distribution, with  
10 interest at the actuarially assumed rate from the date of  
11 distribution until the date of payment.

12 (j) If a participant in the self-managed plan who is vested  
13 in State contributions terminates employment, the participant  
14 shall be entitled to a benefit that is based on the account  
15 values attributable to both State and member contributions and  
16 any investment return thereon.

17 If a participant in the self-managed plan who is not vested  
18 in State contributions terminates employment, the participant  
19 shall be entitled to a benefit based solely on the account  
20 values attributable to the participant's contributions and any  
21 investment return thereon, and the State contributions and any  
22 investment return thereon shall be forfeited. Any State  
23 contributions that are forfeited shall be held in escrow by the  
24 company investing those contributions and shall be used, as  
25 directed by the System, for future allocations of State  
26 contributions or for the restoration of amounts previously

1 forfeited by former participants who again become  
2 participating members.

3 (40 ILCS 5/18-169.1 new)

4 Sec. 18-169.1. New benefit increases. To the extent that  
5 the changes made to this Article by this amendatory Act of the  
6 96th General Assembly authorizing the System to offer a  
7 self-managed plan are determined to be a new benefit increase  
8 within the meaning of Section 18-169, the changes made by this  
9 amendatory Act are exempt from the provisions of subsection (d)  
10 of Section 18-169.

11 Section 99. Effective date. This Act takes effect upon  
12 becoming law.

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7	40 ILCS 5/2-126.2 new	
8	40 ILCS 5/2-162.1 new	
9	40 ILCS 5/14-103.40 new	
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1 40 ILCS 5/18-169.1 new