



Rep. Mike Fortner

Filed: 4/6/2011

09700HB1959ham001

LRB097 06378 JDS 53892 a

1 AMENDMENT TO HOUSE BILL 1959

2 AMENDMENT NO. _____. Amend House Bill 1959 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, 18-118.1,
6 18-118.2, 18-120.2, and 18-133.2 and changing Sections 2-126
7 and 18-133 as follows:

8 (40 ILCS 5/2-103.1 new)

9 Sec. 2-103.1. Reformed benefit package. "Reformed benefit
10 package" means the benefit retirement program maintained by the
11 System for persons who first become participants of the System
12 on or after January 1, 2011. It includes the following benefits
13 for those persons: retirement annuities payable directly from
14 the System, as provided in Sections 2-119, 2-119.01, 2-119.1,
15 and 2-120; survivor's annuities payable directly from the
16 System, as provided in Sections 2-121, 2-121.1, 2-121.2, and

1 2-121.3; and contribution refunds, as provided in Section
2 2-123.

3 (40 ILCS 5/2-103.2 new)

4 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
5 the defined contribution retirement program maintained by the
6 System, as described in Section 2-126.2. The self-managed plan
7 does not include retirement annuities or survivor's benefits
8 payable directly from the System, as provided in Sections
9 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
10 2-121.3 or contribution refunds, as provided in Section 2-123.

11 (40 ILCS 5/2-117.4 new)

12 Sec. 2-117.4. Retirement program elections.

13 (a) For the purposes of this Section:

14 "Currently eligible participant" means a person who first
15 becomes a participant under this Article on or after January 1,
16 2011 and is a participant under this Article before the day on
17 which the System first offers the self-managed plan as an
18 alternative to the reformed benefit package.

19 "Eligible participant" means either a currently eligible
20 participant or a newly eligible participant of the System.

21 "Newly eligible participant" means a person who first
22 becomes a participant under this Article on or after the date
23 on which the System first offers the self-managed plan as an
24 alternative to the reformed benefit package.

1 (b) When the System offers to participants under this
2 Article a self-managed plan as an alternative to the reformed
3 benefit package, each eligible participant shall be given the
4 choice to elect which retirement program he or she wishes to
5 participate in with respect to all periods of covered
6 employment occurring on, before, and after the effective date
7 of the participant's election. The retirement program election
8 made by an eligible participant must be made in writing, in the
9 manner prescribed by the System, and within the time period
10 described in this Section.

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

18 An eligible participant who fails to make an election under
19 this Section shall, by default, participate in the reformed
20 benefit package.

21 (c) An eligible participant may elect to participate in the
22 reformed benefit package or the self-managed plan. An eligible
23 participant must make this election within one year after the
24 effective date of the adoption of the self-managed plan under
25 Section 2-126.2 or 60 days after first becoming a participant
26 under this Article, whichever is later, or, in the case of a

1 currently eligible participant who terminates employment under
2 this Article, within one year after his or her re-employment
3 under this Article.

4 (d) If the eligible participant elects to participate in
5 the self-managed plan, the System shall fund his or her account
6 as stated in subsection (f) of Section 2-126.2.

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

17 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

18 Sec. 2-126. Contributions by participants.

19 (a) Each participant shall make contributions towards the
20 retirement benefits payable under the retirement program
21 applicable to the member from ~~contribute toward the cost of his~~
22 ~~or her retirement annuity a percentage of~~ each payment of
23 salary received by him or her for service as a member as
24 follows: for service between October 31, 1947 and January 1,
25 1959, 5%; for service between January 1, 1959 and June 30,

1 1969, 6%; for service between July 1, 1969 and January 10,
2 1973, 6 1/2%; for service after January 10, 1973, 7%; for
3 service after December 31, 1981, 8 1/2%, unless the member has
4 elected to participate in the self-managed plan created under
5 Section 2-126.2, in which case, the member shall contribute 6
6 1/2% for service on or after the effective date of that
7 election in order to finance the benefits available under
8 Section 2-126.2.

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

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

22 Notwithstanding any provision in this subsection (b) to the
23 contrary, in the case of an employee who has elected to
24 participate in the self-managed plan under Section 2-126.2,
25 contributions for a survivor's annuity shall instead be used to
26 finance the benefits available under Section 2-126.2.

1 (c) Beginning July 1, 1967, each participant shall
2 contribute 1% of salary towards the cost of automatic increase
3 in annuity provided in Section 2-119.1. However, if the member
4 has elected to participate in the self-managed plan created
5 under Section 2-126.2, then he or she shall contribute 1/2 of
6 1% of salary for service on or after the effective date of that
7 election in order to finance the benefits available under
8 Section 2-126.2. These contributions shall be made
9 concurrently with contributions made for retirement annuity
10 purposes or to the self-managed plan.

11 (d) In addition, each participant serving as an officer of
12 the General Assembly shall contribute, for the same purposes
13 and at the same rates as are required of a regular participant,
14 on each additional payment received as an officer. If the
15 participant serves as an officer for at least 2 but less than 4
16 years, he or she shall contribute an amount equal to the amount
17 that would have been contributed had the participant served as
18 an officer for 4 years. Persons who serve as officers in the
19 87th General Assembly but cannot receive the additional payment
20 to officers because of the ban on increases in salary during
21 their terms may nonetheless make contributions based on those
22 additional payments for the purpose of having the additional
23 payments included in their highest salary for annuity purposes;
24 however, persons electing to make these additional
25 contributions must also pay an amount representing the
26 corresponding employer contributions, as calculated by the

1 System.

2 (e) Notwithstanding any other provision of this Article,
3 the required contribution of a participant who first becomes a
4 participant on or after January 1, 2011 shall not exceed the
5 contribution that would be due under this Article if that
6 participant's highest salary for annuity purposes were
7 \$106,800, plus any increases in that amount under Section
8 2-108.1.

9 (Source: P.A. 96-1490, eff. 1-1-11.)

10 (40 ILCS 5/2-126.2 new)

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

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

24 (b) The Board shall adopt the self-managed plan established
25 under this Section for participants under this Article. The

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

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

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

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

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

26 (3) the suitability of the benefits to the needs and

1 interests of the participants and the State; and

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

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

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

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

24 (e) Eligible participants, as defined in Section 2-117.4,
25 must make a written election to participate in the self-managed
26 plan in accordance with the provisions of Section 2-117.4 and

1 the procedures established by the System. Participation in the
2 self-managed plan shall begin on the first day of the month
3 immediately following the month in which the participant's
4 election is filed with the System, but not sooner than the
5 effective date of the self-managed plan. The System shall make
6 the self-managed plan available under this Article within 6
7 months after the effective date of this amendatory Act of the
8 97th General Assembly. A member's participation in the reformed
9 benefit package under this Article shall terminate on the date
10 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 reformed 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 reformed
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 reformed benefit package to the self-managed
9 plan, as a tax-free transfer in accordance with Internal
10 Revenue Service guidelines, for purposes of funding the
11 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 reformed 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 reformed benefit package before
2 his or her election to participate in the self-managed plan
3 shall continue to have the employer pick up the contributions
4 required under Section 2-126. However, the amounts picked up
5 after the election of the self-managed plan shall be remitted
6 to and treated as assets of the self-managed plan. In no event
7 shall a participant have the option of receiving these amounts
8 in cash. Participants may make additional contributions to the
9 self-managed plan in accordance with procedures prescribed by
10 the System, to the extent permitted under rules adopted by the
11 System.

12 The program shall provide for State contributions to be
13 credited to each self-managed plan participant at a rate of
14 7.6% of the participating member's salary. The amounts so
15 credited shall be paid into the participant's self-managed plan
16 accounts in a manner to be prescribed by the System.

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

1 contributions from the State.

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

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

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

1 values attributable to both State and member contributions and
2 any investment return thereon.

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

15 (40 ILCS 5/18-118.1 new)

16 Sec. 18-118.1. Reformed benefit package. "Reformed benefit
17 package" means the defined benefit retirement program
18 maintained by the System for persons who first become
19 participants of the System on or after January 1, 2011. It
20 includes the following benefits for those persons: retirement
21 annuities payable directly from the System, as provided in
22 Sections 18-124, 18-125, and 18-125.1; survivor's annuities
23 payable directly from the System, as provided in Sections
24 18-128, 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and
25 contribution refunds, as provided in Section 18-129.

1 (40 ILCS 5/18-118.2 new)

2 Sec. 18-118.2. Self-managed plan. "Self-managed plan"
3 means the defined contribution retirement program maintained
4 by the System, as described in Section 18-133.2. The
5 self-managed plan does not include retirement annuities or
6 survivor's benefits payable directly from the System, as
7 provided in Sections 18-124, 18-125, 18-125.1, 18-128,
8 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or contribution
9 refunds, as provided in Section 18-129.

10 (40 ILCS 5/18-120.2 new)

11 Sec. 18-120.2. Retirement program elections.

12 (a) For the purposes of this Section:

13 "Currently eligible participant" means a person who first
14 becomes a participant under this Article on or after January 1,
15 2011 and is a participant under this Article before the day on
16 which the System first offers the self-managed plan as an
17 alternative to the reformed benefit package.

18 "Eligible participant" means either a currently eligible
19 participant or a newly eligible participant of the System.

20 "Newly eligible participant" means a person who first
21 becomes a participant under this Article on or after the date
22 on which the System first offers the self-managed plan as an
23 alternative to the reformed benefit package.

24 (b) When the System offers to members under this Article a

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

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

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

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

22 An eligible participant must make this election within one
23 year after the effective date of the adoption of the
24 self-managed plan under Section 18-133.2 or 60 days after first
25 becoming a participant under this Article, whichever is later,
26 or, in the case of a currently eligible participant who

1 terminates employment under this Article, within one year after
2 his or her re-employment under this Article.

3 (d) If the eligible participant elects to participate in
4 the self-managed plan, the System shall fund his or her account
5 as stated in subsection (f) of Section 18-133.2.

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 before 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 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

18 (a) Effective July 1, 1967, each participant is required to
19 contribute 7 1/2% of each payment of salary toward the
20 retirement annuity, unless the participant has elected to
21 participate in the self-managed plan created under Section
22 18-133.2, in which case, the participant shall contribute 6
23 1/2% for service on or after the effective date of that
24 election in order to finance the benefits available under
25 Section 18-133.2. Such contributions shall continue during the

1 entire time the participant is in service, with the following
2 exceptions:

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

6 (2) A participant who continues to serve as a judge
7 after becoming eligible to receive the maximum rate of
8 annuity may elect, through a written direction filed with
9 the Board, to discontinue contributing to the System. Any
10 such option elected by a judge shall be irrevocable unless
11 prior to January 1, 2000, and while continuing to serve as
12 judge, the judge (A) files with the Board a letter
13 cancelling the direction to discontinue contributing to
14 the System and requesting that such contributing resume,
15 and (B) pays into the System an amount equal to the total
16 of the discontinued contributions plus interest thereon at
17 5% per annum. Service credits earned in any other
18 "participating system" as defined in Article 20 of this
19 Code shall be considered for purposes of determining a
20 judge's eligibility to discontinue contributions under
21 this subdivision (a) (2).

22 (3) A participant who (i) has attained age 60, (ii)
23 continues to serve as a judge after becoming eligible to
24 receive the maximum rate of annuity, and (iii) has not
25 elected to discontinue contributing to the System under
26 subdivision (a) (2) of this Section (or has revoked any such

1 election) may elect, through a written direction filed with
2 the Board, to make contributions to the System based only
3 on the amount of the increases in salary received by the
4 judge on or after the date of the election, rather than the
5 total salary received. If a judge who is making
6 contributions to the System on the effective date of this
7 amendatory Act of the 91st General Assembly makes an
8 election to limit contributions under this subdivision
9 (a) (3) within 90 days after that effective date, the
10 election shall be deemed to become effective on that
11 effective date and the judge shall be entitled to receive a
12 refund of any excess contributions paid to the System
13 during that 90-day period; any other election under this
14 subdivision (a) (3) becomes effective on the first of the
15 month following the date of the election. An election to
16 limit contributions under this subdivision (a) (3) is
17 irrevocable. Service credits earned in any other
18 participating system as defined in Article 20 of this Code
19 shall be considered for purposes of determining a judge's
20 eligibility to make an election under this subdivision
21 (a) (3).

22 (b) Beginning July 1, 1969, each participant is required to
23 contribute 1% of each payment of salary towards the automatic
24 increase in annuity provided in Section 18-125.1. However, if
25 the participant has elected to participate in the self-managed
26 plan created under Section 18-133.2, then he or she shall

1 contribute 1/2 of 1% of salary for service on or after the
2 effective date of that election in order to finance the
3 benefits available under Section 18-133.2. However, such
4 contributions need not be made by any participant who has
5 elected prior to September 15, 1969, not to be subject to the
6 automatic increase in annuity provisions.

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

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

18 (d) Notwithstanding any other provision of this Article,
19 the required contributions for a participant who first becomes
20 a participant on or after January 1, 2011 shall not exceed the
21 contributions that would be due under this Article if that
22 participant's highest salary for annuity purposes were
23 \$106,800, plus any increase in that amount under Section
24 18-125.

25 (Source: P.A. 96-1490, eff. 1-1-11.)

1 (40 ILCS 5/18-133.2 new)

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

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

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

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

1 administration as it sees fit to companies authorized to do
2 business in this State.

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

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

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

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

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

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

26 In addition to the companies approved by the System under

1 this subsection (c), the System may offer its participants an
2 investment fund managed by the Illinois State Board of
3 Investment.

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

14 (e) Eligible participants, as defined in Section 18-120.2,
15 must make a written election to participate in the self-managed
16 plan in accordance with the provisions of Section 18-120.2 and
17 the 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 within 6
23 months after the effective date of this amendatory Act of the
24 97th General Assembly. A member's participation in the reformed
25 benefit package under this Article shall terminate on the date
26 that participation in the self-managed plan begins.

1 A member who has elected to participate in the self-managed
2 plan under this Section must continue participation while he or
3 she remains a participant under this Article, and may not
4 participate in the reformed benefit package.

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

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

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

1 participant's opening account balance.

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

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

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

1 System.

2 The program shall provide for State contributions to be
3 credited to each self-managed plan participant at a rate of
4 7.6% of the participating employee's salary. The amounts so
5 credited shall be paid into the participant's self-managed plan
6 accounts in a manner to be prescribed by the System.

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

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

26 A participant in the self-managed plan who receives a

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

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

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

1 directed by the System, for future allocations of State
2 contributions or for the restoration of amounts previously
3 forfeited by former participants who again become
4 participating members.

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