



Rep. Sheri Jesiel

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LRB100 11379 RPS 23609 a

1 AMENDMENT TO HOUSE BILL 3707

2 AMENDMENT NO. _____. Amend House Bill 3707 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by
5 changing Section 2-117 and by adding Sections 2-105.3 and 2-167
6 as follows:

7 (40 ILCS 5/2-105.3 new)

8 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier
9 3 participant.

10 "Tier 1 participant": A participant who first became a
11 participant before January 1, 2011.

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

1 "Tier 2 participant": A participant who first became a
2 participant on or after January 1, 2011 and before the
3 effective date of this amendatory Act of the 100th General
4 Assembly.

5 In the case of a Tier 2 participant who elects to
6 participate in the self-directed retirement plan under Section
7 2-167, that participant shall be deemed a Tier 2 participant
8 only with respect to service performed or established before
9 the effective date of that election.

10 "Tier 3 participant": A participant who first becomes a
11 participant on or after the effective date of this amendatory
12 Act of the 100th General Assembly; or a Tier 1 or Tier 2
13 participant who elects to participate in the self-directed
14 retirement plan under Section 2-167 of this Code, but only with
15 respect to service performed or established on or after the
16 effective date of that election.

17 (40 ILCS 5/2-117) (from Ch. 108 1/2, par. 2-117)

18 Sec. 2-117. Participants - Election not to participate.

19 (a) Every person who was a member on November 1, 1947, or
20 in military service on such date, is subject to the provisions
21 of this system beginning upon such date, unless prior to such
22 date he or she filed with the board a written notice of
23 election not to participate.

24 Every person who becomes a member after November 1, 1947,
25 and who is then not a participant becomes a participant

1 beginning upon the date of becoming a member unless, within 24
2 months from that date, he or she has filed with the board a
3 written notice of election not to participate.

4 (b) A member who has filed notice of an election not to
5 participate (and a former member who has not yet begun to
6 receive a retirement annuity under this Article) may become a
7 participant with respect to the period for which the member
8 elected not to participate upon filing with the board, before
9 April 1, 1993, a written rescission of the election not to
10 participate. Upon contributing an amount equal to the
11 contributions he or she would have made as a participant from
12 November 1, 1947, or the date of becoming a member, whichever
13 is later, to the date of becoming a participant, with interest
14 at the rate of 4% per annum until the contributions are paid,
15 the participant shall receive credit for service as a member
16 prior to the date of the rescission, both before and after
17 November 1, 1947. The required contributions shall be made
18 before commencement of the retirement annuity; otherwise no
19 credit for service prior to the date of participation shall be
20 granted.

21 (c) A member who has filed notice of an election not to
22 participate may become a Tier 3 participant without making a
23 contribution under subsection (b) by filing with the board a
24 written rescission of the election not to participate if he or
25 she elects to participate in the self-directed retirement plan
26 under subsection (d) of Section 2-167. A member who files the

1 written rescission pursuant to this subsection may not receive
2 credit for service as a member prior to the date of the
3 rescission.

4 (Source: P.A. 86-273; 87-1265.)

5 (40 ILCS 5/2-167 new)

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

7 (a) For the purposes of this Section:

8 "Active participant" means a participant who is in
9 active service in the System.

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

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

20 "Employer" means the State.

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

24 (b) On and after the effective date of this amendatory Act
25 of the 100th General Assembly, a Tier 3 participant's

1 participation in the System shall be limited to participation
2 in the self-directed retirement plan established under
3 subsection (d) of this Section.

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

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

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

6 (c) The pensionable salary of an active participant shall
7 be equal to the average final monthly salary of the
8 participant. For a participant who first becomes a participant
9 of this System on or after the effective date of this
10 amendatory Act of the 100th General Assembly, the average final
11 monthly salary determined by dividing the total salary of the
12 participant during the 96 consecutive months of service within
13 the last 120 months of service in which the total compensation
14 was the highest by the number of months of service in that
15 period; however, the highest salary for annuity purposes may
16 not exceed \$106,800, except that that amount shall annually
17 thereafter be increased by the lesser of (i) 3% of that amount,
18 including all previous adjustments, or (ii) the annual
19 unadjusted percentage increase (but not less than zero) in the
20 consumer price index-u for the 12 months ending with the
21 September preceding each November 1. The new amount resulting
22 from each annual adjustment shall be determined by the Public
23 Pension Division of the Department of Insurance and made
24 available to the Board by November 1 of each year.

25 (d) As soon as practicable after the effective date of this
26 amendatory Act of the 100th General Assembly, the System shall

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

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

21 (e) All persons who begin to participate in this System on
22 or after the effective date of this amendatory Act of the 100th
23 General Assembly and any active Tier 1 or Tier 2 participant
24 who makes the election provided in subsection (b) shall
25 participate in the self-directed retirement plan established
26 under subsection (d) and, in lieu of the contributions

1 otherwise provided for in this Article, shall contribute 8% of
2 salary to the plan. The employer of each of those participants
3 shall contribute 7% of salary to that plan on behalf of the
4 participant.

5 (f) The provisions of this amendatory Act of the 100th
6 General Assembly apply notwithstanding any other law,
7 including Section 1-160 of this Code. If there is a conflict
8 between the provisions of this amendatory Act of the 100th
9 General Assembly and any other law, the provisions of this
10 Section shall control.

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

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