



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB3707

by Rep. Sheri Jesiel

SYNOPSIS AS INTRODUCED:

- 40 ILCS 5/2-105.3 new
- 40 ILCS 5/2-167 new
- 40 ILCS 5/2-105.1 rep.

Amends the General Assembly Article of the Illinois Pension Code. Requires the General Assembly Retirement System to establish a self-directed retirement plan. Provides that for persons who become a participant on or after the effective date of the amendatory Act, participation in the System shall be limited to participation in the self-directed retirement plan. Allows a Tier 1 or Tier 2 participant to make an irrevocable election to participate in the self-directed retirement plan instead of the defined benefit plan. Makes changes to the pensionable salary for active participants. Provides that upon a participant's first day of participation in the self-directed retirement plan, the participant becomes vested in his or her contributions to the self-directed retirement plan, the employer's contributions to the self-directed retirement plan, and the investment returns attributable to those contributions credited to his or her account.

LRB100 11379 RPS 21776 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 2-105.3 and 2-167 as follows:

6 (40 ILCS 5/2-105.3 new)

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

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

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

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

20 In the case of a Tier 2 participant who elects to
21 participate in the self-directed retirement plan under Section
22 2-167, that participant shall be deemed a Tier 2 participant
23 only with respect to service performed or established before

1 the effective date of that election.

2 "Tier 3 participant": A participant who first becomes a
3 participant on or after the effective date of this amendatory
4 Act of the 100th General Assembly; or a Tier 1 or Tier 2
5 participant who elects to participate in the self-directed
6 retirement under Section 2-167 of this Code, but only with
7 respect to service performed or established on or after the
8 effective date of that election.

9 (40 ILCS 5/2-167 new)

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

11 (a) For the purposes of this Section:

12 "Active participant" means a participant who is in
13 active service in the System.

14 "Consumer price index-u" means the index published by
15 the Bureau of Labor Statistics of the United States
16 Department of Labor that measures the average change in
17 prices of goods and services purchased by all urban
18 consumers, United States city average, all items, 1982-84 =
19 100.

20 "Defined benefit plan" means the retirement plan
21 available under this Article to Tier 1 or Tier 2
22 participants who have not made the election authorized
23 under this Section.

24 "Employer" means the State.

25 "Pensionable salary" means the amount of salary used by

1 the System to calculate the amount of an individual's
2 retirement annuity.

3 (b) On and after the effective date of this amendatory Act
4 of the 100th General Assembly, a Tier 3 participant's
5 participation in the System shall be limited to participation
6 in the self-directed retirement plan established under
7 subsection (d) of this Section.

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

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

1 in an amount equal to the amount of the contribution refund
2 that the participant would be eligible to receive if he or she
3 withdrew from service on the effective date of this Section and
4 elected a refund of contributions, except that this
5 hypothetical refund shall include interest at the effective
6 rate for the respective years. The System shall make these
7 transfers of assets to the self-directed plan as tax-free
8 transfers in accordance with Internal Revenue Service
9 guidelines.

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

1 Pension Division of the Department of Insurance and made
2 available to the Board by November 1 of each year.

3 (d) As soon as practicable after the effective date of this
4 amendatory Act of the 100th General Assembly, the System shall
5 establish a self-directed retirement plan that allows Tier 3
6 participants the opportunity to accumulate assets for
7 retirement through a combination of employee and employer
8 contributions that may be invested in mutual funds, collective
9 investment funds, or other investment products and used to
10 purchase annuity contracts, either fixed or variable or a
11 combination thereof. The plan must be qualified under the
12 Internal Revenue Code of 1986.

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

25 (e) All persons who begin to participate in this System on
26 or after the effective date of this amendatory Act of the 100th

1 General Assembly and any active Tier 1 or Tier 2 participant
2 who makes the election provided in subsection (b) shall
3 participate in the self-directed retirement plan established
4 under subsection (d) and, in lieu of the contributions
5 otherwise provided for in this Article, shall contribute 8% of
6 salary to the plan. The employer of each of those participants
7 shall contribute 7% of salary to that plan on behalf of the
8 participant.

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

15 (40 ILCS 5/2-105.1 rep.)

16 Section 10. The Illinois Pension Code is amended by
17 repealing Section 2-105.1.