



Sen. John J. Cullerton

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1 AMENDMENT TO SENATE BILL 16

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 16, AS AMENDED, in  
3 Section 45, by replacing all of Sec. 1-162 with the following:

4 "(40 ILCS 5/1-162 new)

5 Sec. 1-162. Optional benefits for certain Tier 2 members of  
6 pension funds under Articles 8, 9, 10, 11, 12, and 17.

7 (a) As used in this Section:

8 "Affected pension fund" means a pension fund established  
9 under Article 8, 9, 10, 11, 12, or 17 that the governing body  
10 of the unit of local government has designated as an affected  
11 pension fund by adoption of a resolution or ordinance.

12 "Resolution or ordinance date" means the date on which the  
13 governing body of the unit of local government designates a  
14 pension fund under Article 8, 9, 10, 11, 12, or 17 as an  
15 affected pension fund by adoption of a resolution or ordinance.

16 (b) Notwithstanding any other provision of this Code to the  
17 contrary, the provisions of this Section apply to a person who

1 first becomes a member or a participant in an affected pension  
2 fund on or after 6 months after the resolution or ordinance  
3 date and who does not make the election under subsection (c).

4 (c) In lieu of the benefits provided under this Section, a  
5 member or participant may irrevocably elect the benefits under  
6 Section 1-160 and the benefits otherwise applicable to that  
7 member or participant. The election must be made within 30 days  
8 after becoming a member or participant. Each affected pension  
9 fund shall establish procedures for making this election.

10 (d) "Final average salary" means the average monthly (or  
11 annual) salary obtained by dividing the total salary or  
12 earnings calculated under the Article applicable to the member  
13 or participant during the last 120 months (or 10 years) of  
14 service in which the total salary or earnings calculated under  
15 the applicable Article was the highest by the number of months  
16 (or years) of service in that period. For the purposes of a  
17 person who first becomes a member or participant of an affected  
18 pension fund on or after 6 months after the ordinance or  
19 resolution date, in this Code, "final average salary" shall be  
20 substituted for the following:

21 (1) In Articles 8, 9, 10, 11, and 12, "highest average  
22 annual salary for any 4 consecutive years within the last  
23 10 years of service immediately preceding the date of  
24 withdrawal".

25 (2) In Article 17, "average salary".

26 (e) Beginning 6 months after the resolution or ordinance

1 date, for all purposes under this Code (including without  
2 limitation the calculation of benefits and employee  
3 contributions), the annual earnings, salary, or wages (based on  
4 the plan year) of a member or participant to whom this Section  
5 applies shall not at any time exceed the federal Social  
6 Security Wage Base then in effect.

7 (f) A member or participant is entitled to a retirement  
8 annuity upon written application if he or she has attained the  
9 normal retirement age determined by the Social Security  
10 Administration for that member or participant's year of birth,  
11 but no earlier than 67 years of age, and has at least 10 years  
12 of service credit and is otherwise eligible under the  
13 requirements of the applicable Article.

14 (g) The amount of the retirement annuity to which a member  
15 or participant is entitled shall be computed by multiplying  
16 1.25% for each year of service credit by his or her final  
17 average salary.

18 (h) Any retirement annuity or supplemental annuity shall be  
19 subject to annual increases on the first anniversary of the  
20 annuity start date. Each annual increase shall be one-half the  
21 annual unadjusted percentage increase (but not less than zero)  
22 in the consumer price index-w for the 12 months ending with the  
23 September preceding each November 1 of the originally granted  
24 retirement annuity. If the annual unadjusted percentage change  
25 in the consumer price index-w for the 12 months ending with the  
26 September preceding each November 1 is zero or there is a

1 decrease, then the annuity shall not be increased.

2 For the purposes of this Section, "consumer price index-w"  
3 means the index published by the Bureau of Labor Statistics of  
4 the United States Department of Labor that measures the average  
5 change in prices of goods and services purchased by Urban Wage  
6 Earners and Clerical Workers, United States city average, all  
7 items, 1982-84 = 100. The new amount resulting from each annual  
8 adjustment shall be determined by the Public Pension Division  
9 of the Department of Insurance and made available to the boards  
10 of the retirement systems and pension funds by November 1 of  
11 each year.

12 (i) The initial survivor's or widow's annuity of an  
13 otherwise eligible survivor or widow of a retired member or  
14 participant who first became a member or participant on or  
15 after 6 months after the resolution or ordinance date shall be  
16 in the amount of 66 2/3% of the retired member's or  
17 participant's retirement annuity at the date of death. In the  
18 case of the death of a member or participant who has not  
19 retired and who first became a member or participant on or  
20 after 6 months after the resolution or ordinance date,  
21 eligibility for a survivor's or widow's annuity shall be  
22 determined by the applicable Article of this Code. The benefit  
23 shall be 66 2/3% of the earned annuity without a reduction due  
24 to age. A child's annuity of an otherwise eligible child shall  
25 be in the amount prescribed under each Article if applicable.

26 (j) In lieu of any other employee contributions, except for

1 the contribution to the defined contribution plan under  
2 subsection (k) of this Section, each employee shall contribute  
3 6.2% of his her or salary to the affected pension fund.  
4 However, the employee contribution under this subsection shall  
5 not exceed the amount of the normal cost of the benefits under  
6 this Section (except for the defined contribution plan under  
7 subsection (k) of this Section), expressed as a percentage of  
8 payroll and determined on or before November 1 of each year by  
9 the board of trustees of the affected pension fund. If the  
10 board of trustees of the affected pension fund determines that  
11 the 6.2% employee contribution rate exceeds the normal cost of  
12 the benefits under this Section (except for the defined  
13 contribution plan under subsection (k) of this Section), then  
14 on or before December 1 of that year, the board of trustees  
15 shall certify the amount of the normal cost of the benefits  
16 under this Section (except for the defined contribution plan  
17 under subsection (k) of this Section), expressed as a  
18 percentage of payroll, to the State Actuary and the Commission  
19 on Government Forecasting and Accountability, and the employee  
20 contribution under this subsection shall be reduced to that  
21 amount beginning January 1 of the following year. Thereafter,  
22 if the normal cost of the benefits under this Section (except  
23 for the defined contribution plan under subsection (k) of this  
24 Section), expressed as a percentage of payroll and determined  
25 on or before November 1 of each year by the board of trustees  
26 of the affected pension fund, exceeds 6.2% of salary, then on

1 or before December 1 of that year, the board of trustees shall  
2 certify the normal cost to the State Actuary and the Commission  
3 on Government Forecasting and Accountability, and the employee  
4 contributions shall revert back to 6.2% of salary beginning  
5 January 1 of the following year.

6 (k) No later than 5 months after the resolution or  
7 ordinance date, an affected pension fund shall prepare and  
8 implement a defined contribution plan for members or  
9 participants who are subject to this Section. The defined  
10 contribution plan developed under this subsection shall be a  
11 plan that aggregates employer and employee contributions in  
12 individual participant accounts which, after meeting any other  
13 requirements, are used for payouts after retirement in  
14 accordance with this subsection and any other applicable laws.

15 (1) Each member or participant shall contribute a  
16 minimum of 4% of his or her salary to the defined  
17 contribution plan.

18 (2) For each participant in the defined contribution  
19 plan who has been employed with the same employer for at  
20 least one year, employer contributions shall be paid into  
21 that participant's accounts at a rate expressed as a  
22 percentage of salary. This rate may be set for individual  
23 employees, but shall be no higher than 6% of salary and  
24 shall be no lower than 2% of salary.

25 (3) Employer contributions shall vest when those  
26 contributions are paid into a member's or participant's

1 account.

2 (4) The defined contribution plan shall provide a  
3 variety of options for investments. These options shall  
4 include investments handled by the Illinois State Board of  
5 Investment as well as private sector investment options.

6 (5) The defined contribution plan shall provide a  
7 variety of options for payouts to retirees and their  
8 survivors.

9 (6) To the extent authorized under federal law and as  
10 authorized by the affected pension fund, the defined  
11 contribution plan shall allow former participants in the  
12 plan to transfer or roll over employee and employer  
13 contributions, and the earnings thereon, into other  
14 qualified retirement plans.

15 (7) Each affected pension fund shall reduce the  
16 employee contributions credited to the member's defined  
17 contribution plan account by an amount determined by that  
18 affected pension fund to cover the cost of offering the  
19 benefits under this subsection and any applicable  
20 administrative fees.

21 (8) No person shall begin participating in the defined  
22 contribution plan until it has attained qualified plan  
23 status and received all necessary approvals from the U.S.  
24 Internal Revenue Service.

25 (1) By accepting the benefits under this Section, a member  
26 or participant acknowledges and consents that benefits once

1 earned may not be diminished, but that future benefits may be  
2 modified, including, but not limited to, changes in the  
3 retirement age at which a member or participant becomes  
4 eligible to receive future benefits, changes in the amount of  
5 the automatic annual increase for those future benefits, or the  
6 amount of the retirement annuity. Any increase in benefits  
7 under this Section does not apply unless it is approved by  
8 resolution or ordinance of the governing body of the unit of  
9 local government with regard to the members or participants  
10 under that unit of local government.

11 (m) In the case of a conflict between the provisions of  
12 this Section and any other provision of this Code, the  
13 provisions of this Section shall control."