



## 100TH GENERAL ASSEMBLY

### State of Illinois

2017 and 2018

HB3867

by Rep. Thomas Morrison

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly, State Employee, State Universities, Downstate Teachers, and Judges Articles of the Illinois Pension Code. Requires the Board of each System to establish and maintain a voluntary defined contribution plan to address the retirement preparedness gap for participants in a defined benefit plan who are not on track to maintain their standard of living in retirement. Provides that the contribution rate shall be established by the Board. Provides that the plan shall exist and serve in addition to other retirement, pension, and benefit plans established under the Code. Provides that any Tier 2 participant who first becomes a participant on or after establishment of the plan shall automatically be enrolled, unless he or she opts out within 60 days after first becoming a participant. Authorizes Tier 1 participants and Tier 2 participants who first became participants before the plan was established to enroll in the plan. Contains provisions concerning investment options, qualified plan status, and distribution requirements. Defines terms and repeals certain definitions added by Public Act 98-599, which has been held unconstitutional. Effective immediately.

LRB100 11318 RPS 21687 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, 2-165.5, 14-103.41, 14-103.42, 14-155.5,  
6 15-200.5, 16-106.40, 16-106.41, 16-205.5, 18-110.1, 18-110.2,  
7 and 18-121.5 as follows:

8 (40 ILCS 5/2-105.3 new)

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

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

12 "Tier 2 participant": A participant who first became a  
13 participant on or after January 1, 2011.

14 (40 ILCS 5/2-165.5 new)

15 Sec. 2-165.5. Defined contribution plan.

16 (a) Authority. No later than one year after the effective  
17 date of this amendatory Act of the 100th General Assembly, the  
18 Board shall establish and maintain a defined contribution plan  
19 to address the retirement preparedness gap for participants in  
20 a defined benefit plan who are not on track to maintain their  
21 standard of living in retirement. The plan shall be designed as  
22 a qualified tax-deferred savings plan under the Internal

1 Revenue Code of 1986, as amended. The plan shall exist and  
2 serve in addition to other retirement, pension, and benefit  
3 plans established under this Code. All assets and income of the  
4 plan shall be held in trust for the exclusive benefit of  
5 participants and their beneficiaries.

6 (b) Enrollment. Tier 1 participants and Tier 2 participants  
7 who first became participants before the defined contribution  
8 plan was established shall have the opportunity to voluntarily  
9 elect to enroll in the plan. Each Tier 2 participant who  
10 becomes a participant on or after the establishment of the  
11 defined contribution plan shall be automatically enrolled in  
12 the plan at a contribution rate that is established by the  
13 Board, unless he or she opts out within 60 days after the date  
14 that he or she becomes a participant.

15 (c) Investments. The plan shall be designed to enable  
16 participants to generate a stream of income to replace their  
17 pre-retirement income in retirement. The Board shall establish  
18 a default investment option in which employees are  
19 automatically invested upon initial enrollment in the plan or  
20 upon re-enrollment in the plan and absent direction by the  
21 participant to the contrary. Such investment in a default  
22 investment option shall be deemed to have been made by  
23 participant direction so long as the Board has provided  
24 reasonable notice and description of the default investment  
25 option and the participant's right to select other investment  
26 options.

1       (d) Distributions. The plan shall provide a variety of  
2 options for distributions to participants and their  
3 beneficiaries and shall meet the relevant requirements of the  
4 Internal Revenue Code of 1986, as amended. The manner and  
5 timing of benefit distributions shall meet the distribution  
6 requirements of Section 401(a) (9) of the Internal Revenue Code  
7 of 1986, as amended. Distributions upon the death of the  
8 participant shall meet the requirements of Section 401(a) (37)  
9 of the Internal Revenue Code of 1986, as amended.

10       (40 ILCS 5/14-103.41 new)

11       Sec. 14-103.41. Tier 1 member. "Tier 1 member": A member of  
12 this System who first became a member or participant before  
13 January 1, 2011 under any reciprocal retirement system or  
14 pension fund established under this Code other than a  
15 retirement system or pension fund established under Article 2,  
16 3, 4, 5, 6, or 18 of this Code.

17       (40 ILCS 5/14-103.42 new)

18       Sec. 14-103.42. Tier 2 member. "Tier 2 member": A member of  
19 this System who first becomes a member under this Article on or  
20 after January 1, 2011 and who is not a Tier 1 member.

21       (40 ILCS 5/14-155.5 new)

22       Sec. 14-155.5. Defined contribution plan.

23       (a) Authority. No later than one year after the effective

1 date of this amendatory Act of the 100th General Assembly, the  
2 Board shall establish and maintain a defined contribution plan  
3 to address the retirement preparedness gap for participants in  
4 a defined benefit plan who are not on track to maintain their  
5 standard of living in retirement. The plan shall be designed as  
6 a qualified tax-deferred savings plan under the Internal  
7 Revenue Code of 1986, as amended. The plan shall exist and  
8 serve in addition to other retirement, pension, and benefit  
9 plans established under this Code. All assets and income of the  
10 plan shall be held in trust for the exclusive benefit of  
11 participants and their beneficiaries.

12 (b) Enrollment. Tier 1 members and Tier 2 members who first  
13 became participants before the defined contribution plan was  
14 established shall have the opportunity to voluntarily elect to  
15 enroll in the plan. Each Tier 2 member who becomes a  
16 participant on or after the establishment of the defined  
17 contribution plan shall be automatically enrolled in the plan  
18 at a contribution rate that is established by the Board, unless  
19 he or she opts out within 60 days after the date that he or she  
20 becomes a participant.

21 (c) Investments. The plan shall be designed to enable  
22 participants to generate a stream of income to replace their  
23 pre-retirement income in retirement. The Board shall establish  
24 a default investment option in which employees are  
25 automatically invested upon initial enrollment in the plan or  
26 upon re-enrollment in the plan and absent direction by the

1 participant to the contrary. Such investment in a default  
2 investment option shall be deemed to have been made by  
3 participant direction so long as the Board has provided  
4 reasonable notice and description of the default investment  
5 option and the participant's right to select other investment  
6 options.

7 (d) Distributions. The plan shall provide a variety of  
8 options for distributions to participants and their  
9 beneficiaries and shall meet the relevant requirements of the  
10 Internal Revenue Code of 1986, as amended. The manner and  
11 timing of benefit distributions shall meet the distribution  
12 requirements of Section 401(a)(9) of the Internal Revenue Code  
13 of 1986, as amended. Distributions upon the death of the  
14 participant shall meet the requirements of Section 401(a)(37)  
15 of the Internal Revenue Code of 1986, as amended.

16 (40 ILCS 5/15-200.5 new)

17 Sec. 15-200.5. Defined contribution plan.

18 (a) Authority. No later than one year after the effective  
19 date of this amendatory Act of the 100th General Assembly, the  
20 Board shall establish and maintain a defined contribution plan  
21 to address the retirement preparedness gap for participants in  
22 a defined benefit plan who are not on track to maintain their  
23 standard of living in retirement. The plan shall be designed as  
24 a qualified tax-deferred savings plan under the Internal  
25 Revenue Code of 1986, as amended. The plan shall exist and

1 serve in addition to other retirement, pension, and benefit  
2 plans established under this Code. All assets and income of the  
3 plan shall be held in trust for the exclusive benefit of  
4 participants and their beneficiaries.

5 (b) Enrollment. Tier 1 participants and Tier 2 participants  
6 who first became participants before the defined contribution  
7 plan was established shall have the opportunity to voluntarily  
8 elect to enroll in the plan. Each Tier 2 participant who  
9 becomes a participant on or after the establishment of the  
10 defined contribution plan shall be automatically enrolled in  
11 the plan at a contribution rate that is established by the  
12 Board, unless he or she opts out within 60 days after the date  
13 that he or she becomes a participant.

14 (c) Investments. The plan shall be designed to enable  
15 participants to generate a stream of income to replace their  
16 pre-retirement income in retirement. The Board shall establish  
17 a default investment option in which employees are  
18 automatically invested upon initial enrollment in the plan or  
19 upon re-enrollment in the plan and absent direction by the  
20 participant to the contrary. Such investment in a default  
21 investment option shall be deemed to have been made by  
22 participant direction so long as the Board has provided  
23 reasonable notice and description of the default investment  
24 option and the participant's right to select other investment  
25 options.

26 (d) Distributions. The plan shall provide a variety of

1 options for distributions to participants and their  
2 beneficiaries and shall meet the relevant requirements of the  
3 Internal Revenue Code of 1986, as amended. The manner and  
4 timing of benefit distributions shall meet the distribution  
5 requirements of Section 401(a)(9) of the Internal Revenue Code  
6 of 1986, as amended. Distributions upon the death of the  
7 participant shall meet the requirements of Section 401(a)(37)  
8 of the Internal Revenue Code of 1986, as amended.

9 (40 ILCS 5/16-106.40 new)

10 Sec. 16-106.40. Tier 1 member. "Tier 1 member": A member  
11 under this Article who first became a member or participant  
12 before January 1, 2011 under any reciprocal retirement system  
13 or pension fund established under this Code other than a  
14 retirement system or pension fund established under Article 2,  
15 3, 4, 5, 6, or 18 of this Code.

16 (40 ILCS 5/16-106.41 new)

17 Sec. 16-106.41. Tier 2 member. "Tier 2 member": A member of  
18 the System who first becomes a member under this Article on or  
19 after January 1, 2011 and who is not a Tier 1 member.

20 (40 ILCS 5/16-205.5 new)

21 Sec. 16-205.5. Defined contribution plan.  
22 (a) Authority. No later than one year after the effective  
23 date of this amendatory Act of the 100th General Assembly, the



1 Board shall establish and maintain a defined contribution plan  
2 to address the retirement preparedness gap for participants in  
3 a defined benefit plan who are not on track to maintain their  
4 standard of living in retirement. The plan shall be designed as  
5 a qualified tax-deferred savings plan under the Internal  
6 Revenue Code of 1986, as amended. The plan shall exist and  
7 serve in addition to other retirement, pension, and benefit  
8 plans established under this Code. All assets and income of the  
9 plan shall be held in trust for the exclusive benefit of  
10 participants and their beneficiaries.

11 (b) Enrollment. Tier 1 members and Tier 2 members who first  
12 became participants before the defined contribution plan was  
13 established shall have the opportunity to voluntarily elect to  
14 enroll in the plan. Each Tier 2 member who becomes a  
15 participant on or after the establishment of the defined  
16 contribution plan shall be automatically enrolled in the plan  
17 at a contribution rate that is established by the Board, unless  
18 he or she opts out within 60 days after the date that he or she  
19 becomes a participant.

20 (c) Investments. The plan shall be designed to enable  
21 participants to generate a stream of income to replace their  
22 pre-retirement income in retirement. The Board shall establish  
23 a default investment option in which employees are  
24 automatically invested upon initial enrollment in the plan or  
25 upon subsequent re-enrollment and absent direction by the  
26 participant to the contrary. Such investment in a default

1 investment option shall be deemed to have been made by  
2 participant direction so long as the Board has provided  
3 reasonable notice and description of the default investment  
4 option and the participant's right to select other investment  
5 options.

6 (d) Distributions. The plan shall provide a variety of  
7 options for distributions to participants and their  
8 beneficiaries and shall meet the relevant requirements of the  
9 Internal Revenue Code of 1986, as amended. The manner and  
10 timing of benefit distributions shall meet the distribution  
11 requirements of Section 401(a)(9) of the Internal Revenue Code  
12 of 1986, as amended. Distributions upon the death of the  
13 participant shall meet the requirements of Section 401(a)(37)  
14 of the Internal Revenue Code of 1986, as amended.

15 (40 ILCS 5/18-110.1 new)

16 Sec. 18-110.1. Tier 1 participant. "Tier 1 participant": A  
17 participant who first became a participant of this System  
18 before January 1, 2011.

19 (40 ILCS 5/18-110.2 new)

20 Sec. 18-110.2. Tier 2 participant. "Tier 2 participant": A  
21 participant who first becomes a participant of this System on  
22 or after January 1, 2011.

23 (40 ILCS 5/18-121.5 new)

1           Sec. 18-121.5. Defined contribution plan.

2           (a) Authority. No later than one year after the effective  
3 date of this amendatory Act of the 100th General Assembly, the  
4 Board shall establish and maintain a defined contribution plan  
5 to address the retirement preparedness gap for participants in  
6 a defined benefit plan who are not on track to maintain their  
7 standard of living in retirement. The plan shall be designed as  
8 a qualified tax-deferred savings plan under the Internal  
9 Revenue Code of 1986, as amended. The plan shall exist and  
10 serve in addition to other retirement, pension, and benefit  
11 plans established under this Code. All assets and income of the  
12 plan shall be held in trust for the exclusive benefit of  
13 participants and their beneficiaries.

14           (b) Enrollment. Tier 1 participants and Tier 2 participants  
15 who first became participants before the defined contribution  
16 plan was established shall have the opportunity to voluntarily  
17 elect to enroll in the plan. Each Tier 2 participant who  
18 becomes a participant on or after the establishment of the  
19 defined contribution plan shall be automatically enrolled in  
20 the plan at a contribution rate that is established by the  
21 Board, unless he or she opts out within 60 days after the date  
22 that he or she becomes a participant.

23           (c) Investments. The plan shall be designed to enable  
24 participants to generate a stream of income to replace their  
25 pre-retirement income in retirement. The Board shall establish  
26 a default investment option in which employees are

1 automatically invested upon initial enrollment in the plan or  
2 upon subsequent re-enrollment and absent direction by the  
3 participant to the contrary. Such investment in a default  
4 investment option shall be deemed to have been made by  
5 participant direction so long as the Board has provided  
6 reasonable notice and description of the default investment  
7 option and the participant's right to select other investment  
8 options.

9 (d) Distributions. The plan shall provide a variety of  
10 options for distributions to participants and their  
11 beneficiaries and shall meet the relevant requirements of the  
12 Internal Revenue Code of 1986, as amended. The manner and  
13 timing of benefit distributions shall meet the distribution  
14 requirements of Section 401(a)(9) of the Internal Revenue Code  
15 of 1986, as amended. Distributions upon the death of the  
16 participant shall meet the requirements of Section 401(a)(37)  
17 of the Internal Revenue Code of 1986, as amended.

18 (40 ILCS 5/2-105.1 rep.)

19 (40 ILCS 5/14-103.40 rep.)

20 (40 ILCS 5/16-106.4 rep.)

21 Section 10. The Illinois Pension Code is amended by  
22 repealing Sections 2-105.1, 14-103.40, and 16-106.4.

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.

1 INDEX

2 Statutes amended in order of appearance

3 40 ILCS 5/2-105.3 new

4 40 ILCS 5/2-165.5 new

5 40 ILCS 5/14-103.41 new

6 40 ILCS 5/14-103.42 new

7 40 ILCS 5/14-155.5 new

8 40 ILCS 5/15-200.5 new

9 40 ILCS 5/16-106.40 new

10 40 ILCS 5/16-106.41 new

11 40 ILCS 5/16-205.5 new

12 40 ILCS 5/18-110.1 new

13 40 ILCS 5/18-110.2 new

14 40 ILCS 5/18-121.5 new

15 40 ILCS 5/2-105.1 rep.

16 40 ILCS 5/14-103.40 rep.

17 40 ILCS 5/16-106.4 rep.