



## 100TH GENERAL ASSEMBLY

### State of Illinois

2017 and 2018

HB5472

by Rep. Robert Martwick

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the State Employee, State Universities, and Downstate Teacher Articles of the Illinois Pension Code. Requires each System to implement an accelerated pension benefit payment option for Tier 1 members who have submitted an application for a retirement annuity and meet other requirements. Requires each System to offer an eligible Tier 1 member the opportunity to irrevocably elect to have his or her automatic annual increases in retirement annuity calculated using the Tier 2 formula in exchange for an accelerated pension benefit payment equal to 70% of the difference of the present value of the automatic annual increases in the Tier 1 member's retirement annuity using the formula applicable to the Tier 1 member and the present value of the automatic annual increases in the Tier 1 member's retirement annuity using the Tier 2 formula. Contains provisions concerning definitions; return to active service; depositing the payments into other qualified retirement plans; qualified plan status; and rulemaking. Excludes the amendatory Act from the definition of "new benefit increase". Adds provisions defining "Tier 1 member" and repeals the definitions of "Tier 1 member" added by Public Act 98-599, which has been held unconstitutional. Effective immediately.

LRB100 16255 RPS 31378 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 changing  
5 Sections 14-152.1, 15-198, and 16-203 and by adding Sections  
6 14-103.41, 14-147.5, 15-185.5, 16-106.41, and 16-190.5 as  
7 follows:

8 (40 ILCS 5/14-103.41 new)

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

15 (40 ILCS 5/14-147.5 new)

16 Sec. 14-147.5. Accelerated pension benefit payment.

17 (a) As used in this Section:

18 "Accelerated pension benefit payment" means a lump sum  
19 payment equal to 70% of the difference of the present value of  
20 the automatic annual increases to a Tier 1 member's retirement  
21 annuity using the formula applicable to the Tier 1 member and  
22 the present value of the automatic annual increases to the Tier

1 1 member's retirement annuity using the formula provided under  
2 subsection (e) of Section 1-160.

3 "Eligible person" means a person who:

4 (1) is a Tier 1 member;

5 (2) has submitted an application for a retirement  
6 annuity under this Article;

7 (3) meets the age and service requirements for  
8 receiving a retirement annuity under this Article;

9 (4) has not received any retirement annuity under this  
10 Article; and

11 (5) does not have a QILDRO in effect against him or her  
12 under this Article.

13 (b) As soon as practical on or after the effective date of  
14 this amendatory Act of the 100th General Assembly, the System  
15 shall implement an accelerated pension benefit payment option  
16 for eligible persons. The System shall calculate, using  
17 actuarial tables and other assumptions adopted by the Board, an  
18 accelerated pension benefit payment amount for each eligible  
19 person and shall offer that eligible person the opportunity to  
20 irrevocably elect to have his or her automatic annual increases  
21 in retirement annuity calculated in accordance with the formula  
22 provided under subsection (e) of Section 1-160 in exchange for  
23 the accelerated pension benefit payment. The election under  
24 this subsection must be made before the eligible person  
25 receives a retirement annuity.

26 (c) If a person who has received an accelerated pension

1 benefit payment returns to active service under this Article,  
2 then:

3 (1) the calculation of any future automatic annual  
4 increase in retirement annuity shall be calculated in  
5 accordance with the formula provided under subsection (e)  
6 of Section 1-160; and

7 (2) the accelerated pension benefit payment may not be  
8 repaid to the System.

9 (d) As a condition of receiving an accelerated pension  
10 benefit payment, an eligible person must have another  
11 retirement plan or account qualified under the Internal Revenue  
12 Code of 1986, as amended, for the accelerated pension benefit  
13 payment to be rolled into. The accelerated pension benefit  
14 payment under this Section may be subject to withholding or  
15 payment of applicable taxes, but to the extent permitted by  
16 federal law, a person who receives an accelerated pension  
17 benefit payment under this Section must direct the System to  
18 pay all of that payment as a rollover into another retirement  
19 plan or account qualified under the Internal Revenue Code of  
20 1986, as amended.

21 (e) The Board shall adopt any rules necessary to implement  
22 this Section.

23 (f) No provision of this Section shall be interpreted in a  
24 way that would cause the applicable System to cease to be a  
25 qualified plan under the Internal Revenue Code of 1986.

1 (40 ILCS 5/14-152.1)

2 Sec. 14-152.1. Application and expiration of new benefit  
3 increases.

4 (a) As used in this Section, "new benefit increase" means  
5 an increase in the amount of any benefit provided under this  
6 Article, or an expansion of the conditions of eligibility for  
7 any benefit under this Article, that results from an amendment  
8 to this Code that takes effect after June 1, 2005 (the  
9 effective date of Public Act 94-4). "New benefit increase",  
10 however, does not include any benefit increase resulting from  
11 the changes made to Article 1 or this Article by Public Act  
12 96-37, Public Act 100-23, or this amendatory Act of the 100th  
13 General Assembly ~~by this amendatory Act of the 100th General~~  
14 ~~Assembly.~~

15 (b) Notwithstanding any other provision of this Code or any  
16 subsequent amendment to this Code, every new benefit increase  
17 is subject to this Section and shall be deemed to be granted  
18 only in conformance with and contingent upon compliance with  
19 the provisions of this Section.

20 (c) The Public Act enacting a new benefit increase must  
21 identify and provide for payment to the System of additional  
22 funding at least sufficient to fund the resulting annual  
23 increase in cost to the System as it accrues.

24 Every new benefit increase is contingent upon the General  
25 Assembly providing the additional funding required under this  
26 subsection. The Commission on Government Forecasting and

1 Accountability shall analyze whether adequate additional  
2 funding has been provided for the new benefit increase and  
3 shall report its analysis to the Public Pension Division of the  
4 Department of Insurance. A new benefit increase created by a  
5 Public Act that does not include the additional funding  
6 required under this subsection is null and void. If the Public  
7 Pension Division determines that the additional funding  
8 provided for a new benefit increase under this subsection is or  
9 has become inadequate, it may so certify to the Governor and  
10 the State Comptroller and, in the absence of corrective action  
11 by the General Assembly, the new benefit increase shall expire  
12 at the end of the fiscal year in which the certification is  
13 made.

14 (d) Every new benefit increase shall expire 5 years after  
15 its effective date or on such earlier date as may be specified  
16 in the language enacting the new benefit increase or provided  
17 under subsection (c). This does not prevent the General  
18 Assembly from extending or re-creating a new benefit increase  
19 by law.

20 (e) Except as otherwise provided in the language creating  
21 the new benefit increase, a new benefit increase that expires  
22 under this Section continues to apply to persons who applied  
23 and qualified for the affected benefit while the new benefit  
24 increase was in effect and to the affected beneficiaries and  
25 alternate payees of such persons, but does not apply to any  
26 other person, including without limitation a person who

1 continues in service after the expiration date and did not  
2 apply and qualify for the affected benefit while the new  
3 benefit increase was in effect.

4 (Source: P.A. 100-23, eff. 7-6-17.)

5 (40 ILCS 5/15-185.5 new)

6 Sec. 15-185.5. Accelerated pension benefit payment.

7 (a) As used in this Section:

8 "Accelerated pension benefit payment" means a lump sum  
9 payment equal to 70% of the difference of the present value of  
10 the automatic annual increases to a Tier 1 member's retirement  
11 annuity using the formula applicable to the Tier 1 member and  
12 the present value of the automatic annual increases to the Tier  
13 1 member's retirement annuity using the formula provided under  
14 subsection (d-5) of Section 15-136.

15 "Eligible person" means a person who:

16 (1) is a Tier 1 member;

17 (2) has submitted an application for a retirement  
18 annuity under this Article;

19 (3) meets the age and service requirements for  
20 receiving a retirement annuity under this Article;

21 (4) has not received any retirement annuity under this  
22 Article;

23 (5) is not a participant in the self-managed plan; and

24 (6) does not have a QILDRO in effect against him or her  
25 under this Article.

1       (b) As soon as practical on or after the effective date of  
2 this amendatory Act of the 100th General Assembly, the System  
3 shall implement an accelerated pension benefit payment option  
4 for eligible persons. The System shall calculate, using  
5 actuarial tables and other assumptions adopted by the Board, an  
6 accelerated pension benefit payment amount for each eligible  
7 person and shall offer that eligible person the opportunity to  
8 irrevocably elect to have his or her automatic annual increases  
9 in retirement annuity calculated in accordance with the formula  
10 provided in subsection (d-5) of Section 15-136 in exchange for  
11 the accelerated pension benefit payment. The election under  
12 this subsection must be made before the eligible person  
13 receives a retirement annuity.

14       (c) If a person who has received an accelerated pension  
15 benefit payment returns to active service under this Article,  
16 then:

17           (1) the calculation of any future automatic annual  
18 increase in retirement annuity shall be calculated in  
19 accordance with the formula provided in subsection (d-5) of  
20 Section 15-136; and

21           (2) the accelerated pension benefit payment may not be  
22 repaid to the System.

23       (d) As a condition of receiving an accelerated pension  
24 benefit payment, an eligible person must have another  
25 retirement plan or account qualified under the Internal Revenue  
26 Code of 1986, as amended, for the accelerated pension benefit



1 payment to be rolled into. The accelerated pension benefit  
2 payment under this Section may be subject to withholding or  
3 payment of applicable taxes, but to the extent permitted by  
4 federal law, a person who receives an accelerated pension  
5 benefit payment under this Section must direct the System to  
6 pay all of that payment as a rollover into another retirement  
7 plan or account qualified under the Internal Revenue Code of  
8 1986, as amended.

9 (e) The Board shall adopt any rules necessary to implement  
10 this Section.

11 (f) No provision of this Section shall be interpreted in a  
12 way that would cause the applicable System to cease to be a  
13 qualified plan under the Internal Revenue Code of 1986.

14 (40 ILCS 5/15-198)

15 Sec. 15-198. Application and expiration of new benefit  
16 increases.

17 (a) As used in this Section, "new benefit increase" means  
18 an increase in the amount of any benefit provided under this  
19 Article, or an expansion of the conditions of eligibility for  
20 any benefit under this Article, that results from an amendment  
21 to this Code that takes effect after the effective date of this  
22 amendatory Act of the 94th General Assembly. "New benefit  
23 increase", however, does not include any benefit increase  
24 resulting from the changes made to Article 1 or this Article by  
25 Public Act 100-23 or this amendatory Act of the 100th General

1 ~~Assembly this amendatory Act of the 100th General Assembly.~~

2 (b) Notwithstanding any other provision of this Code or any  
3 subsequent amendment to this Code, every new benefit increase  
4 is subject to this Section and shall be deemed to be granted  
5 only in conformance with and contingent upon compliance with  
6 the provisions of this Section.

7 (c) The Public Act enacting a new benefit increase must  
8 identify and provide for payment to the System of additional  
9 funding at least sufficient to fund the resulting annual  
10 increase in cost to the System as it accrues.

11 Every new benefit increase is contingent upon the General  
12 Assembly providing the additional funding required under this  
13 subsection. The Commission on Government Forecasting and  
14 Accountability shall analyze whether adequate additional  
15 funding has been provided for the new benefit increase and  
16 shall report its analysis to the Public Pension Division of the  
17 Department of Insurance. A new benefit increase created by a  
18 Public Act that does not include the additional funding  
19 required under this subsection is null and void. If the Public  
20 Pension Division determines that the additional funding  
21 provided for a new benefit increase under this subsection is or  
22 has become inadequate, it may so certify to the Governor and  
23 the State Comptroller and, in the absence of corrective action  
24 by the General Assembly, the new benefit increase shall expire  
25 at the end of the fiscal year in which the certification is  
26 made.

1 (d) Every new benefit increase shall expire 5 years after  
2 its effective date or on such earlier date as may be specified  
3 in the language enacting the new benefit increase or provided  
4 under subsection (c). This does not prevent the General  
5 Assembly from extending or re-creating a new benefit increase  
6 by law.

7 (e) Except as otherwise provided in the language creating  
8 the new benefit increase, a new benefit increase that expires  
9 under this Section continues to apply to persons who applied  
10 and qualified for the affected benefit while the new benefit  
11 increase was in effect and to the affected beneficiaries and  
12 alternate payees of such persons, but does not apply to any  
13 other person, including without limitation a person who  
14 continues in service after the expiration date and did not  
15 apply and qualify for the affected benefit while the new  
16 benefit increase was in effect.

17 (Source: P.A. 100-23, eff. 7-6-17.)

18 (40 ILCS 5/16-106.41 new)

19 Sec. 16-106.41. Tier 1 member. "Tier 1 member": A member  
20 under this Article who first became a member or participant  
21 before January 1, 2011 under any reciprocal retirement system  
22 or pension fund established under this Code other than a  
23 retirement system or pension fund established under Article 2,  
24 3, 4, 5, 6, or 18 of this Code.

1 (40 ILCS 5/16-190.5 new)

2 Sec. 16-190.5. Accelerated pension benefit payment.

3 (a) As used in this Section:

4 "Accelerated pension benefit payment" means a lump sum  
5 payment equal to 70% of the difference of the present value of  
6 the automatic annual increases to a Tier 1 member's retirement  
7 annuity using the formula applicable to the Tier 1 member and  
8 the present value of the automatic annual increases to the Tier  
9 1 member's retirement annuity using the formula provided under  
10 subsection (e) of Section 1-160.

11 "Eligible person" means a person who:

12 (1) is a Tier 1 member;

13 (2) has submitted an application for a retirement  
14 annuity under this Article;

15 (3) meets the age and service requirements for  
16 receiving a retirement annuity under this Article;

17 (4) has not received any retirement annuity under this  
18 Article; and

19 (5) does not have a QILDRO in effect against him or her  
20 under this Article.

21 (b) As soon as practical on or after the effective date of  
22 this amendatory Act of the 100th General Assembly, the System  
23 shall implement an accelerated pension benefit payment option  
24 for eligible persons. The System shall calculate, using  
25 actuarial tables and other assumptions adopted by the Board, an  
26 accelerated pension benefit payment amount for each eligible

1 person and shall offer that eligible person the opportunity to  
2 irrevocably elect to have his or her automatic annual increases  
3 in retirement annuity calculated in accordance with the formula  
4 provided under subsection (e) of Section 1-160 in exchange for  
5 the accelerated pension benefit payment. The election under  
6 this subsection must be made before the eligible person  
7 receives a retirement annuity.

8 (c) If a person who has received an accelerated pension  
9 benefit payment returns to active service under this Article,  
10 then:

11 (1) the calculation of any future automatic annual  
12 increase in retirement annuity shall be calculated in  
13 accordance with the formula provided under subsection (e)  
14 of Section 1-160; and

15 (2) the accelerated pension benefit payment may not be  
16 repaid to the System.

17 (d) As a condition of receiving an accelerated pension  
18 benefit payment, an eligible person must have another  
19 retirement plan or account qualified under the Internal Revenue  
20 Code of 1986, as amended, for the accelerated pension benefit  
21 payment to be rolled into. The accelerated pension benefit  
22 payment under this Section may be subject to withholding or  
23 payment of applicable taxes, but to the extent permitted by  
24 federal law, a person who receives an accelerated pension  
25 benefit payment under this Section must direct the System to  
26 pay all of that payment as a rollover into another retirement

1 plan or account qualified under the Internal Revenue Code of  
2 1986, as amended.

3 (e) The Board shall adopt any rules necessary to implement  
4 this Section.

5 (f) No provision of this Section shall be interpreted in a  
6 way that would cause the applicable System to cease to be a  
7 qualified plan under the Internal Revenue Code of 1986.

8 (40 ILCS 5/16-203)

9 Sec. 16-203. Application and expiration of new benefit  
10 increases.

11 (a) As used in this Section, "new benefit increase" means  
12 an increase in the amount of any benefit provided under this  
13 Article, or an expansion of the conditions of eligibility for  
14 any benefit under this Article, that results from an amendment  
15 to this Code that takes effect after June 1, 2005 (the  
16 effective date of Public Act 94-4). "New benefit increase",  
17 however, does not include any benefit increase resulting from  
18 the changes made to Article 1 or this Article by Public Act  
19 95-910, Public Act 100-23, or this amendatory Act of the 100th  
20 General Assembly ~~or this amendatory Act of the 100th General~~  
21 ~~Assembly.~~

22 (b) Notwithstanding any other provision of this Code or any  
23 subsequent amendment to this Code, every new benefit increase  
24 is subject to this Section and shall be deemed to be granted  
25 only in conformance with and contingent upon compliance with

1 the provisions of this Section.

2 (c) The Public Act enacting a new benefit increase must  
3 identify and provide for payment to the System of additional  
4 funding at least sufficient to fund the resulting annual  
5 increase in cost to the System as it accrues.

6 Every new benefit increase is contingent upon the General  
7 Assembly providing the additional funding required under this  
8 subsection. The Commission on Government Forecasting and  
9 Accountability shall analyze whether adequate additional  
10 funding has been provided for the new benefit increase and  
11 shall report its analysis to the Public Pension Division of the  
12 Department of Insurance. A new benefit increase created by a  
13 Public Act that does not include the additional funding  
14 required under this subsection is null and void. If the Public  
15 Pension Division determines that the additional funding  
16 provided for a new benefit increase under this subsection is or  
17 has become inadequate, it may so certify to the Governor and  
18 the State Comptroller and, in the absence of corrective action  
19 by the General Assembly, the new benefit increase shall expire  
20 at the end of the fiscal year in which the certification is  
21 made.

22 (d) Every new benefit increase shall expire 5 years after  
23 its effective date or on such earlier date as may be specified  
24 in the language enacting the new benefit increase or provided  
25 under subsection (c). This does not prevent the General  
26 Assembly from extending or re-creating a new benefit increase

1 by law.

2 (e) Except as otherwise provided in the language creating  
3 the new benefit increase, a new benefit increase that expires  
4 under this Section continues to apply to persons who applied  
5 and qualified for the affected benefit while the new benefit  
6 increase was in effect and to the affected beneficiaries and  
7 alternate payees of such persons, but does not apply to any  
8 other person, including without limitation a person who  
9 continues in service after the expiration date and did not  
10 apply and qualify for the affected benefit while the new  
11 benefit increase was in effect.

12 (Source: P.A. 100-23, eff. 7-6-17.)

13 (40 ILCS 5/14-103.40 rep.)

14 (40 ILCS 5/16-106.4 rep.)

15 Section 10. The Illinois Pension Code is amended by  
16 repealing Sections 14-103.40 and 16-106.4.

17 Section 99. Effective date. This Act takes effect upon  
18 becoming law.



1 INDEX

2 Statutes amended in order of appearance

3 40 ILCS 5/14-103.41 new

4 40 ILCS 5/14-147.5 new

5 40 ILCS 5/14-152.1

6 40 ILCS 5/15-185.5 new

7 40 ILCS 5/15-198

8 40 ILCS 5/16-106.41 new

9 40 ILCS 5/16-190.5 new

10 40 ILCS 5/16-203

11 40 ILCS 5/14-103.40 rep.

12 40 ILCS 5/16-106.4 rep.