



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

HB4712

Introduced 2/18/2020, by Rep. Joe Sosnowski

#### 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 a definition added by Public Act 98-599, which has been held unconstitutional. Effective immediately.

LRB101 17012 RPS 66412 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, 14-103.43, 14-155.5, 15-200.5,  
6 16-106.42, 16-205.5, 18-110.1, 18-110.2, and 18-121.5 as  
7 follows:

8 (40 ILCS 5/2-105.3 new)

9 Sec. 2-105.3. Tier 1 participant; Tier 2 participant. "Tier  
10 1 participant": A participant who first became a participant  
11 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 101st 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 5/14-103.43 new)

11       Sec. 14-103.43. Tier 2 member. "Tier 2 member": A member of  
12 this System who first becomes a member under this Article on or  
13 after January 1, 2011 and who is not a Tier 1 member.

14       (40 ILCS 5/14-155.5 new)

15       Sec. 14-155.5. Defined contribution plan.

16       (a) Authority. No later than one year after the effective  
17 date of this amendatory Act of the 101st 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  
23 Revenue Code of 1986, as amended. The plan shall exist and  
24 serve in addition to other retirement, pension, and benefit

1 plans established under this Code. All assets and income of the  
2 plan shall be held in trust for the exclusive benefit of  
3 participants and their beneficiaries.

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

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

25 (d) Distributions. The plan shall provide a variety of  
26 options for distributions to participants and their

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

8 (40 ILCS 5/15-200.5 new)

9 Sec. 15-200.5. Defined contribution plan.

10 (a) Authority. No later than one year after the effective  
11 date of this amendatory Act of the 101st General Assembly, the  
12 Board shall establish and maintain a defined contribution plan  
13 to address the retirement preparedness gap for participants in  
14 a defined benefit plan who are not on track to maintain their  
15 standard of living in retirement. The plan shall be designed as  
16 a qualified tax-deferred savings plan under the Internal  
17 Revenue Code of 1986, as amended. The plan shall exist and  
18 serve in addition to other retirement, pension, and benefit  
19 plans established under this Code. All assets and income of the  
20 plan shall be held in trust for the exclusive benefit of  
21 participants and their beneficiaries.

22 (b) Enrollment. Tier 1 participants and Tier 2 participants  
23 who first became participants before the defined contribution  
24 plan was established shall have the opportunity to voluntarily  
25 elect to enroll in the plan. Each Tier 2 participant who

1 becomes a participant on or after the establishment of the  
2 defined contribution plan shall be automatically enrolled in  
3 the plan at a contribution rate that is established by the  
4 Board, unless he or she opts out within 60 days after the date  
5 that he or she becomes a participant.

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

18 (d) Distributions. The plan shall provide a variety of  
19 options for distributions to participants and their  
20 beneficiaries and shall meet the relevant requirements of the  
21 Internal Revenue Code of 1986, as amended. The manner and  
22 timing of benefit distributions shall meet the distribution  
23 requirements of Section 401(a)(9) of the Internal Revenue Code  
24 of 1986, as amended. Distributions upon the death of the  
25 participant shall meet the requirements of Section 401(a)(37)  
26 of the Internal Revenue Code of 1986, as amended.

1 (40 ILCS 5/16-106.42 new)

2 Sec. 16-106.42. Tier 2 member. "Tier 2 member": A member of  
3 the System who first becomes a member under this Article on or  
4 after January 1, 2011 and who is not a Tier 1 member.

5 (40 ILCS 5/16-205.5 new)

6 Sec. 16-205.5. Defined contribution plan.

7 (a) Authority. No later than one year after the effective  
8 date of this amendatory Act of the 101st General Assembly, the  
9 Board shall establish and maintain a defined contribution plan  
10 to address the retirement preparedness gap for participants in  
11 a defined benefit plan who are not on track to maintain their  
12 standard of living in retirement. The plan shall be designed as  
13 a qualified tax-deferred savings plan under the Internal  
14 Revenue Code of 1986, as amended. The plan shall exist and  
15 serve in addition to other retirement, pension, and benefit  
16 plans established under this Code. All assets and income of the  
17 plan shall be held in trust for the exclusive benefit of  
18 participants and their beneficiaries.

19 (b) Enrollment. Tier 1 members and Tier 2 members who first  
20 became participants before the defined contribution plan was  
21 established shall have the opportunity to voluntarily elect to  
22 enroll in the plan. Each Tier 2 member who becomes a  
23 participant on or after the establishment of the defined  
24 contribution plan shall be automatically enrolled in the plan



1 at a contribution rate that is established by the Board, unless  
2 he or she opts out within 60 days after the date that he or she  
3 becomes a participant.

4 (c) Investments. The plan shall be designed to enable  
5 participants to generate a stream of income to replace their  
6 pre-retirement income in retirement. The Board shall establish  
7 a default investment option in which employees are  
8 automatically invested upon initial enrollment in the plan or  
9 upon subsequent re-enrollment and absent direction by the  
10 participant to the contrary. Such investment in a default  
11 investment option shall be deemed to have been made by  
12 participant direction so long as the Board has provided  
13 reasonable notice and description of the default investment  
14 option and the participant's right to select other investment  
15 options.

16 (d) Distributions. The plan shall provide a variety of  
17 options for distributions to participants and their  
18 beneficiaries and shall meet the relevant requirements of the  
19 Internal Revenue Code of 1986, as amended. The manner and  
20 timing of benefit distributions shall meet the distribution  
21 requirements of Section 401(a)(9) of the Internal Revenue Code  
22 of 1986, as amended. Distributions upon the death of the  
23 participant shall meet the requirements of Section 401(a)(37)  
24 of the Internal Revenue Code of 1986, as amended.

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

4           (40 ILCS 5/18-110.2 new)

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

8           (40 ILCS 5/18-121.5 new)

9       Sec. 18-121.5. Defined contribution plan.

10       (a) Authority. No later than one year after the effective  
11       date of this amendatory Act of the 101st General Assembly, the  
12       Board shall establish and maintain a defined contribution plan  
13       to address the retirement preparedness gap for participants in  
14       a defined benefit plan who are not on track to maintain their  
15       standard of living in retirement. The plan shall be designed as  
16       a qualified tax-deferred savings plan under the Internal  
17       Revenue Code of 1986, as amended. The plan shall exist and  
18       serve in addition to other retirement, pension, and benefit  
19       plans established under this Code. All assets and income of the  
20       plan shall be held in trust for the exclusive benefit of  
21       participants and their beneficiaries.

22       (b) Enrollment. Tier 1 participants and Tier 2 participants  
23       who first became participants before the defined contribution  
24       plan was established shall have the opportunity to voluntarily

1 elect to enroll in the plan. Each Tier 2 participant who  
2 becomes a participant on or after the establishment of the  
3 defined contribution plan shall be automatically enrolled in  
4 the plan at a contribution rate that is established by the  
5 Board, unless he or she opts out within 60 days after the date  
6 that he or she becomes a participant.

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

19 (d) Distributions. The plan shall provide a variety of  
20 options for distributions to participants and their  
21 beneficiaries and shall meet the relevant requirements of the  
22 Internal Revenue Code of 1986, as amended. The manner and  
23 timing of benefit distributions shall meet the distribution  
24 requirements of Section 401(a)(9) of the Internal Revenue Code  
25 of 1986, as amended. Distributions upon the death of the  
26 participant shall meet the requirements of Section 401(a)(37)

1 of the Internal Revenue Code of 1986, as amended.

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

3 Section 10. The Illinois Pension Code is amended by  
4 repealing Section 2-105.1.

5 Section 99. Effective date. This Act takes effect upon  
6 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 5/14-103.43 new

6 40 ILCS 5/14-155.5 new

7 40 ILCS 5/15-200.5 new

8 40 ILCS 5/16-106.42 new

9 40 ILCS 5/16-205.5 new

10 40 ILCS 5/18-110.1 new

11 40 ILCS 5/18-110.2 new

12 40 ILCS 5/18-121.5 new

13 40 ILCS 5/2-105.1 rep.