



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB2977

Introduced 2/19/2021, 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 a definition added by Public Act 98-599, which has been held unconstitutional. Effective immediately.

LRB102 14892 RPS 20245 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.

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 102nd 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
22 as 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
4 the 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
7 participants who first became participants before the defined
8 contribution plan was established shall have the opportunity
9 to voluntarily elect to enroll in the plan. Each Tier 2
10 participant who becomes a participant on or after the
11 establishment of the defined contribution plan shall be
12 automatically enrolled in the plan at a contribution rate that
13 is established by the Board, unless he or she opts out within
14 60 days after the date 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
12 of this System who first becomes a member under this Article on
13 or 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 102nd 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
22 as 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
2 the 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
5 first became participants before the defined contribution plan
6 was established shall have the opportunity to voluntarily
7 elect to 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,
11 unless he or she opts out within 60 days after the date that he
12 or she 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 102nd 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
16 as 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
20 the 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
23 participants who first became participants before the defined
24 contribution plan was established shall have the opportunity
25 to voluntarily elect to enroll in the plan. Each Tier 2

1 participant who becomes a participant on or after the
2 establishment of the defined contribution plan shall be
3 automatically enrolled in the plan at a contribution rate that
4 is established by the Board, unless he or she opts out within
5 60 days after the date 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
3 of the System who first becomes a member under this Article on
4 or 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 102nd 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
13 as 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
17 the 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
20 first became participants before the defined contribution plan
21 was established shall have the opportunity to voluntarily
22 elect to 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,
2 unless he or she opts out within 60 days after the date that he
3 or she 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":
2 A 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":
6 A participant who first becomes a participant of this System
7 on 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 102nd 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
16 as 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
20 the 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
23 participants who first became participants before the defined
24 contribution plan was established shall have the opportunity

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