



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB2978

Introduced 2/19/2021, by Rep. Thomas Morrison

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-105.3 new
40 ILCS 5/2-167 new
40 ILCS 5/2-105.1 rep.

Amends the General Assembly Article of the Illinois Pension Code. Requires the General Assembly Retirement System to establish a self-directed retirement plan. Provides that for persons who become participants on or after the effective date of the amendatory Act, participation in the System shall be limited to participation in the self-directed retirement plan. Allows a Tier 1 or Tier 2 participant to make an irrevocable election to participate in the self-directed retirement plan instead of the defined benefit plan. Makes changes to the pensionable salary for active participants. Provides that upon a participant's first day of participation in the self-directed retirement plan, the participant becomes vested in his or her contributions to the self-directed retirement plan, the employer's contributions to the self-directed retirement plan, and the investment returns attributable to those contributions credited to his or her account. Makes other changes.

LRB102 14896 RPS 20249 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 and 2-167 as follows:

6 (40 ILCS 5/2-105.3 new)

7 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier
8 3 participant. "Tier 1 participant": A participant who first
9 became a participant before January 1, 2011.

10 In the case of a Tier 1 participant who elects to
11 participate in the self-directed retirement plan under Section
12 2-167, that participant shall be deemed a Tier 1 participant
13 only with respect to service performed or established before
14 the effective date of that election.

15 "Tier 2 participant": A participant who first became a
16 participant on or after January 1, 2011 and before the
17 effective date of this amendatory Act of the 102nd General
18 Assembly.

19 In the case of a Tier 2 participant who elects to
20 participate in the self-directed retirement plan under Section
21 2-167, that participant shall be deemed a Tier 2 participant
22 only with respect to service performed or established before
23 the effective date of that election.

1 "Tier 3 participant": A participant who first becomes a
2 participant on or after the effective date of this amendatory
3 Act of the 102nd General Assembly; or a Tier 1 or Tier 2
4 participant who elects to participate in the self-directed
5 retirement under Section 2-167 of this Code, but only with
6 respect to service performed or established on or after the
7 effective date of that election.

8 (40 ILCS 5/2-167 new)

9 Sec. 2-167. Self-directed retirement plan.

10 (a) For the purposes of this Section:

11 "Active participant" means a participant who is in active
12 service in the System.

13 "Consumer price index-u" means the index published by the
14 Bureau of Labor Statistics of the United States Department of
15 Labor that measures the average change in prices of goods and
16 services purchased by all urban consumers, United States city
17 average, all items, 1982-84 = 100.

18 "Defined benefit plan" means the retirement plan available
19 under this Article to Tier 1 or Tier 2 participants who have
20 not made the election authorized under this Section.

21 "Employer" means the State.

22 "Pensionable salary" means the amount of salary used by
23 the System to calculate the amount of an individual's
24 retirement annuity.

25 (b) On and after the effective date of this amendatory Act

1 of the 102nd General Assembly, a Tier 3 participant's
2 participation in the System shall be limited to participation
3 in the self-directed retirement plan established under
4 subsection (d) of this Section.

5 An active Tier 1 or Tier 2 participant of this System may
6 elect to cease accruing benefits in the defined benefit plan
7 and begin accruing benefits for future service in the
8 self-directed retirement plan established under subsection
9 (d). The election to participate in the self-directed
10 retirement plan is voluntary and irrevocable.

11 For an active Tier 1 or Tier 2 participant who elects to
12 participate in the self-directed retirement plan, all service
13 credit under the System (including service under any
14 participating system if the participant elects to use the
15 reciprocal provisions of Article 20) shall be considered for
16 purposes of vesting in the benefits provided prior to the
17 effective date of this Section, but only service earned and
18 contributions made before that effective date shall be
19 considered in determining the amount of those benefits. In
20 lieu of receiving any such benefits, an active Tier 1 or Tier 2
21 participant who elects to participate in the self-directed
22 retirement plan may elect to have an account balance
23 established in his or her self-directed retirement plan
24 account in an amount equal to the amount of the contribution
25 refund that the participant would be eligible to receive if he
26 or she withdrew from service on the effective date of this

1 Section and elected a refund of contributions, except that
2 this hypothetical refund shall include interest at the
3 effective rate for the respective years. The System shall make
4 these transfers of assets to the self-directed plan as
5 tax-free transfers in accordance with Internal Revenue Service
6 guidelines.

7 (c) The pensionable salary of an active participant shall
8 be equal to the average final monthly salary of the
9 participant. For a participant who first becomes a participant
10 of this System on or after the effective date of this
11 amendatory Act of the 102nd General Assembly, the average
12 final monthly salary determined by dividing the total salary
13 of the participant during the 96 consecutive months of service
14 within the last 120 months of service in which the total
15 compensation was the highest by the number of months of
16 service in that period; however, the highest salary for
17 annuity purposes may not exceed \$106,800, except that that
18 amount shall annually thereafter be increased by the lesser of
19 (i) 3% of that amount, including all previous adjustments, or
20 (ii) the annual unadjusted percentage increase (but not less
21 than zero) in the consumer price index-u for the 12 months
22 ending with the September preceding each November 1. The new
23 amount resulting from each annual adjustment shall be
24 determined by the Public Pension Division of the Department of
25 Insurance and made available to the Board by November 1 of each
26 year.

1 (d) As soon as practicable after the effective date of
2 this amendatory Act of the 102nd General Assembly, the System
3 shall establish a self-directed retirement plan that allows
4 Tier 3 participants the opportunity to accumulate assets for
5 retirement through a combination of employee and employer
6 contributions that may be invested in mutual funds, collective
7 investment funds, or other investment products and used to
8 purchase annuity contracts, either fixed or variable or a
9 combination thereof. The plan must be qualified under the
10 Internal Revenue Code of 1986.

11 At any time after withdrawal from service, a participant
12 in the self-directed plan shall be entitled to a benefit that
13 is based on the account values attributable to his or her
14 participant contributions and the employer contributions, as
15 well as any investment returns attributable to those
16 contributions. Upon a participant's first day of participation
17 in the self-directed retirement plan, the participant becomes
18 vested in his or her contributions to the self-directed
19 retirement plan, the employer's contributions to the
20 self-directed retirement plan, and the investment returns
21 attributable to those contributions credited to his or her
22 account.

23 (e) All persons who begin to participate in this System on
24 or after the effective date of this amendatory Act of the 102nd
25 General Assembly and any active Tier 1 or Tier 2 participant
26 who makes the election provided in subsection (b) shall

1 participate in the self-directed retirement plan established
2 under subsection (d) and, in lieu of the contributions
3 otherwise provided for in this Article, shall contribute 8% of
4 salary to the plan. The employer of each of those participants
5 shall contribute 7% of salary to that plan on behalf of the
6 participant.

7 (f) The provisions of this amendatory Act of the 102nd
8 General Assembly apply notwithstanding any other law. If there
9 is a conflict between the provisions of this amendatory Act of
10 the 102nd General Assembly and any other law, the provisions
11 of this Section shall control.

12 (40 ILCS 5/2-105.1 rep.)

13 Section 10. The Illinois Pension Code is amended by
14 repealing Section 2-105.1.