

# SB3956



## 102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB3956

Introduced 1/21/2022, by Sen. Jason A. Barickman

### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-161

Amends the General Provisions Article of the Illinois Pension Code. Provides that the State Employees' Retirement System of Illinois, the State Universities Retirement System, and the Teachers' Retirement System of the State of Illinois shall establish an implementation date of no later than July 1, 2023 for specified benefits for Tier 2 members who elect to receive those benefits and persons who first become members on or after the implementation date and meet other criteria.

LRB102 24250 RPS 33481 b

A BILL FOR

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  
5 changing Section 1-161 as follows:

6 (40 ILCS 5/1-161)

7 Sec. 1-161. Optional benefits for certain Tier 2 members  
8 under Articles 14, 15, and 16.

9 (a) Notwithstanding any other provision of this Code to  
10 the contrary, the provisions of this Section apply to a person  
11 who first becomes a member or a participant under Article 14,  
12 15, or 16 on or after the implementation date under this  
13 Section for the applicable Article and who does not make the  
14 election under subsection (b) or (c), whichever applies. The  
15 provisions of this Section also apply to a person who makes the  
16 election under subsection (c-5). However, the provisions of  
17 this Section do not apply to any participant in a self-managed  
18 plan, nor to a covered employee under Article 14.

19 As used in this Section and Section 1-160, the  
20 "implementation date" under this Section means the earliest  
21 date upon which the board of a retirement system authorizes  
22 members of that system to begin participating in accordance  
23 with this Section, as determined by the board of that

1 retirement system. Each of the retirement systems subject to  
2 this Section shall endeavor to make such participation  
3 available as soon as possible after the effective date of this  
4 Section and shall establish an implementation date by board  
5 resolution, but all retirement systems subject to this Section  
6 shall establish an implementation date that is no later than  
7 July 1, 2023.

8 (b) In lieu of the benefits provided under this Section, a  
9 member or participant, except for a participant under Article  
10 15, may irrevocably elect the benefits under Section 1-160 and  
11 the benefits otherwise applicable to that member or  
12 participant. The election must be made within 30 days after  
13 becoming a member or participant. Each retirement system shall  
14 establish procedures for making this election.

15 (c) A participant under Article 15 may irrevocably elect  
16 the benefits otherwise provided to a Tier 2 member under  
17 Article 15. The election must be made within 30 days after  
18 becoming a member. The retirement system under Article 15  
19 shall establish procedures for making this election.

20 (c-5) A non-covered participant under Article 14 to whom  
21 Section 1-160 applies, a Tier 2 member under Article 15, or a  
22 participant under Article 16 to whom Section 1-160 applies may  
23 irrevocably elect to receive the benefits under this Section  
24 in lieu of the benefits under Section 1-160 or the benefits  
25 otherwise available to a Tier 2 member under Article 15,  
26 whichever is applicable. Each retirement System shall

1 establish procedures for making this election.

2 (d) "Final average salary" means the average monthly (or  
3 annual) salary obtained by dividing the total salary or  
4 earnings calculated under the Article applicable to the member  
5 or participant during the last 120 months (or 10 years) of  
6 service in which the total salary or earnings calculated under  
7 the applicable Article was the highest by the number of months  
8 (or years) of service in that period. For the purposes of a  
9 person to whom this Section applies, in this Code, "final  
10 average salary" shall be substituted for "final average  
11 compensation" in Article 14.

12 (e) Beginning on the implementation date, for all purposes  
13 under this Code (including without limitation the calculation  
14 of benefits and employee contributions), the annual earnings,  
15 salary, compensation, or wages (based on the plan year) of a  
16 member or participant to whom this Section applies shall not  
17 at any time exceed the federal Social Security Wage Base then  
18 in effect.

19 (f) A member or participant is entitled to a retirement  
20 annuity upon written application if he or she has attained the  
21 normal retirement age determined by the Social Security  
22 Administration for that member or participant's year of birth,  
23 but no earlier than 67 years of age, and has at least 10 years  
24 of service credit and is otherwise eligible under the  
25 requirements of the applicable Article.

26 (g) The amount of the retirement annuity to which a member

1 or participant is entitled shall be computed by multiplying  
2 1.25% for each year of service credit by his or her final  
3 average salary.

4 (h) Any retirement annuity or supplemental annuity shall  
5 be subject to annual increases on the first anniversary of the  
6 annuity start date. Each annual increase shall be one-half the  
7 annual unadjusted percentage increase (but not less than zero)  
8 in the consumer price index-w for the 12 months ending with the  
9 September preceding each November 1 of the originally granted  
10 retirement annuity. If the annual unadjusted percentage change  
11 in the consumer price index-w for the 12 months ending with the  
12 September preceding each November 1 is zero or there is a  
13 decrease, then the annuity shall not be increased.

14 For the purposes of this Section, "consumer price index-w"  
15 means the index published by the Bureau of Labor Statistics of  
16 the United States Department of Labor that measures the  
17 average change in prices of goods and services purchased by  
18 Urban Wage Earners and Clerical Workers, United States city  
19 average, all items, 1982-84 = 100. The new amount resulting  
20 from each annual adjustment shall be determined by the Public  
21 Pension Division of the Department of Insurance and made  
22 available to the boards of the retirement systems and pension  
23 funds by November 1 of each year.

24 (i) The initial survivor's or widow's annuity of an  
25 otherwise eligible survivor or widow of a retired member or  
26 participant to whom this Section applies shall be in the

1 amount of 66 2/3% of the retired member's or participant's  
2 retirement annuity at the date of death. In the case of the  
3 death of a member or participant who has not retired and to  
4 whom this Section applies, eligibility for a survivor's or  
5 widow's annuity shall be determined by the applicable Article  
6 of this Code. The benefit shall be 66 2/3% of the earned  
7 annuity without a reduction due to age. A child's annuity of an  
8 otherwise eligible child shall be in the amount prescribed  
9 under each Article if applicable.

10 (j) In lieu of any other employee contributions, except  
11 for the contribution to the defined contribution plan under  
12 subsection (k) of this Section, each employee shall contribute  
13 6.2% of his her or salary to the retirement system. However,  
14 the employee contribution under this subsection shall not  
15 exceed the amount of the total normal cost of the benefits for  
16 all members making contributions under this Section (except  
17 for the defined contribution plan under subsection (k) of this  
18 Section), expressed as a percentage of payroll and certified  
19 on or before January 15 of each year by the board of trustees  
20 of the retirement system. If the board of trustees of the  
21 retirement system certifies that the 6.2% employee  
22 contribution rate exceeds the normal cost of the benefits  
23 under this Section (except for the defined contribution plan  
24 under subsection (k) of this Section), then on or before  
25 December 1 of that year, the board of trustees shall certify  
26 the amount of the normal cost of the benefits under this

1 Section (except for the defined contribution plan under  
2 subsection (k) of this Section), expressed as a percentage of  
3 payroll, to the State Actuary and the Commission on Government  
4 Forecasting and Accountability, and the employee contribution  
5 under this subsection shall be reduced to that amount  
6 beginning July 1 of that year. Thereafter, if the normal cost  
7 of the benefits under this Section (except for the defined  
8 contribution plan under subsection (k) of this Section),  
9 expressed as a percentage of payroll and certified on or  
10 before January 1 of each year by the board of trustees of the  
11 retirement system, exceeds 6.2% of salary, then on or before  
12 January 15 of that year, the board of trustees shall certify  
13 the normal cost to the State Actuary and the Commission on  
14 Government Forecasting and Accountability, and the employee  
15 contributions shall revert back to 6.2% of salary beginning  
16 January 1 of the following year.

17 (k) In accordance with each retirement system's  
18 implementation date, each retirement system under Article 14,  
19 15, or 16 shall prepare and implement a defined contribution  
20 plan for members or participants who are subject to this  
21 Section. The defined contribution plan developed under this  
22 subsection shall be a plan that aggregates employer and  
23 employee contributions in individual participant accounts  
24 which, after meeting any other requirements, are used for  
25 payouts after retirement in accordance with this subsection  
26 and any other applicable laws.

1           (1) Each member or participant shall contribute a  
2           minimum of 4% of his or her salary to the defined  
3           contribution plan.

4           (2) For each participant in the defined contribution  
5           plan who has been employed with the same employer for at  
6           least one year, employer contributions shall be paid into  
7           that participant's accounts at a rate expressed as a  
8           percentage of salary. This rate may be set for individual  
9           employees, but shall be no higher than 6% of salary and  
10          shall be no lower than 2% of salary.

11          (3) Employer contributions shall vest when those  
12          contributions are paid into a member's or participant's  
13          account.

14          (4) The defined contribution plan shall provide a  
15          variety of options for investments. These options shall  
16          include investments handled by the Illinois State Board of  
17          Investment as well as private sector investment options.

18          (5) The defined contribution plan shall provide a  
19          variety of options for payouts to retirees and their  
20          survivors.

21          (6) To the extent authorized under federal law and as  
22          authorized by the retirement system, the defined  
23          contribution plan shall allow former participants in the  
24          plan to transfer or roll over employee and employer  
25          contributions, and the earnings thereon, into other  
26          qualified retirement plans.



1           (7) Each retirement system shall reduce the employee  
2           contributions credited to the member's defined  
3           contribution plan account by an amount determined by that  
4           retirement system to cover the cost of offering the  
5           benefits under this subsection and any applicable  
6           administrative fees.

7           (8) No person shall begin participating in the defined  
8           contribution plan until it has attained qualified plan  
9           status and received all necessary approvals from the U.S.  
10          Internal Revenue Service.

11          (1) In the case of a conflict between the provisions of  
12          this Section and any other provision of this Code, the  
13          provisions of this Section shall control.

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