



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB1916

Introduced 2/25/2005, by Sen. Chris Lauzen

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-101	from Ch. 108 1/2, par. 2-101
40 ILCS 5/2-101.5 new	
40 ILCS 5/2-105	from Ch. 108 1/2, par. 2-105
40 ILCS 5/2-117	from Ch. 108 1/2, par. 2-117
40 ILCS 5/2-117.4 new	
40 ILCS 5/14-102.5 new	
40 ILCS 5/14-103.05	from Ch. 108 1/2, par. 14-103.05
40 ILCS 5/14-103.40 new	
40 ILCS 5/14-103.41 new	
40 ILCS 5/14-105.8 new	
40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
40 ILCS 5/14-133.2 new	
40 ILCS 5/15-101.5 new	
40 ILCS 5/16-102.5 new	
40 ILCS 5/18-101	from Ch. 108 1/2, par. 18-101
40 ILCS 5/18-102	from Ch. 108 1/2, par. 18-102
40 ILCS 5/18-102.5 new	
40 ILCS 5/18-112.7 new	
40 ILCS 5/18-120	from Ch. 108 1/2, par. 18-120

Amends the Illinois Pension Code. Directs the Board of the State Employees' Retirement System to establish a self-managed plan. Provides that a person who becomes a participant in that System or a judge, constitutional officer, or member of the General Assembly on or after the effective date of that self-managed plan must participate in the self-managed plan. Allows current judges, constitutional officers, members of the General Assembly, and members of the State Employees' Retirement System who are not yet vested to elect to participate in the self-managed plan. Also provides that any future benefit increase or other change in the GA, Judges, State Employees, State Universities, or Downstate Teacher retirement system applies only during periods when the retirement system is at least 90% funded. Effective immediately.

LRB094 11572 EFG 42576 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

1 AN ACT in relation to 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 2-101, 2-105, 2-117, 14-103.05, 14-133, 18-101,
6 18-102, and 18-120 and by adding Sections 2-101.5, 2-117.4,
7 14-102.5, 14-103.40, 14-103.41, 14-105.8, 14-133.2, 15-101.5,
8 16-102.5, 18-102.5, and 18-112.7 as follows:

9 (40 ILCS 5/2-101) (from Ch. 108 1/2, par. 2-101)

10 Sec. 2-101. Creation of system. A retirement system is
11 created to provide retirement annuities, survivor's annuities
12 and other benefits for certain members of the General Assembly,
13 certain elected state officials, and their beneficiaries.

14 The system shall be known as the "General Assembly
15 Retirement System". All its funds and property shall be a trust
16 separate from all other entities, maintained for the purpose of
17 securing payment of annuities and benefits under this Article.

18 Participation in the retirement system created under this
19 Article is restricted to persons who become participants before
20 the effective date of the self-managed plan established under
21 Section 14-133.2 of this Code. Beginning on that date, the
22 System shall not accept any new participants.

23 (Source: P.A. 83-1440.)

24 (40 ILCS 5/2-101.5 new)

25 Sec. 2-101.5. Limitation on changes in benefits and other
26 terms.

27 (a) The General Assembly finds and declares that pursuant
28 to Article XIII, Section 5 of the Illinois Constitution, the
29 benefits provided by the retirement plan established under this
30 Article for existing participants in the plan cannot and should
31 not be diminished or impaired. It also finds, however, that the

1 retirement plan is seriously underfunded, and that those
2 benefits should not be further enhanced so long as that
3 underfunding continues.

4 (b) Notwithstanding any other provision of law, an
5 amendment to this Article (or to any other provision of law
6 that has the effect of changing the provisions of this Article
7 or the terms of the retirement plan established under this
8 Article) that becomes law after the effective date of this
9 Section is intended to be contingent upon the funding status of
10 the System and shall be operative only during periods when the
11 actuarial funding ratio of the System, as determined by the
12 System's most recent actuarial valuation, is at least 90%.
13 Whenever the System's funding ratio is less than 90%, the
14 provisions of all such amendments shall be temporarily
15 inoperative, and the provisions of this Article and the
16 retirement plan established under this Article that were in
17 effect on the effective date of this Section shall be in effect
18 and shall control all benefit elections and calculations and
19 all other matters under this Article.

20 (40 ILCS 5/2-105) (from Ch. 108 1/2, par. 2-105)

21 Sec. 2-105. Member. "Member": Members of the General
22 Assembly of this State, including persons who enter military
23 service while a member of the General Assembly, and any person
24 serving as Governor, Lieutenant Governor, Secretary of State,
25 Treasurer, Comptroller, or Attorney General for the period of
26 service in such office.

27 Any person who has served for 10 or more years as Clerk or
28 Assistant Clerk of the House of Representatives, Secretary or
29 Assistant Secretary of the Senate, or any combination thereof,
30 may elect to become a member of this system while thenceforth
31 engaged in such service by filing a written election with the
32 board. Any person so electing shall be deemed an active member
33 of the General Assembly for the purpose of validating and
34 transferring any service credits earned under any of the funds
35 and systems established under Articles 3 through 18 of this

1 Code.

2 Notwithstanding any other provision of this Article,
3 however, a person shall not be deemed a member for the purposes
4 of this Article unless he or she became a participant of the
5 System before the effective date of the self-managed plan
6 established under Section 14-133.2 of this Code.

7 (Source: P.A. 85-1008.)

8 (40 ILCS 5/2-117) (from Ch. 108 1/2, par. 2-117)

9 Sec. 2-117. Participants - Election not to participate.

10 (a) Every person who was a member on November 1, 1947, or
11 in military service on such date, is subject to the provisions
12 of this system beginning upon such date, unless prior to such
13 date he or she filed with the board a written notice of
14 election not to participate.

15 Every person who becomes a member after November 1, 1947
16 and before the effective date of the self-managed plan
17 established under Section 14-133.2, and who is then not a
18 participant, becomes a participant beginning upon the date of
19 becoming a member unless, within 24 months from that date, he
20 or she has filed with the board a written notice of election
21 not to participate.

22 (b) A member who has filed notice of an election not to
23 participate (and a former member who has not yet begun to
24 receive a retirement annuity under this Article) may become a
25 participant with respect to the period for which the member
26 elected not to participate upon filing with the board, before
27 April 1, 1993, a written rescission of the election not to
28 participate. Upon contributing an amount equal to the
29 contributions he or she would have made as a participant from
30 November 1, 1947, or the date of becoming a member, whichever
31 is later, to the date of becoming a participant, with interest
32 at the rate of 4% per annum until the contributions are paid,
33 the participant shall receive credit for service as a member
34 prior to the date of the rescission, both before and after
35 November 1, 1947. The required contributions shall be made

1 before commencement of the retirement annuity; otherwise no
2 credit for service prior to the date of participation shall be
3 granted.

4 (Source: P.A. 86-273; 87-1265.)

5 (40 ILCS 5/2-117.4 new)

6 Sec. 2-117.4. Election to participate in self-managed
7 plan.

8 (a) A person who, on the day before the effective date of
9 the self-managed plan established under Section 14-133.2 of
10 this Code, is a participant in this System with less than 4
11 years of creditable service may make a one-time, irrevocable
12 election to terminate participation in this System and instead
13 participate in the self-managed plan established under Section
14 14-133.2. This election must be made in the manner prescribed
15 in Section 14-105.8 of this Code and must be submitted both to
16 this System and the Article 14 retirement system. Participation
17 in this System shall terminate on the effective date of
18 participation in the self-managed plan established under
19 Section 14-133.2.

20 (b) For each person who elects to participate in the
21 self-managed plan established under Section 14-133.2, the
22 System shall transfer to the Article 14 retirement system an
23 amount equal to the amount of contribution refund that the
24 person would be eligible to receive under Section 2-123 if he
25 or she terminated employment on that date and elected to
26 receive a refund of contributions, except that this
27 hypothetical refund shall include interest at the effective
28 rate for the respective years. The transfer shall be
29 accomplished as a tax-free transfer in accordance with Internal
30 Revenue Service guidelines, and shall be used to fund the
31 person's opening account balance under the self-managed plan.

32 (40 ILCS 5/14-102.5 new)

33 Sec. 14-102.5. Limitation on changes in benefits and other
34 terms.

1 (a) The General Assembly finds and declares that pursuant
2 to Article XIII, Section 5 of the Illinois Constitution, the
3 benefits provided by the retirement plan established under this
4 Article for existing participants in the plan cannot and should
5 not be diminished or impaired. It also finds, however, that the
6 retirement plan is seriously underfunded, and that those
7 benefits should not be further enhanced so long as that
8 underfunding continues.

9 (b) Notwithstanding any other provision of law, an
10 amendment to this Article (or to any other provision of law
11 that has the effect of changing the provisions of this Article
12 or the terms of the retirement plan established under this
13 Article) that becomes law after the effective date of this
14 Section is intended to be contingent upon the funding status of
15 the System and shall be operative only during periods when the
16 actuarial funding ratio of the System, as determined by the
17 System's most recent actuarial valuation, is at least 90%.
18 Whenever the System's funding ratio is less than 90%, the
19 provisions of all such amendments shall be temporarily
20 inoperative, and the provisions of this Article and the
21 retirement plan established under this Article that were in
22 effect on the effective date of this Section shall be in effect
23 and shall control all benefit elections and calculations and
24 all other matters under this Article.

25 (40 ILCS 5/14-103.05) (from Ch. 108 1/2, par. 14-103.05)

26 Sec. 14-103.05. Employee.

27 (a) Any person employed by a Department who receives salary
28 for personal services rendered to the Department on a warrant
29 issued pursuant to a payroll voucher certified by a Department
30 and drawn by the State Comptroller upon the State Treasurer,
31 including an elected official described in subparagraph (d) of
32 Section 14-104, shall become an employee for purpose of
33 membership in the Retirement System on the first day of such
34 employment.

35 A person who becomes a judge, constitutional officer, or

1 member of the General Assembly on or after the effective date
2 of the self-managed plan established under Section 14-133.2 and
3 is not eligible to participate in the Judges Retirement System
4 of Illinois or the General Assembly Retirement System shall be
5 deemed an employee for purposes of membership in this System
6 beginning on the first day of such service.

7 A person who elects under Section 2-117.4 or 18-112.7 of
8 this Code to participate in the self-managed plan established
9 under Section 14-133.2 shall be deemed an employee for purposes
10 of membership in this System beginning on the first day of
11 participation in the self-managed plan.

12 A person entering service on or after January 1, 1972 and
13 prior to January 1, 1984 shall become a member as a condition
14 of employment and shall begin making contributions as of the
15 first day of employment.

16 A person entering service on or after January 1, 1984
17 shall, upon completion of 6 months of continuous service which
18 is not interrupted by a break of more than 2 months, become a
19 member as a condition of employment. Contributions shall begin
20 the first of the month after completion of the qualifying
21 period.

22 The qualifying period of 6 months of service is not
23 applicable to: (1) a person who has been granted credit for
24 service in a position covered by the State Universities
25 Retirement System, the Teachers' Retirement System of the State
26 of Illinois, the General Assembly Retirement System, or the
27 Judges Retirement System of Illinois unless that service has
28 been forfeited under the laws of those systems; (2) a person
29 entering service on or after July 1, 1991 in a noncovered
30 position; ~~or~~ (3) a person to whom Section 14-108.2a or
31 14-108.2b applies; or (4) a person who is serving as a judge,
32 constitutional officer, or member of the General Assembly.

33 (b) The term "employee" does not include the following:

34 (1) persons participating in ~~members of the State~~
35 ~~Legislature, and persons electing to become members of the~~
36 ~~General Assembly Retirement System pursuant to Section~~

1 ~~2-105;~~

2 (2) incumbents of offices normally filled by vote of
3 the people, other than judges, constitutional officers,
4 and members of the General Assembly;

5 (3) except as otherwise provided in this Section, any
6 person appointed by the Governor with the advice and
7 consent of the Senate unless that person elects to
8 participate in this system;

9 (3.1) any person serving as a commissioner of an ethics
10 commission created under the State Officials and Employees
11 Ethics Act unless that person elects to participate in this
12 system with respect to that service as a commissioner;

13 (3.2) any person serving as a part-time employee in any
14 of the following positions: Legislative Inspector General,
15 Special Legislative Inspector General, employee of the
16 Office of the Legislative Inspector General, Executive
17 Director of the Legislative Ethics Commission, or staff of
18 the Legislative Ethics Commission, regardless of whether
19 he or she is in active service on or after July 8, 2004
20 (the effective date of Public Act 93-685), unless that
21 person elects to participate in this System with respect to
22 that service; in this item (3.2), a "part-time employee" is
23 a person who is not required to work at least 35 hours per
24 week;

25 (3.3) any person who has made an election under Section
26 1-123 and who is serving either as legal counsel in the
27 Office of the Governor or as Chief Deputy Attorney General;

28 (4) except as provided in Section 14-108.2 or
29 14-108.2c, any person who is covered or eligible to be
30 covered by the Teachers' Retirement System of the State of
31 Illinois, the State Universities Retirement System, or the
32 Judges Retirement System of Illinois;

33 (5) an employee of a municipality or any other
34 political subdivision of the State;

35 (6) any person who becomes an employee after June 30,
36 1979 as a public service employment program participant

1 under the Federal Comprehensive Employment and Training
2 Act and whose wages or fringe benefits are paid in whole or
3 in part by funds provided under such Act;

4 (7) enrollees of the Illinois Young Adult Conservation
5 Corps program, administered by the Department of Natural
6 Resources, authorized grantee pursuant to Title VIII of the
7 "Comprehensive Employment and Training Act of 1973", 29 USC
8 993, as now or hereafter amended;

9 (8) enrollees and temporary staff of programs
10 administered by the Department of Natural Resources under
11 the Youth Conservation Corps Act of 1970;

12 (9) any person who is a member of any professional
13 licensing or disciplinary board created under an Act
14 administered by the Department of Professional Regulation
15 or a successor agency or created or re-created after the
16 effective date of this amendatory Act of 1997, and who
17 receives per diem compensation rather than a salary,
18 notwithstanding that such per diem compensation is paid by
19 warrant issued pursuant to a payroll voucher; such persons
20 have never been included in the membership of this System,
21 and this amendatory Act of 1987 (P.A. 84-1472) is not
22 intended to effect any change in the status of such
23 persons;

24 (10) any person who is a member of the Illinois Health
25 Care Cost Containment Council, and receives per diem
26 compensation rather than a salary, notwithstanding that
27 such per diem compensation is paid by warrant issued
28 pursuant to a payroll voucher; such persons have never been
29 included in the membership of this System, and this
30 amendatory Act of 1987 is not intended to effect any change
31 in the status of such persons;

32 (11) any person who is a member of the Oil and Gas
33 Board created by Section 1.2 of the Illinois Oil and Gas
34 Act, and receives per diem compensation rather than a
35 salary, notwithstanding that such per diem compensation is
36 paid by warrant issued pursuant to a payroll voucher; or

1 (12) a person employed by the State Board of Higher
2 Education in a position with the Illinois Century Network
3 as of June 30, 2004, who remains continuously employed
4 after that date by the Department of Central Management
5 Services in a position with the Illinois Century Network
6 and participates in the Article 15 system with respect to
7 that employment.

8 (Source: P.A. 92-14, eff. 6-28-01; 93-685, eff. 7-8-04; 93-839,
9 eff. 7-30-04; 93-1069, eff. 1-15-05.)

10 (40 ILCS 5/14-103.40 new)

11 Sec. 14-103.40. Traditional Benefit Package. "Traditional
12 benefit package": The defined benefit retirement program
13 maintained by the System, which includes retirement annuities
14 payable directly from the System as provided in Sections
15 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110, 14-112,
16 14-113, 14-114, and 14-115; disability benefits payable under
17 Sections 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and
18 14-126; death benefits payable directly from the System as
19 provided in Sections 14-116, 14-117, and 14-128; widow's
20 annuities and survivor's benefits payable directly from the
21 System as provided in Sections 14-118, 14-119, 14-120, 14-121,
22 14-121.1, and 14-122; and contribution refunds as provided in
23 Section 14-130.

24 (40 ILCS 5/14-103.41 new)

25 Sec. 14-103.41. Self-Managed Plan. "Self-managed plan":
26 The defined contribution retirement program maintained under
27 the System as described in Section 14-133.2. The self-managed
28 plan also includes disability benefits as provided in Sections
29 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and 14-126. The
30 self-managed plan does not include retirement annuities, death
31 benefits, or widow's or survivor's benefits payable directly
32 from the System as provided in Sections 14-107, 14-108,
33 14-108.3, 14-108.4, 14-109, 14-110, 14-112, 14-113, 14-114,
34 14-115, 14-116, 14-117, 14-118, 14-119, 14-120, 14-121,

1 14-121.1, 14-122, and 14-128 or refunds determined under
2 Section 14-130.

3 (40 ILCS 5/14-105.8 new)

4 Sec. 14-105.8. Retirement program elections.

5 (a) Until the effective date of the self-managed plan
6 established under Section 14-133.2, all participating
7 employees are participants under the traditional benefit
8 package.

9 (b) All participating employees who first become members of
10 the System on or after the effective date of the self-managed
11 plan shall be participants under the self-managed plan.

12 (c) A person who, on the day before the effective date of
13 the self-managed plan, is a participating employee in this
14 System with less than 8 years of creditable service may make a
15 one-time, irrevocable election to participate in the
16 self-managed plan. This election must be made in writing, in
17 the manner prescribed by the System, and within 60 days after
18 the effective date of the self-managed plan. If an employee
19 terminates employment after making the election to participate
20 in the self-managed plan, then any subsequent return to
21 participation in the System shall be as a participant in the
22 self-managed plan.

23 An eligible employee who fails to make this election shall,
24 by default, participate in the traditional benefit package.

25 (d) A person who, on the day before the effective date of
26 the self-managed plan, is a participating employee in the
27 Article 2 or Article 18 retirement system with less than 4
28 years of creditable service in that system may make a one-time,
29 irrevocable election to terminate participation in that
30 Article 2 or 18 retirement system and instead participate in
31 the self-managed plan established under Section 14-133.2. This
32 election must be made in writing, in the manner prescribed by
33 this System, and within 60 days after the effective date of the
34 self-managed plan, and must be submitted both to this System
35 and the Article 2 or 18 retirement system. If the person

1 terminates employment after making the election to participate
2 in the self-managed plan, then any subsequent return to
3 participation in this System shall be as a participant in the
4 self-managed plan.

5 (e) An eligible employee shall be provided with written
6 information prepared or prescribed by the System that describes
7 the employee's retirement program choices. Each eligible
8 employee shall be offered an opportunity to receive counseling
9 from the System prior to making his or her election. This
10 counseling may consist of videotaped materials, group
11 presentations, individual consultation with an employee or
12 authorized representative of the System in person or by
13 telephone or other electronic means, or any combination of
14 these methods.

15 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

16 Sec. 14-133. Contributions on behalf of members.

17 (a) Each participating employee shall make contributions
18 to the System, based on the employee's compensation, as
19 follows:

20 (1) Covered employees, except as indicated below, 3.5%
21 for retirement annuity, and 0.5% for a widow or survivors
22 annuity;

23 (2) Noncovered employees, except as indicated below,
24 7% for retirement annuity and 1% for a widow or survivors
25 annuity;

26 (3) Noncovered employees serving in a position in which
27 "eligible creditable service" as defined in Section 14-110
28 may be earned, 1% for a widow or survivors annuity plus the
29 following amount for retirement annuity: 8.5% through
30 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
31 in 2004 and thereafter;

32 (4) Covered employees serving in a position in which
33 "eligible creditable service" as defined in Section 14-110
34 may be earned, 0.5% for a widow or survivors annuity plus
35 the following amount for retirement annuity: 5% through

1 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
2 and thereafter;

3 (5) Each security employee of the Department of
4 Corrections or of the Department of Human Services who is a
5 covered employee, 0.5% for a widow or survivors annuity
6 plus the following amount for retirement annuity: 5%
7 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
8 in 2004 and thereafter;

9 (6) Each security employee of the Department of
10 Corrections or of the Department of Human Services who is
11 not a covered employee, 1% for a widow or survivors annuity
12 plus the following amount for retirement annuity: 8.5%
13 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
14 11.5% in 2004 and thereafter.

15 (a-1) Notwithstanding any provision in subsection (a) to
16 the contrary, in the case of an employee who participates in
17 the self-managed plan under Section 14-133.2, contributions
18 for widow or survivors annuity shall instead be used to finance
19 the benefits available under Section 14-133.2.

20 (b) Contributions shall be in the form of a deduction from
21 compensation and shall be made notwithstanding that the
22 compensation paid in cash to the employee shall be reduced
23 thereby below the minimum prescribed by law or regulation. Each
24 member is deemed to consent and agree to the deductions from
25 compensation provided for in this Article, and shall receipt in
26 full for salary or compensation.

27 (Source: P.A. 92-14, eff. 6-28-01.)

28 (40 ILCS 5/14-133.2 new)

29 Sec. 14-133.2. Self-managed plan.

30 (a) Adoption of Plan. The Board of Trustees of the System
31 shall establish and administer a self-managed plan, which shall
32 offer participating employees the opportunity to accumulate
33 assets for retirement through a combination of employee and
34 employer contributions that may be invested in mutual funds,
35 collective investment funds, or other investment products and

1 used to purchase annuity contracts, either fixed or variable or
2 a combination thereof. The self-managed plan shall be funded by
3 contributions from employees participating in the self-managed
4 plan and State contributions as provided in this Section. The
5 plan must be qualified under the Internal Revenue Code of 1986.
6 The self-managed plan shall take effect on a date specified by
7 the Board, which shall be as soon as may practicable, but in no
8 event before it receives U.S. Internal Revenue Service
9 approval.

10 (b) Administration of Plan. The State Employees'
11 Retirement System of Illinois shall be the plan sponsor for the
12 self-managed plan and shall prepare a plan document and
13 prescribe such rules and procedures as are considered necessary
14 or desirable for the administration of the self-managed plan.
15 Consistent with its fiduciary duty to the participants and
16 beneficiaries of the self-managed plan, the Board of Trustees
17 of the System may delegate aspects of plan administration as it
18 sees fit to companies authorized to do business in this State.

19 (c) Selection of service providers and funding vehicles.
20 The System shall solicit proposals to provide administrative
21 services and funding vehicles for the self-managed plan from
22 insurance and annuity companies and mutual fund companies,
23 banks, trust companies, or other financial institutions
24 authorized to do business in this State. In reviewing the
25 proposals received and approving and contracting with no fewer
26 than 2 and no more than 7 companies, the Board of Trustees of
27 the System shall consider, among other things, the following
28 criteria:

29 (1) the nature and extent of the benefits that would be
30 provided to the participants;

31 (2) the reasonableness of the benefits in relation to
32 the premium charged;

33 (3) the suitability of the benefits to the needs and
34 interests of the participating employees and the State;

35 (4) the ability of the company to provide benefits
36 under the contract and the financial stability of the

1 company; and

2 (5) the efficacy of the contract in the recruitment and
3 retention of employees.

4 The System shall periodically review each approved
5 company. A company may continue to provide administrative
6 services and funding vehicles for the self-managed plan only so
7 long as it continues to be an approved company under contract
8 with the Board.

9 (d) Employee Direction. Employees who are participating in
10 the program must be allowed to direct the transfer of their
11 account balances among the various investment options offered,
12 subject to applicable contractual provisions. The participant
13 shall not be deemed a fiduciary by reason of providing such
14 investment direction. A person who is a fiduciary shall not be
15 liable for any loss resulting from such investment direction
16 and shall not be deemed to have breached any fiduciary duty by
17 acting in accordance with that direction. Neither the System
18 nor the employer guarantees any of the investments in the
19 employee's account balances.

20 (e) Participation. For an employee who is required to
21 participate in the self-managed plan under Section
22 14-105.8(b), participation in the self-managed plan shall
23 begin on the first day of participation in this System. For an
24 employee who elects to participate in the self-managed plan
25 under Section 14-105.8(c), participation in the self-managed
26 plan shall begin on the first day of the first pay period
27 following the later of the date the employee's election is
28 filed with the System or the effective date of the self-managed
29 plan. For an employee who elects to participate in the
30 self-managed plan under Section 14-105.8(d), participation in
31 the self-managed plan shall begin on the later of the first day
32 of the month following the month in which the employee's
33 election is filed with the System or the effective date of the
34 self-managed plan. An employee's participation in the
35 traditional benefit package under this Article terminates on
36 the date that participation in the self-managed plan begins.

1 An employee who participates in the self-managed plan under
2 this Section must continue participation while employed in an
3 eligible position, and may not participate in the traditional
4 benefit package administered by the System under this Article
5 while employed by the State under this Article.

6 Participation in the self-managed plan under this Section
7 shall constitute membership in the State Employees' Retirement
8 System of Illinois.

9 A participant under the self-managed plan shall be entitled
10 to the benefits of Article 20 of this Code.

11 (f) No Duplication of Service Credit. Notwithstanding any
12 other provision of this Article, an employee may not purchase
13 or receive service or service credit applicable to the
14 traditional benefit package under this Article for any period
15 during which the employee was a participant in the self-managed
16 plan established under this Section.

17 (g) Initial Account Balance. If, at the time an employee
18 under this System elects to participate in the self-managed
19 plan, he or she has rights and credits in the System due to
20 previous participation in the traditional benefit package, the
21 System shall establish for the employee an initial account
22 balance in the self-managed plan, equal to the amount of
23 contribution refund that the employee would be eligible to
24 receive under Section 14-130 if the employee terminated
25 employment on that date and elected a refund of contributions,
26 except that this hypothetical refund shall include interest at
27 the effective rate for the respective years. The System shall
28 transfer assets from the defined benefit retirement program to
29 the self-managed plan, as a tax free transfer in accordance
30 with Internal Revenue Service guidelines, for purposes of
31 funding the employee's initial account balance.

32 At the time a person elects to participate in the
33 self-managed plan under Section 2-117.4 or 18-112.7, the System
34 shall establish for the person an initial account balance in
35 the self-managed plan, equal to the amount transferred to this
36 System under whichever of those Sections is applicable.

1 No State contributions shall be transferred to the
2 self-managed plan when the employee's initial account balance
3 is established.

4 (h) Employee Contributions. The contribution rate for
5 employees participating in the self-managed plan under this
6 Section shall be equal to the employee contribution rate
7 applicable to participants of the same class under Section
8 14-133. This required contribution shall be made as an
9 "employer pick-up" under Section 414(h) of the Internal Revenue
10 Code of 1986 or any successor Section thereof. Any employee who
11 participated in the System's traditional benefit package prior
12 to his or her participation in the self-managed plan shall
13 continue to have the employer pick up the contributions
14 required under Section 14-133. However, the amounts picked up
15 after the election of the self-managed plan shall be remitted
16 to and treated as assets of the self-managed plan. In no event
17 shall an employee have an option of receiving these amounts in
18 cash. Employees may make additional contributions to the
19 self-managed plan in accordance with procedures prescribed by
20 the System, to the extent permitted under rules prescribed by
21 the System.

22 (i) Employer Contributions. Employers shall make employer
23 contributions to the System for employees who participate in
24 the self-managed plan in the same manner as for employees who
25 participate in the traditional benefit package. Employer
26 contributions to the self-managed plan shall commence as of the
27 same pay period as the employee's participation. In the case of
28 a person who elects under Section 2-117.4 or 18-112.7 of this
29 Code to participate in the self-managed plan, employer
30 contributions to the plan shall be paid by the State
31 Comptroller out of moneys appropriated and available for that
32 purpose.

33 The program shall provide for employer contributions to be
34 credited to each self-managed plan participant at a rate of
35 7.6% of the participating employee's salary, less the amount
36 used by the System to provide disability benefits for the

1 employee. The amounts so credited shall be paid into the
2 participant's self-managed plan accounts in a manner to be
3 prescribed by the System.

4 The System shall not be obligated to remit the required
5 employer contributions to any of the insurance and annuity
6 companies, mutual fund companies, banks, trust companies,
7 financial institutions, or other sponsors of any of the funding
8 vehicles offered under the self-managed plan until it has
9 received the required employer contributions from the State. In
10 the event of a deficiency in the amount of State contributions,
11 the System shall implement any procedures necessary to obtain
12 the required funding from the General Revenue Fund.

13 An amount of employer contribution, not exceeding 1% of the
14 participating employee's salary, shall be used for the purpose
15 of providing the disability benefits of the System to the
16 employee. Prior to the beginning of each plan year under the
17 self-managed plan, the Board of Trustees shall determine, as a
18 percentage of salary, the amount of employer contributions to
19 be allocated during that plan year for providing disability
20 benefits for employees in the self-managed plan.

21 (j) Vesting; Withdrawal; Return to Service. A participant
22 in the self-managed plan becomes vested in the employer
23 contributions credited to his or her accounts in the
24 self-managed plan on the earliest to occur of the following:
25 (1) completion of 8 years of service credit under this Article;
26 (2) the death of the participating employee while employed by
27 an employer under this Article, if the participant has
28 completed at least 1.5 years of service; or (3) the
29 participant's election to retire and apply the reciprocal
30 provisions of Article 20 of this Code. In the case of a person
31 who elects to participate in the self-managed plan under
32 Section 2-117.4 or 18-112.8, the service credit terminated
33 under those Sections shall be included in the calculation of
34 service credit under this subsection.

35 A participant in the self-managed plan who receives a
36 distribution of his or her vested amounts from the self-managed

1 plan while not yet eligible for retirement under this Article
2 (and Article 20, if applicable) shall forfeit all service
3 credit and accrued rights in the System; if subsequently
4 re-employed, the participant shall be considered a new
5 employee. If a former participant again becomes a participating
6 employee (or becomes employed by a participating system under
7 Article 20 of this Code) and continues as such for at least 2
8 years, all such rights, service credits, and previous status as
9 a participant shall be restored upon repayment of the amount of
10 the distribution, without interest.

11 (k) Benefit amounts. If an employee participating in the
12 self-managed plan who is vested in employer contributions
13 terminates employment, the employee shall be entitled to a
14 benefit that is based on the account values attributable to
15 both employer and employee contributions and any investment
16 return thereon.

17 If an employee participating in the self-managed plan who
18 is not vested in employer contributions terminates employment,
19 the employee shall be entitled to a benefit based solely on the
20 account values attributable to the employee's contributions
21 and any investment return thereon, and the employer
22 contributions and any investment return thereon shall be
23 forfeited. Any employer contributions that are forfeited shall
24 be held in escrow by the company investing those contributions
25 and shall be used as directed by the System for future
26 allocations of employer contributions or for the restoration of
27 amounts previously forfeited by former participants who again
28 become participating employees.

29 (40 ILCS 5/15-101.5 new)

30 Sec. 15-101.5. Limitation on changes in benefits and other
31 terms.

32 (a) The General Assembly finds and declares that pursuant
33 to Article XIII, Section 5 of the Illinois Constitution, the
34 benefits provided by the retirement plan established under this
35 Article for existing participants in the plan cannot and should

1 not be diminished or impaired. It also finds, however, that the
2 retirement plan is seriously underfunded, and that those
3 benefits should not be further enhanced so long as that
4 underfunding continues.

5 (b) Notwithstanding any other provision of law, an
6 amendment to this Article (or to any other provision of law
7 that has the effect of changing the provisions of this Article
8 or the terms of the retirement plan established under this
9 Article) that becomes law after the effective date of this
10 Section is intended to be contingent upon the funding status of
11 the System and shall be operative only during periods when the
12 actuarial funding ratio of the System, as determined by the
13 System's most recent actuarial valuation, is at least 90%.
14 Whenever the System's funding ratio is less than 90%, the
15 provisions of all such amendments shall be temporarily
16 inoperative, and the provisions of this Article and the
17 retirement plan established under this Article that were in
18 effect on the effective date of this Section shall be in effect
19 and shall control all benefit elections and calculations and
20 all other matters under this Article.

21 (40 ILCS 5/16-102.5 new)

22 Sec. 16-102.5. Limitation on changes in benefits and other
23 terms.

24 (a) The General Assembly finds and declares that pursuant
25 to Article XIII, Section 5 of the Illinois Constitution, the
26 benefits provided by the retirement plan established under this
27 Article for existing participants in the plan cannot and should
28 not be diminished or impaired. It also finds, however, that the
29 retirement plan is seriously underfunded, and that those
30 benefits should not be further enhanced so long as that
31 underfunding continues.

32 (b) Notwithstanding any other provision of law, an
33 amendment to this Article (or to any other provision of law
34 that has the effect of changing the provisions of this Article
35 or the terms of the retirement plan established under this

1 Article) that becomes law after the effective date of this
2 Section is intended to be contingent upon the funding status of
3 the System and shall be operative only during periods when the
4 actuarial funding ratio of the System, as determined by the
5 System's most recent actuarial valuation, is at least 90%.
6 Whenever the System's funding ratio is less than 90%, the
7 provisions of all such amendments shall be temporarily
8 inoperative, and the provisions of this Article and the
9 retirement plan established under this Article that were in
10 effect on the effective date of this Section shall be in effect
11 and shall control all benefit elections and calculations and
12 all other matters under this Article.

13 (40 ILCS 5/18-101) (from Ch. 108 1/2, par. 18-101)

14 Sec. 18-101. Creation of fund.

15 A retirement system is created to be known as the "Judges
16 Retirement System of Illinois". It shall be a trust separate
17 and distinct from all other entities, maintained for the
18 purpose of securing the payment of annuities and benefits as
19 prescribed herein.

20 Participation in the retirement system created under this
21 Article is restricted to persons who become participants before
22 the effective date of the self-managed plan established under
23 Section 14-133.2 of this Code. Beginning on that date, the
24 System shall not accept any new participants.

25 (Source: Laws 1963, p. 161.)

26 (40 ILCS 5/18-102) (from Ch. 108 1/2, par. 18-102)

27 Sec. 18-102. Purpose.

28 The purpose of the system is to establish an efficient
29 method of permitting retirement, without hardship or
30 prejudice, of certain judges who are aged or otherwise
31 incapacitated, by enabling them to accumulate reserves for
32 themselves and their dependents for old age, disability, death,
33 and termination of employment.

34 (Source: Laws 1963, p. 161.)

1 (40 ILCS 5/18-102.5 new)

2 Sec. 18-102.5. Limitation on changes in benefits and other
3 terms.

4 (a) The General Assembly finds and declares that pursuant
5 to Article XIII, Section 5 of the Illinois Constitution, the
6 benefits provided by the retirement plan established under this
7 Article for existing participants in the plan cannot and should
8 not be diminished or impaired. It also finds, however, that the
9 retirement plan is seriously underfunded, and that those
10 benefits should not be further enhanced so long as that
11 underfunding continues.

12 (b) Notwithstanding any other provision of law, an
13 amendment to this Article (or to any other provision of law
14 that has the effect of changing the provisions of this Article
15 or the terms of the retirement plan established under this
16 Article) that becomes law after the effective date of this
17 Section is intended to be contingent upon the funding status of
18 the System and shall be operative only during periods when the
19 actuarial funding ratio of the System, as determined by the
20 System's most recent actuarial valuation, is at least 90%.
21 Whenever the System's funding ratio is less than 90%, the
22 provisions of all such amendments shall be temporarily
23 inoperative, and the provisions of this Article and the
24 retirement plan established under this Article that were in
25 effect on the effective date of this Section shall be in effect
26 and shall control all benefit elections and calculations and
27 all other matters under this Article.

28 (40 ILCS 5/18-112.7 new)

29 Sec. 18-112.7. Election to participate in self-managed
30 plan.

31 (a) A person who, on the day before the effective date of
32 the self-managed plan established under Section 14-133.2 of
33 this Code, is a participant in this System with less than 4
34 years of creditable service may make a one-time, irrevocable

1 election to terminate participation in this System and instead
2 participate in the self-managed plan established under Section
3 14-133.2. This election must be made in the manner prescribed
4 in Section 14-105.8 of this Code and must be submitted both to
5 this System and the Article 14 retirement system. Participation
6 in this System shall terminate on the effective date of
7 participation in the self-managed plan established under
8 Section 14-133.2.

9 (b) For each person who elects to participate in the
10 self-managed plan established under Section 14-133.2, the
11 System shall transfer to the Article 14 retirement system an
12 amount equal to the amount of contribution refund that the
13 person would be eligible to receive under Section 18-129 if he
14 or she terminated employment on that date and elected to
15 receive a refund of contributions, except that this
16 hypothetical refund shall include interest at the effective
17 rate for the respective years. The transfer shall be
18 accomplished as a tax-free transfer in accordance with Internal
19 Revenue Service guidelines, and shall be used to fund the
20 person's opening account balance under the self-managed plan.

21 (40 ILCS 5/18-120) (from Ch. 108 1/2, par. 18-120)

22 Sec. 18-120. Employee participation. An eligible judge who
23 is not a participant shall become a participant beginning on
24 the date he or she becomes an eligible judge, unless the judge
25 files with the board a written notice of election not to
26 participate within 30 days of the date of being notified of the
27 option.

28 A person electing not to participate shall thereafter be
29 ineligible to become a participant unless the election is
30 revoked as provided in Section 18-121.

31 Notwithstanding any other provision of this Article,
32 however, a person shall not be deemed an eligible or
33 participating judge for the purposes of this Article unless he
34 or she became a participant of the System before the effective
35 date of the self-managed plan established under Section

1 14-133.2 of this Code.

2 (Source: P.A. 83-1440.)

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.