



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

SB1240

Introduced 2/9/2007, by Sen. Christine Radogno

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Authorizes the General Assembly Retirement System, the State Employees' Retirement System of Illinois, the Teachers' Retirement System of the State of Illinois, and the Judges Retirement System of Illinois to offer its employees the option to participate in a self-managed program of retirement benefits instead of the program of retirement benefits currently offered. Provides that a self-managed plan shall authorize a participating employee to accumulate assets for retirement through a combination of employer and employee contributions that may be invested at the employee's direction in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts. Provides that, to the extent that the changes made by this amendatory Act are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision. Effective immediately.

LRB095 04102 AMC 24140 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 2-103.1, 2-103.2, 2-117.4, 2-126.2, 2-162.1,
6 14-103.40, 14-103.41, 14-105.8, 14-133.2, 14-152.2, 16-104.1,
7 16-104.2, 16-131.7, 16-158.2, 16-203.1, 18-105.1, 18-105.2,
8 18-123.3, 18-133.2, and 18-169.1 and changing Sections 2-126,
9 14-133, 16-152, and 18-133 as follows:

10 (40 ILCS 5/2-103.1 new)

11 Sec. 2-103.1. Traditional benefit package. "Traditional
12 benefit package" means 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 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
16 payable directly from the System, as provided in Sections
17 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
18 refunds, as provided in Section 2-123.

19 (40 ILCS 5/2-103.2 new)

20 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
21 the defined contribution retirement program maintained by the
22 System, as described in Section 2-126.2. The self-managed plan

1 does not include retirement annuities or survivor's benefits
2 payable directly from the System, as provided in Sections
3 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
4 2-121.3 or refunds determined under Section 2-123.

5 (40 ILCS 5/2-117.4 new)
6 Sec. 2-117.4. Retirement program elections.

7 (a) For the purposes of this Section:

8 "Eligible participant" means either a currently eligible
9 participant or a newly eligible participant of the System.

10 "Currently eligible participant" means a person who is a
11 participant under this Article on the date on which the System
12 first offers the self-managed plan as an alternative to the
13 traditional benefit package.

14 "Newly eligible participant" means a person who first
15 becomes a participant after the date on which the System first
16 offers the self-managed plan as an alternative to the
17 traditional benefit package. A newly eligible participant
18 participates in the traditional benefit package unless he or
19 she makes an irrevocable election at the beginning of their
20 participation in the system to participate in the self-managed
21 plan.

22 (b) If the System offers to participants under this Article
23 a self-managed plan as an alternative to the traditional
24 benefit package, each eligible participant shall be given the
25 choice to elect which retirement program he or she wishes to

1 participate in with respect to all periods of covered
2 employment occurring on, before, and after the effective date
3 of the participant's election. The retirement program election
4 made by an eligible participant must be made in writing, in the
5 manner prescribed by the System, and within the time period
6 described in this Section.

7 The participant election authorized by this Section is a
8 one-time, irrevocable election. If a participant terminates
9 employment after making the election provided under this
10 Section, then upon his or her subsequent re-employment under
11 this Article the original election shall automatically apply to
12 him or her, provided that the System is then offering the
13 self-managed plan under Section 2-126.2.

14 An eligible participant who fails to make this election
15 shall, by default, participate in the traditional benefit
16 package.

17 (c) An eligible participant may elect to participate in the
18 traditional benefit package or the self-managed plan.

19 A currently eligible participant must make this election
20 within one year after the effective date of the adoption of the
21 self-managed plan under Section 2-126.2.

22 A newly eligible participant must make this election within
23 6 months after the date on which the System receives the report
24 of status certification from the State.

25 (d) If the currently eligible participant elects to
26 participate in the self-managed plan, the system shall fund

1 their account as stated in subsection (f) of Section 2-126.2.

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

12 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

13 Sec. 2-126. Contributions by participants.

14 (a) Each participant shall contribute toward the cost of
15 his or her retirement annuity a percentage of each payment of
16 salary received by him or her for service as a member as
17 follows: for service between October 31, 1947 and January 1,
18 1959, 5%; for service between January 1, 1959 and June 30,
19 1969, 6%; for service between July 1, 1969 and January 10,
20 1973, 6 1/2%; for service after January 10, 1973, 7%; for
21 service after December 31, 1981, 8 1/2%.

22 (b) Beginning August 2, 1949, each male participant, and
23 from July 1, 1971, each female participant shall contribute
24 towards the cost of the survivor's annuity 2% of salary.

25 A participant who has no eligible survivor's annuity

1 beneficiary may elect to cease making contributions for
2 survivor's annuity under this subsection. A survivor's annuity
3 shall not be payable upon the death of a person who has made
4 this election, unless prior to that death the election has been
5 revoked and the amount of the contributions that would have
6 been paid under this subsection in the absence of the election
7 is paid to the System, together with interest at the rate of 4%
8 per year from the date the contributions would have been made
9 to the date of payment.

10 Notwithstanding any provision in this subsection (b) to the
11 contrary, in the case of an employee who participates in the
12 self-managed plan under Section 2-126.2, contributions for a
13 survivor's annuity shall instead be used to finance the
14 benefits available under Section 2-126.2.

15 (c) Beginning July 1, 1967, each participant shall
16 contribute 1% of salary towards the cost of automatic increase
17 in annuity provided in Section 2-119.1. These contributions
18 shall be made concurrently with contributions for retirement
19 annuity purposes.

20 (d) In addition, each participant serving as an officer of
21 the General Assembly shall contribute, for the same purposes
22 and at the same rates as are required of a regular participant,
23 on each additional payment received as an officer. If the
24 participant serves as an officer for at least 2 but less than 4
25 years, he or she shall contribute an amount equal to the amount
26 that would have been contributed had the participant served as

1 an officer for 4 years. Persons who serve as officers in the
2 87th General Assembly but cannot receive the additional payment
3 to officers because of the ban on increases in salary during
4 their terms may nonetheless make contributions based on those
5 additional payments for the purpose of having the additional
6 payments included in their highest salary for annuity purposes;
7 however, persons electing to make these additional
8 contributions must also pay an amount representing the
9 corresponding employer contributions, as calculated by the
10 System.

11 (Source: P.A. 90-766, eff. 8-14-98.)

12 (40 ILCS 5/2-126.2 new)

13 Sec. 2-126.2. Self-managed plan.

14 (a) The General Assembly finds that the State should have
15 the flexibility to provide a defined contribution plan as an
16 alternative for eligible participants who elect not to
17 participate in a defined benefit retirement program provided
18 under this Article. Accordingly, the General Assembly
19 Retirement System is hereby authorized to establish and
20 administer a self-managed plan, which shall offer participants
21 the opportunity to accumulate assets for retirement through a
22 combination of participant and State contributions that may be
23 invested in mutual funds, collective investment funds, or other
24 investment products and used to purchase annuity contracts,
25 either fixed or variable or a combination of fixed and

1 variable. The plan must be qualified under the Internal Revenue
2 Code of 1986.

3 (b) The Board may adopt the self-managed plan established
4 under this Section for participants under this Article. The
5 adoption of the self-managed plan makes available to the
6 eligible participants under this Article the elections
7 described in Section 2-117.4.

8 The General Assembly Retirement System shall be the plan
9 sponsor for the self-managed plan and shall prepare a plan
10 document and adopt any rules and procedures as are considered
11 necessary or desirable for the administration of the
12 self-managed plan. Consistent with its fiduciary duty to the
13 participants and beneficiaries of the self-managed plan, the
14 Board of Trustees of the System may delegate aspects of plan
15 administration as it sees fit to companies authorized to do
16 business in this State.

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

26 (1) the nature and extent of the benefits that would be

1 provided to the participants;

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

4 (3) the suitability of the benefits to the needs and
5 interests of the participants and the State; and

6 (4) the ability of the company to provide benefits
7 under the contract and the financial stability of the
8 company.

9 The System shall periodically review each approved
10 company. A company may continue to provide administrative
11 services and funding vehicles for the self-managed plan only so
12 long as it continues to be an approved company under contract
13 with the Board.

14 (d) Participants in the program must be allowed to direct
15 the transfer of their account balances among the various
16 investment options offered, subject to applicable contractual
17 provisions. The participant shall not be deemed a fiduciary by
18 reason of providing such investment direction. A person who is
19 a fiduciary shall not be liable for any loss resulting from
20 that investment direction and shall not be deemed to have
21 breached any fiduciary duty by acting in accordance with that
22 direction. Neither the System nor the State shall guarantee any
23 of the investments in the participant's account balances.

24 (e) A person eligible to participate in the self-managed
25 plan must make a written election in accordance with the
26 provisions of Section 2-117.4 and the procedures established by

1 the System. Participation in the self-managed plan by an
2 electing participant shall begin on the first day of the month
3 immediately following the month in which the participant's
4 election is filed with the System, but not sooner than the
5 effective date of the self-managed plan. The System shall not
6 make the self-managed plan available under this Article earlier
7 than January 1, 2008. A member's participation in the
8 traditional retirement package under this Article shall
9 terminate on the date that participation in the self-managed
10 plan begins.

11 A member who has elected to participate in the self-managed
12 plan under this Section must continue participation while he or
13 she remains a participant under this Article, and may not
14 participate in the traditional benefit package, unless the
15 self-managed plan is terminated in accordance with subsection
16 (i).

17 Participation in the self-managed plan under this Section
18 shall constitute participation in the General Assembly
19 Retirement System.

20 A participant under this Section shall be entitled to the
21 benefits of Article 20 of this Code.

22 (f) If, at the time a participant elects to participate in
23 the self-managed plan, the participant has rights and credits
24 in the System due to previous participation in the traditional
25 benefit package, the System shall establish for the participant
26 an opening account balance in the self-managed plan, equal to

1 (1) the amount of the contribution refund that the participant
2 would be eligible to receive under Section 2-123 if the
3 participant terminated employment on that date and elected a
4 refund of contributions and (2) an amount equal to the regular
5 employer contribution that would be required to fund the actual
6 regular cost incurred for each year of service credit earned,
7 provided that the total opening account balance does not exceed
8 7.6% of the participant's salary for that year, plus interest.
9 The interest used in this subsection (f) is calculated as the
10 average annual rate of return that the System has earned over
11 the past 20 fiscal years and is compounded. The System shall
12 transfer assets from the defined benefit retirement program to
13 the self-managed plan, as a tax-free transfer in accordance
14 with Internal Revenue Service guidelines, for purposes of
15 funding the participant's opening account balance.

16 (g) Notwithstanding any other provision of this Article, a
17 participant may not purchase or receive service or service
18 credit applicable to the traditional benefit package under this
19 Article for any period during which the employee was a
20 participant in the self-managed plan established under this
21 Section.

22 (h) The self-managed plan shall be funded by contributions
23 from participants in the self-managed plan and State
24 contributions as provided in this Section.

25 The contribution rate for participants in the self-managed
26 plan under this Section shall be equal to the member

1 contribution rate for other participants in the System, as
2 provided in Section 2-126. This required contribution shall be
3 made as an employer pick-up under Section 414(h) of the
4 Internal Revenue Code of 1986 or any successor Section thereof.
5 Any participant in the System's traditional benefit package
6 prior to his or her election to participate in the self-managed
7 plan shall continue to have the employer pick up the
8 contributions required under Section 2-126. However, the
9 amounts picked up after the election of the self-managed plan
10 shall be remitted to and treated as assets of the self-managed
11 plan. In no event shall a participant have the option of
12 receiving these amounts in cash. Participants may make
13 additional contributions to the self-managed plan in
14 accordance with procedures prescribed by the System, to the
15 extent permitted under rules adopted by the System.

16 The program shall provide for State contributions to be
17 credited to each self-managed plan participant an amount equal
18 to the regular employer contribution that would be required to
19 fund the actual regular cost incurred for each year of service
20 credit earned had the participant chosen to enroll in the
21 traditional benefit plan. This amount shall not surpass 7.6% of
22 the participant's salary in any year. The amounts so credited
23 shall be paid into the participant's self-managed plan accounts
24 in a manner to be prescribed by the System.

25 The State of Illinois shall make contributions by
26 appropriations to the System for participants in the

1 self-managed plan under this Section. The amount required shall
2 be certified by the Board of Trustees of the System and paid by
3 the State in accordance with Section 2-134. The System shall
4 not be obligated to remit the required State contributions to
5 any of the insurance and annuity companies, mutual fund
6 companies, banks, trust companies, financial institutions, or
7 other sponsors of any of the funding vehicles offered under the
8 self-managed plan until it has received the required State
9 contributions from the State.

10 (i) The self-managed plan authorized under this Section may
11 be terminated by the System, subject to the terms of any
12 relevant contracts, and the System shall have no obligation to
13 re-establish the self-managed plan under this Section. This
14 Section does not create a right to continued participation in
15 any self-managed plan set up by the System under this Section.
16 If the self-managed plan is terminated, the participants shall
17 have the right to participate in the traditional benefit
18 program offered by the System and receive service credit in
19 that program for any years of employment following the
20 termination.

21 (j) A participant in the self-managed plan becomes vested
22 in the State contributions credited to his or her accounts in
23 the self-managed plan on the earliest to occur of the
24 following: (1) attainment of 4 years of service credit; (2) the
25 death of the participating member while employed under this
26 Article, if the member has completed at least 1.5 years of

1 service; or (3) the member's election to retire and apply the
2 reciprocal provisions of Article 20 of this Code.

3 A participant in the self-managed plan who receives a
4 distribution of his or her vested amounts from the self-managed
5 plan while not yet eligible for retirement under this Article
6 (and Article 20, if applicable) shall forfeit all service
7 credit and accrued rights in the System; if he or she
8 subsequently becomes a participant under this Article again, he
9 or she shall be considered a new participant. If a former
10 participant again becomes a participating member (or becomes
11 employed by a participating system under Article 20 of this
12 Code) and continues as such for at least 2 years, all rights,
13 service credits, and previous status as a participant shall be
14 restored upon repayment of the amount of the distribution,
15 without interest.

16 (k) If a participant in the self-managed plan who is vested
17 in State contributions terminates employment, the participant
18 shall be entitled to a benefit that is based on the account
19 values attributable to both State and member contributions and
20 any investment return thereon.

21 If a participant in the self-managed plan who is not vested
22 in State contributions terminates employment, the participant
23 shall be entitled to a benefit based solely on the account
24 values attributable to the participant's contributions and any
25 investment return thereon, and the State contributions and any
26 investment return thereon shall be forfeited. Any State

1 contributions that are forfeited shall be held in escrow by the
2 company investing those contributions and shall be used, as
3 directed by the System, for future allocations of State
4 contributions or for the restoration of amounts previously
5 forfeited by former participants who again become
6 participating members.

7 (1) The Commission on Government Forecasting and
8 Accountability shall conduct a study to determine the costs
9 associated with the implementation of the self-managed plan and
10 the transfer of eligible participants from the traditional
11 benefit package to the self-managed plan. The Commission on
12 Government Forecasting and Accountability shall report its
13 findings to the Governor and the General Assembly no later than
14 November 1, 2007.

15 (40 ILCS 5/2-162.1 new)

16 Sec. 2-162.1. New benefit increases. To the extent that the
17 changes made to this Article by this amendatory Act of the 95th
18 General Assembly authorizing the System to offer a self-managed
19 plan are determined to be a new benefit increase within the
20 meaning of Section 2-162, the changes made by this amendatory
21 Act are exempt from the provisions of subsection (d) of Section
22 2-162.

23 (40 ILCS 5/14-103.40 new)

24 Sec. 14-103.40. Traditional benefit package. "Traditional

1 benefit package" means the defined benefit retirement program
2 maintained by the System, which includes retirement annuities
3 payable directly from the System, as provided in Sections
4 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110, 14-112,
5 14-113, 14-114, and 14-115; disability benefits payable under
6 Sections 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and
7 14-126; death benefits payable directly from the System, as
8 provided in Sections 14-116, 14-117, and 14-128; widow or
9 survivors annuities payable directly from the System, as
10 provided in Sections 14-118, 14-119, 14-120, 14-121, 14-121.1,
11 and 14-122; and contribution refunds, as provided in Section
12 14-130.

13 (40 ILCS 5/14-103.41 new)

14 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
15 means the defined contribution retirement program maintained
16 under the System, as described in Section 14-133.2. The
17 self-managed plan also includes disability benefits, as
18 provided in Sections 14-123, 14-123.1, 14-124, 14-125,
19 14-125.1, and 14-126. The self-managed plan does not include
20 retirement annuities, death benefits, widow or survivors
21 annuities payable directly from the System, as provided in
22 Sections 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110,
23 14-112, 14-113, 14-114, 14-115, 14-116, 14-117, 14-118,
24 14-119, 14-120, 14-121, 14-121.1, 14-122, and 14-128 or refunds
25 determined under Section 14-130.

1 (40 ILCS 5/14-105.8 new)

2 Sec. 14-105.8. Retirement program elections.

3 (a) For the purposes of this Section:

4 "Eligible employee" means either a currently eligible
5 employee or a newly eligible employee.

6 "Currently eligible employee" means an employee who is
7 employed by the State on the date on which the System first
8 offers the self-managed plan as an alternative to the
9 traditional benefit package.

10 "Newly eligible employee" means an employee who first
11 becomes employed under this Article after the date on which the
12 System first offers the self-managed plan as an alternative to
13 the traditional benefit package. A newly eligible employee
14 participates in the traditional benefit package unless he or
15 she makes an irrevocable election at the beginning of their
16 participation in the system to participate in the self-managed
17 plan.

18 (b) If the System offers to employees under this Article
19 the self-managed plan as an alternative to the traditional
20 benefit package, each eligible employee shall be given the
21 choice to elect which retirement program he or she wishes to
22 participate in with respect to all periods of covered
23 employment occurring on, before, and after the effective date
24 of the employee's election. The retirement program election
25 made by an eligible employee must be made in writing, in the

1 manner prescribed by the System, and within the time period
2 described in this Section.

3 The employee election authorized by this Section is a
4 one-time, irrevocable election. If an employee terminates
5 employment after making the election provided under this
6 Section, then upon his or her subsequent re-employment under
7 this Article the original election shall automatically apply to
8 him or her, provided that the System is then offering the
9 self-managed plan under Section 14-133.2.

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

12 (c) An eligible employee may elect to participate in the
13 traditional benefit package or the self-managed plan.

14 A currently eligible employee must make this election
15 within one year after the effective date of the adoption of the
16 self-managed plan under Section 14-133.2.

17 A newly eligible employee must make this election within 6
18 months after the date on which the System receives the report
19 of status certification from the State.

20 (d) If a currently eligible participant elects to
21 participate in the self-managed plan, the System shall fund
22 their account as stated in subsection (f) of Section 14-133.2.

23 (e) An eligible employee shall be provided with written
24 information prepared or prescribed by the System that describes
25 the employee's retirement program choices. Each eligible
26 employee shall be offered an opportunity to receive counseling

1 from the System prior to making his or her election. This
2 counseling may consist of videotaped materials, group
3 presentations, individual consultation with an employee or
4 authorized representative of the System in person or by
5 telephone or other electronic means, or any combination of
6 these methods.

7 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

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

9 (a) Each participating employee shall make contributions
10 to the System, based on the employee's compensation, as
11 follows:

12 (1) Covered employees, except as indicated below, 3.5%
13 for retirement annuity, and 0.5% for a widow or survivors
14 annuity;

15 (2) Noncovered employees, except as indicated below,
16 7% for retirement annuity and 1% for a widow or survivors
17 annuity;

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

24 (4) Covered employees serving in a position in which
25 "eligible creditable service" as defined in Section 14-110

1 may be earned, 0.5% for a widow or survivors annuity plus
2 the following amount for retirement annuity: 5% through
3 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
4 and thereafter;

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

11 (6) Each security employee of the Department of
12 Corrections or of the Department of Human Services who is
13 not a covered employee, 1% for a widow or survivors annuity
14 plus the following amount for retirement annuity: 8.5%
15 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
16 11.5% in 2004 and thereafter.

17 Notwithstanding any provision in this subsection (a) to the
18 contrary, in the case of an employee who participates in the
19 self-managed plan under Section 14-133.2, contributions for
20 widow or survivors annuities shall instead be used by the
21 System to fund the benefits in Sections 14-123, 14-123.1,
22 14-124, 14-125, 14-125.1, and 14-126.

23 (b) Contributions shall be in the form of a deduction from
24 compensation and shall be made notwithstanding that the
25 compensation paid in cash to the employee shall be reduced
26 thereby below the minimum prescribed by law or regulation. Each

1 member is deemed to consent and agree to the deductions from
2 compensation provided for in this Article, and shall receipt in
3 full for salary or compensation.

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

5 (40 ILCS 5/14-133.2 new)

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

7 (a) The General Assembly finds that it is important for
8 Illinois to be able to attract and retain the most qualified
9 employees and that in order to attract and retain these
10 employees, the State of Illinois should have the flexibility to
11 provide the defined contribution plan as an alternative for
12 eligible employees who elect not to participate in a defined
13 benefit retirement program provided under this Article.
14 Accordingly, the State Employees Retirement System of Illinois
15 is hereby authorized to establish and administer a self-managed
16 plan, which shall offer participating employees the
17 opportunity to accumulate assets for retirement through a
18 combination of employee and employer contributions that may be
19 invested in mutual funds, collective investment funds, or other
20 investment products and used to purchase annuity contracts,
21 either fixed or variable or a combination of fixed and
22 variable. The plan must be qualified under the Internal Revenue
23 Code of 1986.

24 (b) The Board may adopt the self-managed plan established
25 under this Section for members under this Article. The State's

1 election to adopt the self-managed plan makes available to the
2 eligible employees of the State of Illinois the elections
3 described in Section 14-105.8.

4 The State Employees Retirement System of Illinois shall be
5 the plan sponsor for the self-managed plan and shall prepare a
6 plan document and adopt such rules and procedures as are
7 considered necessary or desirable for the administration of the
8 self-managed plan. Consistent with its fiduciary duty to the
9 participants and beneficiaries of the self-managed plan, the
10 Board of Trustees of the System may delegate aspects of plan
11 administration as it sees fit to companies authorized to do
12 business in this State.

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

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

24 (2) the reasonableness of the benefits in relation to
25 the premium charged;

26 (3) the suitability of the benefits to the needs and

1 interests of the participating employees and the State;

2 (4) the ability of the company to provide benefits
3 under the contract and the financial stability of the
4 company; and

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

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

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

23 (e) An employee eligible to participate in the self-managed
24 plan must make a written election in accordance with the
25 provisions of Section 14-105.8 and the procedures established
26 by the System. Participation in the self-managed plan by an

1 electing employee shall begin on the first day of the first pay
2 period following the later of the date the employee's election
3 is filed with the System or the effective date of the
4 self-managed plan. The System shall not make the self-managed
5 plan available earlier than January 1, 2008. An employee's
6 participation in the traditional benefit package under this
7 Article shall terminate on the date that participation in the
8 self-managed plan begins.

9 An employee who has elected to participate in the
10 self-managed plan under this Section must continue
11 participation while employed in an eligible position, and may
12 not participate in the traditional benefit package
13 administered by the System under this Article while employed by
14 the State under this Article, unless the self-managed plan is
15 terminated in accordance with subsection (i).

16 Participation in the self-managed plan under this Section
17 shall constitute membership in the State Employees' Retirement
18 System of Illinois.

19 A participant under this Section shall be entitled to the
20 benefits of Article 20 of this Code.

21 (f) If, at the time an employee elects to participate in
22 the self-managed plan, the employee has rights and credits in
23 the System due to previous participation in the traditional
24 benefit package, the System shall establish for the employee an
25 opening account balance in the self-managed plan, equal to (i)
26 the amount of the contribution refund that the employee would

1 be eligible to receive under Section 14-130 if the employee
2 terminated employment on that date and elected a refund of
3 contributions, plus (ii) an amount equal to the regular
4 employer contribution that would be required to fund the actual
5 regular cost incurred for each year of service credit earned,
6 provided that the total opening account balance does not exceed
7 7.6% of that participant's salary for that year, plus interest.
8 The interest used in this subsection (f) is calculated as the
9 average annual rate of return that the System has earned over
10 the past 20 fiscal years and is compounded. The System shall
11 transfer assets from the defined benefit retirement program to
12 the self-managed plan, as a tax-free transfer in accordance
13 with Internal Revenue Service guidelines, for purposes of
14 funding the employee's opening account balance.

15 (g) Notwithstanding any other provision of this Article, an
16 employee may not purchase or receive service or service credit
17 applicable to the traditional benefit package under this
18 Article for any period during which the employee was a
19 participant in the self-managed plan established under this
20 Section.

21 (h) The self-managed plan shall be funded by contributions
22 from employees participating in the self-managed plan and State
23 contributions as provided in this Section.

24 The contribution rate for employees participating in the
25 self-managed plan under this Section shall be equal to the
26 employee contribution rate applicable to participants of the

1 same class under Section 14-133. This required contribution
2 shall be made as an employer pick-up under Section 414(h) of
3 the Internal Revenue Code of 1986 or any successor Section
4 thereof. Any employee participating in the System's
5 traditional benefit package prior to his or her election to
6 participate in the self-managed plan shall continue to have the
7 employer pick up the contributions required under Section
8 14-133. However, the amounts picked up after the election of
9 the self-managed plan shall be remitted to and treated as
10 assets of the self-managed plan. In no event shall the employee
11 have an option of receiving these amounts in cash. Employees
12 may make additional contributions to the self-managed plan in
13 accordance with procedures prescribed by the System, to the
14 extent permitted under rules adopted by the System.

15 The program shall provide for State contributions to be
16 credited to each self-managed plan participant an amount equal
17 to the regular employer contribution that would be required to
18 fund the actual regular cost incurred for each year of service
19 credit earned had the participant chosen to enroll in the
20 traditional benefit plan. This amount shall not surpass 7.6% of
21 the participant's salary in any year.

22 The System shall not be obligated to remit the required
23 employer contributions to any of the insurance and annuity
24 companies, mutual fund companies, banks, trust companies,
25 financial institutions, or other sponsors of any of the funding
26 vehicles offered under the self-managed plan until it has

1 received the required employer contributions from the State. In
2 the event of a deficiency in the amount of State contributions,
3 the System shall implement any procedures to obtain the
4 required funding from the General Revenue Fund.

5 An amount of employer contribution, not exceeding 1% of the
6 participating employee's salary, shall be used for the purpose
7 of providing the disability benefits of the System to the
8 employee. Prior to the beginning of each plan year under the
9 self-managed plan, the Board of Trustees shall determine, as a
10 percentage of salary, the amount of employer contributions to
11 be allocated during that plan year for providing disability
12 benefits for employees in the self-managed plan. The provisions
13 of this paragraph shall work in conjunction with the provisions
14 of subsection (a-1) of Section 14-133.

15 (i) The self-managed plan authorized under this Section may
16 be terminated by the System, subject to the terms of any
17 relevant contracts, and the System shall have no obligation to
18 re-establish the self-managed plan under this Section. This
19 Section does not create a right to continued participation in
20 any self-managed plan set up by the System under this Section.
21 If the self-managed plan is terminated, the participants shall
22 have the right to participate in the traditional benefit
23 package and receive service credit in the traditional benefit
24 package for any years of employment following the termination.

25 (j) A participant in the self-managed plan becomes vested
26 in the employer contributions credited to his or her accounts

1 in the self-managed plan on the earliest to occur of the
2 following: (1) completion of 8 years of service credit under
3 this Article; (2) the death of the participating employee while
4 employed by an employer under this Article, if the participant
5 has completed at least 1.5 years of service; or (3) the
6 participant's election to retire and apply the reciprocal
7 provisions of Article 20 of this Code.

8 A participant in the self-managed plan who receives a
9 distribution of his or her vested amounts from the self-managed
10 plan while not yet eligible for retirement under this Article
11 (and Article 20, if applicable) shall forfeit all service
12 credit and accrued rights in the System; if subsequently
13 re-employed, the participant shall be considered a new
14 employee. If a former participant again becomes a participating
15 employee (or becomes employed by a participating system under
16 Article 20 of this Code) and continues as such for at least 2
17 years, all rights, service credits, and previous status as a
18 participant shall be restored upon repayment of the amount of
19 the distribution, without interest.

20 (k) If an employee participating in the self-managed plan
21 who is vested in employer contributions terminates employment,
22 the employee shall be entitled to a benefit which is based on
23 the account values attributable to both employer and employee
24 contributions and any investment return thereon.

25 If an employee participating in the self-managed plan who
26 is not vested in employer contributions terminates employment,

1 the employee shall be entitled to a benefit based solely on the
2 account values attributable to the employee's contributions
3 and any investment return thereon, and the employer
4 contributions and any investment return thereon shall be
5 forfeited. Any employer contributions which are forfeited
6 shall be held in escrow by the company investing those
7 contributions and shall be used, as directed by the System, for
8 future allocations of employer contributions or for the
9 restoration of amounts previously forfeited by former
10 participants who again become participating employees.

11 (1) The Commission on Government Forecasting and
12 Accountability shall conduct a study to determine the costs
13 associated with the implementation of the self-managed plan and
14 the transfer of eligible participants from the traditional
15 benefit package to the self-managed plan. The Commission on
16 Government Forecasting and Accountability shall report its
17 findings to the Governor and the General Assembly no later than
18 November 1, 2007.

19 (40 ILCS 5/14-152.2 new)

20 Sec. 14-152.2. New benefit increases. To the extent that
21 the changes made to this Article by this amendatory Act of the
22 95th General Assembly authorizing the System to offer a
23 self-managed plan are determined to be a new benefit increase
24 within the meaning of Section 14-152.1, the changes made by
25 this amendatory Act are exempt from the provisions of

1 subsection (d) of Section 14-152.1.

2 (40 ILCS 5/16-104.1 new)

3 Sec. 16-104.1. Traditional benefit package. "Traditional
4 benefit package" means the defined benefit retirement program
5 maintained by the System, which includes retirement annuities
6 payable directly from the System, as provided in Sections
7 16-132 through 16-136.4; disability benefits payable under
8 Sections 16-149 through 16-149.5; survivor's benefits payable
9 directly from the System, as provided in Sections 16-140
10 through 16-143.1; and contribution refunds, as provided in
11 Sections 16-138, 16-143.2, and 16-151.

12 (40 ILCS 5/16-104.2 new)

13 Sec. 16-104.2. Self-managed plan. "Self-managed plan"
14 means the defined contribution retirement program maintained
15 by the System, as described in Section 16-158.2. The
16 self-managed plan also includes disability benefits, as
17 provided in Sections 16-149 through 16-149.5 (but disregarding
18 disability retirement annuities under Section 16-149.2). The
19 self-managed plan does not include retirement annuities or
20 survivor's benefits payable directly from the System as
21 provided in Sections 16-132 through 16-136.4, Sections 16-140
22 through 16-143.1, and Section 16-149.2, or refunds determined
23 under Sections 16-138, 16-143.2, and 16-151.

1 (40 ILCS 5/16-131.7 new)

2 Sec. 16-131.7. Retirement program elections.

3 (a) For the purposes of this Act:

4 "Eligible member" means a either a currently eligible
5 member or a newly eligible member.

6 "Currently eligible member" means a member who is employed
7 by an employer on the date on which the employer first offers
8 to its employees the self-managed plan as an alternative to the
9 traditional benefit package.

10 "Newly eligible member" is a member who first becomes
11 employed by an employer after the date on which the employer
12 first offers its members the self-managed plan as an
13 alternative to the traditional benefit package. A newly
14 eligible member participates in the traditional benefit
15 package until he or she makes an election to participate in the
16 self-managed plan.

17 (b) Effective as of the date that an employer elects, as
18 described in Section 16-158.2, to offer to its members the
19 self-managed plan as an alternative to the traditional benefit
20 package, each of that employer's eligible members shall be
21 given the choice to elect which retirement program he or she
22 wishes to participate in with respect to all periods of covered
23 employment occurring on and after the effective date of the
24 employee's election. The retirement program election made by an
25 eligible member must be made in writing, in the manner
26 prescribed by the System, and within the time period described

1 in this Section.

2 The member election authorized by this Section is a
3 one-time, irrevocable election. If a member terminates
4 employment after making the election provided under this
5 subsection (b), then upon his or her subsequent re-employment
6 with an employer the original election shall automatically
7 apply to him or her, provided that the employer is then a
8 participating employer as described in Section 16-158.2.

9 An eligible member who fails to make this election shall,
10 by default, participate in the traditional benefit package.

11 (c) An eligible member may elect to participate in the
12 traditional benefit package or the self-managed plan.

13 A currently eligible member must make this election within
14 one year after the effective date of the employer's adoption of
15 the self-managed plan.

16 A newly eligible member must make this election within 6
17 months after the date on which the System receives the report
18 of status certification from the employer.

19 (d) If a currently eligible participant elects to
20 participate in the self-managed plan, the System shall fund
21 their account as stated in subsection (f) of Section 16-158.2.
22 Employer contributions to the self-managed plan shall commence
23 as of the first pay period that begins after the System
24 receives the member's election.

25 (e) An eligible member shall be provided with written
26 information prepared or prescribed by the System that describes

1 the member's retirement program choices. The eligible member
2 shall be offered an opportunity to receive counseling from the
3 System prior to making his or her election. This counseling may
4 consist of videotaped materials, group presentations,
5 individual consultation with an employee or authorized
6 representative of the System in person or by telephone or other
7 electronic means, or any combination of these methods.

8 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

9 Sec. 16-152. Contributions by members.

10 (a) Each member shall make contributions for membership
11 service to this System as follows:

12 (1) Effective July 1, 1998, contributions of 7.50% of
13 salary towards the cost of the retirement annuity. Such
14 contributions shall be deemed "normal contributions".

15 (2) Effective July 1, 1969, contributions of 1/2 of 1%
16 of salary toward the cost of the automatic annual increase
17 in retirement annuity provided under Section 16-133.1.

18 (3) Effective July 24, 1959, contributions of 1% of
19 salary towards the cost of survivor benefits. Such
20 contributions shall not be credited to the individual
21 account of the member and shall not be subject to refund
22 except as provided under Section 16-143.2.

23 (4) Effective July 1, 2005, contributions of 0.40% of
24 salary toward the cost of the early retirement without
25 discount option provided under Section 16-133.2. This

1 contribution shall cease upon termination of the early
2 retirement without discount option as provided in Section
3 16-176. The contributions made under this paragraph (4)
4 shall be used by the System to fund benefits under Sections
5 16-149 through 16-149.5 for those that participate in the
6 self-managed plan.

7 (b) The minimum required contribution for any year of
8 full-time teaching service shall be \$192.

9 (c) Contributions shall not be required of any annuitant
10 receiving a retirement annuity who is given employment as
11 permitted under Section 16-118 or 16-150.1.

12 (d) A person who (i) was a member before July 1, 1998, (ii)
13 retires with more than 34 years of creditable service, and
14 (iii) does not elect to qualify for the augmented rate under
15 Section 16-129.1 shall be entitled, at the time of retirement,
16 to receive a partial refund of contributions made under this
17 Section for service occurring after the later of June 30, 1998
18 or attainment of 34 years of creditable service, in an amount
19 equal to 1.00% of the salary upon which those contributions
20 were based.

21 (e) A member's contributions toward the cost of early
22 retirement without discount made under item (a)(4) of this
23 Section shall not be refunded if the member has elected early
24 retirement without discount under Section 16-133.2 and has
25 begun to receive a retirement annuity under this Article
26 calculated in accordance with that election. Otherwise, a

1 member's contributions toward the cost of early retirement
2 without discount made under item (a)(4) of this Section shall
3 be refunded according to whichever one of the following
4 circumstances occurs first:

5 (1) The contributions shall be refunded to the member,
6 without interest, within 120 days after the member's
7 retirement annuity commences, if the member does not elect
8 early retirement without discount under Section 16-133.2.

9 (2) The contributions shall be included, without
10 interest, in any refund claimed by the member under Section
11 16-151.

12 (3) The contributions shall be refunded to the member's
13 designated beneficiary (or if there is no beneficiary, to
14 the member's estate), without interest, if the member dies
15 without having begun to receive a retirement annuity under
16 this Article.

17 (4) The contributions shall be refunded to the member,
18 without interest, within 120 days after the early
19 retirement without discount option provided under Section
20 16-133.2 is terminated under Section 16-176.

21 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

22 (40 ILCS 5/16-158.2 new)

23 Sec. 16-158.2. Self-managed plan.

24 (a) The General Assembly finds that it is important for
25 schools to be able to attract and retain the most qualified

1 employees and that in order to attract and retain these
2 employees, schools should have the flexibility to provide a
3 defined contribution plan as an alternative for eligible
4 members who elect not to participate in a defined benefit
5 retirement program provided under this Article. Accordingly,
6 the Teachers' Retirement System of the State of Illinois is
7 hereby authorized to establish and administer a self-managed
8 plan, which shall offer participating members the opportunity
9 to accumulate assets for retirement through a combination of
10 member and employer contributions that may be invested in
11 mutual funds, collective investment funds, or other investment
12 products and used to purchase annuity contracts, either fixed
13 or variable or a combination of fixed and variable. The plan
14 must be qualified under the Internal Revenue Code of 1986.

15 (b) Each employer subject to this Article may elect to
16 adopt the self-managed plan established under this Section.
17 This election is irrevocable. An employer's election to adopt
18 the self-managed plan makes available to the eligible members
19 of that employer the elections described in Section 16-131.7.

20 The Teachers' Retirement System of the State of Illinois
21 shall be the plan sponsor for the self-managed plan and shall
22 prepare a plan document and adopt any rules and procedures as
23 are considered necessary or desirable for the administration of
24 the self-managed plan. Consistent with its fiduciary duty to
25 the participants and beneficiaries of the self-managed plan,
26 the Board of Trustees of the System may delegate aspects of

1 plan administration as it sees fit to companies authorized to
2 do business in this State, to the employers, or to a
3 combination of both.

4 (c) Selection of service providers and funding vehicles.
5 The System shall solicit proposals to provide administrative
6 services and funding vehicles for the self-managed plan from
7 insurance and annuity companies and mutual fund companies,
8 banks, trust companies, or other financial institutions
9 authorized to do business in this State. In reviewing the
10 proposals received and approving and contracting with no fewer
11 than 2 and no more than 7 companies, the Board of Trustees of
12 the System shall consider, among other things, the following
13 criteria:

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

16 (2) the reasonableness of the benefits in relation to
17 the premium charged;

18 (3) the suitability of the benefits to the needs and
19 interests of the participating members and employers;

20 (4) the ability of the company to provide benefits
21 under the contract and the financial stability of the
22 company; and

23 (5) the efficacy of the contract in the recruitment and
24 retention of employees.

25 The System shall periodically review each approved
26 company. A company may continue to provide administrative

1 services and funding vehicles for the self-managed plan only so
2 long as it continues to be an approved company under contract
3 with the Board.

4 (d) Participants in the program must be allowed to direct
5 the transfer of their account balances among the various
6 investment options offered, subject to applicable contractual
7 provisions. The participant shall not be deemed a fiduciary by
8 reason of providing such investment direction. A person who is
9 a fiduciary shall not be liable for any loss resulting from
10 such investment direction and shall not be deemed to have
11 breached any fiduciary duty by acting in accordance with that
12 direction. Neither the System nor the employer guarantees any
13 of the investments in the participant's account balances.

14 (e) A member eligible to participate in the self-managed
15 plan must make a written election in accordance with the
16 provisions of Section 16-131.7 and the procedures established
17 by the System. Participation in the self-managed plan by an
18 electing member shall begin on the first day of the first pay
19 period following the later of the date the employee's election
20 is filed with the System or the effective date as of which the
21 member's employer begins to offer participation in the
22 self-managed plan. Employers may not make the self-managed plan
23 available earlier than January 1, 2008. A members's
24 participation in the traditional benefit package under this
25 Article shall terminate on the date that participation in the
26 self-managed plan begins.

1 A member who has elected to participate in the self-managed
2 plan under this Section must continue participation while he or
3 she remains a member, and may not participate in the
4 traditional benefit package while employed by that employer or
5 any other employer under this Article that has adopted the
6 self-managed plan, unless the self-managed plan is terminated
7 in accordance with subsection (i).

8 Participation in the self-managed plan under this Section
9 shall constitute membership in the Teachers' Retirement System
10 of the State of Illinois.

11 A participant under this Section shall be entitled to the
12 benefits of Article 20 of this Code.

13 (f) If, at the time an employee elects to participate in
14 the self-managed plan, the employee has rights and credits in
15 the System due to previous participation in the traditional
16 benefit package, the System shall establish for the employee an
17 opening account balance in the self-managed plan, equal to (i)
18 the amount of the contribution refund that the employee would
19 be eligible to receive under Section 16-143.2 and 16-151 if the
20 employee terminated employment on that date and elected a
21 refund of contributions, plus (ii) an amount equal to the
22 regular employer contribution that would be required to fund
23 the actual regular cost incurred for each year of service
24 credit earned, provided that the total opening account balance
25 does not exceed 7.6% of that participant's salary for that
26 year, plus interest. The interest used in this subsection (f)

1 is calculated as the average annual rate of return that the
2 System has earned over the past 20 fiscal years and is
3 compounded. The System shall transfer assets from the defined
4 benefit retirement program to the self-managed plan, as a
5 tax-free transfer in accordance with Internal Revenue Service
6 guidelines, for purposes of funding the employee's opening
7 account balance.

8 (g) Notwithstanding any other provision of this Article, a
9 member may not purchase or receive service or service credit
10 applicable to the traditional benefit package under this
11 Article for any period during which the member was a
12 participant in the self-managed plan established under this
13 Section.

14 (h) The self-managed plan shall be funded by contributions
15 from participants in the self-managed plan and employer
16 contributions as provided in this Section.

17 The contribution rate for participants in the self-managed
18 plan under this Section shall be equal to the member
19 contribution rate for all participants in the System, as
20 provided in Section 16-152. This required contribution shall be
21 made as an employer pick-up under Section 414(h) of the
22 Internal Revenue Code of 1986 or any successor Section thereof.
23 A participant in the System's traditional benefit package prior
24 to his or her election to participate in the self-managed plan
25 shall continue to have the employer pick up the contributions
26 required under Section 16-152. However, the amounts picked up

1 after the election of the self-managed plan shall be remitted
2 to and treated as assets of the self-managed plan. In no event
3 shall a member have the option of receiving these amounts in
4 cash. Members may make additional contributions to the
5 self-managed plan in accordance with procedures prescribed by
6 the System, to the extent permitted under rules prescribed by
7 the System.

8 The program shall provide for State contributions to be
9 credited to each self-managed plan participant an amount equal
10 to the regular employer contribution that would be required to
11 fund the actual regular cost incurred for each year of service
12 credit earned had the participant chosen to enroll in the
13 traditional benefit plan. This amount shall not surpass 7.6% of
14 the participant's salary in any year.

15 An amount of employer contribution, not exceeding 1% of the
16 participating member's salary, shall be used for the purpose of
17 providing the disability benefits of the System to the member.
18 Prior to the beginning of each plan year under the self-managed
19 plan, the Board of Trustees shall determine, as a percentage of
20 salary, the amount of member contributions to be allocated
21 during that plan year for providing disability benefits for
22 members in the self-managed plan. The provisions of this
23 paragraph shall be administered in conjunction with the
24 provisions of Section 16-132.

25 The State of Illinois shall make contributions by
26 appropriations to the System of the employer contributions

1 required for participants in the self-managed plan under this
2 Section. The amount required shall be certified by the Board of
3 Trustees of the System and paid by the State in accordance with
4 Section 16-158. The System shall not be obligated to remit the
5 required employer contributions to any of the insurance and
6 annuity companies, mutual fund companies, banks, trust
7 companies, financial institutions, or other sponsors of any of
8 the funding vehicles offered under the self-managed plan until
9 it has received the required employer contributions from the
10 State. In the event of a deficiency in the amount of State
11 contributions, the System shall implement those procedures
12 described in subsection (b-1) of Section 16-158 to obtain the
13 required funding from the Common School Fund.

14 (i) The self-managed plan authorized under this Section may
15 be terminated by the System, subject to the terms of any
16 relevant contracts, and the System shall have no obligation to
17 re-establish the self-managed plan under this Section. This
18 Section does not create a right to continued participation in
19 any self-managed plan set up by the System under this Section.
20 If the self-managed plan is terminated, the participating
21 members shall have the right to participate in the traditional
22 benefit program offered by the System and receive service
23 credit in that program for any employment following the
24 termination.

25 (j) A participant in the self-managed plan becomes vested
26 in the employer contributions credited to his or her accounts

1 in the self-managed plan on the earliest to occur of the
2 following: (1) attainment of at least 5 years of creditable
3 service under this Article; (2) the death of the participating
4 member while employed under this Article, if the participant
5 has completed at least 1.5 years of service; or (3) the
6 participant's election to retire and apply the reciprocal
7 provisions of Article 20 of this Code.

8 A participant in the self-managed plan who receives a
9 distribution of his or her vested amounts from the self-managed
10 plan while not yet eligible for retirement under this Article
11 (and Article 20, if applicable) shall forfeit all service
12 credit and accrued rights in the System; if subsequently
13 re-employed under this Article, the participant shall be
14 considered a new member. If a former participant in the
15 self-managed plan again becomes a member (or becomes employed
16 by a participating system under Article 20 of this Code) and
17 continues as such for at least 2 years, all such rights,
18 service credits, and previous status as a participant shall be
19 restored upon repayment of the amount of the distribution,
20 without interest.

21 (k) If a member participating in the self-managed plan who
22 is vested in employer contributions terminates employment, the
23 member shall be entitled to a benefit that is based on the
24 account values attributable to both employer and member
25 contributions and any investment return thereon.

26 If a member participating in the self-managed plan who is

1 not vested in employer contributions terminates employment,
2 the member shall be entitled to a benefit based solely on the
3 account values attributable to the member's contributions and
4 any investment return thereon, and the employer contributions
5 and any investment return thereon shall be forfeited. Any
6 employer contributions that are forfeited shall be held in
7 escrow by the company investing those contributions and shall
8 be used, as directed by the System, for future allocations of
9 employer contributions or for the restoration of amounts
10 previously forfeited by former participants who again become
11 participants in the self-managed plan.

12 (1) The Commission on Government Forecasting and
13 Accountability shall conduct a study to determine the costs
14 associated with the implementation of the self-managed plan and
15 the transfer of eligible participants from the traditional
16 benefit package to the self-managed plan. The Commission on
17 Government Forecasting and Accountability shall report its
18 findings to the Governor and the General Assembly no later than
19 November 1, 2007.

20 (40 ILCS 5/16-203.1 new)

21 Sec. 16-203.1. New benefit increases. To the extent that
22 the changes made to this Article by this amendatory Act of the
23 95th General Assembly authorizing the System to offer a
24 self-managed plan are determined to be a new benefit increase
25 within the meaning of Section 16-203, the changes made by this

1 amendatory Act are exempt from the provisions of subsection (d)
2 of Section 16-203.

3 (40 ILCS 5/18-105.1 new)

4 Sec. 18-105.1. Traditional benefit package. "Traditional
5 benefit package" means the defined benefit retirement program
6 maintained by the System, which includes retirement annuities
7 payable directly from the System, as provided in Sections
8 18-124 through 18-125.1; disability retirement annuities
9 payable under Sections 18-126 and 18-126.1; survivor's
10 annuities payable directly from the System, as provided in
11 Section 18-123 and Sections 18-128 through 18-128.1 and Section
12 18-128.3; and contribution refunds as provided in Section
13 18-129.

14 (40 ILCS 5/18-105.2 new)

15 Sec. 18-105.2. Self-managed plan. "Self-managed plan"
16 means the defined contribution retirement program maintained
17 by the System, as described in Section 18-133.2. The
18 self-managed plan also includes disability benefits, as
19 provided in Section 18-126.1. The self-managed plan does not
20 include retirement annuities or survivor's annuities payable
21 directly from the System, as provided in Section 18-123,
22 Sections 18-124 through 18-126, Sections 18-128 through
23 18-128.1, and Section 18-128.3 or refunds determined under
24 Section 18-129.

1 (40 ILCS 5/18-123.3 new)

2 Sec. 18-123.3. Retirement program elections.

3 (a) For the purposes of this Section:

4 "Eligible participant" means either a currently eligible
5 participant or a newly eligible participant.

6 "Currently eligible participant" means a participant who
7 is employed as a judge on the date on which the System first
8 offers the self-managed plan as an alternative to the
9 traditional benefit package.

10 "Newly eligible participant" means a participant who first
11 becomes employed as a judge after the date on which the System
12 first offers the self-managed plan as an alternative to the
13 traditional benefit package. A newly eligible participant
14 participates in the traditional benefit package until he or she
15 makes an election to participate in the self-managed plan.

16 (b) If the System offers to participants the self-managed
17 plan as an alternative to the traditional benefit package, each
18 eligible participant shall be given the choice to elect which
19 retirement program he or she wishes to participate in with
20 respect to all periods of covered employment occurring on or
21 after the effective date of the participant's election. The
22 retirement program election made by an eligible participant
23 must be made in writing, in the manner prescribed by the
24 System, and within the time period described in this Section.

25 The participant election authorized by this Section is a

1 one-time, irrevocable election. If a participant terminates
2 employment as a judge after making the election provided under
3 this subsection (b), then upon his or her subsequent
4 re-employment as a judge shall automatically apply to him or
5 her, provided that the System is then offering the self-managed
6 plan under Section 18-133.2.

7 An eligible participant who fails to make this election
8 shall, by default, participate in the traditional benefit
9 package.

10 (c) An eligible participant may elect to participate in the
11 traditional benefit package or the self-managed plan.

12 A currently eligible participant must make this election
13 within one year after the effective date of the employer's
14 adoption of the self-managed plan.

15 A newly eligible participant must make this election within
16 6 months after the date on which the System receives the report
17 of status certification from the employer.

18 (d) If a currently eligible participant elects to
19 participate in the self-managed plan, the System shall fund
20 their account as stated in subsection (f) of Section 18-133.2.
21 Employer contributions to the self-managed plan shall commence
22 as of the first pay period that begins after the System
23 receives the member's election.

24 (e) An eligible participant shall be provided with written
25 information prepared or prescribed by the System that describes
26 the participant's retirement program choices. The eligible

1 participant shall be offered an opportunity to receive
2 counseling from the System prior to making his or her election.
3 This counseling may consist of videotaped materials, group
4 presentations, individual consultation with an employee or
5 authorized representative of the System in person or by
6 telephone or other electronic means, or any combination of
7 these methods.

8 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

9 Sec. 18-133. Financing; employee contributions.

10 (a) Effective July 1, 1967, each participant is required to
11 contribute 7 1/2% of each payment of salary toward the
12 retirement annuity. Such contributions shall continue during
13 the entire time the participant is in service, with the
14 following exceptions:

15 (1) Contributions for the retirement annuity are not
16 required on salary received after 18 years of service by
17 persons who were participants before January 2, 1954.

18 (2) A participant who continues to serve as a judge
19 after becoming eligible to receive the maximum rate of
20 annuity may elect, through a written direction filed with
21 the Board, to discontinue contributing to the System. Any
22 such option elected by a judge shall be irrevocable unless
23 prior to January 1, 2000, and while continuing to serve as
24 judge, the judge (A) files with the Board a letter
25 cancelling the direction to discontinue contributing to

1 the System and requesting that such contributing resume,
2 and (B) pays into the System an amount equal to the total
3 of the discontinued contributions plus interest thereon at
4 5% per annum. Service credits earned in any other
5 "participating system" as defined in Article 20 of this
6 Code shall be considered for purposes of determining a
7 judge's eligibility to discontinue contributions under
8 this subdivision (a) (2).

9 (3) A participant who (i) has attained age 60, (ii)
10 continues to serve as a judge after becoming eligible to
11 receive the maximum rate of annuity, and (iii) has not
12 elected to discontinue contributing to the System under
13 subdivision (a) (2) of this Section (or has revoked any such
14 election) may elect, through a written direction filed with
15 the Board, to make contributions to the System based only
16 on the amount of the increases in salary received by the
17 judge on or after the date of the election, rather than the
18 total salary received. If a judge who is making
19 contributions to the System on the effective date of this
20 amendatory Act of the 91st General Assembly makes an
21 election to limit contributions under this subdivision
22 (a) (3) within 90 days after that effective date, the
23 election shall be deemed to become effective on that
24 effective date and the judge shall be entitled to receive a
25 refund of any excess contributions paid to the System
26 during that 90-day period; any other election under this

1 subdivision (a) (3) becomes effective on the first of the
2 month following the date of the election. An election to
3 limit contributions under this subdivision (a) (3) is
4 irrevocable. Service credits earned in any other
5 participating system as defined in Article 20 of this Code
6 shall be considered for purposes of determining a judge's
7 eligibility to make an election under this subdivision
8 (a) (3).

9 (b) Beginning July 1, 1969, each participant is required to
10 contribute 1% of each payment of salary towards the automatic
11 increase in annuity provided in Section 18-125.1. However, such
12 contributions need not be made by any participant who has
13 elected prior to September 15, 1969, not to be subject to the
14 automatic increase in annuity provisions.

15 (c) Effective July 13, 1953, each married participant
16 subject to the survivor's annuity provisions is required to
17 contribute 2 1/2% of each payment of salary, whether or not he
18 or she is required to make any other contributions under this
19 Section. Such contributions shall be made concurrently with the
20 contributions made for annuity purposes.

21 Notwithstanding any provision in this subsection (c) to the
22 contrary, in the case of an employee who participates in the
23 self-managed plan under Section 18-133.2, contributions for
24 survivor's annuity shall be used to fund benefits under Section
25 18-133.2.

26 (Source: P.A. 91-653, eff. 12-10-99.)

1 (40 ILCS 5/18-133.2 new)

2 Sec. 18-133.2. Self-managed plan.

3 (a) The General Assembly finds that it is important to be
4 able to attract and retain the most qualified judges and that
5 in order to attract and retain these judges, the System should
6 have the flexibility to provide a defined contribution plan as
7 an alternative for eligible participants who elect not to
8 participate in a defined benefit retirement program provided
9 under this Article. Accordingly, the Judges Retirement System
10 of Illinois is hereby authorized to establish and administer a
11 self-managed plan, which shall offer participants the
12 opportunity to accumulate assets for retirement through a
13 combination of participant and employer contributions that may
14 be invested in mutual funds, collective investment funds, or
15 other investment products and used to purchase annuity
16 contracts, either fixed or variable or a combination thereof.
17 The plan must be qualified under the Internal Revenue Code of
18 1986.

19 (b) The Board may adopt the self-managed plan established
20 under this Section. An employer's election to adopt the
21 self-managed plan makes available to the eligible participants
22 of that employer the elections described in Section 18-133.2.

23 The Judges Retirement System of Illinois shall be the plan
24 sponsor for the self-managed plan and shall prepare a plan
25 document and prescribe such rules and procedures as are

1 considered necessary or desirable for the administration of the
2 self-managed plan. Consistent with its fiduciary duty to the
3 participants and beneficiaries of the self-managed plan, the
4 Board of Trustees of the System may delegate aspects of plan
5 administration as it sees fit to companies authorized to do
6 business in this State.

7 (c) The System shall solicit proposals to provide
8 administrative services and funding vehicles for the
9 self-managed plan from insurance and annuity companies and
10 mutual fund companies, banks, trust companies, or other
11 financial institutions authorized to do business in this State.
12 In reviewing the proposals received and approving and
13 contracting with no fewer than 2 and no more than 7 companies,
14 the Board of Trustees of the System shall consider, among other
15 things, the following criteria:

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

18 (2) the reasonableness of the benefits in relation to
19 the premium charged;

20 (3) the suitability of the benefits to the needs and
21 interests of the participants and the employer;

22 (4) the ability of the company to provide benefits
23 under the contract and the financial stability of the
24 company; and

25 (5) the efficacy of the contract in the recruitment and
26 retention of judges.

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

6 (d) Participants who are under the self-managed plan must
7 be allowed to direct the transfer of their account balances
8 among the various investment options offered, subject to
9 applicable contractual provisions. The participant shall not
10 be deemed a fiduciary by reason of providing such investment
11 direction. A person who is a fiduciary shall not be liable for
12 any loss resulting from such investment direction and shall not
13 be deemed to have breached any fiduciary duty by acting in
14 accordance with that direction. Neither the System nor the
15 State guarantees any of the investments in the participant's
16 account balances.

17 (e) A person eligible to participate in the self-managed
18 plan must make a written election in accordance with the
19 provisions of Section 18-133.2 and the procedures established
20 by the System. Participation in the self-managed plan by an
21 electing participant shall begin on the first day of the month
22 next following the month in which the participant's election is
23 filed with the System, but not sooner than the effective date
24 of the self-managed plan. The System shall not make the
25 self-managed plan available earlier than January 1, 2008. A
26 participant's participation in the traditional benefit package

1 administered by the System under this Article shall terminate
2 on the date that participation in the self-managed plan begins.

3 A participant who has elected to participate in the
4 self-managed plan under this Section must continue
5 participation while employed as a judge, and may not
6 participate in the traditional benefit package administered by
7 the System under this Article while employed as a judge, unless
8 the self-managed plan is terminated in accordance with
9 subsection (i).

10 Participation in the self-managed plan under this Section
11 shall constitute membership in the Judges Retirement System of
12 Illinois.

13 A participant under this Section shall be entitled to the
14 benefits of Article 20 of this Code.

15 (f) If, at the time a participant elects to participate in
16 the self-managed plan, the participant rights and credits in
17 the System due to previous participation in the traditional
18 benefit package, the System shall establish for the participant
19 an opening account balance in the self-managed plan, equal to
20 (i) the amount of the contribution refund that the participant
21 would be eligible to receive under Section 18-129 if the
22 participant terminated employment on that date and elected a
23 refund of contributions, plus (ii) an amount equal to the
24 regular employer contribution that would be required to fund
25 the actual regular cost incurred for each year of service
26 credit earned, provided that the total opening account balance

1 does not exceed 7.6% of that participant's salary for that
2 year, plus interest. The interest used in this subsection (f)
3 is calculated as the average annual rate of return that the
4 System has earned over the past 20 fiscal years and is
5 compounded. The System shall transfer assets from the defined
6 benefit retirement program to the self-managed plan, as a
7 tax-free transfer in accordance with Internal Revenue Service
8 guidelines, for purposes of funding the participant's opening
9 account balance.

10 (g) Notwithstanding any other provision of this Article, a
11 participant may not purchase or receive service or service
12 credit applicable to the traditional benefit package under this
13 Article for any period during which the participant was covered
14 under the self-managed plan established under this Section.

15 (h) The self-managed plan shall be funded by contributions
16 from participants participating in the self-managed plan and
17 State contributions as provided in this Section.

18 The contribution rate for persons participating in the
19 self-managed plan under this Section shall be equal to the
20 participant contribution rate for other participants in the
21 System, as provided in Section 18-133. This required
22 contribution shall be made as an employer pick-up under Section
23 414(h) of the Internal Revenue Code of 1986 or any successor
24 Section thereof. Any employee participating in the System's
25 traditional benefit package prior to his or her election to
26 participate in the self-managed plan shall continue to have the

1 employer pick up that contribution. However, the amounts picked
2 up after the election of the self-managed plan shall be
3 remitted to and treated as assets of the self-managed plan. In
4 no event shall a participant have the option of receiving these
5 amounts in cash. Participants may make additional
6 contributions to the self-managed plan in accordance with
7 procedures prescribed by the System, to the extent permitted
8 under rules prescribed by the System.

9 The program shall provide for State contributions to be
10 credited to each self-managed plan participant an amount equal
11 to the regular employer contribution that would be required to
12 fund the actual regular cost incurred for each year of service
13 credit earned had the participant chosen to enroll in the
14 traditional benefit plan. This amount shall not surpass 7.6% of
15 the participant's salary in any year.

16 An amount of participant contribution, not exceeding 1% of
17 the participant's salary, shall be used for the purpose of
18 providing the disability benefits of the System to the
19 employee. Prior to the beginning of each plan year under the
20 self-managed plan, the Board of Trustees shall determine, as a
21 percentage of salary, the amount of participant contributions
22 to be allocated during that plan year for providing disability
23 benefits for participants in the self-managed plan. The
24 provisions of this paragraph shall be administered in
25 conjunction with the provisions of Section 18-124.

26 The State of Illinois shall make contributions by

1 appropriations to the System of the employer contributions
2 required for participants who are covered under the
3 self-managed plan under this Section. The amount required shall
4 be certified by the Board of Trustees of the System and paid by
5 the State in accordance with Section 18-140. The System shall
6 not be obligated to remit the required employer contributions
7 to any of the insurance and annuity companies, mutual fund
8 companies, banks, trust companies, financial institutions, or
9 other sponsors of any of the funding vehicles offered under the
10 self-managed plan until it has received the required employer
11 contributions from the State. In the event of a deficiency in
12 the amount of State contributions, the System shall implement
13 those procedures described in subsection (b) of Section 18-140
14 to obtain the required funding from the General Revenue Fund.

15 (i) The self-managed plan authorized under this Section may
16 be terminated by the System, subject to the terms of any
17 relevant contracts, and the System shall have no obligation to
18 re-establish the self-managed plan under this Section. This
19 Section does not create a right to continued participation in
20 any self-managed plan set up by the System under this Section.
21 If the self-managed plan is terminated, the participants shall
22 have the right to participate in the traditional benefit
23 package offered by the System and receive service credit in
24 that benefit package for any years of employment following the
25 termination.

26 (j) A participant in the self-managed plan becomes vested

1 in the employer contributions credited to his or her accounts
2 in the self-managed plan on the earliest to occur of the
3 following: (1) attainment of 6 years of service credit; (2) the
4 death of the participant while employed as a judge, if the
5 participant has completed at least 1.5 years of service; or (3)
6 the participant's election to retire and apply the reciprocal
7 provisions of Article 20 of this Code.

8 A participant in the self-managed plan who receives a
9 distribution of his or her vested amounts from the self-managed
10 plan while not yet eligible for retirement under this Article
11 (and Article 20, if applicable) shall forfeit all service
12 credit and accrued rights in the System; if subsequently
13 re-employed as a judge, the participant shall be considered a
14 new employee. If a former participant again becomes a
15 participating employee (or becomes employed by a participating
16 system under Article 20 of this Code) and continues as such for
17 at least 2 years, all such rights, service credits, and
18 previous status as a participant shall be restored upon
19 repayment of the amount of the distribution, without interest.

20 (k) If a participant who is vested in employer
21 contributions terminates employment, the participant shall be
22 entitled to a benefit which is based on the account values
23 attributable to both employer and participant contributions
24 and any investment return thereon.

25 If a participant who is not vested in employer
26 contributions terminates employment, the participant shall be

1 entitled to a benefit based solely on the account values
2 attributable to the participant's contributions and any
3 investment return thereon, and the employer contributions and
4 any investment return thereon shall be forfeited. Any employer
5 contributions which are forfeited shall be held in escrow by
6 the company investing those contributions and shall be used, as
7 directed by the System, for future allocations of employer
8 contributions or for the restoration of amounts previously
9 forfeited by former participants who again become
10 participating employees.

11 (1) The Commission on Government Forecasting and
12 Accountability shall conduct a study to determine the costs
13 associated with the implementation of the self-managed plan and
14 the transfer of eligible participants from the traditional
15 benefit package to the self-managed plan. The Commission on
16 Government Forecasting and Accountability shall report its
17 findings to the Governor and the General Assembly no later than
18 November 1, 2007.

19 (40 ILCS 5/18-169.1 new)

20 Sec. 18-169.1. To the extent that the changes made to this
21 Article by this amendatory Act of the 95th General Assembly
22 authorizing the System to offer a self-managed plan are
23 determined to be a new benefit increase within the meaning of
24 Section 18-169, the changes made by this amendatory Act are
25 exempt from the provisions of subsection (d) of Section 18-169.

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.

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3	40 ILCS 5/2-103.1 new	
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6	40 ILCS 5/2-126	from Ch. 108 1/2, par. 2-126
7	40 ILCS 5/2-126.2 new	
8	40 ILCS 5/2-162.1 new	
9	40 ILCS 5/14-103.40 new	
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12	40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
13	40 ILCS 5/14-133.2 new	
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22	40 ILCS 5/18-105.2 new	
23	40 ILCS 5/18-123.3 new	
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1 40 ILCS 5/18-169.1 new