



## 95TH GENERAL ASSEMBLY

### State of Illinois

### 2007 and 2008

### SB1653

Introduced 2/9/2007, by Sen. Kwame Raoul - Don Harmon

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. In the General Provisions Article, allows certain pension funds to embrace the investment in international equities and fixed income in corporations created or existing under the laws of a foreign country or in such corporations through investments in certain pooled or commingled funds and provides that, for the Metropolitan Water Reclamation District Retirement Fund, the total market value of all stocks and convertible debt shall not exceed 75% of the aggregate market value of all fund investments. In the Metropolitan Water Reclamation District Article, (i) makes changes concerning the timing of the first annuity payment date for retirement and survivor's annuities; (ii) provides that an employee in service before June 13, 1997 shall also receive a child's disability benefit during the period of disability of \$10 per month for each unmarried natural or adopted child of the employee under 18 years of age (language granting this benefit was removed from the statutes by Public Act 90-12, effective June 13, 1997); (iii) provides that there shall be deducted from each payment of salary an amount equal to 7% of salary as the employee's contribution for the retirement annuity, including child's annuity, and 0.5% of salary as the employee's contribution for annual increases to the retirement annuity (was, 7 1/2% of salary as employees contribution for the retirement annuity, including annual increases therefore and child's annuity); (iv) makes changes concerning refunds after the death of a survivor of the employee and spouse; and (v) makes changes concerning the investment authority of the Retirement Board of the Metropolitan Water Reclamation District. Effective immediately.

LRB095 10854 AMC 31124 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing  
5 Sections 1-113, 13-215, 13-216, 13-309, 13-502, 13-601, and  
6 13-706 as follows:

7 (40 ILCS 5/1-113) (from Ch. 108 1/2, par. 1-113)

8 Sec. 1-113. Investment authority of certain pension funds,  
9 not including those established under Article 3 or 4. The  
10 investment authority of a board of trustees of a retirement  
11 system or pension fund established under this Code shall, if so  
12 provided in the Article establishing such retirement system or  
13 pension fund, embrace the following investments:

14 (1) Bonds, notes and other direct obligations of the United  
15 States Government; bonds, notes and other obligations of any  
16 United States Government agency or instrumentality, whether or  
17 not guaranteed; and obligations the principal and interest of  
18 which are guaranteed unconditionally by the United States  
19 Government or by an agency or instrumentality thereof.

20 (2) Obligations of the Inter-American Development Bank,  
21 the International Bank for Reconstruction and Development, the  
22 African Development Bank, the International Finance  
23 Corporation, and the Asian Development Bank.

1           (3) Obligations of any state, or of any political  
2 subdivision in Illinois, or of any county or city in any other  
3 state having a population as shown by the last federal census  
4 of not less than 30,000 inhabitants provided that such  
5 political subdivision is not permitted by law to become  
6 indebted in excess of 10% of the assessed valuation of property  
7 therein and has not defaulted for a period longer than 30 days  
8 in the payment of interest and principal on any of its general  
9 obligations or indebtedness during a period of 10 calendar  
10 years immediately preceding such investment.

11           (4) Nonconvertible bonds, debentures, notes and other  
12 corporate obligations of any corporation created or existing  
13 under the laws of the United States or any state, district or  
14 territory thereof, provided there has been no default on the  
15 obligations of the corporation or its predecessor(s) during the  
16 5 calendar years immediately preceding the purchase. Up to 5%  
17 of the assets of a pension fund established under Article 9 of  
18 this Code may be invested in nonconvertible bonds, debentures,  
19 notes, and other corporate obligations of corporations created  
20 or existing under the laws of a foreign country, provided there  
21 has been no default on the obligations of the corporation or  
22 its predecessors during the 5 calendar years immediately  
23 preceding the date of purchase.

24           (5) Obligations guaranteed by the Government of Canada, or  
25 by any Province of Canada, or by any Canadian city with a  
26 population of not less than 150,000 inhabitants, provided (a)

1 they are payable in United States currency and are exempt from  
2 any Canadian withholding tax; (b) the investment in any one  
3 issue of bonds shall not exceed 10% of the amount outstanding;  
4 and (c) the total investments at book value in Canadian  
5 securities shall be limited to 5% of the total investment  
6 account of the board at book value.

7 (5.1) Direct obligations of the State of Israel for the  
8 payment of money, or obligations for the payment of money which  
9 are guaranteed as to the payment of principal and interest by  
10 the State of Israel, or common or preferred stock or notes  
11 issued by a bank owned or controlled in whole or in part by the  
12 State of Israel, on the following conditions:

13 (a) The total investments in such obligations shall not  
14 exceed 5% of the book value of the aggregate investments  
15 owned by the board;

16 (b) The State of Israel shall not be in default in the  
17 payment of principal or interest on any of its direct  
18 general obligations on the date of such investment;

19 (c) The bonds, stock or notes, and interest thereon  
20 shall be payable in currency of the United States;

21 (d) The bonds shall (1) contain an option for the  
22 redemption thereof after 90 days from date of purchase or  
23 (2) either become due 5 years from the date of their  
24 purchase or be subject to redemption 120 days after the  
25 date of notice for redemption;

26 (e) The investment in these obligations has been

1 approved in writing by investment counsel employed by the  
2 board, which counsel shall be a national or state bank or  
3 trust company authorized to do a trust business in the  
4 State of Illinois, or an investment advisor qualified under  
5 the Federal Investment Advisors Act of 1940 and registered  
6 under the Illinois Securities Act of 1953;

7 (f) The fund or system making the investment shall have  
8 at least \$5,000,000 of net present assets.

9 (6) Notes secured by mortgages under Sections 203, 207, 220  
10 and 221 of the National Housing Act which are insured by the  
11 Federal Housing Commissioner, or his successor assigns, or  
12 debentures issued by such Commissioner, which are guaranteed as  
13 to principal and interest by the Federal Housing  
14 Administration, or agency of the United States Government,  
15 provided the aggregate investment shall not exceed 20% of the  
16 total investment account of the board at book value, and  
17 provided further that the investment in such notes under  
18 Sections 220 and 221 shall in no event exceed one-half of the  
19 maximum investment in notes under this paragraph.

20 (7) Loans to veterans guaranteed in whole or part by the  
21 United States Government pursuant to Title III of the Act of  
22 Congress known as the "Servicemen's Readjustment Act of 1944,"  
23 58 Stat. 284, 38 U.S.C. 693, as amended or supplemented from  
24 time to time, provided such guaranteed loans are liens upon  
25 real estate.

26 (8) Common and preferred stocks and convertible debt

1 securities authorized for investment of trust funds under the  
2 laws of the State of Illinois, provided:

3 (a) the common stocks, except as provided in  
4 subparagraph (g), are listed on a national securities  
5 exchange or board of trade, as defined in the federal  
6 Securities Exchange Act of 1934, or quoted in the National  
7 Association of Securities Dealers Automated Quotation  
8 System (NASDAQ);

9 (b) the securities are of a corporation created or  
10 existing under the laws of the United States or any state,  
11 district or territory thereof, except that up to 5% of the  
12 assets of a pension fund established under Article 9 of  
13 this Code may be invested in securities issued by  
14 corporations created or existing under the laws of a  
15 foreign country, if those securities are otherwise in  
16 conformance with this paragraph (8);

17 (c) the corporation is not in arrears on payment of  
18 dividends on its preferred stock;

19 (d) the total book value of all stocks and convertible  
20 debt owned by any pension fund or retirement system shall  
21 not exceed 40% of the aggregate book value of all  
22 investments of such pension fund or retirement system,  
23 except for a pension fund or retirement system governed by  
24 Article 9 or 17, where the total of all stocks and  
25 convertible debt shall not exceed 50% of the aggregate book  
26 value of all fund investments, and except for a pension

1 fund or retirement system governed by Article 13, where the  
2 total market value of all stocks and convertible debt shall  
3 not exceed 75% ~~65%~~ of the aggregate market value of all  
4 fund investments;

5 (e) the book value of stock and convertible debt  
6 investments in any one corporation shall not exceed 5% of  
7 the total investment account at book value in which such  
8 securities are held, determined as of the date of the  
9 investment, and the investments in the stock of any one  
10 corporation shall not exceed 5% of the total outstanding  
11 stock of such corporation, and the investments in the  
12 convertible debt of any one corporation shall not exceed 5%  
13 of the total amount of such debt that may be outstanding;

14 (f) the straight preferred stocks or convertible  
15 preferred stocks and convertible debt securities are  
16 issued or guaranteed by a corporation whose common stock  
17 qualifies for investment by the board; and

18 (g) that any common stocks not listed or quoted as  
19 provided in subdivision 8(a) above be limited to the  
20 following types of institutions: (a) any bank which is a  
21 member of the Federal Deposit Insurance Corporation having  
22 capital funds represented by capital stock, surplus and  
23 undivided profits of at least \$20,000,000; (b) any life  
24 insurance company having capital funds represented by  
25 capital stock, special surplus funds and unassigned  
26 surplus totalling at least \$50,000,000; and (c) any fire or

1           casualty insurance company, or a combination thereof,  
2           having capital funds represented by capital stock, net  
3           surplus and voluntary reserves of at least \$50,000,000.

4           (9) Withdrawable accounts of State chartered and federal  
5           chartered savings and loan associations insured by the Federal  
6           Savings and Loan Insurance Corporation; deposits or  
7           certificates of deposit in State and national banks insured by  
8           the Federal Deposit Insurance Corporation; and share accounts  
9           or share certificate accounts in a State or federal credit  
10          union, the accounts of which are insured as required by the  
11          Illinois Credit Union Act or the Federal Credit Union Act, as  
12          applicable.

13          No bank or savings and loan association shall receive  
14          investment funds as permitted by this subsection (9), unless it  
15          has complied with the requirements established pursuant to  
16          Section 6 of the Public Funds Investment Act.

17          (10) Trading, purchase or sale of listed options on  
18          underlying securities owned by the board.

19          (11) Contracts and agreements supplemental thereto  
20          providing for investments in the general account of a life  
21          insurance company authorized to do business in Illinois.

22          (12) Conventional mortgage pass-through securities which  
23          are evidenced by interests in Illinois owner-occupied  
24          residential mortgages, having not less than an "A" rating from  
25          at least one national securities rating service. Such mortgages  
26          may have loan-to-value ratios up to 95%, provided that any



1 amount over 80% is insured by private mortgage insurance. The  
2 pool of such mortgages shall be insured by mortgage guaranty or  
3 equivalent insurance, in accordance with industry standards.

4 (13) Pooled or commingled funds managed by a national or  
5 State bank which is authorized to do a trust business in the  
6 State of Illinois, shares of registered investment companies as  
7 defined in the federal Investment Company Act of 1940 which are  
8 registered under that Act, and separate accounts of a life  
9 insurance company authorized to do business in Illinois, where  
10 such pooled or commingled funds, shares, or separate accounts  
11 are comprised of common or preferred stocks, bonds, or money  
12 market instruments.

13 (14) Pooled or commingled funds managed by a national or  
14 state bank which is authorized to do a trust business in the  
15 State of Illinois, separate accounts managed by a life  
16 insurance company authorized to do business in Illinois, and  
17 commingled group trusts managed by an investment adviser  
18 registered under the federal Investment Advisors Act of 1940  
19 (15 U.S.C. 80b-1 et seq.) and under the Illinois Securities Law  
20 of 1953, where such pooled or commingled funds, separate  
21 accounts or commingled group trusts are comprised of real  
22 estate or loans upon real estate secured by first or second  
23 mortgages. The total investment in such pooled or commingled  
24 funds, commingled group trusts and separate accounts shall not  
25 exceed 10% of the aggregate book value of all investments owned  
26 by the fund.

1       (14.5) Investment in international equities and fixed  
2       income may be made in corporations created or existing under  
3       the laws of a foreign country or in such corporations through  
4       investments in pooled or commingled funds permitted under  
5       paragraph (13) of this Section.

6       (15) Investment companies which (a) are registered as such  
7       under the Investment Company Act of 1940, (b) are diversified,  
8       open-end management investment companies and (c) invest only in  
9       money market instruments.

10       (16) Up to 10% of the assets of the fund may be invested in  
11       investments not included in paragraphs (1) through (15) of this  
12       Section, provided that such investments comply with the  
13       requirements and restrictions set forth in Sections 1-109,  
14       1-109.1, 1-109.2, 1-110 and 1-111 of this Code.

15       The board shall have the authority to enter into such  
16       agreements and to execute such documents as it determines to be  
17       necessary to complete any investment transaction.

18       Any limitations herein set forth shall be applicable only  
19       at the time of purchase and shall not require the liquidation  
20       of any investment at any time.

21       All investments shall be clearly held and accounted for to  
22       indicate ownership by such board. Such board may direct the  
23       registration of securities in its own name or in the name of a  
24       nominee created for the express purpose of registration of  
25       securities by a national or state bank or trust company  
26       authorized to conduct a trust business in the State of

1 Illinois.

2 Investments shall be carried at cost or at a value  
3 determined in accordance with generally accepted accounting  
4 principles and accounting procedures approved by such board.

5 (Source: P.A. 92-53, eff. 7-12-01.)

6 (40 ILCS 5/13-215) (from Ch. 108 1/2, par. 13-215)

7 Sec. 13-215. "Retirement annuity": A benefit payable as an  
8 annuity for service as an employee. The annuity shall be  
9 payable in equal monthly installments for life, except as  
10 otherwise provided in this Article, beginning in the ~~one~~ month  
11 after the effective date of the annuity ~~as fixed by the Board,~~  
12 which shall not be prior to the date of withdrawal nor more  
13 than one year prior to the date of the employee's application  
14 for the annuity. A pro rata amount of the annuity shall be paid  
15 for part of a month when the annuity begins after the first day  
16 of the month or ends before the last day of the month.

17 Notwithstanding the above, all retirement annuity payments  
18 first payable on or after January 1, 2008, shall begin the  
19 first of the month following the effective date of retirement.

20 Effective January 1, 2008, benefits are payable for the  
21 full month if the annuitant was alive on the first day of the  
22 month.

23 (Source: P.A. 87-794.)

24 (40 ILCS 5/13-216) (from Ch. 108 1/2, par. 13-216)

1           Sec. 13-216. "Surviving spouse's annuity": The amount  
2 payable as a surviving spouse annuity commencing on the date of  
3 the employee's or retiree's death. The annuity shall be payable  
4 in equal monthly installments for life, except as otherwise  
5 provided in this Article, in the month after the effective date  
6 of the annuity ~~beginning one month after the effective date of~~  
7 ~~the annuity~~. A pro rata amount of the annuity shall be paid for  
8 part of a month when the annuity begins after the first day of  
9 the month or ends before the last day of the month.

10           Notwithstanding the above, all surviving spouse annuity  
11 payments first payable on or after January 1, 2008, shall begin  
12 the first of the month following the employee's or annuitant's  
13 date of death.

14           Effective January 1, 2008, benefits are payable for the  
15 full month if the annuitant was alive on the first day of the  
16 month.

17           (Source: P.A. 87-794.)

18           (40 ILCS 5/13-309) (from Ch. 108 1/2, par. 13-309)

19           Sec. 13-309. Duty disability benefit.

20           (a) Any employee who becomes disabled, which disability is  
21 the result of an injury or illness compensable under the  
22 Illinois Workers' Compensation Act or the Illinois Workers'  
23 Occupational Diseases Act, is entitled to a duty disability  
24 benefit during the period of disability for which the employee  
25 does not receive any part of salary, or any part of a

1 retirement annuity under this Article; except that in the case  
2 of an employee who first enters service on or after June 13,  
3 1997 and becomes disabled before the effective date of this  
4 amendatory Act of the 94th General Assembly, a duty disability  
5 benefit is not payable for the first 3 days of disability that  
6 would otherwise be payable under this Section if the disability  
7 does not continue for at least 11 additional days. The changes  
8 made to this Section by this amendatory Act of the 94th General  
9 Assembly are prospective only and do not entitle an employee to  
10 a duty disability benefit for the first 3 days of any  
11 disability that occurred before that effective date and did not  
12 continue for at least 11 additional days. This benefit shall be  
13 75% of salary at the date disability begins. However, if the  
14 disability in any measure resulted from any physical defect or  
15 disease which existed at the time such injury was sustained or  
16 such illness commenced, the duty disability benefit shall be  
17 50% of salary.

18 Unless the employer acknowledges that the disability is a  
19 result of injury or illness compensable under the Workers'  
20 Compensation Act or the Workers' Occupational Diseases Act, the  
21 duty disability benefit shall not be payable until the issue of  
22 compensability under those Acts is finally adjudicated. The  
23 period of disability shall be as determined by the Illinois  
24 Workers' Compensation Commission or acknowledged by the  
25 employer.

26 An employee in service before June 13, 1997 shall also

1 receive a child's disability benefit during the period of  
2 disability of \$10 per month for each unmarried natural or  
3 adopted child of the employee under 18 years of age.

4 The first payment shall be made not later than one month  
5 after the benefit is granted, and subsequent payments shall be  
6 made at least monthly. The Board shall by rule prescribe for  
7 the payment of such benefits on the basis of the amount of  
8 salary lost during the period of disability.

9 (b) The benefit shall be allowed only if the following  
10 requirements are met by the employee:

11 (1) Application is made to the Board within 90 days  
12 from the date disability begins;

13 (2) A medical report is submitted by at least one  
14 licensed and practicing physician as part of the employee's  
15 application; and

16 (3) The employee is examined by at least one licensed  
17 and practicing physician appointed by the Board and found  
18 to be in a disabled physical condition, and shall be  
19 re-examined at least annually thereafter during the  
20 continuance of disability. The employee need not be  
21 re-examined by a licensed and practicing physician if the  
22 attorney for the district certifies in writing that the  
23 employee is entitled to receive compensation under the  
24 Workers' Compensation Act or the Workers' Occupational  
25 Diseases Act.

26 (c) The benefit shall terminate when:

1           (1) The employee returns to work or receives a  
2 retirement annuity paid wholly or in part under this  
3 Article;

4           (2) The disability ceases;

5           (3) The employee attains age 65, but if the employee  
6 becomes disabled at age 60 or later, benefits may be  
7 extended for a period of no more than 5 years after  
8 disablement;

9           (4) The employee (i) refuses to submit to reasonable  
10 examinations by physicians or other health professionals  
11 appointed by the Board, (ii) fails or refuses to consent to  
12 and sign an authorization allowing the Board to receive  
13 copies of or to examine the employee's medical and hospital  
14 records, or (iii) fails or refuses to provide complete  
15 information regarding any other employment for  
16 compensation he or she has received since becoming  
17 disabled; or

18           (5) The employee willfully and continuously refuses to  
19 follow medical advice and treatment to enable the employee  
20 to return to work. However this provision does not apply to  
21 an employee who relies in good faith on treatment by prayer  
22 through spiritual means alone in accordance with the tenets  
23 and practice of a recognized church or religious  
24 denomination, by a duly accredited practitioner thereof.

25           In the case of a duty disability recipient who returns to  
26 work, the employee must make application to the Retirement

1 Board within 2 years from the date the employee last received  
2 duty disability benefits in order to become again entitled to  
3 duty disability benefits based on the injury for which a duty  
4 disability benefit was theretofore paid.

5 (Source: P.A. 93-721, eff. 1-1-05; 94-621, eff. 8-18-05.)

6 (40 ILCS 5/13-502) (from Ch. 108 1/2, par. 13-502)

7 Sec. 13-502. Employee contributions; deductions from  
8 salary.

9 (a) Retirement annuity and child's annuity. There shall be  
10 deducted from each payment of salary an amount equal to 7% 7  
11 ~~1/2%~~ of salary as the employee's contribution for the  
12 retirement annuity, including ~~annual increases therefore and~~  
13 child's annuity, and 0.5% of salary as the employee's  
14 contribution for annual increases to the retirement annuity.

15 (b) Surviving spouse's annuity. There shall be deducted  
16 from each payment of salary an amount equal to 1 1/2% of salary  
17 as the employee's contribution for the surviving spouse's  
18 annuity and annual increases therefor.

19 (c) Pickup of employee contributions. The Employer may pick  
20 up employee contributions required under subsections (a) and  
21 (b) of this Section. If contributions are picked up they shall  
22 be treated as Employer contributions in determining tax  
23 treatment under the United States Internal Revenue Code, and  
24 shall not be included as gross income of the employee until  
25 such time as they are distributed. The Employer shall pay these



1 employee contributions from the same source of funds used in  
2 paying salary to the employee. The Employer may pick up these  
3 contributions by a reduction in the cash salary of the employee  
4 or by an offset against a future salary increase or by a  
5 combination of a reduction in salary and offset against a  
6 future salary increase. If employee contributions are picked up  
7 they shall be treated for all purposes of this Article 13,  
8 including Sections 13-503 and 13-601, in the same manner and to  
9 the same extent as employee contributions made prior to the  
10 date picked up.

11 (d) Subject to the requirements of federal law, the  
12 Employer shall pick up optional contributions that the employee  
13 has elected to pay to the Fund under Section 13-304.1, and the  
14 contributions so picked up shall be treated as employer  
15 contributions for the purposes of determining federal tax  
16 treatment. The Employer shall pick up the contributions by a  
17 reduction in the cash salary of the employee and shall pay the  
18 contributions from the same fund that is used to pay earnings  
19 to the employee. The Employer shall, however, continue to  
20 withhold federal and State income taxes based upon  
21 contributions made under Section 13-304.1 until the Internal  
22 Revenue Service or the federal courts rule that pursuant to  
23 Section 414(h) of the U.S. Internal Revenue Code of 1986, as  
24 amended, these contributions shall not be included as gross  
25 income of the employee until such time as they are distributed  
26 or made available.

1 (e) Each employee is deemed to consent and agree to the  
2 deductions from compensation provided for in this Article.

3 (f) Subject to the requirements of federal law, the  
4 Employer shall pick up contributions that a commissioner has  
5 elected to pay to the Fund under Section 13-314, and the  
6 contributions so picked up shall be treated as Employer  
7 contributions for the purposes of determining federal tax  
8 treatment. The Employer shall pick up the contributions by a  
9 reduction in the cash salary of the commissioner and shall pay  
10 the contributions from the same fund as is used to pay earnings  
11 to the commissioner. The Employer shall, however, continue to  
12 withhold federal and State income taxes based upon  
13 contributions made under Section 13-314 until the U.S. Internal  
14 Revenue Service or the federal courts rule that pursuant to  
15 Section 414(h) of the Internal Revenue Code of 1986, as  
16 amended, these contributions shall not be included as gross  
17 income of the employee until such time as they are distributed  
18 or made available.

19 (Source: P.A. 94-621, eff. 8-18-05.)

20 (40 ILCS 5/13-601) (from Ch. 108 1/2, par. 13-601)

21 Sec. 13-601. Refunds.

22 (a) Withdrawal from service. Upon withdrawal from service,  
23 an employee under age 55 (age 50 if the employee first entered  
24 service before June 13, 1997), or an employee age 55 (age 50 if  
25 the employee first entered service before June 13, 1997) or

1 over but less than 60 having less than 20 years of service, or  
2 an employee age 60 or over having less than 5 years of service  
3 shall be entitled, upon application, to a refund of total  
4 contributions from salary deductions or amounts otherwise paid  
5 under this Article by the employee. The refund shall not  
6 include interest credited to the contributions. The Board may,  
7 in its discretion, withhold payment of a refund for a period  
8 not to exceed one year from the date of filing an application  
9 for refund.

10 (b) Surviving spouse's annuity contributions. A refund of  
11 all amounts deducted from salary or otherwise contributed by an  
12 employee for the surviving spouse's annuity shall be paid upon  
13 retirement to any employee who on the date of retirement is  
14 either not married or is married but whose spouse is not  
15 eligible for a surviving spouse's annuity paid wholly or in  
16 part under this Article. The refund shall include interest on  
17 each contribution at the rate of 3% per annum compounded  
18 annually from the date of the contribution to the date of the  
19 refund.

20 (c) Payment of Refunds After Death. Whenever any refund is  
21 payable after the death of the annuitant as provided for in  
22 this Article, the refund shall be paid as follows: to the  
23 employee's surviving spouse, but if there is no surviving  
24 spouse then in accordance with the employee's written  
25 designation of beneficiary filed with the Board on the  
26 prescribed form before the employee's death. If there is no

1 such designation of beneficiary, then to the employee's  
2 surviving children in equal parts to each. If there are no such  
3 children, the refund shall be paid to the heirs of the employee  
4 according to the law of descent and distribution of the State  
5 of Illinois. When paid to children, estate or beneficiary.  
6 ~~Whenever the total accumulations, to the account of an employee~~  
7 ~~from employee contributions, including interest to the~~  
8 ~~employee's date of withdrawal, have not been paid to the~~  
9 ~~employee and surviving spouse as a retirement or spouse's~~  
10 ~~annuity before the death of the survivor of the employee and~~  
11 ~~spouse, a refund shall be paid as follows: an amount equal to~~  
12 ~~the excess of such amounts over the amounts paid on such~~  
13 ~~annuities without interest on either such amount, shall be paid~~  
14 ~~to the children of the employee, in equal parts to each, unless~~  
15 ~~the employee has directed in writing, signed by him before an~~  
16 ~~officer authorized to administer oaths, and filed with the~~  
17 ~~Board before the employee's death, that any such amount shall~~  
18 ~~be refunded and paid to any one or more of such children; and~~  
19 ~~if there are not children, such other beneficiary or~~  
20 ~~beneficiaries as might be designated by the employee. If there~~  
21 ~~are no such children or designation of beneficiary, the refund~~  
22 ~~shall be paid to the personal representative of the employee's~~  
23 ~~estate.~~

24       If a personal representative of the estate has not been  
25 appointed within 90 days from the date on which a refund became  
26 payable, the refund may be applied, in the discretion of the

1 Board, toward the payment of the employee's or the surviving  
2 spouse's burial expenses. Any remaining balance shall be paid  
3 to the heirs of the employee according to the law of descent  
4 and distribution of the State of Illinois.

5 Whenever the total accumulations to the account of an  
6 employee from employee contributions other than the  
7 contribution for the cost of living increase, including  
8 interest to the employee's date of withdrawal, have not been  
9 paid to the employee and surviving spouse as a retirement or  
10 spouse's annuity before the death of the employee and spouse, a  
11 refund shall be paid as follows: an amount equal to the excess  
12 of such amounts over the amounts paid on such annuities without  
13 interest on either such amount.

14 If a reversionary annuity becomes payable under Section  
15 13-303, the refund provided in this section shall not be paid  
16 until the death of the reversionary annuitant and the refund  
17 otherwise payable under this section shall be then further  
18 reduced by the amount of the reversionary annuity paid.

19 (d) In lieu of annuity. Notwithstanding the provisions set  
20 forth in subsection (a) of this section, whenever an employee's  
21 or surviving spouse's annuity will be less than \$200 per month,  
22 the employee or surviving spouse, as the case may be, may elect  
23 to receive a refund of accumulated employee contributions;  
24 provided, however, that if the election is made by a surviving  
25 spouse the refund shall be reduced by any amounts theretofore  
26 paid to the employee in the form of an annuity.

1           (e) Forfeiture of rights. An employee or surviving spouse  
2 who receives a refund forfeits the right to receive an annuity  
3 or any other benefit payable under this Article except that if  
4 the refund is to a surviving spouse, any child or children of  
5 the employee shall not be deprived of the right to receive a  
6 child's annuity as provided in Section 13-308 of this Article,  
7 and the payment of a child's annuity shall not reduce the  
8 amount refundable to the surviving spouse.

9           (Source: P.A. 94-621, eff. 8-18-05.)

10           (40 ILCS 5/13-706) (from Ch. 108 1/2, par. 13-706)

11           Sec. 13-706. Board powers and duties. The Board shall have  
12 the powers and duties set forth in this Section, in addition to  
13 such other powers and duties as may be provided in this Article  
14 and in this Code:

15           (a) To supervise collections. To see that all amounts  
16 specified in this Article to be applied to the Fund, from  
17 any source, are collected and applied.

18           (b) To notify of deductions. To notify the Clerk of the  
19 Water Reclamation District of the deductions to be made  
20 from the salaries of employees.

21           (c) To accept gifts. To accept by gift, grant, bequest  
22 or otherwise any money or property of any kind and use the  
23 same for the purposes of the Fund.

24           (d) To invest the reserves. To invest the reserves of  
25 the Fund in accordance with the provisions set forth in

1 Section 1-109, 1-109.1, 1-109.2, 1-110, 1-111, 1-114, and  
2 1-115 of this Code. Investment made in Section 1-113 of  
3 Article 1 of this Code shall be deemed prudent. The Board  
4 is also authorized to transfer securities to the Illinois  
5 State Board of Investment for the purpose of participation  
6 in any commingled investment fund as provided in Article  
7 22A of this Code.

8 (e) To authorize payments. To consider and pass upon  
9 all applications for annuities and benefits; to authorize  
10 or suspend the payment of any annuity or benefit; to  
11 inquire into the validity and legality of any grant of  
12 annuity or benefit paid from or payable out of the Fund; to  
13 increase, reduce, or suspend any such annuity or benefit  
14 whenever the annuity or benefit, or any part thereof, was  
15 secured or granted, or the amount thereof fixed, as the  
16 result of misrepresentation, fraud, or error. No such  
17 annuity or benefit shall be permanently reduced or  
18 suspended until the affected annuitant or beneficiary is  
19 first notified of the proposed action and given an  
20 opportunity to be heard. No trustee of the Board shall vote  
21 upon that trustee's own personal claim for annuity, benefit  
22 or refund, or participate in the deliberations of the Board  
23 as to the validity of any such claim. The Board shall have  
24 exclusive original jurisdiction in all matters of claims  
25 for annuities, benefits and refunds.

26 (f) To submit an annual report. To submit a report in

1 July of each year to the Board of Commissioners of the  
2 Water Reclamation District as of the close of business on  
3 December 31st of the preceding year. The report shall  
4 include the following:

5 (1) A balance sheet, showing the financial and  
6 actuarial condition of the Fund as of the end of the  
7 calendar year;

8 (2) A statement of receipts and disbursements  
9 during such year;

10 (3) A statement showing changes in the asset,  
11 liability, reserve and surplus accounts during such  
12 year;

13 (4) A detailed statement of investments as of the  
14 end of the year; and

15 (5) Any additional information as is deemed  
16 necessary for proper interpretation of the condition  
17 of the Fund.

18 (g) To subpoena witnesses. To compel witnesses to  
19 attend and testify before it upon any matter concerning the  
20 Fund and allow witness fees not in excess of \$6 for  
21 attendance upon any one day. The President and other  
22 members of the Board may administer oaths to witnesses.

23 (h) To appoint employees and consultants. To appoint  
24 such actuarial, medical, legal, investigational, clerical  
25 or financial employees and consultants as are necessary,  
26 and fix their compensation.



1           (i) To make rules. To make rules and regulations  
2 necessary for the administration of the affairs of the  
3 Fund.

4           (j) To waive guardianship. To waive the requirement of  
5 legal guardianship of any minor unmarried beneficiary of  
6 the Fund living with a parent or grandparent, and legal  
7 guardianship of any beneficiary under legal disability  
8 whose husband, wife, or parent is managing such  
9 beneficiary's affairs, whenever the Board deems such  
10 waiver to be in the best interest of the beneficiary.

11           (k) To collect amounts due. To collect any amounts due  
12 to the Fund from any participant or beneficiary prior to  
13 payment of any annuity, benefit or refund.

14           (l) To invoke rule of offset. To offset against any  
15 amount payable to an employee or to any other person such  
16 sums as may be due to the Fund or may have been paid by the  
17 Fund due to misrepresentation, fraud or error.

18           (m) To assess and collect interest on amounts due to  
19 the Fund using the annual rate as shall from time to time  
20 be determined by the Board, compounded annually from the  
21 date of notification to the date of payment.

22 (Source: P.A. 94-621, eff. 8-18-05.)

23           Section 90. The State Mandates Act is amended by adding  
24 Section 8.31 as follows:

1 (30 ILCS 805/8.31 new)

2 Sec. 8.31. Exempt mandate. Notwithstanding Sections 6 and 8  
3 of this Act, no reimbursement by the State is required for the  
4 implementation of any mandate created by this amendatory Act of  
5 the 95th General Assembly.

6 Section 99. Effective date. This Act takes effect upon  
7 becoming law.

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2

Statutes amended in order of appearance

3

40 ILCS 5/1-113

from Ch. 108 1/2, par. 1-113

4

40 ILCS 5/13-215

from Ch. 108 1/2, par. 13-215

5

40 ILCS 5/13-216

from Ch. 108 1/2, par. 13-216

6

40 ILCS 5/13-309

from Ch. 108 1/2, par. 13-309

7

40 ILCS 5/13-502

from Ch. 108 1/2, par. 13-502

8

40 ILCS 5/13-601

from Ch. 108 1/2, par. 13-601

9

40 ILCS 5/13-706

from Ch. 108 1/2, par. 13-706

10

30 ILCS 805/8.31 new