

# SB0303



## 96TH GENERAL ASSEMBLY

### State of Illinois

2009 and 2010

SB0303

Introduced 2/6/2009, by Sen. Bill Brady

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Requires the General Assembly Retirement System, the State Employees' Retirement System of Illinois, the State Universities Retirement System, the Teachers' Retirement System of the State of Illinois, and the Judges Retirement System of Illinois to allow employees to elect 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 the amendatory Act are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision. Effective immediately.

LRB096 02849 AMC 12862 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

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 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, 15-198.1, 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, 14-152.2, 15-103.3, 15-134.5, 15-158.2, 16-152, and  
10 18-133 as follows:

11 (40 ILCS 5/2-103.1 new)

12 Sec. 2-103.1. Traditional benefit package. "Traditional  
13 benefit package" means the defined benefit retirement program  
14 maintained by the System, which includes retirement annuities  
15 payable directly from the System, as provided in Sections  
16 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities  
17 payable directly from the System, as provided in Sections  
18 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution  
19 refunds, as provided in Section 2-123.

20 (40 ILCS 5/2-103.2 new)

21 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means  
22 the defined contribution retirement program maintained by the

1 System, as described in Section 2-126.2. The self-managed plan  
2 does not include retirement annuities or survivor's benefits  
3 payable directly from the System, as provided in Sections  
4 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and  
5 2-121.3 or refunds determined under Section 2-123.

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

8 (a) For the purposes of this Section:

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

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

15 "Newly eligible participant" means a person who first  
16 becomes a participant after the date on which the System first  
17 offers the self-managed plan as an alternative to the  
18 traditional benefit package.

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

1       The retirement program election made by an eligible  
2 participant must be made in writing, in the manner prescribed  
3 by the System, and within the time period described in this  
4 Section.

5       If an eligible participant elects the self-managed plan,  
6 then that election is irrevocable. If an eligible participant  
7 who elected to participate or participated by default in the  
8 traditional benefit plan terminates employment under this  
9 Article, then the participant, upon his or her subsequent  
10 re-employment under this Article, may make an election under  
11 this Section.

12       An eligible participant who fails to make an election under  
13 this Section shall, by default, participate in the traditional  
14 benefit package.

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

17       A currently eligible participant must make this election  
18 within 5 years after the effective date of the adoption of the  
19 self-managed plan under Section 2-126.2 or, in the case of a  
20 currently eligible participant who terminates employment under  
21 this Article, within 6 months after his or her re-employment  
22 under this Article.

23       A newly eligible participant must make this election within  
24 6 months after he or she begins employment under this Article.

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

1 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  
16 (self-managed) plan for eligible participants. Accordingly,  
17 the General Assembly Retirement System is hereby authorized to  
18 establish and administer a self-managed plan, which shall offer  
19 participants the opportunity to accumulate assets for  
20 retirement through a combination of participant and State  
21 contributions that may be invested in mutual funds, collective  
22 investment funds, or other investment products and used to  
23 purchase annuity contracts, either fixed or variable or a  
24 combination of fixed and variable. The plan must be qualified  
25 under the Internal Revenue Code of 1986.

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

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

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

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

26           (2) the reasonableness of the benefits in relation to



1 the premium charged;

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

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

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 In addition to the companies approved by the System under  
13 this subsection (c), the System may offer its participants an  
14 investment fund managed by the System.

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

25 (e) An eligible participant, as defined in Section 2-117.4,  
26 must make a written election to participate in the self-managed

1 plan in accordance with the provisions of Section 2-117.4 and  
2 the procedures established by the System. Participation in the  
3 self-managed plan shall begin on the first day of the month  
4 immediately following the month in which the eligible  
5 participant's election is filed with the System, but not sooner  
6 than the effective date of the self-managed plan. The System  
7 shall make the self-managed plan available under this Article  
8 by January 1, 2010. A member's participation in the traditional  
9 retirement package under this Article shall terminate on the  
10 date that participation in the self-managed 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.

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

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

20 (f) If, at the time a participant elects to participate in  
21 the self-managed plan, the participant has rights and credits  
22 in the System due to previous participation in the traditional  
23 benefit package, the System shall establish for the participant  
24 an opening account balance in the self-managed plan, equal to  
25 (1) the amount of the contribution refund that the participant  
26 would be eligible to receive under Section 2-123 if the

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

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

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

23 The contribution rate for participants in the self-managed  
24 plan under this Section shall be equal to the member  
25 contribution rate for other participants in the System, as  
26 provided in Section 2-126. This required contribution shall be

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

14 The program shall provide for State contributions to be  
15 credited to each self-managed plan participant in an amount  
16 equal to the regular employer contribution that would be  
17 required to fund the actual regular cost incurred for each year  
18 of service credit earned had the participant chosen to enroll  
19 in the traditional benefit plan. The amounts so credited shall  
20 be paid into the participant's self-managed plan accounts in a  
21 manner to be prescribed by the System.

22 The State of Illinois shall make contributions by  
23 appropriations to the System for participants in the  
24 self-managed plan under this Section. The amount required shall  
25 be certified by the Board of Trustees of the System and paid by  
26 the State in accordance with Section 2-134. The System shall

1 not be obligated to remit the required State contributions to  
2 any of the insurance and annuity companies, mutual fund  
3 companies, banks, trust companies, financial institutions, or  
4 other sponsors of any of the funding vehicles offered under the  
5 self-managed plan until it has received the required State  
6 contributions from the State.

7 (i) A participant in the self-managed plan becomes vested  
8 in the State contributions credited to his or her accounts in  
9 the self-managed plan on the earliest to occur of the  
10 following: (1) attainment of 5 years of service credit; (2) the  
11 death of the participating member while employed under this  
12 Article, if the member has completed at least 1.5 years of  
13 service; or (3) the member's election to retire and apply the  
14 reciprocal provisions of Article 20 of this Code.

15 A participant in the self-managed plan who receives a  
16 distribution of his or her vested amounts from the self-managed  
17 plan while not yet eligible for retirement under this Article  
18 (and Article 20, if applicable) shall forfeit all service  
19 credit and accrued rights in the System; if he or she  
20 subsequently becomes a participant under this Article again, he  
21 or she shall be considered a new participant. If a former  
22 participant again becomes a participating member (or becomes  
23 employed by a participating system under Article 20 of this  
24 Code) and continues as such for at least 2 years, all rights,  
25 service credits, and previous status as a participant shall be  
26 restored upon repayment of the amount of the distribution,

1 without interest.

2 (j) If a participant in the self-managed plan who is vested  
3 in State contributions terminates employment, the participant  
4 shall be entitled to a benefit that is based on the account  
5 values attributable to both State and member contributions and  
6 any investment return thereon.

7 If a participant in the self-managed plan who is not vested  
8 in State contributions terminates employment, the participant  
9 shall be entitled to a benefit based solely on the account  
10 values attributable to the participant's contributions and any  
11 investment return thereon, and the State contributions and any  
12 investment return thereon shall be forfeited. Any State  
13 contributions that are forfeited shall be held in escrow by the  
14 company investing those contributions and shall be used, as  
15 directed by the System, for future allocations of State  
16 contributions or for the restoration of amounts previously  
17 forfeited by former participants who again become  
18 participating members.

19 (40 ILCS 5/2-162.1 new)

20 Sec. 2-162.1. New benefit increases. To the extent that the  
21 changes made to this Article by this amendatory Act of the 96th  
22 General Assembly authorizing the System to offer a self-managed  
23 plan are determined to be a new benefit increase within the  
24 meaning of Section 2-162, the changes made by this amendatory  
25 Act are exempt from the provisions of subsection (d) of Section

1 2-162.

2 (40 ILCS 5/14-103.40 new)

3 Sec. 14-103.40. 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 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110, 14-112,  
8 14-113, 14-114, and 14-115; disability benefits payable under  
9 Sections 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and  
10 14-126; death benefits payable directly from the System, as  
11 provided in Sections 14-116, 14-117, and 14-128; widow or  
12 survivors annuities payable directly from the System, as  
13 provided in Sections 14-118, 14-119, 14-120, 14-121, 14-121.1,  
14 and 14-122; and contribution refunds, as provided in Section  
15 14-130.

16 (40 ILCS 5/14-103.41 new)

17 Sec. 14-103.41. Self-managed plan. "Self-managed plan"  
18 means the defined contribution retirement program maintained  
19 under the System, as described in Section 14-133.2. The  
20 self-managed plan also includes disability benefits, as  
21 provided in Sections 14-123, 14-123.1, 14-124, 14-125,  
22 14-125.1, and 14-126. The self-managed plan does not include  
23 retirement annuities, death benefits, widow or survivors  
24 annuities payable directly from the System, as provided in

1 Sections 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110,  
2 14-112, 14-113, 14-114, 14-115, 14-116, 14-117, 14-118,  
3 14-119, 14-120, 14-121, 14-121.1, 14-122, and 14-128 or refunds  
4 determined under Section 14-130.

5 (40 ILCS 5/14-105.8 new)

6 Sec. 14-105.8. Retirement program elections.

7 (a) For the purposes of this Section:

8 "Eligible employee" means either a currently eligible  
9 employee or a newly eligible employee.

10 "Currently eligible employee" means an employee who is  
11 employed by the State on the date on which the System first  
12 offers the self-managed plan as an alternative to the  
13 traditional benefit package.

14 "Newly eligible employee" means an employee who first  
15 becomes employed under this Article after the date on which the  
16 System first offers the self-managed plan as an alternative to  
17 the traditional benefit package.

18 (b) When the System offers to employees under this Article  
19 the self-managed plan as an alternative to the traditional  
20 benefit package, each currently eligible employee 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, before, and after the effective date  
24 of the employee's election.

25 The retirement program election made by an eligible



1 employee must be made in writing, in the manner prescribed by  
2 the System, and within the time period described in this  
3 Section.

4 If an eligible employee elects the self-managed plan, then  
5 that election is irrevocable. If an eligible employee who  
6 elected to participate or participated by default in the  
7 traditional benefit plan terminates employment under this  
8 Article, then the employee, upon his or her subsequent  
9 re-employment under this Article, may make an election under  
10 this Section.

11 An eligible employee who fails to make an election under  
12 this Section shall, by default, participate in the traditional  
13 benefit package.

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

16 A currently eligible employee must make this election  
17 within 5 years after the effective date of the adoption of the  
18 self-managed plan under Section 14-133.2 or, in the case of a  
19 currently eligible employee who terminates employment under  
20 this Article, within 6 months after his or her re-employment  
21 under this Article.

22 A newly eligible employee must make this election within 6  
23 months after he or she begins employment under this Article.

24 (d) If the eligible participant elects to participate in  
25 the self-managed plan, the System shall fund their account as  
26 stated in subsection (f) of Section 14-133.2.

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

11       (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

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

13       (a) Each participating employee shall make contributions  
14 to the System, based on the employee's compensation, as  
15 follows:

16           (1) Covered employees, except as indicated below, 3.5%  
17 for retirement annuity, and 0.5% for a widow or survivors  
18 annuity;

19           (2) Noncovered employees, except as indicated below,  
20 7% for retirement annuity and 1% for a widow or survivors  
21 annuity;

22           (3) Noncovered employees serving in a position in which  
23 "eligible creditable service" as defined in Section 14-110  
24 may be earned, 1% for a widow or survivors annuity plus the  
25 following amount for retirement annuity: 8.5% through

1 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%  
2 in 2004 and thereafter;

3 (4) Covered employees serving in a position in which  
4 "eligible creditable service" as defined in Section 14-110  
5 may be earned, 0.5% for a widow or survivors annuity plus  
6 the following amount for retirement annuity: 5% through  
7 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004  
8 and thereafter;

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

15 (6) Each security employee of the Department of  
16 Corrections or of the Department of Human Services who is  
17 not a covered employee, 1% for a widow or survivors annuity  
18 plus the following amount for retirement annuity: 8.5%  
19 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and  
20 11.5% in 2004 and thereafter.

21 Notwithstanding any provision in this subsection (a) to the  
22 contrary, in the case of an employee who participates in the  
23 self-managed plan under Section 14-133.2, contributions for  
24 widow or survivors annuities shall instead be used by the  
25 System to fund the benefits in Sections 14-123, 14-123.1,  
26 14-124, 14-125, 14-125.1, and 14-126.

1 (b) Contributions shall be in the form of a deduction from  
2 compensation and shall be made notwithstanding that the  
3 compensation paid in cash to the employee shall be reduced  
4 thereby below the minimum prescribed by law or regulation. Each  
5 member is deemed to consent and agree to the deductions from  
6 compensation provided for in this Article, and shall receipt in  
7 full for salary or compensation.

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

9 (40 ILCS 5/14-133.2 new)

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

11 (a) The General Assembly finds that it is important for  
12 Illinois to be able to attract and retain the most qualified  
13 employees and that in order to attract and retain these  
14 employees, the State of Illinois should have the flexibility to  
15 provide the defined contribution (self-managed) plan for  
16 eligible employees. Accordingly, the State Employees  
17 Retirement System of Illinois is hereby authorized to establish  
18 and administer a self-managed plan, which shall offer  
19 participating employees the opportunity to accumulate assets  
20 for retirement through a combination of employee and employer  
21 contributions that may be invested in mutual funds, collective  
22 investment funds, or other investment products and used to  
23 purchase annuity contracts, either fixed or variable or a  
24 combination of fixed and variable. The plan must be qualified  
25 under the Internal Revenue Code of 1986.

1       (b) The Board shall adopt the self-managed plan established  
2 under this Section for members under this Article. The State's  
3 election to adopt the self-managed plan makes available to the  
4 eligible employees of the State of Illinois the elections  
5 described in Section 14-105.8.

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

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

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

26             (2) the reasonableness of the benefits in relation to

1 the premium charged;

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

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

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

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 In addition to the companies approved by the System under  
15 this subsection (c), the System may offer its participants an  
16 investment fund managed by the System.

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

1 employee's account balances.

2 (e) An eligible employee, as defined in Section 14-105.8,  
3 must make a written election to participate in the self-managed  
4 plan in accordance with the provisions of Section 14-105.8 and  
5 the procedures established by the System. Participation in the  
6 self-managed plan shall begin on the first day of the month  
7 immediately following the month in which the eligible  
8 employee's election is filed with the System, but not sooner  
9 than the effective date of the self-managed plan. The System  
10 shall make the self-managed plan available under this Article  
11 by January 1, 2010. An employee's participation in the  
12 traditional retirement package under this Article shall  
13 terminate on the date that participation in the self-managed  
14 plan begins.

15 An employee who has elected to participate in the  
16 self-managed plan under this Section must continue  
17 participation while employed in an eligible position, and may  
18 not participate in the traditional benefit package  
19 administered by the System under this Article while employed by  
20 the State under this Article.

21 Participation in the self-managed plan under this Section  
22 shall constitute membership in the State Employees' Retirement  
23 System of Illinois.

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

26 (f) If, at the time an employee elects to participate in

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

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

26 (h) The self-managed plan shall be funded by contributions



1 from employees participating in the self-managed plan and State  
2 contributions as provided in this Section.

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

20 The program shall provide for State contributions to be  
21 credited to each self-managed plan participant in an amount  
22 equal to the regular employer contribution that would be  
23 required to fund the actual regular cost incurred for each year  
24 of service credit earned had the participant chosen to enroll  
25 in the traditional benefit plan.

26 The System shall not be obligated to remit the required

1 employer contributions to any of the insurance and annuity  
2 companies, mutual fund companies, banks, trust companies,  
3 financial institutions, or other sponsors of any of the funding  
4 vehicles offered under the self-managed plan until it has  
5 received the required employer contributions from the State. In  
6 the event of a deficiency in the amount of State contributions,  
7 the System shall implement any procedures to obtain the  
8 required funding from the General Revenue Fund.

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

19 (i) A participant in the self-managed plan becomes vested  
20 in the employer contributions credited to his or her accounts  
21 in the self-managed plan on the earliest to occur of the  
22 following: (1) completion of 5 years of service credit under  
23 this Article; (2) the death of the participating employee while  
24 employed by an employer under this Article, if the participant  
25 has completed at least 1.5 years of service; or (3) the  
26 participant's election to retire and apply the reciprocal

1 provisions of Article 20 of this Code.

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

14 (j) If an employee participating in the self-managed plan  
15 who is vested in employer contributions terminates employment,  
16 the employee shall be entitled to a benefit which is based on  
17 the account values attributable to both employer and employee  
18 contributions and any investment return thereon.

19 If an employee participating in the self-managed plan who  
20 is not vested in employer contributions terminates employment,  
21 the employee shall be entitled to a benefit based solely on the  
22 account values attributable to the employee's contributions  
23 and any investment return thereon, and the employer  
24 contributions and any investment return thereon shall be  
25 forfeited. Any employer contributions which are forfeited  
26 shall be held in escrow by the company investing those

1 contributions and shall be used, as directed by the System, for  
2 future allocations of employer contributions or for the  
3 restoration of amounts previously forfeited by former  
4 participants who again become participating employees.

5 (40 ILCS 5/14-152.2)

6 Sec. 14-152.2. New benefit increases.

7 (a) The General Assembly finds and declares that the  
8 amendment to Section 14-104 made by Public Act 95-652 ~~this~~  
9 ~~amendatory Act of the 95th General Assembly~~ that allows members  
10 to establish creditable service for certain participation in  
11 the University of Illinois Government Public Service  
12 Internship Program (GPSI) constitutes a new benefit increase  
13 within the meaning of Section 14-152.1. Funding for this new  
14 benefit increase will be provided by additional employee  
15 contributions under subsection (r) of Section 14-104.

16 (b) To the extent that the changes made to this Article by  
17 this amendatory Act of the 96th General Assembly authorizing  
18 the System to offer a self-managed plan are determined to be a  
19 new benefit increase within the meaning of Section 14-152.1,  
20 the changes made by this amendatory Act are exempt from the  
21 provisions of subsection (d) of Section 14-152.1.

22 (Source: P.A. 95-652, eff. 10-11-07.)

23 (40 ILCS 5/15-103.3)

24 Sec. 15-103.3. Self-Managed Plan. "Self-managed plan": The

1 defined contribution retirement program maintained under the  
2 System as described in Section 15-158.2. ~~The self-managed plan~~  
3 ~~also includes disability benefits as provided in Sections~~  
4 ~~15-150 through 15-153.3 (but disregarding disability~~  
5 ~~retirement annuities under Section 15-153.2).~~ The self-managed  
6 plan does not include retirement annuities, death benefits, or  
7 survivors insurance benefits payable directly from the System  
8 as provided in Sections 15-135 through 15-149 and Section  
9 15-153.2, or refunds determined under Section 15-154.

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

11 (40 ILCS 5/15-134.5)

12 Sec. 15-134.5. Retirement program elections.

13 (a) All participating employees are participants under the  
14 traditional benefit package prior to January 1, 1998.

15 Effective as of the date that the System offers ~~an employer~~  
16 ~~elects, as described in Section 15-158.2, to offer to its~~  
17 employees the portable benefit package and the self-managed  
18 plan as alternatives to the traditional benefit package, each  
19 ~~of that employer's~~ eligible employee ~~employees~~ (as defined in  
20 subsection (b)) shall be given the choice to elect which  
21 retirement program he or she wishes to participate in with  
22 respect to all periods of covered employment occurring on and  
23 after the effective date of the employee's election. The  
24 retirement program election made by an eligible employee must  
25 be made in writing, in the manner prescribed by the System, and

1 within the time period described in subsection (d) or (d-1).

2 If an eligible employee elects the self-managed plan, then  
3 that election is irrevocable. ~~The employee election authorized~~  
4 ~~by this Section is a one-time, irrevocable election.~~ If an  
5 employee who elected to participate or participated by default  
6 in the traditional benefit plan terminates employment ~~after~~  
7 ~~making the election provided under this subsection (a),~~ then  
8 upon his or her subsequent re-employment under this Article the  
9 employee may make an election under this Section ~~with an~~  
10 ~~employer the original election shall automatically apply to him~~  
11 ~~or her, provided that the employer is then a participating~~  
12 ~~employer as described in Section 15-158.2.~~

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

15 (b) "Eligible employee" means an employee (as defined in  
16 Section 15-107) who is either a currently eligible employee or  
17 a newly eligible employee. For purposes of this Section, a  
18 "currently eligible employee" is an employee who is employed  
19 under this Article on the date on which the System first offers  
20 the self-managed plan as an alternative to the traditional  
21 benefit package ~~an employee who is employed by an employer on~~  
22 ~~the effective date on which the employer offers to its~~  
23 ~~employees the portable benefit package and the self-managed~~  
24 ~~plan as alternatives to the traditional benefit package.~~ A  
25 "newly eligible employee" is an employee who first becomes an  
26 employee after the date on which the System first offers the

1 self-managed plan as an alternative to the traditional benefit  
2 package. ~~an employee who first becomes employed by an employer~~  
3 ~~after the effective date on which the employer offers its~~  
4 ~~employees the portable benefit package and the self-managed~~  
5 ~~plan as alternatives to the traditional benefit package. A~~  
6 ~~newly eligible employee participates in the traditional~~  
7 ~~benefit package until he or she makes an election to~~  
8 ~~participate in the portable benefit package or the self-managed~~  
9 ~~plan. If an employee does not elect to participate in the~~  
10 ~~portable benefit package or the self-managed plan, he or she~~  
11 ~~shall continue to participate in the traditional benefit~~  
12 ~~package by default.~~

13 (c) A currently An eligible employee who at the time he or  
14 she is first eligible to make the election described in  
15 subsection (a) does not have sufficient age and service to  
16 qualify for a retirement annuity under Section 15-135 may elect  
17 to participate in the traditional benefit package, the portable  
18 benefit package, or the self-managed plan. ~~An eligible employee~~  
19 ~~who has sufficient age and service to qualify for a retirement~~  
20 ~~annuity under Section 15-135 at the time he or she is first~~  
21 ~~eligible to make the election described in subsection (a) may~~  
22 ~~elect to participate in the traditional benefit package or the~~  
23 ~~portable benefit package, but may not elect to participate in~~  
24 ~~the self-managed plan.~~

25 (d) A currently eligible employee must make this election  
26 within 5 years ~~one year~~ after the effective date of the

1 ~~employer's~~ adoption of the self-managed plan.

2 A currently newly eligible employee who terminates  
3 employment under this Article must make this election within 6  
4 months after his or her re-employment under this Article. ~~the~~  
5 ~~date on which the System receives the report of status~~  
6 ~~certification from the employer. If an employee elects to~~  
7 ~~participate in the self managed plan, no employer~~  
8 ~~contributions shall be remitted to the self managed plan when~~  
9 ~~the employee's account balance transfer is made.~~ Employer  
10 contributions to the self-managed plan shall commence as of the  
11 first pay period that begins after the System receives the  
12 employee's election.

13 (d-1) A newly eligible employee must make this election  
14 within 6 months after he or she begins employment under this  
15 Article. ~~who, prior to the effective date of this amendatory~~  
16 ~~Act of the 91st General Assembly, fails to make the election~~  
17 ~~within the period provided under subsection (d) and~~  
18 ~~participates by default in the traditional benefit package may~~  
19 ~~make a late election to participate in the portable benefit~~  
20 ~~package or the self managed plan instead of the traditional~~  
21 ~~benefit package at any time within 6 months after the effective~~  
22 ~~date of this amendatory Act of the 91st General Assembly.~~

23 (e) (Blank) ~~If a currently eligible employee elects the~~  
24 ~~portable benefit package, that election shall not become~~  
25 ~~effective until the one-year anniversary of the date on which~~  
26 ~~the election is filed with the System, provided the employee~~



1 ~~remains continuously employed by the employer throughout the~~  
2 ~~one-year waiting period, and any benefits payable to or on~~  
3 ~~account of the employee before such one-year waiting period has~~  
4 ~~ended shall not be determined under the provisions applicable~~  
5 ~~to the portable benefit package but shall instead be determined~~  
6 ~~in accordance with the traditional benefit package. If a~~  
7 ~~currently eligible employee who has elected the portable~~  
8 ~~benefit package terminates employment covered by the System~~  
9 ~~before the one-year waiting period has ended, then no benefits~~  
10 ~~shall be determined under the portable benefit package~~  
11 ~~provisions while he or she is inactive in the System and upon~~  
12 ~~re-employment with an employer covered by the System he or she~~  
13 ~~shall begin a new one-year waiting period before the provisions~~  
14 ~~of the portable benefit package become effective.~~

15 (f) An eligible employee shall be provided with written  
16 information prepared or prescribed by the System which  
17 describes the employee's retirement program choices. The  
18 eligible employee shall be offered an opportunity to receive  
19 counseling from the System prior to making his or her election.  
20 This counseling may consist of videotaped materials, group  
21 presentations, individual consultation with an employee or  
22 authorized representative of the System in person or by  
23 telephone or other electronic means, or any combination of  
24 these methods.

25 (Source: P.A. 90-766, eff. 8-14-98; 91-887, eff. 7-6-00.)

1 (40 ILCS 5/15-158.2)

2 Sec. 15-158.2. Self-managed plan.

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

20 (b) The Board shall adopt the self-managed plan established  
21 under this Section for participants under this Article. The  
22 adoption of ~~Adoption by employers. Each employer subject to~~  
23 ~~this Article may elect to adopt the self-managed plan~~  
24 ~~established under this Section; this election is irrevocable.~~  
25 ~~An employer's election to adopt~~ the self-managed plan makes  
26 available to the eligible employees ~~of that employer~~ the

1 elections described in Section 15-134.5.

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

12 (c) Selection of service providers and funding vehicles.  
13 The System, in consultation with the employers, shall solicit  
14 proposals to provide administrative services and funding  
15 vehicles for the self-managed plan from insurance and annuity  
16 companies and mutual fund companies, banks, trust companies, or  
17 other financial institutions authorized to do business in this  
18 State. 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 employer;

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

12 In addition to the companies approved by the System under  
13 this subsection (c), the System may offer its participants an  
14 investment fund managed by the System.

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

26 (e) Participation. An employee eligible to participate in

1 the self-managed plan must make a written election in  
2 accordance with the provisions of Section 15-134.5 and the  
3 procedures established by the System. Participation in the  
4 self-managed plan by an electing employee shall begin on the  
5 first day of the first pay period following the later of the  
6 date the employee's election is filed with the System or the  
7 effective date as of which the employee's employer begins to  
8 offer participation in the self-managed plan. Employers may not  
9 make the self-managed plan available earlier than January 1,  
10 1998. An employee's participation in any other retirement  
11 program administered by the System under this Article shall  
12 terminate on the date that participation in the self-managed  
13 plan begins.

14 An employee who has elected to participate in the  
15 self-managed plan under this Section must continue  
16 participation while employed in an eligible position, and may  
17 not participate in any other retirement program administered by  
18 the System under this Article while employed by that employer  
19 or any other employer that has adopted the self-managed plan,  
20 unless the self-managed plan is terminated in accordance with  
21 subsection (i).

22 Participation in the self-managed plan under this Section  
23 shall constitute membership in the State Universities  
24 Retirement System.

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

1           (f) Establishment of Initial Account Balance. If at the  
2 time an employee elects to participate in the self-managed plan  
3 he or she has rights and credits in the System due to previous  
4 participation in the traditional benefit package, the System  
5 shall establish for the employee an opening account balance in  
6 the self-managed plan, equal to the amount of contribution  
7 refund that the employee would be eligible to receive under  
8 Section 15-154 if the employee terminated employment on that  
9 date and elected a refund of contributions, except that this  
10 hypothetical refund shall include interest at the effective  
11 rate for the respective years. The System shall transfer assets  
12 from the defined benefit retirement program to the self-managed  
13 plan, as a tax free transfer in accordance with Internal  
14 Revenue Service guidelines, for purposes of funding the  
15 employee's opening account balance.

16           (g) No Duplication of Service Credit. Notwithstanding any  
17 other provision of this Article, an employee may not purchase  
18 or receive service or service credit applicable to any other  
19 retirement program administered by the System under this  
20 Article for any period during which the employee was a  
21 participant in the self-managed plan established under this  
22 Section.

23           (h) Contributions. The self-managed plan shall be funded by  
24 contributions from employees participating in the self-managed  
25 plan and employer contributions as provided in this Section.

26           The contribution rate for employees participating in the

1 self-managed plan under this Section shall be equal to the  
2 employee contribution rate for other participants in the  
3 System, as provided in Section 15-157. This required  
4 contribution shall be made as an "employer pick-up" under  
5 Section 414(h) of the Internal Revenue Code of 1986 or any  
6 successor Section thereof. Any employee participating in the  
7 System's traditional benefit package prior to his or her  
8 election to participate in the self-managed plan shall continue  
9 to have the employer pick up the contributions required under  
10 Section 15-157. However, the amounts picked up after the  
11 election of the self-managed plan shall be remitted to and  
12 treated as assets of the self-managed plan. In no event shall  
13 an employee have an option of receiving these amounts in cash.  
14 Employees may make additional contributions to the  
15 self-managed plan in accordance with procedures prescribed by  
16 the System, to the extent permitted under rules prescribed by  
17 the System.

18 The program shall provide for employer contributions to be  
19 credited to each self-managed plan participant in an amount  
20 equal to the regular employer contribution that would be  
21 required to fund the actual regular cost incurred for each year  
22 of service credit earned had the participant chosen to enroll  
23 in the traditional benefit plan. ~~at a rate of 7.6% of the~~  
24 ~~participating employee's salary, less the amount used by the~~  
25 ~~System to provide disability benefits for the employee.~~ The  
26 amounts so credited shall be paid into the participant's

1 self-managed plan accounts in a manner to be prescribed by the  
2 System.

3 ~~An amount of employer contribution, not exceeding 1% of the~~  
4 ~~participating employee's salary, shall be used for the purpose~~  
5 ~~of providing the disability benefits of the System to the~~  
6 ~~employee. Prior to the beginning of each plan year under the~~  
7 ~~self managed plan, the Board of Trustees shall determine, as a~~  
8 ~~percentage of salary, the amount of employer contributions to~~  
9 ~~be allocated during that plan year for providing disability~~  
10 ~~benefits for employees in the self managed plan.~~

11 The State of Illinois shall make contributions by  
12 appropriations to the System of the employer contributions  
13 required for employees who participate in the self-managed plan  
14 under this Section. The amount required shall be certified by  
15 the Board of Trustees of the System and paid by the State in  
16 accordance with Section 15-165. The System shall not be  
17 obligated to remit the required employer contributions to any  
18 of the insurance and annuity companies, mutual fund companies,  
19 banks, trust companies, financial institutions, or other  
20 sponsors of any of the funding vehicles offered under the  
21 self-managed plan until it has received the required employer  
22 contributions from the State. In the event of a deficiency in  
23 the amount of State contributions, the System shall implement  
24 those procedures described in subsection (c) of Section 15-165  
25 to obtain the required funding from the General Revenue Fund.

26 (i) (Blank) ~~Termination. The self managed plan authorized~~



1 ~~under this Section may be terminated by the System, subject to~~  
2 ~~the terms of any relevant contracts, and the System shall have~~  
3 ~~no obligation to reestablish the self-managed plan under this~~  
4 ~~Section. This Section does not create a right to continued~~  
5 ~~participation in any self managed plan set up by the System~~  
6 ~~under this Section. If the self managed plan is terminated, the~~  
7 ~~participants shall have the right to participate in one of the~~  
8 ~~other retirement programs offered by the System and receive~~  
9 ~~service credit in such other retirement program for any years~~  
10 ~~of employment following the termination.~~

11 (j) Vesting; Withdrawal; Return to Service. A participant  
12 in the self-managed plan becomes vested in the employer  
13 contributions credited to his or her accounts in the  
14 self-managed plan on the earliest to occur of the following:  
15 (1) completion of 5 years of service with an employer described  
16 in Section 15-106; (2) the death of the participating employee  
17 while employed by an employer described in Section 15-106, if  
18 the participant has completed at least 1 1/2 years of service;  
19 or (3) the participant's election to retire and apply the  
20 reciprocal provisions of Article 20 of this Code.

21 A participant in the self-managed plan who receives a  
22 distribution of his or her vested amounts from the self-managed  
23 plan while not yet eligible for retirement under this Article  
24 (and Article 20, if applicable) shall forfeit all service  
25 credit and accrued rights in the System; if subsequently  
26 re-employed, the participant shall be considered a new

1 employee. If a former participant again becomes a participating  
2 employee (or becomes employed by a participating system under  
3 Article 20 of this Code) and continues as such for at least 2  
4 years, all such rights, service credits, and previous status as  
5 a participant shall be restored upon repayment of the amount of  
6 the distribution, without interest.

7 (k) Benefit amounts. If an employee who is vested in  
8 employer contributions terminates employment, the employee  
9 shall be entitled to a benefit which is based on the account  
10 values attributable to both employer and employee  
11 contributions and any investment return thereon.

12 If an employee who is not vested in employer contributions  
13 terminates employment, the employee shall be entitled to a  
14 benefit based solely on the account values attributable to the  
15 employee's contributions and any investment return thereon,  
16 and the employer contributions and any investment return  
17 thereon shall be forfeited. Any employer contributions which  
18 are forfeited shall be held in escrow by the company investing  
19 those contributions and shall be used as directed by the System  
20 for future allocations of employer contributions or for the  
21 restoration of amounts previously forfeited by former  
22 participants who again become participating employees.

23 (Source: P.A. 93-347, eff. 7-24-03.)

24 (40 ILCS 5/15-198.1 new)

25 Sec. 15-198.1. New benefit increases. To the extent that

1 the changes made to this Article by this amendatory Act of the  
2 96th General Assembly authorizing the System to offer a  
3 self-managed plan are determined to be a new benefit increase  
4 within the meaning of Section 15-198, the changes made by this  
5 amendatory Act are exempt from the provisions of subsection (d)  
6 of Section 15-198.

7 (40 ILCS 5/16-104.1 new)

8 Sec. 16-104.1. Traditional benefit package. "Traditional  
9 benefit package" means the defined benefit retirement program  
10 maintained by the System, which includes retirement annuities  
11 payable directly from the System, as provided in Sections  
12 16-132 through 16-136.4; disability benefits payable under  
13 Sections 16-149 through 16-149.5; survivor's benefits payable  
14 directly from the System, as provided in Sections 16-140  
15 through 16-143.1; and contribution refunds, as provided in  
16 Sections 16-138, 16-143.2, and 16-151.

17 (40 ILCS 5/16-104.2 new)

18 Sec. 16-104.2. Self-managed plan. "Self-managed plan"  
19 means the defined contribution retirement program maintained  
20 by the System, as described in Section 16-158.2. The  
21 self-managed plan also includes disability benefits, as  
22 provided in Sections 16-149 through 16-149.5 (but disregarding  
23 disability retirement annuities under Section 16-149.2). The  
24 self-managed plan does not include retirement annuities or

1 survivor's benefits payable directly from the System as  
2 provided in Sections 16-132 through 16-136.4, Sections 16-140  
3 through 16-143.1, and Section 16-149.2, or refunds determined  
4 under Sections 16-138, 16-143.2, and 16-151.

5 (40 ILCS 5/16-131.7 new)

6 Sec. 16-131.7. Retirement program elections.

7 (a) For the purposes of this Act:

8 "Eligible member" means a either a currently eligible  
9 member or a newly eligible member.

10 "Currently eligible member" means a member who is employed  
11 by an employer on the date on which the employer first offers  
12 to its employees the self-managed plan as an alternative to the  
13 traditional benefit package.

14 "Newly eligible member" is a member who first becomes  
15 employed by an employer after the date on which the employer  
16 first offers its members the self-managed plan as an  
17 alternative to the traditional benefit package.

18 (b) Effective as of the date that an employer adopts the  
19 self-managed plan as described in Section 16-158.2 as an  
20 alternative to the traditional benefit package, each of that  
21 employer's currently eligible members shall be given the choice  
22 to elect which retirement program he or she wishes to  
23 participate in with respect to all periods of covered  
24 employment occurring on and after the effective date of the  
25 employee's election.

1       The retirement program election made by an eligible member  
2 must be made in writing, in the manner prescribed by the  
3 System, and within the time period described in this Section.

4       If an eligible member elects the self-managed plan, then  
5 that election is irrevocable. If an eligible member who elected  
6 to participate or participated by default in the traditional  
7 benefit plan terminates employment under this Article, then the  
8 member, upon his or her subsequent re-employment under this  
9 Article, may make an election under this Section.

10       An eligible member who fails to make an election under this  
11 Section shall, by default, participate in the traditional  
12 benefit package.

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

15       A currently eligible member must make this election within  
16 5 years after the effective date of the employer's adoption of  
17 the self-managed plan or, in the case of a currently eligible  
18 member who terminates employment under this Article, within 6  
19 months after his or her re-employment under this Article.

20       A newly eligible member must make this election within 6  
21 months after he or she begins employment under this Article.

22       (d) If the eligible member elects to participate in the  
23 self-managed plan, the System shall fund their account as  
24 stated in subsection (f) of Section 16-158.2. Employer  
25 contributions to the self-managed plan shall commence as of the  
26 first pay period that begins after the System receives the

1 member's election.

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

11 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

12 Sec. 16-152. Contributions by members.

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

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

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

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

1           (4) Effective July 1, 2005, contributions of 0.40% of  
2 salary toward the cost of the early retirement without  
3 discount option provided under Section 16-133.2. This  
4 contribution shall cease upon termination of the early  
5 retirement without discount option as provided in Section  
6 16-176. The contributions made under this paragraph (4)  
7 shall be used by the System to fund benefits under Sections  
8 16-149 through 16-149.5 for those that participate in the  
9 self-managed plan.

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

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

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

24           (e) A member's contributions toward the cost of early  
25 retirement without discount made under item (a)(4) of this  
26 Section shall not be refunded if the member has elected early

1 retirement without discount under Section 16-133.2 and has  
2 begun to receive a retirement annuity under this Article  
3 calculated in accordance with that election. Otherwise, a  
4 member's contributions toward the cost of early retirement  
5 without discount made under item (a)(4) of this Section shall  
6 be refunded according to whichever one of the following  
7 circumstances occurs first:

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

12 (2) The contributions shall be included, without  
13 interest, in any refund claimed by the member under Section  
14 16-151.

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

20 (4) The contributions shall be refunded to the member,  
21 without interest, within 120 days after the early  
22 retirement without discount option provided under Section  
23 16-133.2 is terminated under Section 16-176.

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

25 (40 ILCS 5/16-158.2 new)



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

2       (a) The General Assembly finds that it is important for  
3 schools to be able to attract and retain the most qualified  
4 employees and that in order to attract and retain these  
5 employees, schools should have the flexibility to provide a  
6 defined contribution (self-managed) plan for eligible members.  
7 Accordingly, the Teachers' Retirement System of the State of  
8 Illinois is hereby authorized to establish and administer a  
9 self-managed plan, which shall offer participating members the  
10 opportunity to accumulate assets for retirement through a  
11 combination of member and employer contributions that may be  
12 invested in mutual funds, collective investment funds, or other  
13 investment products and used to purchase annuity contracts,  
14 either fixed or variable or a combination of fixed and  
15 variable. The plan must be qualified under the Internal Revenue  
16 Code of 1986.

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

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

1 the participants and beneficiaries of the self-managed plan,  
2 the Board of Trustees of the System may delegate aspects of  
3 plan administration as it sees fit to companies authorized to  
4 do business in this State, to the employers, or to a  
5 combination of both.

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

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 employees.

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       In addition to the companies approved by the System under  
7 this subsection (c), the System may offer its participants an  
8 investment fund managed by the System.

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

19       (e) An eligible member, as defined in Section 16-131.7,  
20 must make a written election to participate in the self-managed  
21 plan in accordance with the provisions of Section 16-131.7 and  
22 the procedures established by the System. Participation in the  
23 self-managed plan shall begin on the first day of the month  
24 immediately following the month in which the eligible member's  
25 election is filed with the System, but not sooner than the  
26 effective date of the self-managed plan. The System shall make

1 the self-managed plan available under this Article by January  
2 1, 2010. A member's participation in the traditional retirement  
3 package under this Article shall terminate on the date that  
4 participation in the self-managed plan begins.

5 A member who has elected to participate in the self-managed  
6 plan under this Section must continue participation while he or  
7 she remains a member, and may not participate in the  
8 traditional benefit package while employed by that employer or  
9 any other employer under this Article.

10 Participation in the self-managed plan under this Section  
11 shall constitute membership in the Teachers' Retirement System  
12 of the State of 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 an employee elects to participate in  
16 the self-managed plan, the employee has rights and credits in  
17 the System due to previous participation in the traditional  
18 benefit package, the System shall establish for the employee an  
19 opening account balance in the self-managed plan, equal to (i)  
20 the amount of the contribution refund that the employee would  
21 be eligible to receive under Section 16-143.2 and 16-151 if the  
22 employee 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 employee's opening  
9 account balance.

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

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

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

1 shall continue to have the employer pick up the contributions  
2 required under Section 16-152. However, the amounts picked up  
3 after the election of the self-managed plan shall be remitted  
4 to and treated as assets of the self-managed plan. In no event  
5 shall a member have the option of receiving these amounts in  
6 cash. Members may make additional contributions to the  
7 self-managed plan in accordance with procedures prescribed by  
8 the System, to the extent permitted under rules prescribed by  
9 the System.

10 The program shall provide for State contributions to be  
11 credited to each self-managed plan participant in an amount  
12 equal to the regular employer contribution that would be  
13 required to fund the actual regular cost incurred for each year  
14 of service credit earned had the participant chosen to enroll  
15 in the traditional benefit plan.

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

26 The State of Illinois shall make contributions by

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

15 (i) A participant in the self-managed plan becomes vested  
16 in the employer contributions credited to his or her accounts  
17 in the self-managed plan on the earliest to occur of the  
18 following: (1) attainment of at least 5 years of creditable  
19 service under this Article; (2) the death of the participating  
20 member while employed under this Article, if the participant  
21 has completed at least 1.5 years of service; or (3) the  
22 participant's election to retire and apply the reciprocal  
23 provisions of Article 20 of this Code.

24 A participant in the self-managed plan who receives a  
25 distribution of his or her vested amounts from the self-managed  
26 plan while not yet eligible for retirement under this Article

1 (and Article 20, if applicable) shall forfeit all service  
2 credit and accrued rights in the System; if subsequently  
3 re-employed under this Article, the participant shall be  
4 considered a new member. If a former participant in the  
5 self-managed plan again becomes a member (or becomes employed  
6 by a participating system under Article 20 of this Code) and  
7 continues as such for at least 2 years, all such rights,  
8 service credits, and previous status as a participant shall be  
9 restored upon repayment of the amount of the distribution,  
10 without interest.

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

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



1 participants in the self-managed plan.

2 (40 ILCS 5/16-203.1 new)

3 Sec. 16-203.1. New benefit increases. To the extent that  
4 the changes made to this Article by this amendatory Act of the  
5 96th General Assembly authorizing the System to offer a  
6 self-managed plan are determined to be a new benefit increase  
7 within the meaning of Section 16-203, the changes made by this  
8 amendatory Act are exempt from the provisions of subsection (d)  
9 of Section 16-203.

10 (40 ILCS 5/18-105.1 new)

11 Sec. 18-105.1. 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 18-124 through 18-125.1; disability retirement annuities  
16 payable under Sections 18-126 and 18-126.1; survivor's  
17 annuities payable directly from the System, as provided in  
18 Section 18-123 and Sections 18-128 through 18-128.1 and Section  
19 18-128.3; and contribution refunds as provided in Section  
20 18-129.

21 (40 ILCS 5/18-105.2 new)

22 Sec. 18-105.2. Self-managed plan. "Self-managed plan"  
23 means the defined contribution retirement program maintained

1 by the System, as described in Section 18-133.2. The  
2 self-managed plan also includes disability benefits, as  
3 provided in Section 18-126.1. The self-managed plan does not  
4 include retirement annuities or survivor's annuities payable  
5 directly from the System, as provided in Section 18-123,  
6 Sections 18-124 through 18-126, Sections 18-128 through  
7 18-128.1, and Section 18-128.3 or refunds determined under  
8 Section 18-129.

9 (40 ILCS 5/18-123.3 new)

10 Sec. 18-123.3. Retirement program elections.

11 (a) For the purposes of this Section:

12 "Eligible participant" means either a currently eligible  
13 participant or a newly eligible participant.

14 "Currently eligible participant" means a participant who  
15 is employed as a judge on the date on which the System first  
16 offers the self-managed plan as an alternative to the  
17 traditional benefit package.

18 "Newly eligible participant" means a participant who first  
19 becomes employed as a judge after the date on which the System  
20 first offers the self-managed plan as an alternative to the  
21 traditional benefit package.

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

1 in with respect to all periods of covered employment occurring  
2 on or after the effective date of the participant's election.

3 The retirement program election made by an eligible  
4 participant must be made in writing, in the manner prescribed  
5 by the System, and within the time period described in this  
6 Section.

7 If an eligible participant elects the self-managed plan,  
8 then that election is irrevocable. If an eligible participant  
9 who elected to participate or participated by default in the  
10 traditional benefit plan terminates employment under this  
11 Article, then the participant, upon his or her subsequent  
12 re-employment under this Article, may make an election under  
13 this Section.

14 An eligible participant who fails to make an election under  
15 this Section shall, by default, participate in the traditional  
16 benefit 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 5 years after the effective date of the employer's  
21 adoption of the self-managed plan or, in the case of a  
22 currently eligible participant who terminates employment under  
23 this Article, within 6 months after his or her re-employment  
24 under this Article.

25 A newly eligible participant must make this election within  
26 6 months after he or she begins employment under this Article.

1       (d) If an eligible participant elects to participate in the  
2       self-managed plan, the System shall fund their account as  
3       stated in subsection (f) of Section 18-133.2. Employer  
4       contributions to the self-managed plan shall commence as of the  
5       first pay period that begins after the System receives the  
6       member's election.

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

17           (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

19           (a) Effective July 1, 1967, each participant is required to  
20       contribute 7 1/2% of each payment of salary toward the  
21       retirement annuity. Such contributions shall continue during  
22       the entire time the participant is in service, with the  
23       following exceptions:

24           (1) Contributions for the retirement annuity are not  
25       required on salary received after 18 years of service by

1 persons who were participants before January 2, 1954.

2 (2) A participant who continues to serve as a judge  
3 after becoming eligible to receive the maximum rate of  
4 annuity may elect, through a written direction filed with  
5 the Board, to discontinue contributing to the System. Any  
6 such option elected by a judge shall be irrevocable unless  
7 prior to January 1, 2000, and while continuing to serve as  
8 judge, the judge (A) files with the Board a letter  
9 cancelling the direction to discontinue contributing to  
10 the System and requesting that such contributing resume,  
11 and (B) pays into the System an amount equal to the total  
12 of the discontinued contributions plus interest thereon at  
13 5% per annum. Service credits earned in any other  
14 "participating system" as defined in Article 20 of this  
15 Code shall be considered for purposes of determining a  
16 judge's eligibility to discontinue contributions under  
17 this subdivision (a) (2).

18 (3) A participant who (i) has attained age 60, (ii)  
19 continues to serve as a judge after becoming eligible to  
20 receive the maximum rate of annuity, and (iii) has not  
21 elected to discontinue contributing to the System under  
22 subdivision (a) (2) of this Section (or has revoked any such  
23 election) may elect, through a written direction filed with  
24 the Board, to make contributions to the System based only  
25 on the amount of the increases in salary received by the  
26 judge on or after the date of the election, rather than the

1 total salary received. If a judge who is making  
2 contributions to the System on the effective date of this  
3 amendatory Act of the 91st General Assembly makes an  
4 election to limit contributions under this subdivision  
5 (a)(3) within 90 days after that effective date, the  
6 election shall be deemed to become effective on that  
7 effective date and the judge shall be entitled to receive a  
8 refund of any excess contributions paid to the System  
9 during that 90-day period; any other election under this  
10 subdivision (a)(3) becomes effective on the first of the  
11 month following the date of the election. An election to  
12 limit contributions under this subdivision (a)(3) is  
13 irrevocable. Service credits earned in any other  
14 participating system as defined in Article 20 of this Code  
15 shall be considered for purposes of determining a judge's  
16 eligibility to make an election under this subdivision  
17 (a)(3).

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

24 (c) Effective July 13, 1953, each married participant  
25 subject to the survivor's annuity provisions is required to  
26 contribute 2 1/2% of each payment of salary, whether or not he

1 or she is required to make any other contributions under this  
2 Section. Such contributions shall be made concurrently with the  
3 contributions made for annuity purposes.

4 Notwithstanding any provision in this subsection (c) to the  
5 contrary, in the case of an employee who participates in the  
6 self-managed plan under Section 18-133.2, contributions for  
7 survivor's annuity shall be used to fund benefits under Section  
8 18-133.2.

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

10 (40 ILCS 5/18-133.2 new)

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

12 (a) The General Assembly finds that it is important to be  
13 able to attract and retain the most qualified judges and that  
14 in order to attract and retain these judges, the System should  
15 have the flexibility to provide a defined contribution  
16 (self-managed) plan for eligible participants. Accordingly,  
17 the Judges Retirement System of Illinois is hereby authorized  
18 to establish and administer a self-managed plan, which shall  
19 offer participants the opportunity to accumulate assets for  
20 retirement through a combination of participant and employer  
21 contributions that may be invested in mutual funds, collective  
22 investment funds, or other investment products and used to  
23 purchase annuity contracts, either fixed or variable or a  
24 combination thereof. The plan must be qualified under the  
25 Internal Revenue Code of 1986.

1       (b) The Board shall adopt the self-managed plan established  
2 under this Section. An employer's election to adopt the  
3 self-managed plan makes available to the eligible participants  
4 of that employer the elections described in Section 18-133.2.

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

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

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

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



1           (3) the suitability of the benefits to the needs and  
2           interests of the participants and the employer;

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

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

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

13           In addition to the companies approved by the System under  
14           this subsection (c), the System may offer its participants an  
15           investment fund managed by the System.

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

1       (e) An eligible participant, as defined in Section  
2 18-123.3, must make a written election to participate in the  
3 self-managed plan in accordance with the provisions of Section  
4 18-133.2 and the procedures established by the System.  
5 Participation in the self-managed plan shall begin on the first  
6 day of the month immediately following the month in which the  
7 eligible participant's election is filed with the System, but  
8 not sooner than the effective date of the self-managed plan.  
9 The System shall make the self-managed plan available under  
10 this Article by January 1, 2010. A participant's participation  
11 in the traditional retirement package under this Article shall  
12 terminate on the date that participation in the self-managed  
13 plan begins.

14       A participant who has elected to participate in the  
15 self-managed plan under this Section must continue  
16 participation while employed as a judge, and may not  
17 participate in the traditional benefit package administered by  
18 the System under this Article while employed as a judge.

19       Participation in the self-managed plan under this Section  
20 shall constitute membership in the Judges Retirement System of  
21 Illinois.

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

24       (f) If, at the time a participant elects to participate in  
25 the self-managed plan, the participant rights and credits in  
26 the System due to previous participation in the traditional

1 benefit package, the System shall establish for the participant  
2 an opening account balance in the self-managed plan, equal to  
3 (i) the amount of the contribution refund that the participant  
4 would be eligible to receive under Section 18-129 if the  
5 participant terminated employment on that date and elected a  
6 refund of contributions, plus (ii) an amount equal to the  
7 regular employer contribution that would be required to fund  
8 the actual regular cost incurred for each year of service  
9 credit earned, provided that the total opening account balance  
10 does not exceed 7.6% of that participant's salary for that  
11 year, plus interest. The interest used in this subsection (f)  
12 is calculated as the average annual rate of return that the  
13 System has earned over the past 20 fiscal years and is  
14 compounded. The System shall transfer assets from the defined  
15 benefit retirement program to the self-managed plan, as a  
16 tax-free transfer in accordance with Internal Revenue Service  
17 guidelines, for purposes of funding the participant's opening  
18 account balance.

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

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

1       The contribution rate for persons participating in the  
2 self-managed plan under this Section shall be equal to the  
3 participant contribution rate for other participants in the  
4 System, as provided in Section 18-133. This required  
5 contribution shall be made as an employer pick-up under Section  
6 414(h) of the Internal Revenue Code of 1986 or any successor  
7 Section thereof. Any employee participating in the System's  
8 traditional benefit package prior to his or her election to  
9 participate in the self-managed plan shall continue to have the  
10 employer pick up that contribution. However, the amounts picked  
11 up after the election of the self-managed plan shall be  
12 remitted to and treated as assets of the self-managed plan. In  
13 no event shall a participant have the option of receiving these  
14 amounts in cash. Participants may make additional  
15 contributions to the self-managed plan in accordance with  
16 procedures prescribed by the System, to the extent permitted  
17 under rules prescribed by the System.

18       The program shall provide for State contributions to be  
19 credited to each self-managed plan participant in an amount  
20 equal to the regular employer contribution that would be  
21 required to fund the actual regular cost incurred for each year  
22 of service credit earned had the participant chosen to enroll  
23 in the traditional benefit plan.

24       An amount of participant contribution, not exceeding 1% of  
25 the participant's salary, shall be used for the purpose of  
26 providing the disability benefits of the System to the

1 employee. Prior to the beginning of each plan year under the  
2 self-managed plan, the Board of Trustees shall determine, as a  
3 percentage of salary, the amount of participant contributions  
4 to be allocated during that plan year for providing disability  
5 benefits for participants in the self-managed plan. The  
6 provisions of this paragraph shall be administered in  
7 conjunction with the provisions of Section 18-124.

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

23 (i) A participant in the self-managed plan becomes vested  
24 in the employer contributions credited to his or her accounts  
25 in the self-managed plan on the earliest to occur of the  
26 following: (1) attainment of 5 years of service credit; (2) the

1 death of the participant while employed as a judge, if the  
2 participant has completed at least 1.5 years of service; or (3)  
3 the participant's election to retire and apply the reciprocal  
4 provisions of Article 20 of this Code.

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

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

22 If a participant who is not vested in employer  
23 contributions terminates employment, the participant shall be  
24 entitled to a benefit based solely on the account values  
25 attributable to the participant's contributions and any  
26 investment return thereon, and the employer contributions and

1 any investment return thereon shall be forfeited. Any employer  
2 contributions which are forfeited shall be held in escrow by  
3 the company investing those contributions and shall be used, as  
4 directed by the System, for future allocations of employer  
5 contributions or for the restoration of amounts previously  
6 forfeited by former participants who again become  
7 participating employees.

8 (40 ILCS 5/18-169.1 new)

9 Sec. 18-169.1. New benefit increases. To the extent that  
10 the changes made to this Article by this amendatory Act of the  
11 96th General Assembly authorizing the System to offer a  
12 self-managed plan are determined to be a new benefit increase  
13 within the meaning of Section 18-169, the changes made by this  
14 amendatory Act are exempt from the provisions of subsection (d)  
15 of Section 18-169.

16 Section 99. Effective date. This Act takes effect upon  
17 becoming law.

1 INDEX  
2 Statutes amended in order of appearance

- 3 40 ILCS 5/2-103.1 new
- 4 40 ILCS 5/2-103.2 new
- 5 40 ILCS 5/2-117.4 new
- 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
- 10 40 ILCS 5/14-103.41 new
- 11 40 ILCS 5/14-105.8 new
- 12 40 ILCS 5/14-133 from Ch. 108 1/2, par. 14-133
- 13 40 ILCS 5/14-133.2 new
- 14 40 ILCS 5/14-152.2
- 15 40 ILCS 5/15-103.3
- 16 40 ILCS 5/15-134.5
- 17 40 ILCS 5/15-158.2
- 18 40 ILCS 5/15-198.1 new
- 19 40 ILCS 5/16-104.1 new
- 20 40 ILCS 5/16-104.2 new
- 21 40 ILCS 5/16-131.7 new
- 22 40 ILCS 5/16-152 from Ch. 108 1/2, par. 16-152
- 23 40 ILCS 5/16-158.2 new
- 24 40 ILCS 5/16-203.1 new
- 25 40 ILCS 5/18-105.1 new



1 40 ILCS 5/18-105.2 new

2 40 ILCS 5/18-123.3 new

3 40 ILCS 5/18-133 from Ch. 108 1/2, par. 18-133

4 40 ILCS 5/18-133.2 new

5 40 ILCS 5/18-169.1 new