

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing
5 Sections 1-106 and 15-136.4 as follows:

6 (40 ILCS 5/1-106) (from Ch. 108 1/2, par. 1-106)

7 Sec. 1-106. Payment of distribution other than direct.

8 (a) The board of trustees of any retirement fund or system
9 operating under this Code may, at the written direction and
10 request of any annuitant, solely as an accommodation to the
11 annuitant, pay the annuity due the annuitant to a bank, savings
12 and loan association, or any other financial institution
13 insured by an agency of the federal government, for deposit to
14 the account of the annuitant, or to a bank, savings and loan
15 association, or trust company for deposit in a trust
16 established by the annuitant for his or her benefit with that
17 bank, savings and loan association, or trust company. The
18 annuitant may withdraw the direction at any time.

19 (b) Beginning January 1, 1993, each pension fund or
20 retirement system operating under this Code may, and to the
21 extent required by federal law shall, at the request of any
22 person entitled to receive a refund, lump-sum benefit, or other
23 nonperiodic distribution from the pension fund or retirement

1 system, pay the ~~taxable portion of that~~ distribution directly
2 to any entity that (1) is designated in writing by the person,
3 (2) is qualified under federal law to accept an eligible
4 rollover distribution from a qualified plan, and (3) has agreed
5 to accept the distribution.

6 (Source: P.A. 87-1265.)

7 (40 ILCS 5/15-136.4)

8 Sec. 15-136.4. Retirement and Survivor Benefits Under
9 Portable Benefit Package.

10 (a) This Section 15-136.4 describes the form of annuity and
11 survivor benefits available to a participant who has elected
12 the portable benefit package and has completed the one-year
13 waiting period required under subsection (e) of Section
14 15-134.5. For purposes of this Section, the term "eligible
15 spouse" means the husband or wife of a participant to whom the
16 participant is married on the date the participant's ~~retirement~~
17 annuity payment period begins, provided however, that if the
18 participant should die prior to the commencement of retirement
19 annuity benefits, then "eligible spouse" means the husband or
20 wife, if any, to whom the participant was married throughout
21 the one-year period preceding the date of his or her death.

22 (b) This subsection (b) describes the normal form of
23 annuity payable to a participant subject to this Section
24 15-136.4. If the participant is unmarried on the date his or
25 her annuity payment period begins ~~payments commence~~, then the

1 annuity payments shall be made in the form of a single-life
2 annuity as described in Section 15-118. If the participant is
3 married on the date his or her annuity payments commence, then
4 the annuity payments shall be paid in the form of a qualified
5 joint and survivor annuity that is the actuarial equivalent of
6 the single-life annuity. Under the "qualified joint and
7 survivor annuity", a reduced amount shall be paid to the
8 participant for his or her lifetime and his or her eligible
9 spouse, if surviving at the participant's death, shall be
10 entitled to receive thereafter a lifetime survivorship annuity
11 in a monthly amount equal to 50% of the reduced monthly amount
12 that was payable to the participant. The last payment of a
13 qualified joint and survivor annuity shall be made as of the
14 first day of the month in which the death of the survivor
15 occurs.

16 (c) Instead of the normal form of annuity that would be
17 paid under subsection (b), a participant may elect in writing
18 within the 90-day period prior to the date his or her annuity
19 payments commence to waive the normal form of annuity payment
20 and receive an optional form of payment annuity as described in
21 subsection (h). If the participant is married and elects an
22 optional form of payment annuity under subsection (h) other
23 than a joint and survivor annuity with the eligible spouse
24 designated as the contingent annuitant, then such election
25 shall require the consent of his or her eligible spouse in the
26 manner described in subsection (d). At any time during the

1 90-day period preceding the date the participant's payment
2 period begins ~~annuity commences~~, the participant may revoke the
3 optional form of payment elected under this subsection (c) and
4 reinstate coverage under the qualified joint and survivor
5 annuity without the spouse's consent, but an election to revoke
6 the optional form elected and elect a new optional form of
7 payment or designate a different contingent annuitant shall not
8 be effective without the eligible spouse's consent.

9 (d) The eligible spouse's consent to any election made
10 pursuant to this Section that requires the eligible spouse's
11 consent shall be in writing and shall acknowledge the effect of
12 the consent. In addition, the eligible spouse's signature on
13 the written consent must be witnessed by a notary public. The
14 eligible spouse's consent need not be obtained if the system is
15 satisfied that there is no eligible spouse, that the eligible
16 spouse cannot be located, or because of any other relevant
17 circumstances. An eligible spouse's consent under this Section
18 is valid only with respect to the specified optional form of
19 payment and, if applicable, contingent annuitant designated by
20 the participant. If the optional form of payment or the
21 contingent annuitant is subsequently changed (other than by a
22 revocation of the optional form of payment and reinstatement of
23 the qualified joint and survivor annuity), a new consent by the
24 eligible spouse is required. The eligible spouse's consent to
25 an election made by a participant pursuant to this Section,
26 once made, may not be revoked by the eligible spouse.

1 (e) Within a reasonable period of time preceding the date a
2 participant's annuity commences, a participant shall be
3 supplied with a written explanation of (1) the terms and
4 conditions of the normal form single-life annuity and qualified
5 joint and survivor annuity, (2) the participant's right to
6 elect a single-life annuity or an optional form of payment
7 under subsection (h) subject to his or her eligible spouse's
8 consent, if applicable, and (3) the participant's right to
9 reinstate coverage under the qualified joint and survivor
10 annuity prior to his or her annuity commencement date by
11 revoking an election of an optional form of payment benefit
12 under subsection (h).

13 (f) If a married participant with at least 1.5 years of
14 service dies prior to commencing retirement annuity payments
15 and prior to taking a refund under Section 15-154, his or her
16 eligible spouse is entitled to receive a pre-retirement
17 survivor annuity, if there is not then in effect a waiver of
18 the pre-retirement survivor annuity. The pre-retirement
19 survivor annuity payable under this subsection shall be a
20 monthly annuity payable for the eligible spouse's life,
21 commencing as of the beginning of the month next following the
22 later of the date of the participant's death or the date the
23 participant would have first met the eligibility requirements
24 for retirement, and continuing through the beginning of the
25 month in which the death of the eligible spouse occurs. The
26 monthly amount payable to the spouse under the pre-retirement

1 survivor annuity shall be equal to the monthly amount that
2 would be payable as a survivor annuity under the qualified
3 joint and survivor annuity described in subsection (b) if: (1)
4 in the case of a participant who dies on or after the date on
5 which the participant has met the eligibility requirements for
6 retirement, the participant had retired with an immediate
7 qualified joint and survivor annuity on the day before the
8 participant's date of death; or (2) in the case of a
9 participant who dies before the earliest date on which the
10 participant would have met the eligibility requirements for
11 retirement age, the participant had separated from service on
12 the date of death, survived to the earliest retirement age
13 based on service prior to his or her death, retired with an
14 immediate qualified joint and survivor annuity at the earliest
15 retirement age, and died on the day after the day on which the
16 participant would have attained the earliest retirement age.

17 (g) A married participant who has not retired may elect at
18 any time to waive the pre-retirement survivor annuity described
19 in subsection (f). Any such election shall require the consent
20 of the participant's eligible spouse in the manner described in
21 subsection (d) ~~(e)~~. A waiver of the pre-retirement survivor
22 annuity shall increase the lump sum death benefit payable under
23 subsection (b) of Section 15-141. Prior to electing any waiver
24 of the pre-retirement survivor annuity, the participant shall
25 be provided with a written explanation of (1) the terms and
26 conditions of the pre-retirement survivor annuity and the death

1 benefits payable from the system both with and without the
2 pre-retirement survivor annuity, (2) the participant's right
3 to elect a waiver of the pre-retirement survivor annuity
4 coverage subject to his or her spouse's consent, and (3) the
5 participant's right to reinstate pre-retirement survivor
6 annuity coverage at any time by revoking a prior waiver of such
7 coverage.

8 (h) By filing a timely election with the system, a
9 participant who will be eligible to receive a retirement
10 annuity under this Section may waive the normal form of annuity
11 payment described in subsection (b), subject to obtaining the
12 consent of his or her eligible spouse, if applicable, and elect
13 to receive any one of the following optional forms of payment:

14 (1) Joint and Survivor Annuity Options: The
15 participant may elect to receive a reduced annuity payable
16 for his or her life and to have a lifetime survivorship
17 annuity in a monthly amount equal to 50%, 75%, or 100% (as
18 elected by the participant) of that reduced monthly amount,
19 to be paid after the participant's death to his or her
20 contingent annuitant, if the contingent annuitant is alive
21 at the time of the participant's death.

22 (2) Single-Life Annuity Option (optional for married
23 participants). The participant may elect to receive a
24 single-life annuity payable for his or her life only.

25 (3) Lump sum retirement benefit. The participant may
26 elect to receive a lump sum retirement benefit that is

1 equal to the amount of a refund payable under Section
2 15-154(a-2).

3 All joint and survivor ~~optional~~ annuity forms shall be in an
4 amount that is the actuarial equivalent of the single-life
5 annuity.

6 For the purposes of this Section, the term "contingent
7 annuitant" means the beneficiary who is designated by a
8 participant at the time the participant elects a joint and
9 survivor annuity to receive the lifetime survivorship annuity
10 in the event the beneficiary survives the participant at the
11 participant's death.

12 (i) Under no circumstances may an option be elected,
13 changed, or revoked after the date the participant's retirement
14 annuity commences.

15 (j) An election made pursuant to subsection (h) shall
16 become inoperative if the participant or the contingent
17 annuitant dies before the date the participant's annuity
18 payments commence, or if the eligible spouse's consent is
19 required and not given.

20 (k) (Blank).

21 (l) The automatic annual increases described in subsection
22 (d) of Section 15-136 shall apply to retirement benefits under
23 the portable benefit package and the automatic annual increases
24 described in subsection (j) of Section 15-145 shall apply to
25 survivor benefits under the portable benefit package.

26 (Source: P.A. 90-448, eff. 8-16-97; 90-766, eff. 8-14-98;

1 91-887, eff. 7-6-00.)

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