



## 98TH GENERAL ASSEMBLY

### State of Illinois

### 2013 and 2014

### HB1259

by Rep. Mike Fortner

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-160	
40 ILCS 5/7-130.1 new	
40 ILCS 5/7-130.2 new	
40 ILCS 5/7-140.5 new	
40 ILCS 5/7-173	from Ch. 108 1/2, par. 7-173
40 ILCS 5/7-173.3 new	
40 ILCS 5/20-121	from Ch. 108 1/2, par. 20-121
40 ILCS 5/20-123	from Ch. 108 1/2, par. 20-123
40 ILCS 5/20-124	from Ch. 108 1/2, par. 20-124
30 ILCS 805/8.37 new	

Amends the Illinois Pension Code. Allows participants in the Illinois Municipal Retirement Fund (IMRF) to elect to participate in a self-managed program of retirement benefits instead of the program of traditional or reformed retirement benefits currently offered. Provides that the self-managed plan shall authorize a participant to accumulate assets for retirement through a combination of employer and employee contributions that may be invested at the participant's direction in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts. Requires the Fund to make the self-managed plan available within 6 months after the effective date of the amendatory Act. Makes conforming changes in the Retirement Systems Reciprocal Act. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB098 07417 EFG 37484 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 1-160, 7-173, 20-121, 20-123, and 20-124 and adding  
6 Sections 7-130.1, 7-130.2, 7-140.5, and 7-173.3 as follows:

7 (40 ILCS 5/1-160)

8 Sec. 1-160. Provisions applicable to new hires.

9 (a) The provisions of this Section apply to a person who,  
10 on or after January 1, 2011, first becomes a member or a  
11 participant under any reciprocal retirement system or pension  
12 fund established under this Code, other than a retirement  
13 system or pension fund established under Article 2, 3, 4, 5, 6,  
14 or 18 of this Code, notwithstanding any other provision of this  
15 Code to the contrary, but do not apply to any self-managed plan  
16 established under this Code, to any person with respect to  
17 service as a sheriff's law enforcement employee under Article  
18 7, or to any participant of the retirement plan established  
19 under Section 22-101.

20 (b) "Final average salary" means the average monthly (or  
21 annual) salary obtained by dividing the total salary or  
22 earnings calculated under the Article applicable to the member  
23 or participant during the 96 consecutive months (or 8

1 consecutive years) of service within the last 120 months (or 10  
2 years) of service in which the total salary or earnings  
3 calculated under the applicable Article was the highest by the  
4 number of months (or years) of service in that period. For the  
5 purposes of a person who first becomes a member or participant  
6 of any retirement system or pension fund to which this Section  
7 applies on or after January 1, 2011, in this Code, "final  
8 average salary" shall be substituted for the following:

9 (1) In Articles 7 (except for service as sheriff's law  
10 enforcement employees) and 15, "final rate of earnings".

11 (2) In Articles 8, 9, 10, 11, and 12, "highest average  
12 annual salary for any 4 consecutive years within the last  
13 10 years of service immediately preceding the date of  
14 withdrawal".

15 (3) In Article 13, "average final salary".

16 (4) In Article 14, "final average compensation".

17 (5) In Article 17, "average salary".

18 (6) In Section 22-207, "wages or salary received by him  
19 at the date of retirement or discharge".

20 (b-5) Beginning on January 1, 2011, for all purposes under  
21 this Code (including without limitation the calculation of  
22 benefits and employee contributions), the annual earnings,  
23 salary, or wages (based on the plan year) of a member or  
24 participant to whom this Section applies shall not exceed  
25 \$106,800; however, that amount shall annually thereafter be  
26 increased by the lesser of (i) 3% of that amount, including all

1 previous adjustments, or (ii) one-half the annual unadjusted  
2 percentage increase (but not less than zero) in the consumer  
3 price index-u for the 12 months ending with the September  
4 preceding each November 1, including all previous adjustments.

5 For the purposes of this Section, "consumer price index-u"  
6 means the index published by the Bureau of Labor Statistics of  
7 the United States Department of Labor that measures the average  
8 change in prices of goods and services purchased by all urban  
9 consumers, United States city average, all items, 1982-84 =  
10 100. The new amount resulting from each annual adjustment shall  
11 be determined by the Public Pension Division of the Department  
12 of Insurance and made available to the boards of the retirement  
13 systems and pension funds by November 1 of each year.

14 (c) A member or participant is entitled to a retirement  
15 annuity upon written application if he or she has attained age  
16 67 and has at least 10 years of service credit and is otherwise  
17 eligible under the requirements of the applicable Article.

18 A member or participant who has attained age 62 and has at  
19 least 10 years of service credit and is otherwise eligible  
20 under the requirements of the applicable Article may elect to  
21 receive the lower retirement annuity provided in subsection (d)  
22 of this Section.

23 (d) The retirement annuity of a member or participant who  
24 is retiring after attaining age 62 with at least 10 years of  
25 service credit shall be reduced by one-half of 1% for each full  
26 month that the member's age is under age 67.

1           (e) Any retirement annuity or supplemental annuity shall be  
2 subject to annual increases on the January 1 occurring either  
3 on or after the attainment of age 67 or the first anniversary  
4 of the annuity start date, whichever is later. Each annual  
5 increase shall be calculated at 3% or one-half the annual  
6 unadjusted percentage increase (but not less than zero) in the  
7 consumer price index-u for the 12 months ending with the  
8 September preceding each November 1, whichever is less, of the  
9 originally granted retirement annuity. If the annual  
10 unadjusted percentage change in the consumer price index-u for  
11 the 12 months ending with the September preceding each November  
12 1 is zero or there is a decrease, then the annuity shall not be  
13 increased.

14           (f) The initial survivor's or widow's annuity of an  
15 otherwise eligible survivor or widow of a retired member or  
16 participant who first became a member or participant on or  
17 after January 1, 2011 shall be in the amount of 66 2/3% of the  
18 retired member's or participant's retirement annuity at the  
19 date of death. In the case of the death of a member or  
20 participant who has not retired and who first became a member  
21 or participant on or after January 1, 2011, eligibility for a  
22 survivor's or widow's annuity shall be determined by the  
23 applicable Article of this Code. The initial benefit shall be  
24 66 2/3% of the earned annuity without a reduction due to age. A  
25 child's annuity of an otherwise eligible child shall be in the  
26 amount prescribed under each Article if applicable. Any

1 survivor's or widow's annuity shall be increased (1) on each  
2 January 1 occurring on or after the commencement of the annuity  
3 if the deceased member died while receiving a retirement  
4 annuity or (2) in other cases, on each January 1 occurring  
5 after the first anniversary of the commencement of the annuity.  
6 Each annual increase shall be calculated at 3% or one-half the  
7 annual unadjusted percentage increase (but not less than zero)  
8 in the consumer price index-u for the 12 months ending with the  
9 September preceding each November 1, whichever is less, of the  
10 originally granted survivor's annuity. If the annual  
11 unadjusted percentage change in the consumer price index-u for  
12 the 12 months ending with the September preceding each November  
13 1 is zero or there is a decrease, then the annuity shall not be  
14 increased.

15 (g) The benefits in Section 14-110 apply only if the person  
16 is a State policeman, a fire fighter in the fire protection  
17 service of a department, or a security employee of the  
18 Department of Corrections or the Department of Juvenile  
19 Justice, as those terms are defined in subsection (b) of  
20 Section 14-110. A person who meets the requirements of this  
21 Section is entitled to an annuity calculated under the  
22 provisions of Section 14-110, in lieu of the regular or minimum  
23 retirement annuity, only if the person has withdrawn from  
24 service with not less than 20 years of eligible creditable  
25 service and has attained age 60, regardless of whether the  
26 attainment of age 60 occurs while the person is still in

1 service.

2 (h) If a person who first becomes a member or a participant  
3 of a retirement system or pension fund subject to this Section  
4 on or after January 1, 2011 is receiving a retirement annuity  
5 or retirement pension under that system or fund and becomes a  
6 member or participant under any other system or fund created by  
7 this Code and is employed on a full-time basis, except for  
8 those members or participants exempted from the provisions of  
9 this Section under subsection (a) of this Section, then the  
10 person's retirement annuity or retirement pension under that  
11 system or fund shall be suspended during that employment. Upon  
12 termination of that employment, the person's retirement  
13 annuity or retirement pension payments shall resume and be  
14 recalculated if recalculation is provided for under the  
15 applicable Article of this Code.

16 If a person who first becomes a member of a retirement  
17 system or pension fund subject to this Section on or after  
18 January 1, 2012 and is receiving a retirement annuity or  
19 retirement pension under that system or fund and accepts on a  
20 contractual basis a position to provide services to a  
21 governmental entity from which he or she has retired, then that  
22 person's annuity or retirement pension earned as an active  
23 employee of the employer shall be suspended during that  
24 contractual service. A person receiving an annuity or  
25 retirement pension under this Code shall notify the pension  
26 fund or retirement system from which he or she is receiving an

1 annuity or retirement pension, as well as his or her  
2 contractual employer, of his or her retirement status before  
3 accepting contractual employment. A person who fails to submit  
4 such notification shall be guilty of a Class A misdemeanor and  
5 required to pay a fine of \$1,000. Upon termination of that  
6 contractual employment, the person's retirement annuity or  
7 retirement pension payments shall resume and, if appropriate,  
8 be recalculated under the applicable provisions of this Code.

9 (i) Notwithstanding any other provision of this Section, a  
10 person who first becomes a participant of the retirement system  
11 established under Article 15 on or after January 1, 2011 shall  
12 have the option to enroll in the self-managed plan created  
13 under Section 15-158.2 of this Code.

14 Notwithstanding any other provision of this Section, a  
15 person who first becomes a participant of the retirement fund  
16 established under Article 7 on or after January 1, 2011 shall  
17 have the option to enroll in the self-managed plan created  
18 under Section 7-173.3 of this Code.

19 (j) In the case of a conflict between the provisions of  
20 this Section and any other provision of this Code, the  
21 provisions of this Section shall control.

22 (Source: P.A. 96-889, eff. 1-1-11; 96-1490, eff. 1-1-11;  
23 97-609, eff. 1-1-12.)

24 (40 ILCS 5/7-130.1 new)

25 Sec. 7-130.1. Regular benefit package.



1       "Regular benefit package" means either the traditional  
2 benefit package or the reformed benefit package, whichever  
3 would apply to an employee if he or she does not participate in  
4 the self-managed plan.

5       "Traditional benefit package" means the benefits provided  
6 under this Article, other than the self-managed plan, without  
7 modification by Section 1-160 of this Code. It includes, but is  
8 not limited to: retirement annuities payable directly from the  
9 Fund; surviving spouse annuities payable directly from the  
10 Fund; child annuities payable directly from the Fund;  
11 contribution refunds; and separation benefits.

12       "Reformed benefit package" means the traditional benefit  
13 package as modified by Section 1-160 of this Code for certain  
14 persons who first become participants of the Fund on or after  
15 January 1, 2011.

16       (40 ILCS 5/7-130.2 new)

17       Sec. 7-130.2. Self-managed plan. "Self-managed plan" means  
18 the defined contribution retirement program maintained by the  
19 Fund, created under Section 7-173.3. The self-managed plan does  
20 not include retirement, surviving spouse, or child annuities  
21 payable directly from the Fund, contribution refunds, or  
22 separation benefits.

23       (40 ILCS 5/7-140.5 new)

24       Sec. 7-140.5. Retirement program elections.

1           (a) For the purposes of this Article:

2           "Currently eligible participant" means a person who is a  
3 participant under this Article before the day on which the Fund  
4 first offers the self-managed plan as an alternative to the  
5 regular benefit package.

6           "Eligible participant" means either a currently eligible  
7 participant or a newly eligible participant of the Fund

8           "Newly eligible participant" means a person who first  
9 becomes a participant under this Article on or after the date  
10 on which the Fund first offers the self-managed plan as an  
11 alternative to the regular benefit package.

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

22           If an eligible participant elects the self-managed plan,  
23 then that election is irrevocable. If an eligible participant  
24 who elected to participate or participated by default in the  
25 regular benefit package terminates employment under this  
26 Article, then the participant, upon his or her subsequent

1 re-employment under this Article, may make an election under  
2 this Section.

3 An eligible participant who fails to make an election under  
4 this Section shall, by default, participate in the regular  
5 benefit package.

6 (c) An eligible participant may elect to participate in the  
7 regular benefit package or the self-managed plan. An eligible  
8 participant must make this election within one year after the  
9 effective date of the adoption of the self-managed plan under  
10 Section 7-173.3 or 60 days after first becoming a participant  
11 under this Article, whichever is later, or, in the case of a  
12 currently eligible participant who terminates employment under  
13 this Article, within one year after his or her re-employment  
14 under this Article.

15 (d) If the eligible participant elects to participate in  
16 the self-managed plan, the Fund shall fund his or her account  
17 as stated in subsection (f) of Section 7-173.3.

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

1 (40 ILCS 5/7-173) (from Ch. 108 1/2, par. 7-173)

2 Sec. 7-173. Contributions by employees.

3 (a) Each participating employee shall make contributions  
4 to the fund as follows:

5 1. For retirement annuity purposes, normal  
6 contributions of 3 3/4% of earnings.

7 2. Additional contributions of such percentages of  
8 each payment of earnings, as shall be elected by the  
9 employee for retirement annuity purposes, but not in excess  
10 of 10%. The selected rate shall be applicable to all  
11 earnings paid following receipt by the Board of written  
12 notice of election to make such contributions. Additional  
13 contributions at the selected rate shall be made  
14 concurrently with normal contributions.

15 3. Survivor contributions, by each participating  
16 employee, of 3/4% of each payment of earnings; except that  
17 in the case of an employee who participates in the  
18 self-managed plan under Section 7-173.3, these survivor  
19 contributions shall instead be used to finance the benefits  
20 available under Section 7-173.3.

21 (b) Each employee shall make contributions for Federal  
22 Social Security taxes, for periods during which he is a covered  
23 employee, as required by the Social Security Enabling Act and  
24 State and federal law. For participating employees, such  
25 contributions shall be in addition to those required under

1 paragraph (a) of this Section.

2 (c) Contributions shall be deducted from each  
3 corresponding payment of earnings paid to each employee and  
4 shall be remitted to the board by the participating  
5 municipality or participating instrumentality making such  
6 payment. The remittance, together with a report of the earnings  
7 and contributions shall be made as directed by the board. For  
8 township treasurers and employees of township treasurers  
9 qualifying as employees hereunder, the contributions herein  
10 required as deductions from salary shall be withheld by the  
11 school township trustees from funds available for the payment  
12 of the compensation of such treasurers and employees as  
13 provided in the School Code and remitted to the board.

14 (d) An employee who has made additional contributions under  
15 paragraph (a)2 of this Section may upon retirement or at any  
16 time prior thereto, elect to withdraw the total of such  
17 additional contributions including interest credited thereon  
18 to the end of the preceding calendar year.

19 (e) Failure to make the deductions for employee  
20 contributions provided in paragraph (c) of this Section shall  
21 not relieve the employee from liability for such contributions.  
22 The amount of such liability may be deducted, with interest  
23 charged under Section 7-209, from any annuities or benefits  
24 payable hereunder to the employee or any other person receiving  
25 an annuity or benefit by reason of such employee's  
26 participation.

1 (f) A participating employee who has at least 40 years of  
2 creditable service in the Fund may elect to cease making the  
3 contributions required under this Section. The status of the  
4 employee under this Article shall be unaffected by this  
5 election, except that the employee shall not receive any  
6 additional creditable service for the periods of employment  
7 following the election. An election under this subsection  
8 relieves the employer from making additional employer  
9 contributions in relation to that employee.

10 (Source: P.A. 96-1084, eff. 7-16-10; 96-1258, eff. 7-23-10;  
11 97-333, eff. 8-12-11.)

12 (40 ILCS 5/7-173.3 new)

13 Sec. 7-173.3. Self-managed plan.

14 (a) The General Assembly finds that the Illinois Municipal  
15 Retirement Fund should provide a defined contribution  
16 (self-managed) plan for eligible participants. Accordingly,  
17 the Illinois Municipal Retirement Fund is hereby directed 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 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 that are fixed, 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 make the self-managed plan established  
2 under this Section available to eligible participants under  
3 this Article within 6 months after the effective date of this  
4 amendatory Act of the 98th General Assembly. The adoption of  
5 the self-managed plan makes available to the eligible  
6 participants under this Article the elections described in  
7 Section 7-140.5.

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

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

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

1 provided to the participants;

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

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

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

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

14 In addition to the companies approved by the Fund under  
15 this subsection (c), the Fund may offer its participants an  
16 investment fund managed by the Illinois State Board of  
17 Investment.

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



1 any of the investments in the participant's account balances.

2 (e) In order to participate in the self-managed plan, an  
3 eligible participant, as defined in Section 7-140.5, must make  
4 a written election in accordance with the provisions of that  
5 Section and the procedures established by the Fund.  
6 Participation in the self-managed plan shall begin on the first  
7 day of the month immediately following the month in which the  
8 participant's election is filed with the Fund, but not sooner  
9 than the effective date of the self-managed plan. A person's  
10 participation in the regular benefit package under this Article  
11 shall terminate on the date that participation in the  
12 self-managed plan begins.

13 A person who has elected to participate in the self-managed  
14 plan under this Section must continue participation while he or  
15 she remains a participant under this Article, and may not  
16 participate in the regular benefit package.

17 Participation in the self-managed plan under this Section  
18 shall constitute participation in the Illinois Municipal  
19 Retirement Fund.

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

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

1 (1) the amount of the separation benefit that the participant  
2 would be eligible to receive if the participant terminated  
3 employment on that date and elected a separation benefit and  
4 (2) an amount, representing employer contributions, equal to  
5 the amount of employee contributions, plus interest. The  
6 interest used in this subsection (f) shall be calculated using  
7 the actual annual rates of return that the Fund has earned  
8 during the time period corresponding to the actual investment  
9 of the contributions being transferred. The Fund shall transfer  
10 assets from the regular benefit package to the self-managed  
11 plan as a tax-free transfer in accordance with Internal Revenue  
12 Service guidelines, for purposes of funding the participant's  
13 opening account balance.

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

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

22 The contribution rate for participants in the self-managed  
23 plan under this Section shall be equal to the member  
24 contribution rate for other participants in the Fund, as  
25 provided in Section 7-173. This required contribution shall be  
26 made as an employer pick-up under Section 414(h) of the

1 Internal Revenue Code of 1986 or any successor Section thereof.  
2 Any participant in the Fund's regular benefit package before  
3 his or her election to participate in the self-managed plan  
4 shall continue to have the employer pick up the contributions  
5 required under Section 7-173. However, the amounts picked up  
6 after the election of the self-managed plan shall be remitted  
7 to and treated as assets of the self-managed plan. In no event  
8 shall a participant have the option of receiving these amounts  
9 in cash. Participants may make additional contributions to the  
10 self-managed plan in accordance with procedures prescribed by  
11 the Fund, to the extent permitted under rules adopted by the  
12 Fund.

13 The program shall provide for employer contributions to be  
14 credited to each self-managed plan participant in an amount  
15 equal to the employee contributions, notwithstanding Section  
16 7-172.

17 Each employer shall make contributions by appropriations  
18 to the Fund for participants in the self-managed plan under  
19 this Section. The amount required shall be certified by the  
20 Board of Trustees of the Fund and paid by the employer in  
21 accordance with Section 7-172. The Fund shall not be obligated  
22 to remit the required employer contributions to any of the  
23 insurance and annuity companies, mutual fund companies, banks,  
24 trust companies, financial institutions, or other sponsors of  
25 any of the funding vehicles offered under the self-managed plan  
26 until it has received the required employer contributions from

1 the employer.

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

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

24 (j) If a participant in the self-managed plan who is vested  
25 in employer contributions terminates employment, the  
26 participant shall be entitled to a benefit that is based on the

1 account values attributable to both employer and employee  
2 contributions and any investment return thereon.

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

15 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

16 Sec. 20-121. Calculation of proportional retirement  
17 annuities. Upon retirement of the employee, a proportional  
18 retirement annuity shall be computed by each participating  
19 system in which pension credit has been established on the  
20 basis of pension credits under each system. The computation  
21 shall be in accordance with the formula or method prescribed by  
22 each participating system which is in effect at the date of the  
23 employee's latest withdrawal from service covered by any of the  
24 systems in which he has pension credits which he elects to have  
25 considered under this Article. However, the amount of any

1 retirement annuity payable under the self-managed plan  
2 established under Section 7-173.3 or 15-158.2 of this Code  
3 depends solely on the value of the participant's vested account  
4 balances and is not subject to any proportional adjustment  
5 under this Section.

6 Combined pension credit under all retirement systems  
7 subject to this Article shall be considered in determining  
8 whether the minimum qualification has been met and the formula  
9 or method of computation which shall be applied. If a system  
10 has a step-rate formula for calculation of the retirement  
11 annuity, pension credits covering previous service which have  
12 been established under another system shall be considered in  
13 determining which range or ranges of the step-rate formula are  
14 to be applicable to the employee.

15 Interest on pension credit shall continue to accumulate in  
16 accordance with the provisions of the law governing the  
17 retirement system in which the same has been established during  
18 the time an employee is in the service of another employer, on  
19 the assumption such employee, for interest purposes for pension  
20 credit, is continuing in the service covered by such retirement  
21 system.

22 (Source: P.A. 91-887, eff. 7-6-00.)

23 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

24 Sec. 20-123. Survivor's annuity. The provisions governing  
25 a retirement annuity shall be applicable to a survivor's

1 annuity. Appropriate credits shall be established for  
2 survivor's annuity purposes in those participating systems  
3 which provide survivor's annuities, according to the same  
4 conditions and subject to the same limitations and restrictions  
5 herein prescribed for a retirement annuity. If a participating  
6 system has no survivor's annuity benefit, or if the survivor's  
7 annuity benefit under that system is waived, pension credit  
8 established in that system shall not be considered in  
9 determining eligibility for or the amount of the survivor's  
10 annuity which may be payable by any other participating system.

11 For persons who participate in the self-managed plan  
12 established under Section 7-173.3, pension credit established  
13 under Article 7 may be considered in determining eligibility  
14 for or the amount of the survivor's annuity that is payable by  
15 any other participating system, but pension credit established  
16 in any other system shall not result in any right to a  
17 survivor's annuity under the Article 7 system.

18 For persons who participate in the self-managed plan  
19 established under Section 15-158.2 or the portable benefit  
20 package established under Section 15-136.4, pension credit  
21 established under Article 15 may be considered in determining  
22 eligibility for or the amount of the survivor's annuity that is  
23 payable by any other participating system, but pension credit  
24 established in any other system shall not result in any right  
25 to a survivor's annuity under the Article 15 system.

26 (Source: P.A. 91-887, eff. 7-6-00.)

1 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

2 Sec. 20-124. Maximum benefits.

3 (a) In no event shall the combined retirement or survivors  
4 annuities exceed the highest annuity which would have been  
5 payable by any participating system in which the employee has  
6 pension credits, if all of his pension credits had been  
7 validated in that system.

8 If the combined annuities should exceed the highest maximum  
9 as determined in accordance with this Section, the respective  
10 annuities shall be reduced proportionately according to the  
11 ratio which the amount of each proportional annuity bears to  
12 the aggregate of all such annuities.

13 (b) In the case of a participant in the self-managed plan  
14 established under Section 7-173.3 of this Code to whom the  
15 provisions of this Article apply:

16 (i) For purposes of calculating the combined  
17 retirement annuity and the proportionate reduction, if  
18 any, in a retirement annuity other than one payable under a  
19 self-managed plan, the amount of the Article 7 retirement  
20 annuity shall be deemed to be the highest annuity to which  
21 the annuitant would have been entitled if he or she had  
22 participated in the regular benefit package as defined in  
23 Article 7 instead of in the self-managed plan.

24 (ii) For purposes of calculating the combined  
25 survivor's annuity and the proportionate reduction, if



1       any, in a survivor's annuity other than one payable under a  
2       self-managed plan, the amount of the Article 7 survivor's  
3       annuity shall be deemed to be the highest survivor's  
4       annuity to which the survivor would have been entitled if  
5       the deceased person had participated in the regular benefit  
6       package as defined in Article 7 instead of in the  
7       self-managed plan.

8       (iii) Benefits payable under the self-managed plan are  
9       not subject to proportionate reduction under this Section.

10       (c) In the case of a participant in the self-managed plan  
11 established under Section 15-158.2 of this Code to whom the  
12 provisions of this Article apply:

13           (i) For purposes of calculating the combined  
14 retirement annuity and the proportionate reduction, if  
15 any, in a retirement annuity other than one payable under  
16 the self-managed plan, the amount of the Article 15  
17 retirement annuity shall be deemed to be the highest  
18 annuity to which the annuitant would have been entitled if  
19 he or she had participated in the traditional benefit  
20 package as defined in Section 15-103.1 rather than the  
21 self-managed plan.

22           (ii) For purposes of calculating the combined  
23 survivor's annuity and the proportionate reduction, if  
24 any, in a survivor's annuity other than one payable under  
25 the self-managed plan, the amount of the Article 15  
26 survivor's annuity shall be deemed to be the highest

1 survivor's annuity to which the survivor would have been  
2 entitled if the deceased employee had participated in the  
3 traditional benefit package as defined in Section 15-103.1  
4 rather than the self-managed plan.

5 (iii) Benefits payable under the self-managed plan are  
6 not subject to proportionate reduction under this Section.

7 (Source: P.A. 91-887, eff. 7-6-00.)

8 Section 90. The State Mandates Act is amended by adding  
9 Section 8.37 as follows:

10 (30 ILCS 805/8.37 new)

11 Sec. 8.37. Exempt mandate. Notwithstanding Sections 6 and 8  
12 of this Act, no reimbursement by the State is required for the  
13 implementation of any mandate created by this amendatory Act of  
14 the 98th General Assembly.

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