



Rep. Joe Sosnowski

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1 AMENDMENT TO HOUSE BILL 1678

2 AMENDMENT NO. _____. Amend House Bill 1678, AS AMENDED,
3 with reference to page and line numbers of House Amendment No.
4 1, on page 16, in line 14, before "16-152", by inserting
5 "15-158.2,"; and

6 on page 52, below line 2, by inserting the following:

7 "(40 ILCS 5/15-158.2)

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

9 (a) Purpose. The General Assembly finds that it is
10 important for colleges and universities to be able to attract
11 and retain the most qualified employees and that in order to
12 attract and retain these employees, colleges and universities
13 should have the flexibility to provide a defined contribution
14 plan as an alternative for eligible employees who elect not to
15 participate in a defined benefit retirement program provided
16 under this Article. Accordingly, the State Universities

1 Retirement System is hereby authorized to establish and
2 administer a self-managed plan, which shall offer
3 participating employees the opportunity to accumulate assets
4 for retirement through a combination of employee and employer
5 contributions that may be invested in mutual funds, collective
6 investment funds, or other investment products and used to
7 purchase annuity contracts, either fixed or variable or a
8 combination thereof. The plan must be qualified under the
9 Internal Revenue Code of 1986.

10 (b) Adoption by employers. Each employer subject to this
11 Article may elect to adopt the self-managed plan established
12 under this Section; this election is irrevocable. An employer's
13 election to adopt the self-managed plan makes available to the
14 eligible employees of that employer the elections described in
15 Section 15-134.5.

16 The State Universities Retirement System shall be the plan
17 sponsor for the self-managed plan and shall prepare a plan
18 document and prescribe such rules and procedures as are
19 considered necessary or desirable for the administration of the
20 self-managed plan. Consistent with its fiduciary duty to the
21 participants and beneficiaries of the self-managed plan, the
22 Board of Trustees of the System may delegate aspects of plan
23 administration as it sees fit to companies authorized to do
24 business in this State, to the employers, or to a combination
25 of both.

26 (c) Selection of service providers and funding vehicles.

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

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

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

14 (3) the suitability of the benefits to the needs and
15 interests of the participating employees and the employer;

16 (4) the ability of the company to provide benefits
17 under the contract and the financial stability of the
18 company; and

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

21 The System, in consultation with the employers, shall
22 periodically review each approved company. A company may
23 continue to provide administrative services and funding
24 vehicles for the self-managed plan only so long as it continues
25 to be an approved company under contract with the Board.

26 (d) Employee Direction. Employees who are participating in

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

11 (e) Participation. An employee eligible to participate in
12 the self-managed plan must make a written election in
13 accordance with the provisions of Section 15-134.5 and the
14 procedures established by the System. Participation in the
15 self-managed plan by an electing employee shall begin on the
16 first day of the first pay period following the later of the
17 date the employee's election is filed with the System or the
18 effective date as of which the employee's employer begins to
19 offer participation in the self-managed plan. Employers may not
20 make the self-managed plan available earlier than January 1,
21 1998. An employee's participation in any other retirement
22 program administered by the System under this Article shall
23 terminate on the date that participation in the self-managed
24 plan begins.

25 An employee who has elected to participate in the
26 self-managed plan under this Section must continue

1 participation while employed in an eligible position, and may
2 not participate in any other retirement program administered by
3 the System under this Article while employed by that employer
4 or any other employer that has adopted the self-managed plan,
5 unless the self-managed plan is terminated in accordance with
6 subsection (i).

7 Participation in the self-managed plan under this Section
8 shall constitute membership in the State Universities
9 Retirement System.

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

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

1 (g) No Duplication of Service Credit. Notwithstanding any
2 other provision of this Article, an employee may not purchase
3 or receive service or service credit applicable to any other
4 retirement program administered by the System under this
5 Article for any period during which the employee was a
6 participant in the self-managed plan established under this
7 Section.

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

11 The contribution rate for employees participating in the
12 self-managed plan under this Section shall be equal to the
13 employee contribution rate for other participants in the
14 System, as provided in Section 15-157. This required
15 contribution shall be made as an "employer pick-up" under
16 Section 414(h) of the Internal Revenue Code of 1986 or any
17 successor Section thereof. Any employee participating in the
18 System's traditional benefit package prior to his or her
19 election to participate in the self-managed plan shall continue
20 to have the employer pick up the contributions required under
21 Section 15-157. However, the amounts picked up after the
22 election of the self-managed plan shall be remitted to and
23 treated as assets of the self-managed plan. In no event shall
24 an employee have an option of receiving these amounts in cash.
25 Employees may make additional contributions to the
26 self-managed plan in accordance with procedures prescribed by

1 the System, to the extent permitted under rules prescribed by
2 the System.

3 The program shall provide for employer contributions to be
4 credited to each self-managed plan participant at a rate of
5 7.6% of the participating employee's salary, less the amount
6 used by the System to provide disability benefits for the
7 employee. The amounts so credited shall be paid into the
8 participant's self-managed plan accounts in a manner to be
9 prescribed by the System.

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

18 The State of Illinois shall make contributions by
19 appropriations to the System of the employer contributions
20 required for employees who participate in the self-managed plan
21 under this Section. The amount required shall be certified by
22 the Board of Trustees of the System and paid by the State in
23 accordance with Section 15-165. The System shall not be
24 obligated to remit the required employer contributions to any
25 of the insurance and annuity companies, mutual fund companies,
26 banks, trust companies, financial institutions, or other

1 sponsors of any of the funding vehicles offered under the
2 self-managed plan until it has received the required employer
3 contributions from the State. In the event of a deficiency in
4 the amount of State contributions, the System shall implement
5 those procedures described in subsection (c) of Section 15-165
6 to obtain the required funding from the General Revenue Fund.

7 (i) Termination. The self-managed plan authorized under
8 this Section may be terminated by the System, subject to the
9 terms of any relevant contracts, and the System shall have no
10 obligation to reestablish the self-managed plan under this
11 Section. This Section does not create a right to continued
12 participation in any self-managed plan set up by the System
13 under this Section. If the self-managed plan is terminated, the
14 participants shall have the right to participate in one of the
15 other retirement programs offered by the System and receive
16 service credit in such other retirement program for any years
17 of employment following the termination.

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

1 reciprocal 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 such rights, service credits, and previous status as
12 a participant shall be restored upon repayment of the amount of
13 the distribution, without interest.

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

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

1 for future allocations of employer contributions or for the
2 restoration of amounts previously forfeited by former
3 participants who again become participating employees.

4 (1) Roth account. Pursuant to Section 902 of the American
5 Taxpayer Relief Act of 2012, all employees with applicable
6 retirement plans will be provided options to: (a) establish,
7 (b) contribute to, and (c) transfer any guaranteed or vested
8 portion of their traditional accounts, on any day, into
9 qualified in-plan Roth accounts, without distribution.

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