



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB3278

Introduced 2/19/2016, by Sen. Jim Oberweis

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-105.1
40 ILCS 5/2-165.50 new

Amends the General Assembly Article of the Illinois Pension Code. Defines "Tier 3 participant" as a participant who first becomes a participant on or after January 1, 2017. Requires the General Assembly Retirement System to establish, by July 1, 2016, a defined contribution plan for all Tier 3 participants. Provides that no Tier 3 participant shall be eligible to participate in the retirement plan available to Tier 1 and Tier 2 participants. Requires the System to report its progress in establishing the defined contribution plan to the Governor and the General Assembly on or before January 15, 2016. Provides that the Illinois State Board of Investment shall be the plan sponsor for the defined contribution plan. Provides that the System, its staff, its authorized representatives, and the Board of Trustees of the System shall not be liable for any information given to a Tier 3 participant concerning the defined contribution plan. Requires the defined contribution plan to provide a variety of options for payouts to retirees and their survivors. Requires the defined contribution plan to allow former participants in the plan to transfer or roll over Tier 3 participant contributions and vested State contributions into other qualified retirement plans. Contains provisions concerning maximum participant and State contributions, vesting, defined disability benefits, investment options, administrative fees, and qualified plan status. Effective immediately.

SRS099 00017 NIM 20018 b

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 2-105.1 and 2-165.50 as follows:

6 (40 ILCS 5/2-105.1)

7 Sec. 2-105.1. Tier 1 participant; Tier 2 participant.

8 "Tier 1 participant": A participant who first became a
9 participant before January 1, 2011.

10 "Tier 2 participant": A participant who first became a
11 participant on or after January 1, 2011 and before January 1,
12 2017.

13 "Tier 3 participant": A participant who first becomes a
14 participant on or after January 1, 2017.

15 (Source: P.A. 98-599, eff. 6-1-14.)

16 (40 ILCS 5/2-165.50 new)

17 Sec. 2-165.50. Defined contribution plan for Tier 3
18 participants.

19 (a) No Tier 3 participant shall be eligible to participate
20 in the retirement plan available under this Article to Tier 1
21 and Tier 2 participants. All Tier 3 participants shall
22 participate in the defined contribution plan established under

1 this Section.

2 (b) By July 1, 2016, the System shall prepare and implement
3 a defined contribution plan for all Tier 3 participants. The
4 defined contribution plan developed under this Section shall be
5 a plan that aggregates employer and employee contributions in
6 individual participant accounts which, after meeting any other
7 requirements, are used for payouts after retirement in
8 accordance with this Section and any other applicable laws.

9 (1) Each Tier 3 participant shall determine the
10 percentage of salary that he or she will contribute to his
11 or her individual account in the defined contribution plan.

12 (2) State contributions shall be paid into the account
13 of each Tier 3 participant at the rate of 25% of the
14 employee's contribution, up to a maximum State
15 contribution of 2% of the participant's salary.

16 (3) The defined contribution plan shall require 3 years
17 of participation in the defined contribution plan before
18 vesting in State contributions. If the participant fails to
19 vest in them, then the State contributions, and the
20 earnings thereon, shall be forfeited.

21 (4) The defined contribution plan may provide for
22 participants in the plan to be eligible for defined
23 disability benefits at the participant's option. If it does
24 so and the Tier 3 participant so elects, the System shall
25 reduce the Tier 3 participant contributions credited to the
26 participant's defined contribution plan account by an

1 amount determined by the System to cover the cost of
2 offering such benefits.

3 (5) The defined contribution plan shall provide a
4 variety of options for investments. These options shall
5 include investments handled by the Illinois State Board of
6 Investment as well as private sector investment options.

7 (6) The defined contribution plan shall provide a
8 variety of options for payouts to retirees and their
9 survivors.

10 (7) To the extent authorized under federal law and as
11 authorized by the System, the plan shall allow former
12 participants in the plan to transfer or roll over Tier 3
13 participant and vested State contributions, and the
14 earnings thereon, into other qualified retirement plans.

15 (c) In no event shall the System, its staff, its authorized
16 representatives, or the Board be liable for any information
17 given to a Tier 3 participant under this Section. The System
18 may coordinate with the Illinois Department of Central
19 Management Services and other retirement systems administering
20 a defined contribution plan to provide information concerning
21 the impact of the defined contribution plan set forth in this
22 Section.

23 (d) Notwithstanding any other provision of this Section, no
24 person shall begin participating in the defined contribution
25 plan until it has attained qualified plan status and received
26 all necessary approvals from the United States Internal Revenue

1 Service.

2 (e) The System shall report on its progress under this
3 Section, including the available details of the defined
4 contribution plan, to the Governor and the General Assembly on
5 or before January 15, 2016.

6 (f) The Illinois State Board of Investment shall be the
7 plan sponsor for the defined contribution plan established
8 under this Section.

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.