

AN ACT concerning public employee benefits.

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

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

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

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

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

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

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

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

(40 ILCS 5/15-136.4)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(k) (Blank).

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

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



Public Act 096-0586

SB1440 Enrolled

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

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