



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB0421

by Rep. Grant Wehrli

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-124

from Ch. 108 1/2, par. 2-124

40 ILCS 5/2-167 new

Amends the General Assembly Article of the Illinois Pension Code. Requires the General Assembly Retirement System to establish a self-directed retirement plan. Provides that on and after the effective date of the amendatory Act, an active participant's participation in the System shall be limited to participation in the self-directed retirement plan. Provides that an annuitant shall not receive an automatic increase in retirement annuity on or after the effective date of the amendatory Act unless, according to the most recent actuarial valuations, the total assets of the System are equal to or greater than 100% of the total actuarial liabilities of the System. Establishes a schedule for vesting in the self-directed retirement plan. Requires the Public Pension Division of the Department of Insurance to develop a schedule that, subject to certain requirements, increases the retirement age of active participants who are ineligible to retire as of the effective date of the amendatory Act. Provides that the Division's schedule shall also provide for the adjustment of retirement ages using a matrix that (i) takes into account the current statutory retirement age for various classes of persons and service credit accrued by those persons and (ii) proportionally discounts the increase in statutory retirement ages based on proximity to the currently established retirement age. Provides a new funding formula for State contributions, with a 100% funding goal through 2045 (determined using the projected unit credit actuarial cost method) and a 100% funding goal thereafter.

LRB100 04236 RPS 14242 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

A BILL FOR

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 Section 2-124 and by adding Section 2-167 as follows:

6 (40 ILCS 5/2-124) (from Ch. 108 1/2, par. 2-124)

7 (Text of Section WITHOUT the changes made by P.A. 98-599,
8 which has been held unconstitutional)

9 Sec. 2-124. Contributions by State.

10 (a) The State shall make contributions to the System by
11 appropriations of amounts which, together with the
12 contributions of participants, interest earned on investments,
13 and other income will meet the cost of maintaining and
14 administering the System on a 100% ~~90%~~ funded basis in
15 accordance with actuarial recommendations.

16 (b) The Board shall determine the amount of State
17 contributions required for each fiscal year on the basis of the
18 actuarial tables and other assumptions adopted by the Board and
19 the prescribed rate of interest, using the formula in
20 subsection (c).

21 (c) For State fiscal years 2018 through 2045, the minimum
22 contribution to the System to be made by the State for each
23 fiscal year shall be an amount determined by the System to be

1 sufficient to bring the total assets of the System up to 100%
2 of the total actuarial liabilities of the System by the end of
3 State fiscal year 2045. In making these determinations, the
4 required State contribution shall be calculated each year as a
5 level dollar amount over the years remaining to and including
6 fiscal year 2045 and shall be determined under the projected
7 unit credit actuarial cost method.

8 For State fiscal years 2012 through 2017 ~~2045~~, the minimum
9 contribution to the System to be made by the State for each
10 fiscal year shall be an amount determined by the System to be
11 sufficient to bring the total assets of the System up to 90% of
12 the total actuarial liabilities of the System by the end of
13 State fiscal year 2045. In making these determinations, the
14 required State contribution shall be calculated each year as a
15 level percentage of payroll over the years remaining to and
16 including fiscal year 2045 and shall be determined under the
17 projected unit credit actuarial cost method.

18 For State fiscal years 1996 through 2005, the State
19 contribution to the System, as a percentage of the applicable
20 employee payroll, shall be increased in equal annual increments
21 so that by State fiscal year 2011, the State is contributing at
22 the rate required under this Section.

23 Notwithstanding any other provision of this Article, the
24 total required State contribution for State fiscal year 2006 is
25 \$4,157,000.

26 Notwithstanding any other provision of this Article, the

1 total required State contribution for State fiscal year 2007 is
2 \$5,220,300.

3 For each of State fiscal years 2008 through 2009, the State
4 contribution to the System, as a percentage of the applicable
5 employee payroll, shall be increased in equal annual increments
6 from the required State contribution for State fiscal year
7 2007, so that by State fiscal year 2011, the State is
8 contributing at the rate otherwise required under this Section.

9 Notwithstanding any other provision of this Article, the
10 total required State contribution for State fiscal year 2010 is
11 \$10,454,000 and shall be made from the proceeds of bonds sold
12 in fiscal year 2010 pursuant to Section 7.2 of the General
13 Obligation Bond Act, less (i) the pro rata share of bond sale
14 expenses determined by the System's share of total bond
15 proceeds, (ii) any amounts received from the General Revenue
16 Fund in fiscal year 2010, and (iii) any reduction in bond
17 proceeds due to the issuance of discounted bonds, if
18 applicable.

19 Notwithstanding any other provision of this Article, the
20 total required State contribution for State fiscal year 2011 is
21 the amount recertified by the System on or before April 1, 2011
22 pursuant to Section 2-134 and shall be made from the proceeds
23 of bonds sold in fiscal year 2011 pursuant to Section 7.2 of
24 the General Obligation Bond Act, less (i) the pro rata share of
25 bond sale expenses determined by the System's share of total
26 bond proceeds, (ii) any amounts received from the General

1 Revenue Fund in fiscal year 2011, and (iii) any reduction in
2 bond proceeds due to the issuance of discounted bonds, if
3 applicable.

4 Beginning in State fiscal year 2046, the minimum State
5 contribution for each fiscal year shall be the amount needed to
6 maintain the total assets of the System at 100% of the total
7 actuarial liabilities of the System. ~~Beginning in State fiscal~~
8 ~~year 2046, the minimum State contribution for each fiscal year~~
9 ~~shall be the amount needed to maintain the total assets of the~~
10 ~~System at 90% of the total actuarial liabilities of the System.~~

11 Amounts received by the System pursuant to Section 25 of
12 the Budget Stabilization Act or Section 8.12 of the State
13 Finance Act in any fiscal year do not reduce and do not
14 constitute payment of any portion of the minimum State
15 contribution required under this Article in that fiscal year.
16 Such amounts shall not reduce, and shall not be included in the
17 calculation of, the required State contributions under this
18 Article in any future year until the System has reached a
19 funding ratio of at least 90%. A reference in this Article to
20 the "required State contribution" or any substantially similar
21 term does not include or apply to any amounts payable to the
22 System under Section 25 of the Budget Stabilization Act.

23 Notwithstanding any other provision of this Section, the
24 required State contribution for State fiscal year 2005 and for
25 fiscal year 2008 and each fiscal year thereafter, as calculated
26 under this Section and certified under Section 2-134, shall not

1 exceed an amount equal to (i) the amount of the required State
2 contribution that would have been calculated under this Section
3 for that fiscal year if the System had not received any
4 payments under subsection (d) of Section 7.2 of the General
5 Obligation Bond Act, minus (ii) the portion of the State's
6 total debt service payments for that fiscal year on the bonds
7 issued in fiscal year 2003 for the purposes of that Section
8 7.2, as determined and certified by the Comptroller, that is
9 the same as the System's portion of the total moneys
10 distributed under subsection (d) of Section 7.2 of the General
11 Obligation Bond Act. In determining this maximum for State
12 fiscal years 2008 through 2010, however, the amount referred to
13 in item (i) shall be increased, as a percentage of the
14 applicable employee payroll, in equal increments calculated
15 from the sum of the required State contribution for State
16 fiscal year 2007 plus the applicable portion of the State's
17 total debt service payments for fiscal year 2007 on the bonds
18 issued in fiscal year 2003 for the purposes of Section 7.2 of
19 the General Obligation Bond Act, so that, by State fiscal year
20 2011, the State is contributing at the rate otherwise required
21 under this Section.

22 (d) For purposes of determining the required State
23 contribution to the System, the value of the System's assets
24 shall be equal to the actuarial value of the System's assets,
25 which shall be calculated as follows:

26 As of June 30, 2008, the actuarial value of the System's

1 assets shall be equal to the market value of the assets as of
2 that date. In determining the actuarial value of the System's
3 assets for fiscal years after June 30, 2008, any actuarial
4 gains or losses from investment return incurred in a fiscal
5 year shall be recognized in equal annual amounts over the
6 5-year period following that fiscal year.

7 (e) For purposes of determining the required State
8 contribution to the system for a particular year, the actuarial
9 value of assets shall be assumed to earn a rate of return equal
10 to the system's actuarially assumed rate of return.

11 (Source: P.A. 96-43, eff. 7-15-09; 96-1497, eff. 1-14-11;
12 96-1511, eff. 1-27-11; 96-1554, eff. 3-18-11; 97-813, eff.
13 7-13-12.)

14 (40 ILCS 5/2-167 new)

15 Sec. 2-167. Self-directed retirement plan; end of service
16 credit.

17 (a) For the purposes of this Section:

18 "Active participant" means a participant in the System
19 who does not receive an annuity from the System.

20 "Automatic increase in retirement annuity" means an
21 automatic increase in retirement annuity that is granted
22 under this Article.

23 "Employer" means the State.

24 "Pensionable salary" means the amount of salary,
25 compensation, or earnings used by the System to calculate

1 the amount of an individual's retirement annuity.

2 (b) On and after the effective date of this amendatory Act
3 of the 100th General Assembly, an active participant's
4 participation in the System shall be limited to participation
5 in a self-directed retirement plan established under
6 subsection (f) of this Section.

7 All service credit under the System (including service
8 under any participating system if the participant elects to use
9 the reciprocal provisions of Article 20) shall be considered
10 for purposes of vesting in the benefits provided prior to the
11 effective date of this Section, but only service credit earned
12 and contributions made before that effective date shall be
13 considered in determining the amount of those benefits. In lieu
14 of receiving any such benefits, an active participant may elect
15 to have an account balance established in his or her
16 self-directed plan account in an amount equal to the amount of
17 the contribution refund that the participant would be eligible
18 to receive if he or she withdrew from service on the effective
19 date of this Section and elected a refund of contributions,
20 except that this hypothetical refund shall include interest at
21 the effective rate for the respective years. The System shall
22 make these transfers of assets to the self-directed plan as
23 tax-free transfers in accordance with Internal Revenue Service
24 guidelines.

25 (c) The pensionable salary of an active participant shall
26 not exceed the pensionable salary of that participant as of the

1 effective date of this amendatory Act of the 100th General
2 Assembly.

3 (d) An annuitant shall not receive an automatic increase in
4 retirement annuity on or after the effective date of this
5 amendatory Act of the 100th General Assembly unless, according
6 to the most recent actuarial valuations, the total assets of
7 the System are equal to or greater than 100% of the total
8 actuarial liabilities of the System.

9 (e) The retirement age of active participants who are
10 ineligible to retire as of the effective date of this
11 amendatory Act of the 100th General Assembly shall be increased
12 according to a schedule developed, as soon as practicable after
13 the effective date of this amendatory Act of the 100th General
14 Assembly, by the Public Pension Division of the Department of
15 Insurance. The schedule of retirement ages adopted by
16 administrative rule of the Division shall, at a minimum, ensure
17 (i) that persons who first become active participants on or
18 after the effective date of this amendatory Act of the 100th
19 General Assembly are not eligible to retire until reaching the
20 Social Security Normal Retirement Age and (ii) that persons who
21 are active participants but ineligible to retire as of the
22 effective date of this amendatory Act of the 100th General
23 Assembly remain ineligible to retire until reaching age 59. The
24 Division's schedule shall also provide for the adjustment of
25 retirement ages using a matrix (i) that takes into account the
26 current statutory retirement age for various classes of persons

1 and service credit accrued by those persons as of the effective
2 date of this amendatory Act of the 100th General Assembly and
3 (ii) that proportionally discounts the increase in statutory
4 retirement age based on proximity to the currently established
5 retirement age. The minimum retirement age established under
6 this subsection (e) shall not apply to active participants with
7 respect to participation in a self-directed retirement plan
8 established under subsection (f) of this Section.

9 (f) As soon as practicable after the effective date of this
10 amendatory Act of the 100th General Assembly, the System shall
11 establish a self-directed retirement plan that allows
12 individuals who are active participants and individuals who
13 become active participants on or after the effective date of
14 this amendatory Act of the 100th General Assembly the
15 opportunity to accumulate assets for retirement through a
16 combination of employee and employer contributions that may be
17 invested in mutual funds, collective investment funds, or other
18 investment products and used to purchase annuity contracts,
19 either fixed or variable or a combination thereof. The plan
20 must be qualified under the Internal Revenue Code of 1986.

21 At any time after withdrawal from service, a participant in
22 the self-directed plan shall be entitled to a benefit that is
23 based on the account values attributable to his or her
24 participant contributions and the vested percentage of
25 employer contributions, as well as any investment returns
26 attributable to those contributions. A participant becomes

1 vested in the employer's contributions credited to his or her
2 account according to the following schedule:

3 (1) if the participant has completed less than 2 years
4 of service under the System (including service under any
5 participating system if the participant elects to use the
6 reciprocal provisions of Article 20), 0%;

7 (2) if the participant has completed at least 2 but
8 less than 3 years of such service, 25%;

9 (3) if the participant has completed at least 3 but
10 less than 4 years of such service, 50%;

11 (4) if the participant has completed at least 4 but
12 less than 5 years of such service, 75%; and

13 (5) if the participant has completed at least 5 years
14 of such service, 100%.

15 At the time of taking a benefit under the self-directed
16 plan, any employer contributions that have not vested, and the
17 investment returns attributable to the employer contributions
18 that have not vested, shall be forfeited. Employer
19 contributions that are forfeited shall be held in escrow by the
20 company investing those contributions and shall be used, as
21 directed by the System, for future allocations of employer
22 contributions.

23 (g) Each active participant in the System shall participate
24 in the self-directed retirement plan established under
25 subsection (f) and, in lieu of the contributions otherwise
26 provided for in this Article, shall contribute 8% of his or her

1 salary, earnings, or compensation, whichever is applicable, to
2 the plan. The employer of each of those active participants
3 shall contribute 7% of salary to that plan on behalf of the
4 participant.

5 (h) The provisions of this amendatory Act of the 100th
6 General Assembly apply notwithstanding any other law,
7 including Section 1-160 of this Code. If there is a conflict
8 between the provisions of this amendatory Act of the 100th
9 General Assembly and any other law, the provisions of this
10 Section shall control.