



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

HB2851

by Rep. Thomas Morrison

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly, State Employees, Downstate Teachers, and Judges Articles of the Illinois Pension Code. Requires each System to establish a self-managed plan that shall offer participants the opportunity to accumulate assets for retirement through a combination of participant and State contributions that may be invested. Provides that the System shall establish an opening account balance in the self-managed plan for a participant who elects to participate in the self-managed plan and elects to terminate all rights and credits in the System due to previous participation in the traditional benefit package. Provides that a participant in the self-managed plan may not participate in any other retirement program administered by the System. Contains provisions concerning definitions; default investments; contributions; employer pick-up of contributions; vesting; disability benefits; return to service; and termination of the plan. Provides that any benefit increase that results from the amendatory Act is excluded from the definition of "new benefit increase". Makes other changes. Makes conforming changes in the State Employees Group Insurance Act of 1971. Amends the State Mandates Act to require implementation without reimbursement by the State. Effective immediately.

LRB101 06762 RPS 51789 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 State Employees Group Insurance Act of 1971  
5 is amended by changing Sections 3 and 10 as follows:

6 (5 ILCS 375/3) (from Ch. 127, par. 523)

7 Sec. 3. Definitions. Unless the context otherwise  
8 requires, the following words and phrases as used in this Act  
9 shall have the following meanings. The Department may define  
10 these and other words and phrases separately for the purpose of  
11 implementing specific programs providing benefits under this  
12 Act.

13 (a) "Administrative service organization" means any  
14 person, firm or corporation experienced in the handling of  
15 claims which is fully qualified, financially sound and capable  
16 of meeting the service requirements of a contract of  
17 administration executed with the Department.

18 (b) "Annuitant" means (1) an employee who retires, or has  
19 retired, on or after January 1, 1966 on an immediate annuity  
20 under the provisions of Article ~~Articles~~ 2 (including an  
21 employee who, in lieu of receiving an annuity under that  
22 Article, has retired under the self-managed plan established  
23 under Section 2-126.8 of that Article), 14 (including an

1 employee who has elected to receive an alternative retirement  
2 cancellation payment under Section 14-108.5 of the Illinois  
3 Pension Code in lieu of an annuity; an employee who, in lieu of  
4 receiving an annuity under that Article, has retired under the  
5 self-managed plan established under Section 14-133.2 of that  
6 Article; or an employee who meets the criteria for retirement,  
7 but in lieu of receiving an annuity under that Article has  
8 elected to receive an accelerated pension benefit payment under  
9 Section 14-147.5 of that Article), or 15 (including an employee  
10 who has retired under the optional retirement program  
11 established under Section 15-158.2 or who meets the criteria  
12 for retirement but in lieu of receiving an annuity under that  
13 Article has elected to receive an accelerated pension benefit  
14 payment under Section 15-185.5 of the Article), paragraphs (2),  
15 (3), or (5) of Section 16-106 (including an employee who meets  
16 the criteria for retirement, but in lieu of receiving an  
17 annuity under that Article has elected to receive an  
18 accelerated pension benefit payment under Section 16-190.5 of  
19 the Illinois Pension Code or an employee who, in lieu of  
20 receiving an annuity under that Article, has retired under the  
21 self-managed plan established under Section 16-158.4 of the  
22 Illinois Pension Code), or Article 18 (including an employee  
23 who, in lieu of receiving an annuity under that Article, has  
24 retired under the self-managed plan established under Section  
25 18-133.2 of that Article) of the Illinois Pension Code; (2) any  
26 person who was receiving group insurance coverage under this

1 Act as of March 31, 1978 by reason of his status as an  
2 annuitant, even though the annuity in relation to which such  
3 coverage was provided is a proportional annuity based on less  
4 than the minimum period of service required for a retirement  
5 annuity in the system involved; (3) any person not otherwise  
6 covered by this Act who has retired as a participating member  
7 under Article 2 of the Illinois Pension Code but is ineligible  
8 for the retirement annuity under Section 2-119 of the Illinois  
9 Pension Code; (4) the spouse of any person who is receiving a  
10 retirement annuity under Article 18 of the Illinois Pension  
11 Code and who is covered under a group health insurance program  
12 sponsored by a governmental employer other than the State of  
13 Illinois and who has irrevocably elected to waive his or her  
14 coverage under this Act and to have his or her spouse  
15 considered as the "annuitant" under this Act and not as a  
16 "dependent"; or (5) an employee who retires, or has retired,  
17 from a qualified position, as determined according to rules  
18 promulgated by the Director, under a qualified local  
19 government, a qualified rehabilitation facility, a qualified  
20 domestic violence shelter or service, or a qualified child  
21 advocacy center. (For definition of "retired employee", see (p)  
22 post).

23 (b-5) (Blank).

24 (b-6) (Blank).

25 (b-7) (Blank).

26 (c) "Carrier" means (1) an insurance company, a corporation

1 organized under the Limited Health Service Organization Act or  
2 the Voluntary Health Services Plan Act, a partnership, or other  
3 nongovernmental organization, which is authorized to do group  
4 life or group health insurance business in Illinois, or (2) the  
5 State of Illinois as a self-insurer.

6 (d) "Compensation" means salary or wages payable on a  
7 regular payroll by the State Treasurer on a warrant of the  
8 State Comptroller out of any State, trust or federal fund, or  
9 by the Governor of the State through a disbursing officer of  
10 the State out of a trust or out of federal funds, or by any  
11 Department out of State, trust, federal or other funds held by  
12 the State Treasurer or the Department, to any person for  
13 personal services currently performed, and ordinary or  
14 accidental disability benefits under Articles 2, 14, 15  
15 (including ordinary or accidental disability benefits under  
16 the optional retirement program established under Section  
17 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or  
18 Article 18 of the Illinois Pension Code, for disability  
19 incurred after January 1, 1966, or benefits payable under the  
20 Workers' Compensation or Occupational Diseases Act or benefits  
21 payable under a sick pay plan established in accordance with  
22 Section 36 of the State Finance Act. "Compensation" also means  
23 salary or wages paid to an employee of any qualified local  
24 government, qualified rehabilitation facility, qualified  
25 domestic violence shelter or service, or qualified child  
26 advocacy center.

1           (e) "Commission" means the State Employees Group Insurance  
2           Advisory Commission authorized by this Act. Commencing July 1,  
3           1984, "Commission" as used in this Act means the Commission on  
4           Government Forecasting and Accountability as established by  
5           the Legislative Commission Reorganization Act of 1984.

6           (f) "Contributory", when referred to as contributory  
7           coverage, shall mean optional coverages or benefits elected by  
8           the member toward the cost of which such member makes  
9           contribution, or which are funded in whole or in part through  
10          the acceptance of a reduction in earnings or the foregoing of  
11          an increase in earnings by an employee, as distinguished from  
12          noncontributory coverage or benefits which are paid entirely by  
13          the State of Illinois without reduction of the member's salary.

14          (g) "Department" means any department, institution, board,  
15          commission, officer, court or any agency of the State  
16          government receiving appropriations and having power to  
17          certify payrolls to the Comptroller authorizing payments of  
18          salary and wages against such appropriations as are made by the  
19          General Assembly from any State fund, or against trust funds  
20          held by the State Treasurer and includes boards of trustees of  
21          the retirement systems created by Articles 2, 14, 15, 16 and 18  
22          of the Illinois Pension Code. "Department" also includes the  
23          Illinois Comprehensive Health Insurance Board, the Board of  
24          Examiners established under the Illinois Public Accounting  
25          Act, and the Illinois Finance Authority.

26          (h) "Dependent", when the term is used in the context of

1 the health and life plan, means a member's spouse and any child  
2 (1) from birth to age 26 including an adopted child, a child  
3 who lives with the member from the time of the placement for  
4 adoption until entry of an order of adoption, a stepchild or  
5 adjudicated child, or a child who lives with the member if such  
6 member is a court appointed guardian of the child or (2) age 19  
7 or over who has a mental or physical disability from a cause  
8 originating prior to the age of 19 (age 26 if enrolled as an  
9 adult child dependent). For the health plan only, the term  
10 "dependent" also includes (1) any person enrolled prior to the  
11 effective date of this Section who is dependent upon the member  
12 to the extent that the member may claim such person as a  
13 dependent for income tax deduction purposes and (2) any person  
14 who has received after June 30, 2000 an organ transplant and  
15 who is financially dependent upon the member and eligible to be  
16 claimed as a dependent for income tax purposes. A member  
17 requesting to cover any dependent must provide documentation as  
18 requested by the Department of Central Management Services and  
19 file with the Department any and all forms required by the  
20 Department.

21 (i) "Director" means the Director of the Illinois  
22 Department of Central Management Services.

23 (j) "Eligibility period" means the period of time a member  
24 has to elect enrollment in programs or to select benefits  
25 without regard to age, sex or health.

26 (k) "Employee" means and includes each officer or employee

1 in the service of a department who (1) receives his  
2 compensation for service rendered to the department on a  
3 warrant issued pursuant to a payroll certified by a department  
4 or on a warrant or check issued and drawn by a department upon  
5 a trust, federal or other fund or on a warrant issued pursuant  
6 to a payroll certified by an elected or duly appointed officer  
7 of the State or who receives payment of the performance of  
8 personal services on a warrant issued pursuant to a payroll  
9 certified by a Department and drawn by the Comptroller upon the  
10 State Treasurer against appropriations made by the General  
11 Assembly from any fund or against trust funds held by the State  
12 Treasurer, and (2) is employed full-time or part-time in a  
13 position normally requiring actual performance of duty during  
14 not less than 1/2 of a normal work period, as established by  
15 the Director in cooperation with each department, except that  
16 persons elected by popular vote will be considered employees  
17 during the entire term for which they are elected regardless of  
18 hours devoted to the service of the State, and (3) except that  
19 "employee" does not include any person who is not eligible by  
20 reason of such person's employment to participate in one of the  
21 State retirement systems under Articles 2, 14, 15 (either the  
22 regular Article 15 system or the optional retirement program  
23 established under Section 15-158.2) or 18, or under paragraph  
24 (2), (3), or (5) of Section 16-106, of the Illinois Pension  
25 Code, but such term does include persons who are employed  
26 during the 6 month qualifying period under Article 14 of the



1 Illinois Pension Code. Such term also includes any person who  
2 (1) after January 1, 1966, is receiving ordinary or accidental  
3 disability benefits under Articles 2, 14, 15 (including  
4 ordinary or accidental disability benefits under the optional  
5 retirement program established under Section 15-158.2),  
6 paragraphs (2), (3), or (5) of Section 16-106, or Article 18 of  
7 the Illinois Pension Code, for disability incurred after  
8 January 1, 1966, (2) receives total permanent or total  
9 temporary disability under the Workers' Compensation Act or  
10 Occupational Disease Act as a result of injuries sustained or  
11 illness contracted in the course of employment with the State  
12 of Illinois, or (3) is not otherwise covered under this Act and  
13 has retired as a participating member under Article 2 of the  
14 Illinois Pension Code but is ineligible for the retirement  
15 annuity under Section 2-119 of the Illinois Pension Code.  
16 However, a person who satisfies the criteria of the foregoing  
17 definition of "employee" except that such person is made  
18 ineligible to participate in the State Universities Retirement  
19 System by clause (4) of subsection (a) of Section 15-107 of the  
20 Illinois Pension Code is also an "employee" for the purposes of  
21 this Act. "Employee" also includes any person receiving or  
22 eligible for benefits under a sick pay plan established in  
23 accordance with Section 36 of the State Finance Act. "Employee"  
24 also includes (i) each officer or employee in the service of a  
25 qualified local government, including persons appointed as  
26 trustees of sanitary districts regardless of hours devoted to

1 the service of the sanitary district, (ii) each employee in the  
2 service of a qualified rehabilitation facility, (iii) each  
3 full-time employee in the service of a qualified domestic  
4 violence shelter or service, and (iv) each full-time employee  
5 in the service of a qualified child advocacy center, as  
6 determined according to rules promulgated by the Director.

7 (l) "Member" means an employee, annuitant, retired  
8 employee or survivor. In the case of an annuitant or retired  
9 employee who first becomes an annuitant or retired employee on  
10 or after the effective date of this amendatory Act of the 97th  
11 General Assembly, the individual must meet the minimum vesting  
12 requirements of the applicable retirement system in order to be  
13 eligible for group insurance benefits under that system. In the  
14 case of a survivor who first becomes a survivor on or after the  
15 effective date of this amendatory Act of the 97th General  
16 Assembly, the deceased employee, annuitant, or retired  
17 employee upon whom the annuity is based must have been eligible  
18 to participate in the group insurance system under the  
19 applicable retirement system in order for the survivor to be  
20 eligible for group insurance benefits under that system.

21 (m) "Optional coverages or benefits" means those coverages  
22 or benefits available to the member on his or her voluntary  
23 election, and at his or her own expense.

24 (n) "Program" means the group life insurance, health  
25 benefits and other employee benefits designed and contracted  
26 for by the Director under this Act.

1           (o) "Health plan" means a health benefits program offered  
2 by the State of Illinois for persons eligible for the plan.

3           (p) "Retired employee" means any person who would be an  
4 annuitant as that term is defined herein but for the fact that  
5 such person retired prior to January 1, 1966. Such term also  
6 includes any person formerly employed by the University of  
7 Illinois in the Cooperative Extension Service who would be an  
8 annuitant but for the fact that such person was made ineligible  
9 to participate in the State Universities Retirement System by  
10 clause (4) of subsection (a) of Section 15-107 of the Illinois  
11 Pension Code.

12           (q) "Survivor" means a person receiving an annuity as a  
13 survivor of an employee or of an annuitant. "Survivor" also  
14 includes: (1) the surviving dependent of a person who satisfies  
15 the definition of "employee" except that such person is made  
16 ineligible to participate in the State Universities Retirement  
17 System by clause (4) of subsection (a) of Section 15-107 of the  
18 Illinois Pension Code; (2) the surviving dependent of any  
19 person formerly employed by the University of Illinois in the  
20 Cooperative Extension Service who would be an annuitant except  
21 for the fact that such person was made ineligible to  
22 participate in the State Universities Retirement System by  
23 clause (4) of subsection (a) of Section 15-107 of the Illinois  
24 Pension Code; and (3) the surviving dependent of a person who  
25 was an annuitant under this Act by virtue of receiving an  
26 alternative retirement cancellation payment under Section

1 14-108.5 of the Illinois Pension Code.

2 (q-2) "SERS" means the State Employees' Retirement System  
3 of Illinois, created under Article 14 of the Illinois Pension  
4 Code.

5 (q-3) "SURS" means the State Universities Retirement  
6 System, created under Article 15 of the Illinois Pension Code.

7 (q-4) "TRS" means the Teachers' Retirement System of the  
8 State of Illinois, created under Article 16 of the Illinois  
9 Pension Code.

10 (q-5) (Blank).

11 (q-6) (Blank).

12 (q-7) (Blank).

13 (r) "Medical services" means the services provided within  
14 the scope of their licenses by practitioners in all categories  
15 licensed under the Medical Practice Act of 1987.

16 (s) "Unit of local government" means any county,  
17 municipality, township, school district (including a  
18 combination of school districts under the Intergovernmental  
19 Cooperation Act), special district or other unit, designated as  
20 a unit of local government by law, which exercises limited  
21 governmental powers or powers in respect to limited  
22 governmental subjects, any not-for-profit association with a  
23 membership that primarily includes townships and township  
24 officials, that has duties that include provision of research  
25 service, dissemination of information, and other acts for the  
26 purpose of improving township government, and that is funded

1 wholly or partly in accordance with Section 85-15 of the  
2 Township Code; any not-for-profit corporation or association,  
3 with a membership consisting primarily of municipalities, that  
4 operates its own utility system, and provides research,  
5 training, dissemination of information, or other acts to  
6 promote cooperation between and among municipalities that  
7 provide utility services and for the advancement of the goals  
8 and purposes of its membership; the Southern Illinois  
9 Collegiate Common Market, which is a consortium of higher  
10 education institutions in Southern Illinois; the Illinois  
11 Association of Park Districts; and any hospital provider that  
12 is owned by a county that has 100 or fewer hospital beds and  
13 has not already joined the program. "Qualified local  
14 government" means a unit of local government approved by the  
15 Director and participating in a program created under  
16 subsection (i) of Section 10 of this Act.

17 (t) "Qualified rehabilitation facility" means any  
18 not-for-profit organization that is accredited by the  
19 Commission on Accreditation of Rehabilitation Facilities or  
20 certified by the Department of Human Services (as successor to  
21 the Department of Mental Health and Developmental  
22 Disabilities) to provide services to persons with disabilities  
23 and which receives funds from the State of Illinois for  
24 providing those services, approved by the Director and  
25 participating in a program created under subsection (j) of  
26 Section 10 of this Act.

1 (u) "Qualified domestic violence shelter or service" means  
2 any Illinois domestic violence shelter or service and its  
3 administrative offices funded by the Department of Human  
4 Services (as successor to the Illinois Department of Public  
5 Aid), approved by the Director and participating in a program  
6 created under subsection (k) of Section 10.

7 (v) "TRS benefit recipient" means a person who:

8 (1) is not a "member" as defined in this Section; and

9 (2) is receiving a monthly benefit or retirement  
10 annuity under Article 16 of the Illinois Pension Code; and

11 (3) either (i) has at least 8 years of creditable  
12 service under Article 16 of the Illinois Pension Code, or  
13 (ii) was enrolled in the health insurance program offered  
14 under that Article on January 1, 1996, or (iii) is the  
15 survivor of a benefit recipient who had at least 8 years of  
16 creditable service under Article 16 of the Illinois Pension  
17 Code or was enrolled in the health insurance program  
18 offered under that Article on the effective date of this  
19 amendatory Act of 1995, or (iv) is a recipient or survivor  
20 of a recipient of a disability benefit under Article 16 of  
21 the Illinois Pension Code.

22 (w) "TRS dependent beneficiary" means a person who:

23 (1) is not a "member" or "dependent" as defined in this  
24 Section; and

25 (2) is a TRS benefit recipient's: (A) spouse, (B)  
26 dependent parent who is receiving at least half of his or

1 her support from the TRS benefit recipient, or (C) natural,  
2 step, adjudicated, or adopted child who is (i) under age  
3 26, (ii) was, on January 1, 1996, participating as a  
4 dependent beneficiary in the health insurance program  
5 offered under Article 16 of the Illinois Pension Code, or  
6 (iii) age 19 or over who has a mental or physical  
7 disability from a cause originating prior to the age of 19  
8 (age 26 if enrolled as an adult child).

9 "TRS dependent beneficiary" does not include, as indicated  
10 under paragraph (2) of this subsection (w), a dependent of the  
11 survivor of a TRS benefit recipient who first becomes a  
12 dependent of a survivor of a TRS benefit recipient on or after  
13 the effective date of this amendatory Act of the 97th General  
14 Assembly unless that dependent would have been eligible for  
15 coverage as a dependent of the deceased TRS benefit recipient  
16 upon whom the survivor benefit is based.

17 (x) "Military leave" refers to individuals in basic  
18 training for reserves, special/advanced training, annual  
19 training, emergency call up, activation by the President of the  
20 United States, or any other training or duty in service to the  
21 United States Armed Forces.

22 (y) (Blank).

23 (z) "Community college benefit recipient" means a person  
24 who:

25 (1) is not a "member" as defined in this Section; and

26 (2) is receiving a monthly survivor's annuity or

1 retirement annuity under Article 15 of the Illinois Pension  
2 Code; and

3 (3) either (i) was a full-time employee of a community  
4 college district or an association of community college  
5 boards created under the Public Community College Act  
6 (other than an employee whose last employer under Article  
7 15 of the Illinois Pension Code was a community college  
8 district subject to Article VII of the Public Community  
9 College Act) and was eligible to participate in a group  
10 health benefit plan as an employee during the time of  
11 employment with a community college district (other than a  
12 community college district subject to Article VII of the  
13 Public Community College Act) or an association of  
14 community college boards, or (ii) is the survivor of a  
15 person described in item (i).

16 (aa) "Community college dependent beneficiary" means a  
17 person who:

18 (1) is not a "member" or "dependent" as defined in this  
19 Section; and

20 (2) is a community college benefit recipient's: (A)  
21 spouse, (B) dependent parent who is receiving at least half  
22 of his or her support from the community college benefit  
23 recipient, or (C) natural, step, adjudicated, or adopted  
24 child who is (i) under age 26, or (ii) age 19 or over and  
25 has a mental or physical disability from a cause  
26 originating prior to the age of 19 (age 26 if enrolled as



1 an adult child).

2 "Community college dependent beneficiary" does not  
3 include, as indicated under paragraph (2) of this subsection  
4 (aa), a dependent of the survivor of a community college  
5 benefit recipient who first becomes a dependent of a survivor  
6 of a community college benefit recipient on or after the  
7 effective date of this amendatory Act of the 97th General  
8 Assembly unless that dependent would have been eligible for  
9 coverage as a dependent of the deceased community college  
10 benefit recipient upon whom the survivor annuity is based.

11 (bb) "Qualified child advocacy center" means any Illinois  
12 child advocacy center and its administrative offices funded by  
13 the Department of Children and Family Services, as defined by  
14 the Children's Advocacy Center Act (55 ILCS 80/), approved by  
15 the Director and participating in a program created under  
16 subsection (n) of Section 10.

17 (cc) "Placement for adoption" means the assumption and  
18 retention by a member of a legal obligation for total or  
19 partial support of a child in anticipation of adoption of the  
20 child. The child's placement with the member terminates upon  
21 the termination of such legal obligation.

22 (Source: P.A. 99-143, eff. 7-27-15; 100-355, eff. 1-1-18;  
23 100-587, eff. 6-4-18.)

24 (5 ILCS 375/10) (from Ch. 127, par. 530)

25 Sec. 10. Contributions by the State and members.

1           (a) The State shall pay the cost of basic non-contributory  
2 group life insurance and, subject to member paid contributions  
3 set by the Department or required by this Section and except as  
4 provided in this Section, the basic program of group health  
5 benefits on each eligible member, except a member, not  
6 otherwise covered by this Act, who has retired as a  
7 participating member under Article 2 of the Illinois Pension  
8 Code but is ineligible for the retirement annuity under Section  
9 2-119 of the Illinois Pension Code, and part of each eligible  
10 member's and retired member's premiums for health insurance  
11 coverage for enrolled dependents as provided by Section 9. The  
12 State shall pay the cost of the basic program of group health  
13 benefits only after benefits are reduced by the amount of  
14 benefits covered by Medicare for all members and dependents who  
15 are eligible for benefits under Social Security or the Railroad  
16 Retirement system or who had sufficient Medicare-covered  
17 government employment, except that such reduction in benefits  
18 shall apply only to those members and dependents who (1) first  
19 become eligible for such Medicare coverage on or after July 1,  
20 1992; or (2) are Medicare-eligible members or dependents of a  
21 local government unit which began participation in the program  
22 on or after July 1, 1992; or (3) remain eligible for, but no  
23 longer receive Medicare coverage which they had been receiving  
24 on or after July 1, 1992. The Department may determine the  
25 aggregate level of the State's contribution on the basis of  
26 actual cost of medical services adjusted for age, sex or

1 geographic or other demographic characteristics which affect  
2 the costs of such programs.

3 The cost of participation in the basic program of group  
4 health benefits for the dependent or survivor of a living or  
5 deceased retired employee who was formerly employed by the  
6 University of Illinois in the Cooperative Extension Service and  
7 would be an annuitant but for the fact that he or she was made  
8 ineligible to participate in the State Universities Retirement  
9 System by clause (4) of subsection (a) of Section 15-107 of the  
10 Illinois Pension Code shall not be greater than the cost of  
11 participation that would otherwise apply to that dependent or  
12 survivor if he or she were the dependent or survivor of an  
13 annuitant under the State Universities Retirement System.

14 (a-1) (Blank).

15 (a-2) (Blank).

16 (a-3) (Blank).

17 (a-4) (Blank).

18 (a-5) (Blank).

19 (a-6) (Blank).

20 (a-7) (Blank).

21 (a-8) Any annuitant, survivor, or retired employee may  
22 waive or terminate coverage in the program of group health  
23 benefits. Any such annuitant, survivor, or retired employee who  
24 has waived or terminated coverage may enroll or re-enroll in  
25 the program of group health benefits only during the annual  
26 benefit choice period, as determined by the Director; except

1 that in the event of termination of coverage due to nonpayment  
2 of premiums, the annuitant, survivor, or retired employee may  
3 not re-enroll in the program.

4 (a-8.5) Beginning on the effective date of this amendatory  
5 Act of the 97th General Assembly, the Director of Central  
6 Management Services shall, on an annual basis, determine the  
7 amount that the State shall contribute toward the basic program  
8 of group health benefits on behalf of annuitants (including  
9 individuals who (i) participated in the General Assembly  
10 Retirement System, the State Employees' Retirement System of  
11 Illinois, the State Universities Retirement System, the  
12 Teachers' Retirement System of the State of Illinois, or the  
13 Judges Retirement System of Illinois and (ii) qualify as  
14 annuitants under subsection (b) of Section 3 of this Act),  
15 survivors (including individuals who (i) receive an annuity as  
16 a survivor of an individual who participated in the General  
17 Assembly Retirement System, the State Employees' Retirement  
18 System of Illinois, the State Universities Retirement System,  
19 the Teachers' Retirement System of the State of Illinois, or  
20 the Judges Retirement System of Illinois and (ii) qualify as  
21 survivors under subsection (q) of Section 3 of this Act), and  
22 retired employees (as defined in subsection (p) of Section 3 of  
23 this Act). The remainder of the cost of coverage for each  
24 annuitant, survivor, or retired employee, as determined by the  
25 Director of Central Management Services, shall be the  
26 responsibility of that annuitant, survivor, or retired

1 employee.

2 Contributions required of annuitants, survivors, and  
3 retired employees shall be the same for all retirement systems  
4 and shall also be based on whether an individual has made an  
5 election under Section 15-135.1 of the Illinois Pension Code.  
6 Contributions may be based on annuitants', survivors', or  
7 retired employees' Medicare eligibility, but may not be based  
8 on Social Security eligibility.

9 (a-9) No later than May 1 of each calendar year, the  
10 Director of Central Management Services shall certify in  
11 writing to the Executive Secretary of the State Employees'  
12 Retirement System of Illinois the amounts of the Medicare  
13 supplement health care premiums and the amounts of the health  
14 care premiums for all other retirees who are not Medicare  
15 eligible.

16 A separate calculation of the premiums based upon the  
17 actual cost of each health care plan shall be so certified.

18 The Director of Central Management Services shall provide  
19 to the Executive Secretary of the State Employees' Retirement  
20 System of Illinois such information, statistics, and other data  
21 as he or she may require to review the premium amounts  
22 certified by the Director of Central Management Services.

23 The Department of Central Management Services, or any  
24 successor agency designated to procure healthcare contracts  
25 pursuant to this Act, is authorized to establish funds,  
26 separate accounts provided by any bank or banks as defined by

1 the Illinois Banking Act, or separate accounts provided by any  
2 savings and loan association or associations as defined by the  
3 Illinois Savings and Loan Act of 1985 to be held by the  
4 Director, outside the State treasury, for the purpose of  
5 receiving the transfer of moneys from the Local Government  
6 Health Insurance Reserve Fund. The Department may promulgate  
7 rules further defining the methodology for the transfers. Any  
8 interest earned by moneys in the funds or accounts shall inure  
9 to the Local Government Health Insurance Reserve Fund. The  
10 transferred moneys, and interest accrued thereon, shall be used  
11 exclusively for transfers to administrative service  
12 organizations or their financial institutions for payments of  
13 claims to claimants and providers under the self-insurance  
14 health plan. The transferred moneys, and interest accrued  
15 thereon, shall not be used for any other purpose including, but  
16 not limited to, reimbursement of administration fees due the  
17 administrative service organization pursuant to its contract  
18 or contracts with the Department.

19 (a-10) To the extent that participation, benefits, or  
20 premiums under this Act are based on a person's service credit  
21 under an Article of the Illinois Pension Code, service credit  
22 terminated in exchange for an accelerated pension benefit  
23 payment under Section 14-147.5, 15-185.5, or 16-190.5 of that  
24 Code shall be included in determining a person's service credit  
25 for the purposes of this Act.

26 (a-15) For purposes of determining State contributions

1 under this Section, service established under a self-managed  
2 plan under Article 2, 14, 16, or 18 of the Illinois Pension  
3 Code shall be included in determining an employee's creditable  
4 service. Any credit terminated as part of a transfer of  
5 contributions to a self-managed plan under Article 2, 14, 16,  
6 or 18 of the Illinois Pension Code shall also be included in  
7 determining an employee's creditable service.

8 (b) State employees who become eligible for this program on  
9 or after January 1, 1980 in positions normally requiring actual  
10 performance of duty not less than 1/2 of a normal work period  
11 but not equal to that of a normal work period, shall be given  
12 the option of participating in the available program. If the  
13 employee elects coverage, the State shall contribute on behalf  
14 of such employee to the cost of the employee's benefit and any  
15 applicable dependent supplement, that sum which bears the same  
16 percentage as that percentage of time the employee regularly  
17 works when compared to normal work period.

18 (c) The basic non-contributory coverage from the basic  
19 program of group health benefits shall be continued for each  
20 employee not in pay status or on active service by reason of  
21 (1) leave of absence due to illness or injury, (2) authorized  
22 educational leave of absence or sabbatical leave, or (3)  
23 military leave. This coverage shall continue until expiration  
24 of authorized leave and return to active service, but not to  
25 exceed 24 months for leaves under item (1) or (2). This  
26 24-month limitation and the requirement of returning to active

1 service shall not apply to persons receiving ordinary or  
2 accidental disability benefits or retirement benefits through  
3 the appropriate State retirement system or benefits under the  
4 Workers' Compensation or Occupational Disease Act.

5 (d) The basic group life insurance coverage shall continue,  
6 with full State contribution, where such person is (1) absent  
7 from active service by reason of disability arising from any  
8 cause other than self-inflicted, (2) on authorized educational  
9 leave of absence or sabbatical leave, or (3) on military leave.

10 (e) Where the person is in non-pay status for a period in  
11 excess of 30 days or on leave of absence, other than by reason  
12 of disability, educational or sabbatical leave, or military  
13 leave, such person may continue coverage only by making  
14 personal payment equal to the amount normally contributed by  
15 the State on such person's behalf. Such payments and coverage  
16 may be continued: (1) until such time as the person returns to  
17 a status eligible for coverage at State expense, but not to  
18 exceed 24 months or (2) until such person's employment or  
19 annuitant status with the State is terminated (exclusive of any  
20 additional service imposed pursuant to law).

21 (f) The Department shall establish by rule the extent to  
22 which other employee benefits will continue for persons in  
23 non-pay status or who are not in active service.

24 (g) The State shall not pay the cost of the basic  
25 non-contributory group life insurance, program of health  
26 benefits and other employee benefits for members who are



1 survivors as defined by paragraphs (1) and (2) of subsection  
2 (q) of Section 3 of this Act. The costs of benefits for these  
3 survivors shall be paid by the survivors or by the University  
4 of Illinois Cooperative Extension Service, or any combination  
5 thereof. However, the State shall pay the amount of the  
6 reduction in the cost of participation, if any, resulting from  
7 the amendment to subsection (a) made by this amendatory Act of  
8 the 91st General Assembly.

9 (h) Those persons occupying positions with any department  
10 as a result of emergency appointments pursuant to Section 8b.8  
11 of the Personnel Code who are not considered employees under  
12 this Act shall be given the option of participating in the  
13 programs of group life insurance, health benefits and other  
14 employee benefits. Such persons electing coverage may  
15 participate only by making payment equal to the amount normally  
16 contributed by the State for similarly situated employees. Such  
17 amounts shall be determined by the Director. Such payments and  
18 coverage may be continued until such time as the person becomes  
19 an employee pursuant to this Act or such person's appointment  
20 is terminated.

21 (i) Any unit of local government within the State of  
22 Illinois may apply to the Director to have its employees,  
23 annuitants, and their dependents provided group health  
24 coverage under this Act on a non-insured basis. To participate,  
25 a unit of local government must agree to enroll all of its  
26 employees, who may select coverage under either the State group

1 health benefits plan or a health maintenance organization that  
2 has contracted with the State to be available as a health care  
3 provider for employees as defined in this Act. A unit of local  
4 government must remit the entire cost of providing coverage  
5 under the State group health benefits plan or, for coverage  
6 under a health maintenance organization, an amount determined  
7 by the Director based on an analysis of the sex, age,  
8 geographic location, or other relevant demographic variables  
9 for its employees, except that the unit of local government  
10 shall not be required to enroll those of its employees who are  
11 covered spouses or dependents under this plan or another group  
12 policy or plan providing health benefits as long as (1) an  
13 appropriate official from the unit of local government attests  
14 that each employee not enrolled is a covered spouse or  
15 dependent under this plan or another group policy or plan, and  
16 (2) at least 50% of the employees are enrolled and the unit of  
17 local government remits the entire cost of providing coverage  
18 to those employees, except that a participating school district  
19 must have enrolled at least 50% of its full-time employees who  
20 have not waived coverage under the district's group health plan  
21 by participating in a component of the district's cafeteria  
22 plan. A participating school district is not required to enroll  
23 a full-time employee who has waived coverage under the  
24 district's health plan, provided that an appropriate official  
25 from the participating school district attests that the  
26 full-time employee has waived coverage by participating in a

1 component of the district's cafeteria plan. For the purposes of  
2 this subsection, "participating school district" includes a  
3 unit of local government whose primary purpose is education as  
4 defined by the Department's rules.

5 Employees of a participating unit of local government who  
6 are not enrolled due to coverage under another group health  
7 policy or plan may enroll in the event of a qualifying change  
8 in status, special enrollment, special circumstance as defined  
9 by the Director, or during the annual Benefit Choice Period. A  
10 participating unit of local government may also elect to cover  
11 its annuitants. Dependent coverage shall be offered on an  
12 optional basis, with the costs paid by the unit of local  
13 government, its employees, or some combination of the two as  
14 determined by the unit of local government. The unit of local  
15 government shall be responsible for timely collection and  
16 transmission of dependent premiums.

17 The Director shall annually determine monthly rates of  
18 payment, subject to the following constraints:

19 (1) In the first year of coverage, the rates shall be  
20 equal to the amount normally charged to State employees for  
21 elected optional coverages or for enrolled dependents  
22 coverages or other contributory coverages, or contributed  
23 by the State for basic insurance coverages on behalf of its  
24 employees, adjusted for differences between State  
25 employees and employees of the local government in age,  
26 sex, geographic location or other relevant demographic

1 variables, plus an amount sufficient to pay for the  
2 additional administrative costs of providing coverage to  
3 employees of the unit of local government and their  
4 dependents.

5 (2) In subsequent years, a further adjustment shall be  
6 made to reflect the actual prior years' claims experience  
7 of the employees of the unit of local government.

8 In the case of coverage of local government employees under  
9 a health maintenance organization, the Director shall annually  
10 determine for each participating unit of local government the  
11 maximum monthly amount the unit may contribute toward that  
12 coverage, based on an analysis of (i) the age, sex, geographic  
13 location, and other relevant demographic variables of the  
14 unit's employees and (ii) the cost to cover those employees  
15 under the State group health benefits plan. The Director may  
16 similarly determine the maximum monthly amount each unit of  
17 local government may contribute toward coverage of its  
18 employees' dependents under a health maintenance organization.

19 Monthly payments by the unit of local government or its  
20 employees for group health benefits plan or health maintenance  
21 organization coverage shall be deposited in the Local  
22 Government Health Insurance Reserve Fund.

23 The Local Government Health Insurance Reserve Fund is  
24 hereby created as a nonappropriated trust fund to be held  
25 outside the State Treasury, with the State Treasurer as  
26 custodian. The Local Government Health Insurance Reserve Fund

1 shall be a continuing fund not subject to fiscal year  
2 limitations. The Local Government Health Insurance Reserve  
3 Fund is not subject to administrative charges or charge-backs,  
4 including but not limited to those authorized under Section 8h  
5 of the State Finance Act. All revenues arising from the  
6 administration of the health benefits program established  
7 under this Section shall be deposited into the Local Government  
8 Health Insurance Reserve Fund. Any interest earned on moneys in  
9 the Local Government Health Insurance Reserve Fund shall be  
10 deposited into the Fund. All expenditures from this Fund shall  
11 be used for payments for health care benefits for local  
12 government and rehabilitation facility employees, annuitants,  
13 and dependents, and to reimburse the Department or its  
14 administrative service organization for all expenses incurred  
15 in the administration of benefits. No other State funds may be  
16 used for these purposes.

17 A local government employer's participation or desire to  
18 participate in a program created under this subsection shall  
19 not limit that employer's duty to bargain with the  
20 representative of any collective bargaining unit of its  
21 employees.

22 (j) Any rehabilitation facility within the State of  
23 Illinois may apply to the Director to have its employees,  
24 annuitants, and their eligible dependents provided group  
25 health coverage under this Act on a non-insured basis. To  
26 participate, a rehabilitation facility must agree to enroll all

1 of its employees and remit the entire cost of providing such  
2 coverage for its employees, except that the rehabilitation  
3 facility shall not be required to enroll those of its employees  
4 who are covered spouses or dependents under this plan or  
5 another group policy or plan providing health benefits as long  
6 as (1) an appropriate official from the rehabilitation facility  
7 attests that each employee not enrolled is a covered spouse or  
8 dependent under this plan or another group policy or plan, and  
9 (2) at least 50% of the employees are enrolled and the  
10 rehabilitation facility remits the entire cost of providing  
11 coverage to those employees. Employees of a participating  
12 rehabilitation facility who are not enrolled due to coverage  
13 under another group health policy or plan may enroll in the  
14 event of a qualifying change in status, special enrollment,  
15 special circumstance as defined by the Director, or during the  
16 annual Benefit Choice Period. A participating rehabilitation  
17 facility may also elect to cover its annuitants. Dependent  
18 coverage shall be offered on an optional basis, with the costs  
19 paid by the rehabilitation facility, its employees, or some  
20 combination of the 2 as determined by the rehabilitation  
21 facility. The rehabilitation facility shall be responsible for  
22 timely collection and transmission of dependent premiums.

23 The Director shall annually determine quarterly rates of  
24 payment, subject to the following constraints:

25 (1) In the first year of coverage, the rates shall be  
26 equal to the amount normally charged to State employees for

1           elected optional coverages or for enrolled dependents  
2           coverages or other contributory coverages on behalf of its  
3           employees, adjusted for differences between State  
4           employees and employees of the rehabilitation facility in  
5           age, sex, geographic location or other relevant  
6           demographic variables, plus an amount sufficient to pay for  
7           the additional administrative costs of providing coverage  
8           to employees of the rehabilitation facility and their  
9           dependents.

10           (2) In subsequent years, a further adjustment shall be  
11           made to reflect the actual prior years' claims experience  
12           of the employees of the rehabilitation facility.

13           Monthly payments by the rehabilitation facility or its  
14           employees for group health benefits shall be deposited in the  
15           Local Government Health Insurance Reserve Fund.

16           (k) Any domestic violence shelter or service within the  
17           State of Illinois may apply to the Director to have its  
18           employees, annuitants, and their dependents provided group  
19           health coverage under this Act on a non-insured basis. To  
20           participate, a domestic violence shelter or service must agree  
21           to enroll all of its employees and pay the entire cost of  
22           providing such coverage for its employees. The domestic  
23           violence shelter shall not be required to enroll those of its  
24           employees who are covered spouses or dependents under this plan  
25           or another group policy or plan providing health benefits as  
26           long as (1) an appropriate official from the domestic violence

1 shelter attests that each employee not enrolled is a covered  
2 spouse or dependent under this plan or another group policy or  
3 plan and (2) at least 50% of the employees are enrolled and the  
4 domestic violence shelter remits the entire cost of providing  
5 coverage to those employees. Employees of a participating  
6 domestic violence shelter who are not enrolled due to coverage  
7 under another group health policy or plan may enroll in the  
8 event of a qualifying change in status, special enrollment, or  
9 special circumstance as defined by the Director or during the  
10 annual Benefit Choice Period. A participating domestic  
11 violence shelter may also elect to cover its annuitants.  
12 Dependent coverage shall be offered on an optional basis, with  
13 employees, or some combination of the 2 as determined by the  
14 domestic violence shelter or service. The domestic violence  
15 shelter or service shall be responsible for timely collection  
16 and transmission of dependent premiums.

17 The Director shall annually determine rates of payment,  
18 subject to the following constraints:

19 (1) In the first year of coverage, the rates shall be  
20 equal to the amount normally charged to State employees for  
21 elected optional coverages or for enrolled dependents  
22 coverages or other contributory coverages on behalf of its  
23 employees, adjusted for differences between State  
24 employees and employees of the domestic violence shelter or  
25 service in age, sex, geographic location or other relevant  
26 demographic variables, plus an amount sufficient to pay for



1 the additional administrative costs of providing coverage  
2 to employees of the domestic violence shelter or service  
3 and their dependents.

4 (2) In subsequent years, a further adjustment shall be  
5 made to reflect the actual prior years' claims experience  
6 of the employees of the domestic violence shelter or  
7 service.

8 Monthly payments by the domestic violence shelter or  
9 service or its employees for group health insurance shall be  
10 deposited in the Local Government Health Insurance Reserve  
11 Fund.

12 (1) A public community college or entity organized pursuant  
13 to the Public Community College Act may apply to the Director  
14 initially to have only annuitants not covered prior to July 1,  
15 1992 by the district's health plan provided health coverage  
16 under this Act on a non-insured basis. The community college  
17 must execute a 2-year contract to participate in the Local  
18 Government Health Plan. Any annuitant may enroll in the event  
19 of a qualifying change in status, special enrollment, special  
20 circumstance as defined by the Director, or during the annual  
21 Benefit Choice Period.

22 The Director shall annually determine monthly rates of  
23 payment subject to the following constraints: for those  
24 community colleges with annuitants only enrolled, first year  
25 rates shall be equal to the average cost to cover claims for a  
26 State member adjusted for demographics, Medicare

1 participation, and other factors; and in the second year, a  
2 further adjustment of rates shall be made to reflect the actual  
3 first year's claims experience of the covered annuitants.

4 (l-5) The provisions of subsection (l) become inoperative  
5 on July 1, 1999.

6 (m) The Director shall adopt any rules deemed necessary for  
7 implementation of this amendatory Act of 1989 (Public Act  
8 86-978).

9 (n) Any child advocacy center within the State of Illinois  
10 may apply to the Director to have its employees, annuitants,  
11 and their dependents provided group health coverage under this  
12 Act on a non-insured basis. To participate, a child advocacy  
13 center must agree to enroll all of its employees and pay the  
14 entire cost of providing coverage for its employees. The child  
15 advocacy center shall not be required to enroll those of its  
16 employees who are covered spouses or dependents under this plan  
17 or another group policy or plan providing health benefits as  
18 long as (1) an appropriate official from the child advocacy  
19 center attests that each employee not enrolled is a covered  
20 spouse or dependent under this plan or another group policy or  
21 plan and (2) at least 50% of the employees are enrolled and the  
22 child advocacy center remits the entire cost of providing  
23 coverage to those employees. Employees of a participating child  
24 advocacy center who are not enrolled due to coverage under  
25 another group health policy or plan may enroll in the event of  
26 a qualifying change in status, special enrollment, or special

1 circumstance as defined by the Director or during the annual  
2 Benefit Choice Period. A participating child advocacy center  
3 may also elect to cover its annuitants. Dependent coverage  
4 shall be offered on an optional basis, with the costs paid by  
5 the child advocacy center, its employees, or some combination  
6 of the 2 as determined by the child advocacy center. The child  
7 advocacy center shall be responsible for timely collection and  
8 transmission of dependent premiums.

9 The Director shall annually determine rates of payment,  
10 subject to the following constraints:

11 (1) In the first year of coverage, the rates shall be  
12 equal to the amount normally charged to State employees for  
13 elected optional coverages or for enrolled dependents  
14 coverages or other contributory coverages on behalf of its  
15 employees, adjusted for differences between State  
16 employees and employees of the child advocacy center in  
17 age, sex, geographic location, or other relevant  
18 demographic variables, plus an amount sufficient to pay for  
19 the additional administrative costs of providing coverage  
20 to employees of the child advocacy center and their  
21 dependents.

22 (2) In subsequent years, a further adjustment shall be  
23 made to reflect the actual prior years' claims experience  
24 of the employees of the child advocacy center.

25 Monthly payments by the child advocacy center or its  
26 employees for group health insurance shall be deposited into

1 the Local Government Health Insurance Reserve Fund.

2 (Source: P.A. 100-587, eff. 6-4-18.)

3 Section 10. The Illinois Pension Code is amended by adding  
4 Sections 2-105.3, 2-107.5, 2-107.6, 2-126.8, 14-103.42,  
5 14-103.43, 14-133.2, 16-122.2, 16-122.3, 16-158.4, 18-118.1,  
6 18-118.2, and 18-133.2 and by changing Sections 1-160, 1-161,  
7 2-162, 14-152.1, 16-203, and 18-169 as follows:

8 (40 ILCS 5/1-160)

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

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

1 retirement system or pension fund subject to this Section. The  
2 changes made to this Section by Public Act 98-596 are a  
3 clarification of existing law and are intended to be  
4 retroactive to January 1, 2011 (the effective date of Public  
5 Act 96-889), notwithstanding the provisions of Section 1-103.1  
6 of this Code.

7 This Section does not apply to a person who first becomes a  
8 noncovered employee under Article 14 on or after the  
9 implementation date of the plan created under Section 1-161 for  
10 that Article, unless that person elects under subsection (b) of  
11 Section 1-161 to instead receive the benefits provided under  
12 this Section and the applicable provisions of that Article.

13 This Section does not apply to a person who first becomes a  
14 member or participant under Article 16 on or after the  
15 implementation date of the plan created under Section 1-161 for  
16 that Article, unless that person elects under subsection (b) of  
17 Section 1-161 to instead receive the benefits provided under  
18 this Section and the applicable provisions of that Article.

19 This Section does not apply to a person who elects under  
20 subsection (c-5) of Section 1-161 to receive the benefits under  
21 Section 1-161.

22 This Section does not apply to a person who first becomes a  
23 member or participant of an affected pension fund on or after 6  
24 months after the resolution or ordinance date, as defined in  
25 Section 1-162, unless that person elects under subsection (c)  
26 of Section 1-162 to receive the benefits provided under this

1 Section and the applicable provisions of the Article under  
2 which he or she is a member or participant.

3 This Section does not apply to a person who participates in  
4 a self-managed plan established under Article 14, 15, or 16 of  
5 this Code.

6 (b) "Final average salary" means the average monthly (or  
7 annual) salary obtained by dividing the total salary or  
8 earnings calculated under the Article applicable to the member  
9 or participant during the 96 consecutive months (or 8  
10 consecutive years) of service within the last 120 months (or 10  
11 years) of service in which the total salary or earnings  
12 calculated under the applicable Article was the highest by the  
13 number of months (or years) of service in that period. For the  
14 purposes of a person who first becomes a member or participant  
15 of any retirement system or pension fund to which this Section  
16 applies on or after January 1, 2011, in this Code, "final  
17 average salary" shall be substituted for the following:

18 (1) In Article 7 (except for service as sheriff's law  
19 enforcement employees), "final rate of earnings".

20 (2) In Articles 8, 9, 10, 11, and 12, "highest average  
21 annual salary for any 4 consecutive years within the last  
22 10 years of service immediately preceding the date of  
23 withdrawal".

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

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

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

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

3           (b-5) Beginning on January 1, 2011, for all purposes under  
4           this Code (including without limitation the calculation of  
5           benefits and employee contributions), the annual earnings,  
6           salary, or wages (based on the plan year) of a member or  
7           participant to whom this Section applies shall not exceed  
8           \$106,800; however, that amount shall annually thereafter be  
9           increased by the lesser of (i) 3% of that amount, including all  
10          previous adjustments, or (ii) one-half the annual unadjusted  
11          percentage increase (but not less than zero) in the consumer  
12          price index-u for the 12 months ending with the September  
13          preceding each November 1, including all previous adjustments.

14          For the purposes of this Section, "consumer price index-u"  
15          means the index published by the Bureau of Labor Statistics of  
16          the United States Department of Labor that measures the average  
17          change in prices of goods and services purchased by all urban  
18          consumers, United States city average, all items, 1982-84 =  
19          100. The new amount resulting from each annual adjustment shall  
20          be determined by the Public Pension Division of the Department  
21          of Insurance and made available to the boards of the retirement  
22          systems and pension funds by November 1 of each year.

23          (c) A member or participant is entitled to a retirement  
24          annuity upon written application if he or she has attained age  
25          67 (beginning January 1, 2015, age 65 with respect to service  
26          under Article 12 of this Code that is subject to this Section)

1 and has at least 10 years of service credit and is otherwise  
2 eligible under the requirements of the applicable Article.

3 A member or participant who has attained age 62 (beginning  
4 January 1, 2015, age 60 with respect to service under Article  
5 12 of this Code that is subject to this Section) and has at  
6 least 10 years of service credit and is otherwise eligible  
7 under the requirements of the applicable Article may elect to  
8 receive the lower retirement annuity provided in subsection (d)  
9 of this Section.

10 (c-5) A person who first becomes a member or a participant  
11 subject to this Section on or after July 6, 2017 (the effective  
12 date of Public Act 100-23), notwithstanding any other provision  
13 of this Code to the contrary, is entitled to a retirement  
14 annuity under Article 8 or Article 11 upon written application  
15 if he or she has attained age 65 and has at least 10 years of  
16 service credit and is otherwise eligible under the requirements  
17 of Article 8 or Article 11 of this Code, whichever is  
18 applicable.

19 (d) The retirement annuity of a member or participant who  
20 is retiring after attaining age 62 (beginning January 1, 2015,  
21 age 60 with respect to service under Article 12 of this Code  
22 that is subject to this Section) with at least 10 years of  
23 service credit shall be reduced by one-half of 1% for each full  
24 month that the member's age is under age 67 (beginning January  
25 1, 2015, age 65 with respect to service under Article 12 of  
26 this Code that is subject to this Section).



1           (d-5) The retirement annuity payable under Article 8 or  
2 Article 11 to an eligible person subject to subsection (c-5) of  
3 this Section who is retiring at age 60 with at least 10 years  
4 of service credit shall be reduced by one-half of 1% for each  
5 full month that the member's age is under age 65.

6           (d-10) Each person who first became a member or participant  
7 under Article 8 or Article 11 of this Code on or after January  
8 1, 2011 and prior to the effective date of this amendatory Act  
9 of the 100th General Assembly shall make an irrevocable  
10 election either:

11           (i) to be eligible for the reduced retirement age  
12 provided in subsections (c-5) and (d-5) of this Section,  
13 the eligibility for which is conditioned upon the member or  
14 participant agreeing to the increases in employee  
15 contributions for age and service annuities provided in  
16 subsection (a-5) of Section 8-174 of this Code (for service  
17 under Article 8) or subsection (a-5) of Section 11-170 of  
18 this Code (for service under Article 11); or

19           (ii) to not agree to item (i) of this subsection  
20 (d-10), in which case the member or participant shall  
21 continue to be subject to the retirement age provisions in  
22 subsections (c) and (d) of this Section and the employee  
23 contributions for age and service annuity as provided in  
24 subsection (a) of Section 8-174 of this Code (for service  
25 under Article 8) or subsection (a) of Section 11-170 of  
26 this Code (for service under Article 11).

1           The election provided for in this subsection shall be made  
2 between October 1, 2017 and November 15, 2017. A person subject  
3 to this subsection who makes the required election shall remain  
4 bound by that election. A person subject to this subsection who  
5 fails for any reason to make the required election within the  
6 time specified in this subsection shall be deemed to have made  
7 the election under item (ii).

8           (e) Any retirement annuity or supplemental annuity shall be  
9 subject to annual increases on the January 1 occurring either  
10 on or after the attainment of age 67 (beginning January 1,  
11 2015, age 65 with respect to service under Article 12 of this  
12 Code that is subject to this Section and beginning on the  
13 effective date of this amendatory Act of the 100th General  
14 Assembly, age 65 with respect to service under Article 8 or  
15 Article 11 for eligible persons who: (i) are subject to  
16 subsection (c-5) of this Section; or (ii) made the election  
17 under item (i) of subsection (d-10) of this Section) or the  
18 first anniversary of the annuity start date, whichever is  
19 later. Each annual increase shall be calculated at 3% or  
20 one-half the annual unadjusted percentage increase (but not  
21 less than zero) in the consumer price index-u for the 12 months  
22 ending with the September preceding each November 1, whichever  
23 is less, of the originally granted retirement annuity. If the  
24 annual unadjusted percentage change in the consumer price  
25 index-u for the 12 months ending with the September preceding  
26 each November 1 is zero or there is a decrease, then the

1 annuity shall not be increased.

2 For the purposes of Section 1-103.1 of this Code, the  
3 changes made to this Section by this amendatory Act of the  
4 100th General Assembly are applicable without regard to whether  
5 the employee was in active service on or after the effective  
6 date of this amendatory Act of the 100th General Assembly.

7 (f) The initial survivor's or widow's annuity of an  
8 otherwise eligible survivor or widow of a retired member or  
9 participant who first became a member or participant on or  
10 after January 1, 2011 shall be in the amount of 66 2/3% of the  
11 retired member's or participant's retirement annuity at the  
12 date of death. In the case of the death of a member or  
13 participant who has not retired and who first became a member  
14 or participant on or after January 1, 2011, eligibility for a  
15 survivor's or widow's annuity shall be determined by the  
16 applicable Article of this Code. The initial benefit shall be  
17 66 2/3% of the earned annuity without a reduction due to age. A  
18 child's annuity of an otherwise eligible child shall be in the  
19 amount prescribed under each Article if applicable. Any  
20 survivor's or widow's annuity shall be increased (1) on each  
21 January 1 occurring on or after the commencement of the annuity  
22 if the deceased member died while receiving a retirement  
23 annuity or (2) in other cases, on each January 1 occurring  
24 after the first anniversary of the commencement of the annuity.  
25 Each annual increase shall be calculated at 3% or one-half the  
26 annual unadjusted percentage increase (but not less than zero)

1 in the consumer price index-u for the 12 months ending with the  
2 September preceding each November 1, whichever is less, of the  
3 originally granted survivor's annuity. If the annual  
4 unadjusted percentage change in the consumer price index-u for  
5 the 12 months ending with the September preceding each November  
6 1 is zero or there is a decrease, then the annuity shall not be  
7 increased.

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

22 (h) If a person who first becomes a member or a participant  
23 of a retirement system or pension fund subject to this Section  
24 on or after January 1, 2011 is receiving a retirement annuity  
25 or retirement pension under that system or fund and becomes a  
26 member or participant under any other system or fund created by

1 this Code and is employed on a full-time basis, except for  
2 those members or participants exempted from the provisions of  
3 this Section under subsection (a) of this Section, then the  
4 person's retirement annuity or retirement pension under that  
5 system or fund shall be suspended during that employment. Upon  
6 termination of that employment, the person's retirement  
7 annuity or retirement pension payments shall resume and be  
8 recalculated if recalculation is provided for under the  
9 applicable Article of this Code.

10 If a person who first becomes a member of a retirement  
11 system or pension fund subject to this Section on or after  
12 January 1, 2012 and is receiving a retirement annuity or  
13 retirement pension under that system or fund and accepts on a  
14 contractual basis a position to provide services to a  
15 governmental entity from which he or she has retired, then that  
16 person's annuity or retirement pension earned as an active  
17 employee of the employer shall be suspended during that  
18 contractual service. A person receiving an annuity or  
19 retirement pension under this Code shall notify the pension  
20 fund or retirement system from which he or she is receiving an  
21 annuity or retirement pension, as well as his or her  
22 contractual employer, of his or her retirement status before  
23 accepting contractual employment. A person who fails to submit  
24 such notification shall be guilty of a Class A misdemeanor and  
25 required to pay a fine of \$1,000. Upon termination of that  
26 contractual employment, the person's retirement annuity or

1 retirement pension payments shall resume and, if appropriate,  
2 be recalculated under the applicable provisions of this Code.

3 (i) (Blank).

4 (j) In the case of a conflict between the provisions of  
5 this Section and any other provision of this Code, the  
6 provisions of this Section shall control.

7 (Source: P.A. 100-23, eff. 7-6-17; 100-201, eff. 8-18-17;  
8 100-563, eff. 12-8-17; 100-611, eff. 7-20-18; 100-1166, eff.  
9 1-4-19.)

10 (40 ILCS 5/1-161)

11 Sec. 1-161. Optional benefits for certain Tier 2 members  
12 under Articles 14, 15, and 16.

13 (a) Notwithstanding any other provision of this Code to the  
14 contrary, the provisions of this Section apply to a person who  
15 first becomes a member or a participant under Article 14, 15,  
16 or 16 on or after the implementation date under this Section  
17 for the applicable Article and who does not make the election  
18 under subsection (b) or (c), whichever applies. The provisions  
19 of this Section also apply to a person who makes the election  
20 under subsection (c-5). However, the provisions of this Section  
21 do not apply to any participant in a self-managed plan or a  
22 self-managed plan established under Article 14, 15, or 16, nor  
23 to a covered employee under Article 14.

24 As used in this Section and Section 1-160, the  
25 "implementation date" under this Section means the earliest

1 date upon which the board of a retirement system authorizes  
2 members of that system to begin participating in accordance  
3 with this Section, as determined by the board of that  
4 retirement system. Each of the retirement systems subject to  
5 this Section shall endeavor to make such participation  
6 available as soon as possible after the effective date of this  
7 Section and shall establish an implementation date by board  
8 resolution.

9 (b) In lieu of the benefits provided under this Section, a  
10 member or participant, except for a participant under Article  
11 15, may irrevocably elect the benefits under Section 1-160 and  
12 the benefits otherwise applicable to that member or  
13 participant. The election must be made within 30 days after  
14 becoming a member or participant. Each retirement system shall  
15 establish procedures for making this election.

16 (c) A participant under Article 15 may irrevocably elect  
17 the benefits otherwise provided to a Tier 2 member under  
18 Article 15. The election must be made within 30 days after  
19 becoming a member. The retirement system under Article 15 shall  
20 establish procedures for making this election.

21 (c-5) A non-covered participant under Article 14 to whom  
22 Section 1-160 applies, a Tier 2 member under Article 15, or a  
23 participant under Article 16 to whom Section 1-160 applies may  
24 irrevocably elect to receive the benefits under this Section in  
25 lieu of the benefits under Section 1-160 or the benefits  
26 otherwise available to a Tier 2 member under Article 15,

1       whichever is applicable. Each retirement System shall  
2       establish procedures for making this election.

3           (d) "Final average salary" means the average monthly (or  
4       annual) salary obtained by dividing the total salary or  
5       earnings calculated under the Article applicable to the member  
6       or participant during the last 120 months (or 10 years) of  
7       service in which the total salary or earnings calculated under  
8       the applicable Article was the highest by the number of months  
9       (or years) of service in that period. For the purposes of a  
10      person to whom this Section applies, in this Code, "final  
11      average salary" shall be substituted for "final average  
12      compensation" in Article 14.

13          (e) Beginning on the implementation date, for all purposes  
14      under this Code (including without limitation the calculation  
15      of benefits and employee contributions), the annual earnings,  
16      salary, compensation, or wages (based on the plan year) of a  
17      member or participant to whom this Section applies shall not at  
18      any time exceed the federal Social Security Wage Base then in  
19      effect.

20          (f) A member or participant is entitled to a retirement  
21      annuity upon written application if he or she has attained the  
22      normal retirement age determined by the Social Security  
23      Administration for that member or participant's year of birth,  
24      but no earlier than 67 years of age, and has at least 10 years  
25      of service credit and is otherwise eligible under the  
26      requirements of the applicable Article.



1           (g) The amount of the retirement annuity to which a member  
2 or participant is entitled shall be computed by multiplying  
3 1.25% for each year of service credit by his or her final  
4 average salary.

5           (h) Any retirement annuity or supplemental annuity shall be  
6 subject to annual increases on the first anniversary of the  
7 annuity start date. Each annual increase shall be one-half the  
8 annual unadjusted percentage increase (but not less than zero)  
9 in the consumer price index-w for the 12 months ending with the  
10 September preceding each November 1 of the originally granted  
11 retirement annuity. If the annual unadjusted percentage change  
12 in the consumer price index-w for the 12 months ending with the  
13 September preceding each November 1 is zero or there is a  
14 decrease, then the annuity shall not be increased.

15           For the purposes of this Section, "consumer price index-w"  
16 means the index published by the Bureau of Labor Statistics of  
17 the United States Department of Labor that measures the average  
18 change in prices of goods and services purchased by Urban Wage  
19 Earners and Clerical Workers, United States city average, all  
20 items, 1982-84 = 100. The new amount resulting from each annual  
21 adjustment shall be determined by the Public Pension Division  
22 of the Department of Insurance and made available to the boards  
23 of the retirement systems and pension funds by November 1 of  
24 each year.

25           (i) The initial survivor's or widow's annuity of an  
26 otherwise eligible survivor or widow of a retired member or

1 participant to whom this Section applies shall be in the amount  
2 of 66 2/3% of the retired member's or participant's retirement  
3 annuity at the date of death. In the case of the death of a  
4 member or participant who has not retired and to whom this  
5 Section applies, eligibility for a survivor's or widow's  
6 annuity shall be determined by the applicable Article of this  
7 Code. The benefit shall be 66 2/3% of the earned annuity  
8 without a reduction due to age. A child's annuity of an  
9 otherwise eligible child shall be in the amount prescribed  
10 under each Article if applicable.

11 (j) In lieu of any other employee contributions, except for  
12 the contribution to the defined contribution plan under  
13 subsection (k) of this Section, each employee shall contribute  
14 6.2% of his her or salary to the retirement system. However,  
15 the employee contribution under this subsection shall not  
16 exceed the amount of the total normal cost of the benefits for  
17 all members making contributions under this Section (except for  
18 the defined contribution plan under subsection (k) of this  
19 Section), expressed as a percentage of payroll and certified on  
20 or before January 15 of each year by the board of trustees of  
21 the retirement system. If the board of trustees of the  
22 retirement system certifies that the 6.2% employee  
23 contribution rate exceeds the normal cost of the benefits under  
24 this Section (except for the defined contribution plan under  
25 subsection (k) of this Section), then on or before December 1  
26 of that year, the board of trustees shall certify the amount of

1 the normal cost of the benefits under this Section (except for  
2 the defined contribution plan under subsection (k) of this  
3 Section), expressed as a percentage of payroll, to the State  
4 Actuary and the Commission on Government Forecasting and  
5 Accountability, and the employee contribution under this  
6 subsection shall be reduced to that amount beginning July 1 of  
7 that year. Thereafter, if the normal cost of the benefits under  
8 this Section (except for the defined contribution plan under  
9 subsection (k) of this Section), expressed as a percentage of  
10 payroll and certified on or before January 1 of each year by  
11 the board of trustees of the retirement system, exceeds 6.2% of  
12 salary, then on or before January 15 of that year, the board of  
13 trustees shall certify the normal cost to the State Actuary and  
14 the Commission on Government Forecasting and Accountability,  
15 and the employee contributions shall revert back to 6.2% of  
16 salary beginning January 1 of the following year.

17 (k) In accordance with each retirement system's  
18 implementation date, each retirement system under Article 14,  
19 15, or 16 shall prepare and implement a defined contribution  
20 plan for members or participants who are subject to this  
21 Section. The defined contribution plan developed under this  
22 subsection shall be a plan that aggregates employer and  
23 employee contributions in individual participant accounts  
24 which, after meeting any other requirements, are used for  
25 payouts after retirement in accordance with this subsection and  
26 any other applicable laws.

1           (1) Each member or participant shall contribute a  
2           minimum of 4% of his or her salary to the defined  
3           contribution plan.

4           (2) For each participant in the defined contribution  
5           plan who has been employed with the same employer for at  
6           least one year, employer contributions shall be paid into  
7           that participant's accounts at a rate expressed as a  
8           percentage of salary. This rate may be set for individual  
9           employees, but shall be no higher than 6% of salary and  
10          shall be no lower than 2% of salary.

11          (3) Employer contributions shall vest when those  
12          contributions are paid into a member's or participant's  
13          account.

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

18          (5) The defined contribution plan shall provide a  
19          variety of options for payouts to retirees and their  
20          survivors.

21          (6) To the extent authorized under federal law and as  
22          authorized by the retirement system, the defined  
23          contribution plan shall allow former participants in the  
24          plan to transfer or roll over employee and employer  
25          contributions, and the earnings thereon, into other  
26          qualified retirement plans.

1           (7) Each retirement system shall reduce the employee  
2           contributions credited to the member's defined  
3           contribution plan account by an amount determined by that  
4           retirement system to cover the cost of offering the  
5           benefits under this subsection and any applicable  
6           administrative fees.

7           (8) No person shall begin participating in the defined  
8           contribution plan until it has attained qualified plan  
9           status and received all necessary approvals from the U.S.  
10          Internal Revenue Service.

11          (1) In the case of a conflict between the provisions of  
12          this Section and any other provision of this Code, the  
13          provisions of this Section shall control.

14          (Source: P.A. 100-23, eff. 7-6-17.)

15           (40 ILCS 5/2-105.3 new)

16           Sec. 2-105.3. Tier 1 participant; Tier 2 participant. "Tier  
17           1 participant": A participant who first became a participant  
18           before January 1, 2011.

19           "Tier 2 participant": A participant who first became a  
20           participant on or after January 1, 2011.

21           (40 ILCS 5/2-107.5 new)

22           Sec. 2-107.5. Traditional benefit package. "Traditional  
23           benefit package" means the defined benefit retirement program  
24           maintained by the System available to a participant who does

1 not elect to participate in the self-managed plan.

2 (40 ILCS 5/2-107.6 new)

3 Sec. 2-107.6. Self-Managed Plan. "Self-managed plan": The  
4 defined contribution retirement program maintained under the  
5 System as described in Section 2-126.8.

6 (40 ILCS 5/2-126.8 new)

7 Sec. 2-126.8. Self-managed plan.

8 (a) The System shall establish and administer a  
9 self-managed plan that shall offer participants the  
10 opportunity to accumulate assets for retirement through a  
11 combination of participant and State contributions that may be  
12 invested in mutual funds, collective investment funds, or other  
13 investment products and used to purchase annuity contracts,  
14 either fixed or variable or a combination thereof. The plan  
15 must be qualified under the Internal Revenue Code of 1986.

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

24 (c) The System shall solicit proposals to provide

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

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

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

13 (3) the suitability of the benefits to the needs and  
14 interests of the participants and the State; and

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

18 The System shall periodically review each approved  
19 company. A company may continue to provide administrative  
20 services and funding vehicles for the self-managed plan only so  
21 long as it continues to be an approved company under contract  
22 with the Board.

23 (d) Participants in the program must be allowed to direct  
24 the transfer of their account balances among the various  
25 investment options offered, subject to applicable contractual  
26 provisions. The participant shall not be deemed a fiduciary by

1 reason of providing such investment direction. A person who is  
2 a fiduciary shall not be liable for any loss resulting from  
3 such investment direction and shall not be deemed to have  
4 breached any fiduciary duty by acting in accordance with that  
5 direction. The System shall provide advance notice to the  
6 participant of the participant's obligation to direct the  
7 investment of participant and State contributions into one or  
8 more investment funds selected by the System at the time he or  
9 she makes his or her initial retirement plan selection. If a  
10 participant fails to direct the investment of participant and  
11 State contributions into the various investment options  
12 offered to the participant when making his or her initial  
13 retirement election choice, that failure shall require the  
14 System to invest the participant and State contributions in a  
15 default investment fund on behalf of the participant, and the  
16 investment shall be deemed to have been made at the  
17 participant's investment direction. The participant has the  
18 right to transfer account balances out of the default  
19 investment fund during time periods designated by the System.  
20 Neither the System nor the State guarantees any of the  
21 investments in the participant's account balances.

22 (e) A participant eligible to participate in the  
23 self-managed plan must make a one-time irrevocable written  
24 election in accordance with procedures established by the  
25 System. Participation in the self-managed plan by an electing  
26 participant shall begin on the first day of the first pay



1 period following the later of the date the participant's  
2 election is filed with the System or the date the System begins  
3 to offer participation in the self-managed plan. The System may  
4 not make the self-managed plan available earlier than January  
5 1, 2020. Participation in any other retirement program  
6 administered by the System under this Article shall terminate  
7 on the date that participation in the self-managed plan begins.

8 A participant in the self-managed plan under this Section  
9 must continue participation while an active member and may not  
10 participate in any other retirement program administered by the  
11 System under this Article, unless the self-managed plan is  
12 terminated in accordance with subsection (i).

13 Notwithstanding any other provision of this Article, a Tier  
14 2 participant shall have the option to enroll in the  
15 self-managed plan.

16 Participation in the self-managed plan under this Section  
17 shall constitute membership in the System.

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

20 (f) If, at the time a participant elects to participate in  
21 the self-managed plan, he or she has rights and credits in the  
22 System due to previous participation in the traditional benefit  
23 package, the participant may elect to terminate those rights  
24 and credits and the System shall establish for the participant  
25 an opening account balance in the self-managed plan, equal to  
26 the amount of contribution refund that the participant would be

1 eligible to receive under Section 2-123 if the participant  
2 terminated participation on that date and elected a refund of  
3 contributions, except that this hypothetical refund shall  
4 include interest at the effective rate for the respective  
5 years. The System shall transfer assets from the defined  
6 benefit retirement program to the self-managed plan, as a  
7 tax-free transfer in accordance with Internal Revenue Service  
8 guidelines, for purposes of funding the participant's opening  
9 account balance.

10 (g) Notwithstanding any other provision of this Article, a  
11 participant may not purchase or receive service or service  
12 credit applicable to any other retirement program administered  
13 by the System under this Article for any period during which  
14 the participant was a participant in the self-managed plan  
15 established under this Section.

16 (h) The self-managed plan shall be funded by contributions  
17 from participants in the self-managed plan and State  
18 contributions as provided in this Section.

19 The contribution rate for participants in the self-managed  
20 plan under this Section shall be equal to the participant  
21 contribution rate for other participants in the System, as  
22 provided in Section 2-126. This required contribution shall be  
23 made as an "employer pick-up" under Section 414(h) of the  
24 Internal Revenue Code of 1986 or any successor Section thereof.  
25 Any member participating in the System's traditional benefit  
26 package prior to his or her election to participate in the

1 self-managed plan shall continue to have the State pick up the  
2 contributions required under Section 2-126. However, the  
3 amounts picked up after the election of the self-managed plan  
4 shall be remitted to and treated as assets of the self-managed  
5 plan. In no event shall a participant have an option of  
6 receiving these amounts in cash. Participants may make  
7 additional contributions to the self-managed plan in  
8 accordance with procedures prescribed by the System, to the  
9 extent permitted under rules prescribed by the System.

10 The program shall provide for State contributions to be  
11 credited to each self-managed plan participant at a rate of  
12 7.6% of the participant's compensation. The amounts so credited  
13 shall be paid into the participant's self-managed plan accounts  
14 in a manner to be prescribed by the System.

15 The State of Illinois shall make contributions by  
16 appropriations to the System of the State contributions  
17 required for participants in the self-managed plan under this  
18 Section. The amount required shall be certified by the Board of  
19 Trustees of the System and paid by the State in accordance with  
20 Section 2-134. The System shall not be obligated to remit the  
21 required State contributions to any of the insurance and  
22 annuity companies, mutual fund companies, banks, trust  
23 companies, financial institutions, or other sponsors of any of  
24 the funding vehicles offered under the self-managed plan until  
25 it has received the required contributions from the State. In  
26 the event of a deficiency in the amount of State contributions,

1 the System shall implement those procedures described in  
2 subsection (b) of Section 2-134 to obtain the required funding  
3 from the General Revenue Fund.

4 (i) The self-managed plan authorized under this Section may  
5 be terminated by the System, subject to the terms of any  
6 relevant contracts, and the System shall have no obligation to  
7 reestablish the self-managed plan under this Section. This  
8 Section does not create a right to continued participation in  
9 any self-managed plan set up by the System under this Section.  
10 If the self-managed plan is terminated, the participants shall  
11 have the right to participate in the traditional benefit  
12 package and receive service credit in the traditional benefit  
13 package for any years of service following the termination.

14 (j) A participant in the self-managed plan becomes vested  
15 in the State contributions credited to his or her accounts in  
16 the self-managed plan on the earliest to occur of the  
17 following: (1) completion of 5 years of service; (2) the death  
18 of the participant while in service if the participant has  
19 completed at least 1 1/2 years of service; or (3) the  
20 participant's election to retire and apply the reciprocal  
21 provisions of Article 20 of this Code.

22 A participant in the self-managed plan who receives a  
23 distribution of his or her vested amounts from the self-managed  
24 plan while not yet eligible for retirement under this Article  
25 (and Article 20, if applicable) shall forfeit all service  
26 credit and accrued rights in the System; if he or she

1 subsequently re-enters service as a member, the participant  
2 shall be considered a new member. If a former member again  
3 becomes an active participant (or becomes employed by a  
4 participating system under Article 20 of this Code) and  
5 continues as such for at least 2 years, all such rights,  
6 service credits, and previous status as a participant shall be  
7 restored upon repayment of the amount of the distribution,  
8 without interest.

9 (k) If a participant who is vested in State contributions  
10 terminates service, the participant shall be entitled to a  
11 benefit which is based on the account values attributable to  
12 both State and participant contributions and any investment  
13 return thereon.

14 If a participant who is not vested in State contributions  
15 terminates service, the participant shall be entitled to a  
16 benefit based solely on the account values attributable to the  
17 participant's contributions and any investment return thereon,  
18 and the State contributions and any investment return thereon  
19 shall be forfeited. Any State contributions which are forfeited  
20 shall be held in escrow by the company investing those  
21 contributions and shall be used as directed by the System for  
22 future allocations of State contributions or for the  
23 restoration of amounts previously forfeited by former  
24 participants who again become active participants.

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

3 Sec. 2-162. Application and expiration of new benefit  
4 increases.

5 (a) As used in this Section, "new benefit increase" means  
6 an increase in the amount of any benefit provided under this  
7 Article, or an expansion of the conditions of eligibility for  
8 any benefit under this Article, that results from an amendment  
9 to this Code that takes effect after the effective date of this  
10 amendatory Act of the 94th General Assembly. "New benefit  
11 increase", however, does not include any benefit increase  
12 resulting from the changes made to this Article by this  
13 amendatory Act of the 101st General Assembly.

14 (b) Notwithstanding any other provision of this Code or any  
15 subsequent amendment to this Code, every new benefit increase  
16 is subject to this Section and shall be deemed to be granted  
17 only in conformance with and contingent upon compliance with  
18 the provisions of this Section.

19 (c) The Public Act enacting a new benefit increase must  
20 identify and provide for payment to the System of additional  
21 funding at least sufficient to fund the resulting annual  
22 increase in cost to the System as it accrues.

23 Every new benefit increase is contingent upon the General  
24 Assembly providing the additional funding required under this  
25 subsection. The Commission on Government Forecasting and  
26 Accountability shall analyze whether adequate additional

1 funding has been provided for the new benefit increase and  
2 shall report its analysis to the Public Pension Division of the  
3 Department of Financial and Professional Regulation. A new  
4 benefit increase created by a Public Act that does not include  
5 the additional funding required under this subsection is null  
6 and void. If the Public Pension Division determines that the  
7 additional funding provided for a new benefit increase under  
8 this subsection is or has become inadequate, it may so certify  
9 to the Governor and the State Comptroller and, in the absence  
10 of corrective action by the General Assembly, the new benefit  
11 increase shall expire at the end of the fiscal year in which  
12 the certification is made.

13 (d) Every new benefit increase shall expire 5 years after  
14 its effective date or on such earlier date as may be specified  
15 in the language enacting the new benefit increase or provided  
16 under subsection (c). This does not prevent the General  
17 Assembly from extending or re-creating a new benefit increase  
18 by law.

19 (e) Except as otherwise provided in the language creating  
20 the new benefit increase, a new benefit increase that expires  
21 under this Section continues to apply to persons who applied  
22 and qualified for the affected benefit while the new benefit  
23 increase was in effect and to the affected beneficiaries and  
24 alternate payees of such persons, but does not apply to any  
25 other person, including without limitation a person who  
26 continues in service after the expiration date and did not

1 apply and qualify for the affected benefit while the new  
2 benefit increase was in effect.

3 (Source: P.A. 94-4, eff. 6-1-05.)

4 (40 ILCS 5/14-103.42 new)

5 Sec. 14-103.42. Traditional benefit package. "Traditional  
6 benefit package" means the defined benefit retirement program  
7 maintained by the System available to a participant who does  
8 not elect to participate in the self-managed plan.

9 (40 ILCS 5/14-103.43 new)

10 Sec. 14-103.43. Self-managed plan. "Self-managed plan"  
11 means the defined contribution retirement program maintained  
12 by the System, as described in Section 14-133.2.

13 (40 ILCS 5/14-133.2 new)

14 Sec. 14-133.2. Self-managed plan.

15 (a) The System shall establish and administer a  
16 self-managed plan that shall offer participating employees the  
17 opportunity to accumulate assets for retirement through a  
18 combination of employee and State contributions that may be  
19 invested in mutual funds, collective investment funds, or other  
20 investment products and used to purchase annuity contracts,  
21 either fixed or variable or a combination thereof. The plan  
22 must be qualified under the Internal Revenue Code of 1986.

23 (b) The System shall be the plan sponsor for the



1 self-managed plan and shall prepare a plan document and  
2 prescribe such rules and procedures as are considered necessary  
3 or desirable for the administration of the self-managed plan.  
4 Consistent with its fiduciary duty to the participants and  
5 beneficiaries of the self-managed plan, the Board of Trustees  
6 of the System may delegate aspects of plan administration as it  
7 sees fit to companies authorized to do business in this State.

8 (c) The System shall solicit proposals to provide  
9 administrative services and funding vehicles for the  
10 self-managed plan from insurance and annuity companies and  
11 mutual fund companies, banks, trust companies, or other  
12 financial institutions authorized to do business in this State.  
13 In reviewing the proposals received and approving and  
14 contracting with no fewer than 2 and no more than 7 companies,  
15 the Board of Trustees of the System shall consider, among other  
16 things, the following criteria:

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

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

21 (3) the suitability of the benefits to the needs and  
22 interests of the participants and the employer;

23 (4) the ability of the company to provide benefits  
24 under the contract and the financial stability of the  
25 company; and

26 (5) the efficacy of the contract in the recruitment and

1       retention of employees.

2       The System shall periodically review each approved  
3 company. A company may continue to provide administrative  
4 services and funding vehicles for the self-managed plan only so  
5 long as it continues to be an approved company under contract  
6 with the Board.

7       (d) Participants in the program must be allowed to direct  
8 the transfer of their account balances among the various  
9 investment options offered, subject to applicable contractual  
10 provisions. The participant shall not be deemed a fiduciary by  
11 reason of providing such investment direction. A person who is  
12 a fiduciary shall not be liable for any loss resulting from  
13 such investment direction and shall not be deemed to have  
14 breached any fiduciary duty by acting in accordance with that  
15 direction. The System shall provide advance notice to the  
16 participant of the participant's obligation to direct the  
17 investment of employee and State contributions into one or more  
18 investment funds selected by the System at the time he or she  
19 makes his or her initial retirement plan selection. If a  
20 participant fails to direct the investment of employee and  
21 State contributions into the various investment options  
22 offered to the participant when making his or her initial  
23 retirement election choice, that failure shall require the  
24 System to invest the employee and State contributions in a  
25 default investment fund on behalf of the participant, and the  
26 investment shall be deemed to have been made at the

1 participant's investment direction. The participant has the  
2 right to transfer account balances out of the default  
3 investment fund during time periods designated by the System.  
4 Neither the System nor the State guarantees any of the  
5 investments in the employee's account balances.

6 (e) A participant eligible to participate in the  
7 self-managed plan must make a one-time irrevocable written  
8 election in accordance with procedures established by the  
9 System. Participation in the self-managed plan by an electing  
10 participant shall begin on the first day of the first pay  
11 period following the later of the date the participant's  
12 election is filed with the System or the date the System begins  
13 to offer participation in the self-managed plan. The System may  
14 not make the self-managed plan available earlier than January  
15 1, 2020. Participation in any other retirement program  
16 administered by the System under this Article shall terminate  
17 on the date that participation in the self-managed plan begins.

18 A participant in the self-managed plan under this Section  
19 must continue participation while in service and may not  
20 participate in any other retirement program administered by the  
21 System under this Article, unless the self-managed plan is  
22 terminated in accordance with subsection (i).

23 Notwithstanding any other provision of this Article, a Tier  
24 2 member shall have the option to enroll in the self-managed  
25 plan.

26 Participation in the self-managed plan under this Section

1 shall constitute membership in the System.

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

4 (f) If, at the time a participant elects to participate in  
5 the self-managed plan, he or she has rights and credits in the  
6 System due to previous participation in the traditional benefit  
7 package, the participant may elect to terminate those rights  
8 and credits and the System shall establish for the member an  
9 opening account balance in the self-managed plan, equal to the  
10 amount of contribution refund that the employee would be  
11 eligible to receive under Section 14-130 if the employee  
12 terminated employment on that date and elected a refund of  
13 contributions, except that this hypothetical refund shall  
14 include interest at the effective rate for the respective  
15 years. The System shall transfer assets from the defined  
16 benefit retirement program to the self-managed plan, as a  
17 tax-free transfer in accordance with Internal Revenue Service  
18 guidelines, for purposes of funding the employee's opening  
19 account balance.

20 (g) Notwithstanding any other provision of this Article, an  
21 employee may not purchase or receive service or service credit  
22 applicable to any other retirement program administered by the  
23 System under this Article for any period during which the  
24 employee was a participant in the self-managed plan established  
25 under this Section.

26 (h) The self-managed plan shall be funded by contributions

1 from employees participating in the self-managed plan and State  
2 contributions as provided in this Section.

3 The contribution rate for employees participating in the  
4 self-managed plan under this Section shall be equal to the  
5 employee contribution rate for other participants in the  
6 System, as provided in Section 14-133. This required  
7 contribution shall be made as an "employer pick-up" under  
8 Section 414(h) of the Internal Revenue Code of 1986 or any  
9 successor Section thereof. Any employee participating in the  
10 System's traditional benefit package prior to his or her  
11 election to participate in the self-managed plan shall continue  
12 to have the department pick up the contributions required under  
13 Section 14-133. However, the amounts picked up after the  
14 election of the self-managed plan shall be remitted to and  
15 treated as assets of the self-managed plan. In no event shall  
16 an employee have an option of receiving these amounts in cash.  
17 Employees may make additional contributions to the  
18 self-managed plan in accordance with procedures prescribed by  
19 the System, to the extent permitted under rules prescribed by  
20 the System.

21 The program shall provide for State contributions to be  
22 credited to each self-managed plan participant at a rate of  
23 7.6% of the participating employee's salary, less the amount  
24 used by the System to provide disability benefits for the  
25 employee. The amounts so credited shall be paid into the  
26 participant's self-managed plan accounts in a manner to be

1 prescribed by the System.

2 An amount of State contribution, not exceeding 1% of the  
3 participating employee's salary, shall be used for the purpose  
4 of providing the disability benefits of the System to the  
5 employee. Prior to the beginning of each plan year under the  
6 self-managed plan, the Board of Trustees shall determine, as a  
7 percentage of salary, the amount of State contributions to be  
8 allocated during that plan year for providing disability  
9 benefits for employees in the self-managed plan.

10 The State of Illinois shall make contributions by  
11 appropriations to the System of the State contributions  
12 required for participants in the self-managed plan under this  
13 Section. The amount required shall be certified by the Board of  
14 Trustees of the System and paid by the State in accordance with  
15 Section 14-135.08. The System shall not be obligated to remit  
16 the required State contributions to any of the insurance and  
17 annuity companies, mutual fund companies, banks, trust  
18 companies, financial institutions, or other sponsors of any of  
19 the funding vehicles offered under the self-managed plan until  
20 it has received the required contributions from the State. In  
21 the event of a deficiency in the amount of State contributions,  
22 the System shall implement those procedures described in  
23 Section 14-131 to obtain the required funding from the General  
24 Revenue Fund.

25 (i) The self-managed plan authorized under this Section may  
26 be terminated by the System, subject to the terms of any

1 relevant contracts, and the System shall have no obligation to  
2 reestablish the self-managed plan under this Section. This  
3 Section does not create a right to continued participation in  
4 any self-managed plan set up by the System under this Section.  
5 If the self-managed plan is terminated, the participants shall  
6 have the right to participate in the traditional benefit  
7 package offered by the System and receive service credit in  
8 such other retirement program for any years of employment  
9 following the termination.

10 (j) A participant in the self-managed plan becomes vested  
11 in the State contributions credited to his or her accounts in  
12 the self-managed plan on the earliest to occur of the  
13 following: (1) completion of 5 years of service; (2) the death  
14 of the participating employee while in service if the  
15 participant has completed at least 1 1/2 years of service; or  
16 (3) the participant's election to retire and apply the  
17 reciprocal provisions of Article 20 of this Code.

18 A participant in the self-managed plan who receives a  
19 distribution of his or her vested amounts from the self-managed  
20 plan while not yet eligible for retirement under this Article  
21 (and Article 20, if applicable) shall forfeit all service  
22 credit and accrued rights in the System; if subsequently  
23 re-employed, the participant shall be considered a new  
24 employee. If a former participant again becomes a participating  
25 employee (or becomes employed by a participating system under  
26 Article 20 of this Code) and continues as such for at least 2

1 years, all such rights, service credits, and previous status as  
2 a participant shall be restored upon repayment of the amount of  
3 the distribution, without interest.

4 (k) If an employee who is vested in State contributions  
5 terminates employment, the employee shall be entitled to a  
6 benefit which is based on the account values attributable to  
7 both State and employee contributions and any investment return  
8 thereon.

9 If an employee who is not vested in State contributions  
10 terminates employment, the employee shall be entitled to a  
11 benefit based solely on the account values attributable to the  
12 employee's contributions and any investment return thereon,  
13 and the State contributions and any investment return thereon  
14 shall be forfeited. Any State contributions which are forfeited  
15 shall be held in escrow by the company investing those  
16 contributions and shall be used as directed by the System for  
17 future allocations of State contributions or for the  
18 restoration of amounts previously forfeited by former  
19 participants who again become participating employees.

20 (40 ILCS 5/14-152.1)

21 Sec. 14-152.1. Application and expiration of new benefit  
22 increases.

23 (a) As used in this Section, "new benefit increase" means  
24 an increase in the amount of any benefit provided under this  
25 Article, or an expansion of the conditions of eligibility for



1 any benefit under this Article, that results from an amendment  
2 to this Code that takes effect after June 1, 2005 (the  
3 effective date of Public Act 94-4). "New benefit increase",  
4 however, does not include any benefit increase resulting from  
5 the changes made to Article 1 or this Article by Public Act  
6 96-37, Public Act 100-23, Public Act 100-587, Public Act  
7 100-611, or this amendatory Act of the 101st General Assembly  
8 ~~or this amendatory Act of the 100th General Assembly.~~

9 (b) Notwithstanding any other provision of this Code or any  
10 subsequent amendment to this Code, every new benefit increase  
11 is subject to this Section and shall be deemed to be granted  
12 only in conformance with and contingent upon compliance with  
13 the provisions of this Section.

14 (c) The Public Act enacting a new benefit increase must  
15 identify and provide for payment to the System of additional  
16 funding at least sufficient to fund the resulting annual  
17 increase in cost to the System as it accrues.

18 Every new benefit increase is contingent upon the General  
19 Assembly providing the additional funding required under this  
20 subsection. The Commission on Government Forecasting and  
21 Accountability shall analyze whether adequate additional  
22 funding has been provided for the new benefit increase and  
23 shall report its analysis to the Public Pension Division of the  
24 Department of Insurance. A new benefit increase created by a  
25 Public Act that does not include the additional funding  
26 required under this subsection is null and void. If the Public

1 Pension Division determines that the additional funding  
2 provided for a new benefit increase under this subsection is or  
3 has become inadequate, it may so certify to the Governor and  
4 the State Comptroller and, in the absence of corrective action  
5 by the General Assembly, the new benefit increase shall expire  
6 at the end of the fiscal year in which the certification is  
7 made.

8 (d) Every new benefit increase shall expire 5 years after  
9 its effective date or on such earlier date as may be specified  
10 in the language enacting the new benefit increase or provided  
11 under subsection (c). This does not prevent the General  
12 Assembly from extending or re-creating a new benefit increase  
13 by law.

14 (e) Except as otherwise provided in the language creating  
15 the new benefit increase, a new benefit increase that expires  
16 under this Section continues to apply to persons who applied  
17 and qualified for the affected benefit while the new benefit  
18 increase was in effect and to the affected beneficiaries and  
19 alternate payees of such persons, but does not apply to any  
20 other person, including without limitation a person who  
21 continues in service after the expiration date and did not  
22 apply and qualify for the affected benefit while the new  
23 benefit increase was in effect.

24 (Source: P.A. 100-23, eff. 7-6-17; 100-587, eff. 6-4-18;  
25 100-611, eff. 7-20-18; revised 7-25-18.)

1 (40 ILCS 5/16-122.2 new)

2 Sec. 16-122.2. Traditional benefit package. "Traditional  
3 benefit package" means the defined benefit retirement program  
4 maintained by the System available to a participant who does  
5 not elect to participate in the self-managed plan.

6 (40 ILCS 5/16-122.3 new)

7 Sec. 16-122.3. Self-managed plan. "Self-managed plan"  
8 means the defined contribution retirement program maintained  
9 by the System, as described in Section 16-158.4.

10 (40 ILCS 5/16-158.4 new)

11 Sec. 16-158.4. Self-managed plan.

12 (a) The System shall establish and administer a  
13 self-managed plan that shall offer participating members the  
14 opportunity to accumulate assets for retirement through a  
15 combination of member and employer contributions that may be  
16 invested in mutual funds, collective investment funds, or other  
17 investment products and used to purchase annuity contracts,  
18 either fixed or variable or a combination thereof. The plan  
19 must be qualified under the Internal Revenue Code of 1986.

20 (b) The System shall be the plan sponsor for the  
21 self-managed plan and shall prepare a plan document and  
22 prescribe such rules and procedures as are considered necessary  
23 or desirable for the administration of the self-managed plan.  
24 Consistent with its fiduciary duty to the participants and

1 beneficiaries of the self-managed plan, the Board of Trustees  
2 of the System may delegate aspects of plan administration as it  
3 sees fit to companies authorized to do business in this State,  
4 to the employers, or to a combination of both.

5 (c) The System, in consultation with the employers, shall  
6 solicit proposals to provide administrative services and  
7 funding vehicles for the self-managed plan from insurance and  
8 annuity companies and mutual fund companies, banks, trust  
9 companies, or other financial institutions authorized to do  
10 business in this State. In reviewing the proposals received and  
11 approving and contracting with no fewer than 2 and no more than  
12 7 companies, the Board of Trustees of the System shall  
13 consider, among other things, the following criteria:

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

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

18 (3) the suitability of the benefits to the needs and  
19 interests of the participants and the employer;

20 (4) the ability of the company to provide benefits  
21 under the contract and the financial stability of the  
22 company; and

23 (5) the efficacy of the contract in the recruitment and  
24 retention of teachers.

25 The System, in consultation with the employers, shall  
26 periodically review each approved company. A company may

1 continue to provide administrative services and funding  
2 vehicles for the self-managed plan only so long as it continues  
3 to be an approved company under contract with the Board.

4 (d) Participants in the program must be allowed to direct  
5 the transfer of their account balances among the various  
6 investment options offered, subject to applicable contractual  
7 provisions. The participant shall not be deemed a fiduciary by  
8 reason of providing such investment direction. A person who is  
9 a fiduciary shall not be liable for any loss resulting from  
10 such investment direction and shall not be deemed to have  
11 breached any fiduciary duty by acting in accordance with that  
12 direction. The System shall provide advance notice to the  
13 participant of the participant's obligation to direct the  
14 investment of participant and employer contributions into one  
15 or more investment funds selected by the System at the time he  
16 or she makes his or her initial retirement plan selection. If a  
17 participant fails to direct the investment of participant and  
18 employer contributions into the various investment options  
19 offered to the participant when making his or her initial  
20 retirement election choice, that failure shall require the  
21 System to invest the participant and employer contributions in  
22 a default investment fund on behalf of the participant, and the  
23 investment shall be deemed to have been made at the  
24 participant's investment direction. The participant has the  
25 right to transfer account balances out of the default  
26 investment fund during time periods designated by the System.

1 Neither the System nor the employer guarantees any of the  
2 investments in the participant's account balances.

3 (e) A participant eligible to participate in the  
4 self-managed plan must make a one-time irrevocable written  
5 election in accordance with procedures established by the  
6 System. Participation in the self-managed plan by an electing  
7 participant shall begin on the first day of the first pay  
8 period following the later of the date the participant's  
9 election is filed with the System or the date the System begins  
10 to offer participation in the self-managed plan. The System may  
11 not make the self-managed plan available earlier than January  
12 1, 2020. Participation in any other retirement program  
13 administered by the System under this Article shall terminate  
14 on the date that participation in the self-managed plan begins.

15 A participant in the self-managed plan under this Section  
16 must continue participation while in service as a teacher and  
17 may not participate in any other retirement program  
18 administered by the System under this Article, unless the  
19 self-managed plan is terminated in accordance with subsection  
20 (i).

21 Notwithstanding any other provision of this Article, a Tier  
22 2 member shall have the option to enroll in the self-managed  
23 plan.

24 Participation in the self-managed plan under this Section  
25 shall constitute membership in the System.

26 A participant under this Section shall be entitled to the

1 benefits of Article 20 of this Code.

2 (f) If, at the time a participant elects to participate in  
3 the self-managed plan, he or she has rights and credits in the  
4 System due to previous participation in the traditional benefit  
5 package, the participant may elect to terminate those rights  
6 and credits and the System shall establish for the participant  
7 an opening account balance in the self-managed plan, equal to  
8 the amount of contribution refund that the participant would be  
9 eligible to receive under this Article if the participant  
10 terminated employment on that date and elected a refund of  
11 contributions, except that this hypothetical refund shall  
12 include interest at the effective rate for the respective  
13 years. The System shall transfer assets from the defined  
14 benefit retirement program to the self-managed plan, as a  
15 tax-free transfer in accordance with Internal Revenue Service  
16 guidelines, for purposes of funding the participant's opening  
17 account balance.

18 (g) Notwithstanding any other provision of this Article, a  
19 participant may not purchase or receive service or service  
20 credit applicable to any other retirement program administered  
21 by the System under this Article for any period during which he  
22 or she was a participant in the self-managed plan established  
23 under this Section.

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

1       The contribution rate for participants in the self-managed  
2 plan under this Section shall be equal to the employee  
3 contribution rate for other participants in the System, as  
4 provided in Section 16-152. This required contribution shall be  
5 made as an "employer pick-up" under Section 414(h) of the  
6 Internal Revenue Code of 1986 or any successor Section thereof.  
7 Any member participating in the System's traditional benefit  
8 package prior to his or her election to participate in the  
9 self-managed plan shall continue to have the employer pick up  
10 the contributions required under Section 16-152. However, the  
11 amounts picked up after the election of the self-managed plan  
12 shall be remitted to and treated as assets of the self-managed  
13 plan. In no event shall a participant have an option of  
14 receiving these amounts in cash. Employees may make additional  
15 contributions to the self-managed plan in accordance with  
16 procedures prescribed by the System, to the extent permitted  
17 under rules prescribed by the System.

18       The program shall provide for employer contributions to be  
19 credited to each self-managed plan participant at a rate of  
20 7.6% of the participant's salary, less the amount used by the  
21 System to provide disability benefits for the participant. The  
22 amounts so credited shall be paid into the participant's  
23 self-managed plan accounts in a manner to be prescribed by the  
24 System.

25       An amount of employer contribution, not exceeding 1% of the  
26 participant's salary, shall be used for the purpose of



1 providing the disability benefits of the System to the  
2 employee. Prior to the beginning of each plan year under the  
3 self-managed plan, the Board of Trustees shall determine, as a  
4 percentage of salary, the amount of employer contributions to  
5 be allocated during that plan year for providing disability  
6 benefits for participants in the self-managed plan.

7 The State of Illinois shall make contributions by  
8 appropriations to the System of the employer contributions  
9 required for employees who participate in the self-managed plan  
10 under this Section. The amount required shall be certified by  
11 the Board of Trustees of the System and paid by the State in  
12 accordance with Section 16-158. The System shall not be  
13 obligated to remit the required employer contributions to any  
14 of the insurance and annuity companies, mutual fund companies,  
15 banks, trust companies, financial institutions, or other  
16 sponsors of any of the funding vehicles offered under the  
17 self-managed plan until it has received the required employer  
18 contributions from the State. In the event of a deficiency in  
19 the amount of State contributions, the System shall implement  
20 those procedures described in subsection (b-1) of Section  
21 16-158 to obtain the required funding from the General Revenue  
22 Fund.

23 (i) The self-managed plan authorized under this Section may  
24 be terminated by the System, subject to the terms of any  
25 relevant contracts, and the System shall have no obligation to  
26 reestablish the self-managed plan under this Section. This

1 Section does not create a right to continued participation in  
2 any self-managed plan set up by the System under this Section.  
3 If the self-managed plan is terminated, the participants shall  
4 have the right to participate in the traditional benefit  
5 package offered by the System and receive service credit in  
6 such other retirement program for any years of employment  
7 following the termination.

8 (j) A participant in the self-managed plan becomes vested  
9 in the employer contributions credited to his or her accounts  
10 in the self-managed plan on the earliest to occur of the  
11 following: (1) completion of 5 years of service; (2) the death  
12 of the participant while employed as a teacher, if the  
13 participant has completed at least 1 1/2 years of service; or  
14 (3) the participant's election to retire and apply the  
15 reciprocal provisions of Article 20 of this Code.

16 A participant in the self-managed plan who receives a  
17 distribution of his or her vested amounts from the self-managed  
18 plan while not yet eligible for retirement under this Article  
19 (and Article 20, if applicable) shall forfeit all service  
20 credit and accrued rights in the System; if subsequently  
21 re-employed, the participant shall be considered a new teacher.  
22 If a former participant again becomes a teacher (or becomes  
23 employed by a participating system under Article 20 of this  
24 Code) and continues as such for at least 2 years, all such  
25 rights, service credits, and previous status as a participant  
26 shall be restored upon repayment of the amount of the

1 distribution, without interest.

2 (k) If a participant who is vested in employer  
3 contributions terminates employment, the participant shall be  
4 entitled to a benefit which is based on the account values  
5 attributable to both employer and participant contributions  
6 and any investment return thereon.

7 If a participant who is not vested in employer  
8 contributions terminates employment, the participant shall be  
9 entitled to a benefit based solely on the account values  
10 attributable to the participant's contributions and any  
11 investment return thereon, and the employer contributions and  
12 any investment return thereon shall be forfeited. Any employer  
13 contributions which are forfeited shall be held in escrow by  
14 the company investing those contributions and shall be used as  
15 directed by the System for future allocations of employer  
16 contributions or for the restoration of amounts previously  
17 forfeited by former participants who again become  
18 participating employees.

19 (40 ILCS 5/16-203)

20 Sec. 16-203. Application and expiration of new benefit  
21 increases.

22 (a) As used in this Section, "new benefit increase" means  
23 an increase in the amount of any benefit provided under this  
24 Article, or an expansion of the conditions of eligibility for  
25 any benefit under this Article, that results from an amendment

1 to this Code that takes effect after June 1, 2005 (the  
2 effective date of Public Act 94-4). "New benefit increase",  
3 however, does not include any benefit increase resulting from  
4 the changes made to Article 1 or this Article by Public Act  
5 95-910, Public Act 100-23, Public Act 100-587, Public Act  
6 100-743, Public Act 100-769, or this amendatory Act of the  
7 101st General Assembly ~~or by this amendatory Act of the 100th~~  
8 ~~General Assembly.~~

9 (b) Notwithstanding any other provision of this Code or any  
10 subsequent amendment to this Code, every new benefit increase  
11 is subject to this Section and shall be deemed to be granted  
12 only in conformance with and contingent upon compliance with  
13 the provisions of this Section.

14 (c) The Public Act enacting a new benefit increase must  
15 identify and provide for payment to the System of additional  
16 funding at least sufficient to fund the resulting annual  
17 increase in cost to the System as it accrues.

18 Every new benefit increase is contingent upon the General  
19 Assembly providing the additional funding required under this  
20 subsection. The Commission on Government Forecasting and  
21 Accountability shall analyze whether adequate additional  
22 funding has been provided for the new benefit increase and  
23 shall report its analysis to the Public Pension Division of the  
24 Department of Insurance. A new benefit increase created by a  
25 Public Act that does not include the additional funding  
26 required under this subsection is null and void. If the Public

1 Pension Division determines that the additional funding  
2 provided for a new benefit increase under this subsection is or  
3 has become inadequate, it may so certify to the Governor and  
4 the State Comptroller and, in the absence of corrective action  
5 by the General Assembly, the new benefit increase shall expire  
6 at the end of the fiscal year in which the certification is  
7 made.

8 (d) Every new benefit increase shall expire 5 years after  
9 its effective date or on such earlier date as may be specified  
10 in the language enacting the new benefit increase or provided  
11 under subsection (c). This does not prevent the General  
12 Assembly from extending or re-creating a new benefit increase  
13 by law.

14 (e) Except as otherwise provided in the language creating  
15 the new benefit increase, a new benefit increase that expires  
16 under this Section continues to apply to persons who applied  
17 and qualified for the affected benefit while the new benefit  
18 increase was in effect and to the affected beneficiaries and  
19 alternate payees of such persons, but does not apply to any  
20 other person, including without limitation a person who  
21 continues in service after the expiration date and did not  
22 apply and qualify for the affected benefit while the new  
23 benefit increase was in effect.

24 (Source: P.A. 100-23, eff. 7-6-17; 100-587, eff. 6-4-18;  
25 100-743, eff. 8-10-18; 100-769, eff. 8-10-18; revised  
26 10-15-18.)

1 (40 ILCS 5/18-118.1 new)

2 Sec. 18-118.1. Traditional benefit package. "Traditional  
3 benefit package" means the defined benefit retirement program  
4 maintained by the System available to a participant who does  
5 not elect to participate in the self-managed plan.

6 (40 ILCS 5/18-118.2 new)

7 Sec. 18-118.2. Self-managed plan. "Self-managed plan"  
8 means the defined contribution retirement program maintained  
9 by the System, as described in Section 18-133.2.

10 (40 ILCS 5/18-133.2 new)

11 Sec. 18-133.2. Self-managed plan.

12 (a) The System shall establish and administer a  
13 self-managed plan that shall offer participants the  
14 opportunity to accumulate assets for retirement through a  
15 combination of participant and State contributions that may be  
16 invested in mutual funds, collective investment funds, or other  
17 investment products and used to purchase annuity contracts,  
18 either fixed or variable or a combination thereof. The plan  
19 must be qualified under the Internal Revenue Code of 1986.

20 (b) The System shall be the plan sponsor for the  
21 self-managed plan and shall prepare a plan document and  
22 prescribe such rules and procedures as are considered necessary  
23 or desirable for the administration of the self-managed plan.

1 Consistent with its fiduciary duty to the participants and  
2 beneficiaries of the self-managed plan, the Board of Trustees  
3 of the System may delegate aspects of plan administration as it  
4 sees fit to companies authorized to do business in this State.

5 (c) The System shall solicit proposals to provide  
6 administrative services and funding vehicles for the  
7 self-managed plan from insurance and annuity companies and  
8 mutual fund companies, banks, trust companies, or other  
9 financial institutions authorized to do business in this State.

10 In reviewing the proposals received and approving and  
11 contracting with no fewer than 2 and no more than 7 companies,  
12 the Board of Trustees of the System shall consider, among other  
13 things, the following criteria:

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

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

18 (3) the suitability of the benefits to the needs and  
19 interests of the participants and the State; and

20 (4) the ability of the company to provide benefits  
21 under the contract and the financial stability of the  
22 company.

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

1 with the Board.

2 (d) Participants in the program must be allowed to direct  
3 the transfer of their account balances among the various  
4 investment options offered, subject to applicable contractual  
5 provisions. The participant shall not be deemed a fiduciary by  
6 reason of providing such investment direction. A person who is  
7 a fiduciary shall not be liable for any loss resulting from  
8 such investment direction and shall not be deemed to have  
9 breached any fiduciary duty by acting in accordance with that  
10 direction. The System shall provide advance notice to the  
11 participant of the participant's obligation to direct the  
12 investment of participant and State contributions into one or  
13 more investment funds selected by the System at the time he or  
14 she makes his or her initial retirement plan selection. If a  
15 participant fails to direct the investment of participant and  
16 State contributions into the various investment options  
17 offered to the participant when making his or her initial  
18 retirement election choice, that failure shall require the  
19 System to invest the participant and State contributions in a  
20 default investment fund on behalf of the participant, and the  
21 investment shall be deemed to have been made at the  
22 participant's investment direction. The participant has the  
23 right to transfer account balances out of the default  
24 investment fund during time periods designated by the System.  
25 Neither the System nor the State guarantees any of the  
26 investments in the participant's account balances.



1       (e) A participant in the self-managed plan must make a  
2 one-time irrevocable written election in accordance with  
3 procedures established by the System. Participation in the  
4 self-managed plan by an electing participant shall begin on the  
5 first day of the first pay period following the later of the  
6 date the participant's election is filed with the System or the  
7 date the System begins to offer participation in the  
8 self-managed plan. The System may not make the self-managed  
9 plan available earlier than January 1, 2020. Participation in  
10 any other retirement program administered by the System under  
11 this Article shall terminate on the date that participation in  
12 the self-managed plan begins.

13       A participant who has elected to participate in the  
14 self-managed plan under this Section must continue  
15 participation while serving as a judge and may not participate  
16 in any other retirement program administered by the System  
17 under this Article, unless the self-managed plan is terminated  
18 in accordance with subsection (i).

19       Notwithstanding any other provision of this Article, a  
20 participant who first serves as a judge on or after January 1,  
21 2011 shall have the option to enroll in the self-managed plan.

22       Participation in the self-managed plan under this Section  
23 shall constitute membership in the System.

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

26       (f) If, at the time a participant elects to participate in

1 the self-managed plan, he or she has rights and credits in the  
2 System due to previous participation in the traditional benefit  
3 package, the participant may elect to terminate those rights  
4 and credits and the System shall establish for the participant  
5 an opening account balance in the self-managed plan, equal to  
6 the amount of contribution refund that the participant would be  
7 eligible to receive under Section 18-129 if the participant  
8 ceased to be a judge on that date and elected a refund of  
9 contributions, except that this hypothetical refund shall  
10 include interest at the effective rate for the respective  
11 years. The System shall transfer assets from the defined  
12 benefit retirement program to the self-managed plan, as a  
13 tax-free transfer in accordance with Internal Revenue Service  
14 guidelines, for purposes of funding the participant's opening  
15 account balance.

16 (g) Notwithstanding any other provision of this Article, a  
17 participant may not purchase or receive service or service  
18 credit applicable to any other retirement program administered  
19 by the System under this Article for any period during which he  
20 or she was a participant in the self-managed plan established  
21 under this Section.

22 (h) The self-managed plan shall be funded by contributions  
23 from participants in the self-managed plan and State  
24 contributions as provided in this Section.

25 The contribution rate for participants in the self-managed  
26 plan under this Section shall be equal to the contribution rate

1 for other participants in the System, as provided in Section  
2 18-133. This required contribution shall be made as an  
3 "employer pick-up" under Section 414(h) of the Internal Revenue  
4 Code of 1986 or any successor Section thereof. Any judge in the  
5 System's traditional benefit package prior to his or her  
6 election to participate in the self-managed plan shall continue  
7 to have the employer pick up the contributions required under  
8 Section 18-133.1. However, the amounts picked up after the  
9 election of the self-managed plan shall be remitted to and  
10 treated as assets of the self-managed plan. In no event shall a  
11 participant have an option of receiving these amounts in cash.  
12 Participants may make additional contributions to the  
13 self-managed plan in accordance with procedures prescribed by  
14 the System, to the extent permitted under rules prescribed by  
15 the System.

16 The program shall provide for State contributions to be  
17 credited to each self-managed plan participant at a rate of  
18 7.6% of the participant's salary, less the amount used by the  
19 System to provide disability benefits for the employee. The  
20 amounts so credited shall be paid into the participant's  
21 self-managed plan accounts in a manner to be prescribed by the  
22 System.

23 An amount of State contribution, not exceeding 1% of the  
24 participant's salary, shall be used for the purpose of  
25 providing the disability benefits of the System to the  
26 employee. Prior to the beginning of each plan year under the

1 self-managed plan, the Board of Trustees shall determine, as a  
2 percentage of salary, the amount of State contributions to be  
3 allocated during that plan year for providing disability  
4 benefits for participants in the self-managed plan.

5 The State of Illinois shall make contributions by  
6 appropriations to the System of the State contributions  
7 required for participants in the self-managed plan under this  
8 Section. The amount required shall be certified by the Board of  
9 Trustees of the System and paid by the State in accordance with  
10 Section 18-131. The System shall not be obligated to remit the  
11 required State contributions to any of the insurance and  
12 annuity companies, mutual fund companies, banks, trust  
13 companies, financial institutions, or other sponsors of any of  
14 the funding vehicles offered under the self-managed plan until  
15 it has received the required contributions from the State. In  
16 the event of a deficiency in the amount of State contributions,  
17 the System shall implement those procedures described in  
18 Section 18-140 to obtain the required funding from the General  
19 Revenue Fund.

20 (i) The self-managed plan authorized under this Section may  
21 be terminated by the System, subject to the terms of any  
22 relevant contracts, and the System shall have no obligation to  
23 reestablish the self-managed plan under this Section. This  
24 Section does not create a right to continued participation in  
25 any self-managed plan set up by the System under this Section.  
26 If the self-managed plan is terminated, the participants shall

1 have the right to participate in the traditional benefit  
2 package retirement programs offered by the System and receive  
3 service credit in such other retirement program for any years  
4 of employment following the termination.

5 (j) A participant in the self-managed plan becomes vested  
6 in the State contributions credited to his or her accounts in  
7 the self-managed plan on the earliest to occur of the  
8 following: (1) completion of 5 years of service as a judge; (2)  
9 the death of the participant while serving as a judge, if the  
10 participant has completed at least 1 1/2 years of service as a  
11 judge; or (3) the participant's election to retire and apply  
12 the reciprocal provisions of Article 20 of this Code.

13 A participant in the self-managed plan who receives a  
14 distribution of his or her vested amounts from the self-managed  
15 plan while not yet eligible for retirement under this Article  
16 (and Article 20, if applicable) shall forfeit all service  
17 credit and accrued rights in the System; if he or she  
18 subsequently resumes service as a judge, the participant shall  
19 be considered a new judge. If a former participant again  
20 becomes an active participant (or becomes employed by a  
21 participating system under Article 20 of this Code) and  
22 continues as such for at least 2 years, all such rights,  
23 service credits, and previous status as a participant shall be  
24 restored upon repayment of the amount of the distribution,  
25 without interest.

26 (k) If a participant who is vested in State contributions

1 terminates services as a judge, the participant shall be  
2 entitled to a benefit that is based on the account values  
3 attributable to both State and participant contributions and  
4 any investment return thereon.

5 If a participant who is not vested in State contributions  
6 ceases serving as a judge, the participant shall be entitled to  
7 a benefit based solely on the account values attributable to  
8 the participant's contributions and any investment return  
9 thereon, and the State contributions and any investment return  
10 thereon shall be forfeited. Any State contributions that are  
11 forfeited shall be held in escrow by the company investing  
12 those contributions and shall be used as directed by the System  
13 for future allocations of State contributions or for the  
14 restoration of amounts previously forfeited by former  
15 participants who again become active participants.

16 (40 ILCS 5/18-169)

17 Sec. 18-169. Application and expiration of new benefit  
18 increases.

19 (a) As used in this Section, "new benefit increase" means  
20 an increase in the amount of any benefit provided under this  
21 Article, or an expansion of the conditions of eligibility for  
22 any benefit under this Article, that results from an amendment  
23 to this Code that takes effect after the effective date of this  
24 amendatory Act of the 94th General Assembly. "New benefit  
25 increase", however, does not include any benefit increase

1 resulting from the changes made to this Article by this  
2 amendatory Act of the 101st General Assembly.

3 (b) Notwithstanding any other provision of this Code or any  
4 subsequent amendment to this Code, every new benefit increase  
5 is subject to this Section and shall be deemed to be granted  
6 only in conformance with and contingent upon compliance with  
7 the provisions of this Section.

8 (c) The Public Act enacting a new benefit increase must  
9 identify and provide for payment to the System of additional  
10 funding at least sufficient to fund the resulting annual  
11 increase in cost to the System as it accrues.

12 Every new benefit increase is contingent upon the General  
13 Assembly providing the additional funding required under this  
14 subsection. The Commission on Government Forecasting and  
15 Accountability shall analyze whether adequate additional  
16 funding has been provided for the new benefit increase and  
17 shall report its analysis to the Public Pension Division of the  
18 Department of Financial and Professional Regulation. A new  
19 benefit increase created by a Public Act that does not include  
20 the additional funding required under this subsection is null  
21 and void. If the Public Pension Division determines that the  
22 additional funding provided for a new benefit increase under  
23 this subsection is or has become inadequate, it may so certify  
24 to the Governor and the State Comptroller and, in the absence  
25 of corrective action by the General Assembly, the new benefit  
26 increase shall expire at the end of the fiscal year in which

1 the certification is made.

2 (d) Every new benefit increase shall expire 5 years after  
3 its effective date or on such earlier date as may be specified  
4 in the language enacting the new benefit increase or provided  
5 under subsection (c). This does not prevent the General  
6 Assembly from extending or re-creating a new benefit increase  
7 by law.

8 (e) Except as otherwise provided in the language creating  
9 the new benefit increase, a new benefit increase that expires  
10 under this Section continues to apply to persons who applied  
11 and qualified for the affected benefit while the new benefit  
12 increase was in effect and to the affected beneficiaries and  
13 alternate payees of such persons, but does not apply to any  
14 other person, including without limitation a person who  
15 continues in service after the expiration date and did not  
16 apply and qualify for the affected benefit while the new  
17 benefit increase was in effect.

18 (Source: P.A. 94-4, eff. 6-1-05.)

19 (40 ILCS 5/2-105.1 rep.)

20 Section 15. The Illinois Pension Code is amended by  
21 repealing Section 2-105.1.

22 Section 90. The State Mandates Act is amended by adding  
23 Section 8.43 as follows:



1 (30 ILCS 805/8.43 new)

2 Sec. 8.43. Exempt mandate. Notwithstanding Sections 6 and 8  
3 of this Act, no reimbursement by the State is required for the  
4 implementation of any mandate created by this amendatory Act of  
5 the 101st General Assembly.

6 Section 999. Effective date. This Act takes effect upon  
7 becoming law.

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4	5 ILCS 375/10	from Ch. 127, par. 530
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6	40 ILCS 5/1-161	
7	40 ILCS 5/2-105.3 new	
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9	40 ILCS 5/2-107.6 new	
10	40 ILCS 5/2-126.8 new	
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