

HB4479



102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

HB4479

Introduced 1/21/2022, by Rep. Kelly M. Burke

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-161

Amends the General Provisions Article of the Illinois Pension Code. Provides that the State Employees' Retirement System of Illinois, the State Universities Retirement System, and the Teachers' Retirement System of the State of Illinois shall establish an implementation date of no later than July 1, 2023 for specified benefits for Tier 2 members who elect to receive those benefits and persons who first become members on or after the implementation date and meet other criteria.

LRB102 23988 RPS 33194 b

A BILL FOR

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by
5 changing Section 1-161 as follows:

6 (40 ILCS 5/1-161)

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

9 (a) Notwithstanding any other provision of this Code to
10 the contrary, the provisions of this Section apply to a person
11 who first becomes a member or a participant under Article 14,
12 15, or 16 on or after the implementation date under this
13 Section for the applicable Article and who does not make the
14 election under subsection (b) or (c), whichever applies. The
15 provisions of this Section also apply to a person who makes the
16 election under subsection (c-5). However, the provisions of
17 this Section do not apply to any participant in a self-managed
18 plan, nor to a covered employee under Article 14.

19 As used in this Section and Section 1-160, the
20 "implementation date" under this Section means the earliest
21 date upon which the board of a retirement system authorizes
22 members of that system to begin participating in accordance
23 with this Section, as determined by the board of that

1 retirement system. Each of the retirement systems subject to
2 this Section shall endeavor to make such participation
3 available as soon as possible after the effective date of this
4 Section and shall establish an implementation date by board
5 resolution, but all retirement systems subject to this Section
6 shall establish an implementation date that is no later than
7 July 1, 2023.

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

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

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

1 establish procedures for making this election.

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

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

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

26 (g) The amount of the retirement annuity to which a member

1 or participant is entitled shall be computed by multiplying
2 1.25% for each year of service credit by his or her final
3 average salary.

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

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

24 (i) The initial survivor's or widow's annuity of an
25 otherwise eligible survivor or widow of a retired member or
26 participant to whom this Section applies shall be in the

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

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

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