



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

SB2660

Introduced 1/20/2006, by Sen. Bill Brady

SYNOPSIS AS INTRODUCED:

40 ILCS 5/2-103.1 new
40 ILCS 5/2-103.2 new
40 ILCS 5/2-117.4 new
40 ILCS 5/2-126 from Ch. 108 1/2, par. 2-126
40 ILCS 5/2-126.2 new
40 ILCS 5/2-162.1 new
40 ILCS 5/14-103.40 new
40 ILCS 5/14-103.41 new
40 ILCS 5/14-105.8 new
40 ILCS 5/14-133 from Ch. 108 1/2, par. 14-133
40 ILCS 5/14-133.2 new
40 ILCS 5/14-152.2 new
40 ILCS 5/16-104.1 new
40 ILCS 5/16-104.2 new
40 ILCS 5/16-131.7 new
40 ILCS 5/16-152 from Ch. 108 1/2, par. 16-152
40 ILCS 5/16-158.2 new
40 ILCS 5/16-203.1 new
40 ILCS 5/18-105.1 new
40 ILCS 5/18-105.2 new
40 ILCS 5/18-123.3 new
40 ILCS 5/18-133 from Ch. 108 1/2, par. 18-133
40 ILCS 5/18-133.2 new
40 ILCS 5/18-169.1 new

Amends the Illinois Pension Code. Authorizes the General Assembly Retirement System, the State Employees' Retirement System of Illinois, the Teachers' Retirement System of the State of Illinois, and the Judges Retirement System of Illinois to offer its employees the option to participate in a self-managed program of retirement benefits instead of the program of retirement benefits currently offered. Provides that a self-managed plan shall authorize a participating employee to accumulate assets for retirement through a combination of employer and employee contributions that may be invested at the employee's direction in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts. Provides that, to the extent that the changes made by this amendatory Act are determined to be a new benefit increase, the changes are exempt from the 5-year expiration provision. Effective immediately.

LRB094 18961 AMC 54423 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 adding
5 Sections 2-103.1, 2-103.2, 2-117.4, 2-126.2, 2-162.1,
6 14-103.40, 14-103.41, 14-105.8, 14-133.2, 14-152.2, 16-104.1,
7 16-104.2, 16-131.7, 16-158.2, 16-203.1, 18-105.1, 18-105.2,
8 18-123.3, 18-133.2, and 18-169.1 and changing Sections 2-126,
9 14-133, 16-152, and 18-133 as follows:

10 (40 ILCS 5/2-103.1 new)

11 Sec. 2-103.1. Traditional benefit package. "Traditional
12 benefit package" means the defined benefit retirement program
13 maintained by the System, which includes retirement annuities
14 payable directly from the System, as provided in Sections
15 2-119, 2-119.01, 2-119.1, and 2-120; survivor's annuities
16 payable directly from the System, as provided in Sections
17 2-121, 2-121.1, 2-121.2, and 2-121.3; and contribution
18 refunds, as provided in Section 2-123.

19 (40 ILCS 5/2-103.2 new)

20 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
21 the defined contribution retirement program maintained by the
22 System, as described in Section 2-126.2. The self-managed plan
23 does not include retirement annuities or survivor's benefits
24 payable directly from the System, as provided in Sections
25 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
26 2-121.3 or refunds determined under Section 2-123.

27 (40 ILCS 5/2-117.4 new)

28 Sec. 2-117.4. Retirement program elections.

29 (a) For the purposes of this Section:

30 "Eligible participant" means either a currently eligible

1 participant or a newly eligible participant of the System.

2 "Currently eligible participant" means a person who is a
3 participant under this Article on the date on which the System
4 first offers the self-managed plan as an alternative to the
5 traditional benefit package.

6 "Newly eligible participant" means a person who first
7 becomes a participant after the date on which the System first
8 offers the self-managed plan as an alternative to the
9 traditional benefit package. A newly eligible participant
10 participates in the traditional benefit package unless he or
11 she makes an irrevocable election at the beginning of their
12 participation in the system to participate in the self-managed
13 plan.

14 (b) If the System offers to participants under this Article
15 a self-managed plan as an alternative to the traditional
16 benefit package, each eligible participant shall be given the
17 choice to elect which retirement program he or she wishes to
18 participate in with respect to all periods of covered
19 employment occurring on, before, and after the effective date
20 of the participant's election. The retirement program election
21 made by an eligible participant must be made in writing, in the
22 manner prescribed by the System, and within the time period
23 described in this Section.

24 The participant election authorized by this Section is a
25 one-time, irrevocable election. If a participant terminates
26 employment after making the election provided under this
27 Section, then upon his or her subsequent re-employment under
28 this Article the original election shall automatically apply to
29 him or her, provided that the System is then offering the
30 self-managed plan under Section 2-126.2.

31 An eligible participant who fails to make this election
32 shall, by default, participate in the traditional benefit
33 package.

34 (c) An eligible participant may elect to participate in the
35 traditional benefit package or the self-managed plan.

36 A currently eligible participant must make this election

1 within one year after the effective date of the adoption of the
2 self-managed plan under Section 2-126.2.

3 A newly eligible participant must make this election within
4 6 months after the date on which the System receives the report
5 of status certification from the State.

6 (d) If the currently eligible participant elects to
7 participate in the self-managed plan, the system shall fund
8 their account as stated in subsection (f) of Section 2-126.2.

9 (e) An eligible participant shall be provided with written
10 information prepared or prescribed by the System that describes
11 the participant's retirement program choices. The eligible
12 participant shall be offered an opportunity to receive
13 counseling from the System prior to making his or her election.
14 This counseling may consist of videotaped materials, group
15 presentations, individual consultation with an employee or
16 authorized representative of the System in person or by
17 telephone or other electronic means, or any combination of
18 these methods.

19 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

20 Sec. 2-126. Contributions by participants.

21 (a) Each participant shall contribute toward the cost of
22 his or her retirement annuity a percentage of each payment of
23 salary received by him or her for service as a member as
24 follows: for service between October 31, 1947 and January 1,
25 1959, 5%; for service between January 1, 1959 and June 30,
26 1969, 6%; for service between July 1, 1969 and January 10,
27 1973, 6 1/2%; for service after January 10, 1973, 7%; for
28 service after December 31, 1981, 8 1/2%.

29 (b) Beginning August 2, 1949, each male participant, and
30 from July 1, 1971, each female participant shall contribute
31 towards the cost of the survivor's annuity 2% of salary.

32 A participant who has no eligible survivor's annuity
33 beneficiary may elect to cease making contributions for
34 survivor's annuity under this subsection. A survivor's annuity
35 shall not be payable upon the death of a person who has made

1 this election, unless prior to that death the election has been
2 revoked and the amount of the contributions that would have
3 been paid under this subsection in the absence of the election
4 is paid to the System, together with interest at the rate of 4%
5 per year from the date the contributions would have been made
6 to the date of payment.

7 Notwithstanding any provision in this subsection (b) to the
8 contrary, in the case of an employee who participates in the
9 self-managed plan under Section 2-126.2, contributions for a
10 survivor's annuity shall instead be used to finance the
11 benefits available under Section 2-126.2.

12 (c) Beginning July 1, 1967, each participant shall
13 contribute 1% of salary towards the cost of automatic increase
14 in annuity provided in Section 2-119.1. These contributions
15 shall be made concurrently with contributions for retirement
16 annuity purposes.

17 (d) In addition, each participant serving as an officer of
18 the General Assembly shall contribute, for the same purposes
19 and at the same rates as are required of a regular participant,
20 on each additional payment received as an officer. If the
21 participant serves as an officer for at least 2 but less than 4
22 years, he or she shall contribute an amount equal to the amount
23 that would have been contributed had the participant served as
24 an officer for 4 years. Persons who serve as officers in the
25 87th General Assembly but cannot receive the additional payment
26 to officers because of the ban on increases in salary during
27 their terms may nonetheless make contributions based on those
28 additional payments for the purpose of having the additional
29 payments included in their highest salary for annuity purposes;
30 however, persons electing to make these additional
31 contributions must also pay an amount representing the
32 corresponding employer contributions, as calculated by the
33 System.

34 (Source: P.A. 90-766, eff. 8-14-98.)

1 Sec. 2-126.2. Self-managed plan.

2 (a) The General Assembly finds that the State should have
3 the flexibility to provide a defined contribution plan as an
4 alternative for eligible participants who elect not to
5 participate in a defined benefit retirement program provided
6 under this Article. Accordingly, the General Assembly
7 Retirement System is hereby authorized to establish and
8 administer a self-managed plan, which shall offer participants
9 the opportunity to accumulate assets for retirement through a
10 combination of participant and State contributions that may be
11 invested in mutual funds, collective investment funds, or other
12 investment products and used to purchase annuity contracts,
13 either fixed or variable or a combination of fixed and
14 variable. The plan must be qualified under the Internal Revenue
15 Code of 1986.

16 (b) The Board may adopt the self-managed plan established
17 under this Section for participants under this Article. The
18 adoption of the self-managed plan makes available to the
19 eligible participants under this Article the elections
20 described in Section 2-117.4.

21 The General Assembly Retirement System shall be the plan
22 sponsor for the self-managed plan and shall prepare a plan
23 document and adopt any rules and procedures as are considered
24 necessary or desirable for the administration of the
25 self-managed plan. Consistent with its fiduciary duty to the
26 participants and beneficiaries of the self-managed plan, the
27 Board of Trustees of the System may delegate aspects of plan
28 administration as it sees fit to companies authorized to do
29 business in this State.

30 (c) The System shall solicit proposals to provide
31 administrative services and funding vehicles for the
32 self-managed plan from insurance and annuity companies and
33 mutual fund companies, banks, trust companies, or other
34 financial institutions authorized to do business in this State.
35 In reviewing the proposals received and approving and
36 contracting with no fewer than 2 and no more than 7 companies,

1 the Board of Trustees of the System shall consider, among other
2 things, the following criteria:

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

5 (2) the reasonableness of the benefits in relation to
6 the premium charged;

7 (3) the suitability of the benefits to the needs and
8 interests of the participants and the State; and

9 (4) the ability of the company to provide benefits
10 under the contract and the financial stability of the
11 company.

12 The System shall periodically review each approved
13 company. A company may continue to provide administrative
14 services and funding vehicles for the self-managed plan only so
15 long as it continues to be an approved company under contract
16 with the Board.

17 (d) Participants in the program must be allowed to direct
18 the transfer of their account balances among the various
19 investment options offered, subject to applicable contractual
20 provisions. The participant shall not be deemed a fiduciary by
21 reason of providing such investment direction. A person who is
22 a fiduciary shall not be liable for any loss resulting from
23 that investment direction and shall not be deemed to have
24 breached any fiduciary duty by acting in accordance with that
25 direction. Neither the System nor the State shall guarantee any
26 of the investments in the participant's account balances.

27 (e) A person eligible to participate in the self-managed
28 plan must make a written election in accordance with the
29 provisions of Section 2-117.4 and the procedures established by
30 the System. Participation in the self-managed plan by an
31 electing participant shall begin on the first day of the month
32 immediately following the month in which the participant's
33 election is filed with the System, but not sooner than the
34 effective date of the self-managed plan. The System shall not
35 make the self-managed plan available under this Article earlier
36 than January 1, 2007. A member's participation in the

1 traditional retirement package under this Article shall
2 terminate on the date that participation in the self-managed
3 plan begins.

4 A member who has elected to participate in the self-managed
5 plan under this Section must continue participation while he or
6 she remains a participant under this Article, and may not
7 participate in the traditional benefit package, unless the
8 self-managed plan is terminated in accordance with subsection
9 (i).

10 Participation in the self-managed plan under this Section
11 shall constitute participation in the General Assembly
12 Retirement System.

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

15 (f) If, at the time a participant elects to participate in
16 the self-managed plan, the participant has rights and credits
17 in the System due to previous participation in the traditional
18 benefit package, the System shall establish for the participant
19 an opening account balance in the self-managed plan, equal to
20 (1) the amount of the contribution refund that the participant
21 would be eligible to receive under Section 2-123 if the
22 participant terminated employment on that date and elected a
23 refund of contributions and (2) an amount equal to the regular
24 employer contribution that would be required to fund the actual
25 regular cost incurred for each year of service credit earned,
26 provided that the total opening account balance does not exceed
27 7.6% of the participant's salary for that year, plus interest.
28 The interest used in this subsection (f) is calculated as the
29 average annual rate of return that the System has earned over
30 the past 20 fiscal years and is compounded. The System shall
31 transfer assets from the defined benefit retirement program to
32 the self-managed plan, as a tax-free transfer in accordance
33 with Internal Revenue Service guidelines, for purposes of
34 funding the participant's opening account balance.

35 (g) Notwithstanding any other provision of this Article, a
36 participant may not purchase or receive service or service

1 credit applicable to the traditional benefit package under this
2 Article for any period during which the employee was a
3 participant in the self-managed plan established under this
4 Section.

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

8 The contribution rate for participants in the self-managed
9 plan under this Section shall be equal to the member
10 contribution rate for other participants in the System, as
11 provided in Section 2-126. This required contribution shall be
12 made as an employer pick-up under Section 414(h) of the
13 Internal Revenue Code of 1986 or any successor Section thereof.
14 Any participant in the System's traditional benefit package
15 prior to his or her election to participate in the self-managed
16 plan shall continue to have the employer pick up the
17 contributions required under Section 2-126. However, the
18 amounts picked up after the election of the self-managed plan
19 shall be remitted to and treated as assets of the self-managed
20 plan. In no event shall a participant have the option of
21 receiving these amounts in cash. Participants may make
22 additional contributions to the self-managed plan in
23 accordance with procedures prescribed by the System, to the
24 extent permitted under rules adopted by the System.

25 The program shall provide for State contributions to be
26 credited to each self-managed plan participant an amount equal
27 to the regular employer contribution that would be required to
28 fund the actual regular cost incurred for each year of service
29 credit earned had the participant chosen to enroll in the
30 traditional benefit plan. This amount shall not surpass 7.6% of
31 the participant's salary in any year. The amounts so credited
32 shall be paid into the participant's self-managed plan accounts
33 in a manner to be prescribed by the System.

34 The State of Illinois shall make contributions by
35 appropriations to the System for participants in the
36 self-managed plan under this Section. The amount required shall

1 be certified by the Board of Trustees of the System and paid by
2 the State in accordance with Section 2-134. The System shall
3 not be obligated to remit the required State contributions to
4 any of the insurance and annuity companies, mutual fund
5 companies, banks, trust companies, financial institutions, or
6 other sponsors of any of the funding vehicles offered under the
7 self-managed plan until it has received the required State
8 contributions from the State.

9 (i) The self-managed plan authorized under this Section may
10 be terminated by the System, subject to the terms of any
11 relevant contracts, and the System shall have no obligation to
12 re-establish the self-managed plan under this Section. This
13 Section does not create a right to continued participation in
14 any self-managed plan set up by the System under this Section.
15 If the self-managed plan is terminated, the participants shall
16 have the right to participate in the traditional benefit
17 program offered by the System and receive service credit in
18 that program for any years of employment following the
19 termination.

20 (j) A participant in the self-managed plan becomes vested
21 in the State contributions credited to his or her accounts in
22 the self-managed plan on the earliest to occur of the
23 following: (1) attainment of 4 years of service credit; (2) the
24 death of the participating member while employed under this
25 Article, if the member has completed at least 1.5 years of
26 service; or (3) the member's election to retire and apply the
27 reciprocal provisions of Article 20 of this Code.

28 A participant in the self-managed plan who receives a
29 distribution of his or her vested amounts from the self-managed
30 plan while not yet eligible for retirement under this Article
31 (and Article 20, if applicable) shall forfeit all service
32 credit and accrued rights in the System; if he or she
33 subsequently becomes a participant under this Article again, he
34 or she shall be considered a new participant. If a former
35 participant again becomes a participating member (or becomes
36 employed by a participating system under Article 20 of this

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

5 (k) If a participant in the self-managed plan who is vested
6 in State contributions terminates employment, the participant
7 shall be entitled to a benefit that is based on the account
8 values attributable to both State and member contributions and
9 any investment return thereon.

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

22 (l) The Commission on Government Forecasting and
23 Accountability shall conduct a study to determine the costs
24 associated with the implementation of the self-managed plan and
25 the transfer of eligible participants from the traditional
26 benefit package to the self-managed plan. The Commission on
27 Government Forecasting and Accountability shall report its
28 findings to the Governor and the General Assembly no later than
29 November 1, 2006.

30 (40 ILCS 5/2-162.1 new)

31 Sec. 2-162.1. New benefit increases. To the extent that the
32 changes made to this Article by this amendatory Act of the 94th
33 General Assembly authorizing the System to offer a self-managed
34 plan are determined to be a new benefit increase within the
35 meaning of Section 2-162, the changes made by this amendatory

1 Act are exempt from the provisions of subsection (d) of Section
2 2-162.

3 (40 ILCS 5/14-103.40 new)

4 Sec. 14-103.40. Traditional benefit package. "Traditional
5 benefit package" means the defined benefit retirement program
6 maintained by the System, which includes retirement annuities
7 payable directly from the System, as provided in Sections
8 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110, 14-112,
9 14-113, 14-114, and 14-115; disability benefits payable under
10 Sections 14-123, 14-123.1, 14-124, 14-125, 14-125.1, and
11 14-126; death benefits payable directly from the System, as
12 provided in Sections 14-116, 14-117, and 14-128; widow or
13 survivors annuities payable directly from the System, as
14 provided in Sections 14-118, 14-119, 14-120, 14-121, 14-121.1,
15 and 14-122; and contribution refunds, as provided in Section
16 14-130.

17 (40 ILCS 5/14-103.41 new)

18 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
19 means the defined contribution retirement program maintained
20 under the System, as described in Section 14-133.2. The
21 self-managed plan also includes disability benefits, as
22 provided in Sections 14-123, 14-123.1, 14-124, 14-125,
23 14-125.1, and 14-126. The self-managed plan does not include
24 retirement annuities, death benefits, widow or survivors
25 annuities payable directly from the System, as provided in
26 Sections 14-107, 14-108, 14-108.3, 14-108.4, 14-109, 14-110,
27 14-112, 14-113, 14-114, 14-115, 14-116, 14-117, 14-118,
28 14-119, 14-120, 14-121, 14-121.1, 14-122, and 14-128 or refunds
29 determined under Section 14-130.

30 (40 ILCS 5/14-105.8 new)

31 Sec. 14-105.8. Retirement program elections.

32 (a) For the purposes of this Section:

33 "Eligible employee" means either a currently eligible

1 employee or a newly eligible employee.

2 "Currently eligible employee" means an employee who is
3 employed by the State on the date on which the System first
4 offers the self-managed plan as an alternative to the
5 traditional benefit package.

6 "Newly eligible employee" means an employee who first
7 becomes employed under this Article after the date on which the
8 System first offers the self-managed plan as an alternative to
9 the traditional benefit package. A newly eligible employee
10 participates in the traditional benefit package unless he or
11 she makes an irrevocable election at the beginning of their
12 participation in the system to participate in the self-managed
13 plan.

14 (b) If the System offers to employees under this Article
15 the self-managed plan as an alternative to the traditional
16 benefit package, each eligible employee shall be given the
17 choice to elect which retirement program he or she wishes to
18 participate in with respect to all periods of covered
19 employment occurring on, before, and after the effective date
20 of the employee's election. The retirement program election
21 made by an eligible employee must be made in writing, in the
22 manner prescribed by the System, and within the time period
23 described in this Section.

24 The employee election authorized by this Section is a
25 one-time, irrevocable election. If an employee terminates
26 employment after making the election provided under this
27 Section, then upon his or her subsequent re-employment under
28 this Article the original election shall automatically apply to
29 him or her, provided that the System is then offering the
30 self-managed plan under Section 14-133.2.

31 An eligible employee who fails to make this election shall,
32 by default, participate in the traditional benefit package.

33 (c) An eligible employee may elect to participate in the
34 traditional benefit package or the self-managed plan.

35 A currently eligible employee must make this election
36 within one year after the effective date of the adoption of the

1 self-managed plan under Section 14-133.2.

2 A newly eligible employee must make this election within 6
3 months after the date on which the System receives the report
4 of status certification from the State.

5 (d) If a currently eligible participant elects to
6 participate in the self-managed plan, the System shall fund
7 their account as stated in subsection (f) of Section 14-133.2.

8 (e) An eligible employee shall be provided with written
9 information prepared or prescribed by the System that describes
10 the employee's retirement program choices. Each eligible
11 employee shall be offered an opportunity to receive counseling
12 from the System prior to making his or her election. This
13 counseling may consist of videotaped materials, group
14 presentations, individual consultation with an employee or
15 authorized representative of the System in person or by
16 telephone or other electronic means, or any combination of
17 these methods.

18 (40 ILCS 5/14-133) (from Ch. 108 1/2, par. 14-133)

19 Sec. 14-133. Contributions on behalf of members.

20 (a) Each participating employee shall make contributions
21 to the System, based on the employee's compensation, as
22 follows:

23 (1) Covered employees, except as indicated below, 3.5%
24 for retirement annuity, and 0.5% for a widow or survivors
25 annuity;

26 (2) Noncovered employees, except as indicated below,
27 7% for retirement annuity and 1% for a widow or survivors
28 annuity;

29 (3) Noncovered employees serving in a position in which
30 "eligible creditable service" as defined in Section 14-110
31 may be earned, 1% for a widow or survivors annuity plus the
32 following amount for retirement annuity: 8.5% through
33 December 31, 2001; 9.5% in 2002; 10.5% in 2003; and 11.5%
34 in 2004 and thereafter;

35 (4) Covered employees serving in a position in which

1 "eligible creditable service" as defined in Section 14-110
2 may be earned, 0.5% for a widow or survivors annuity plus
3 the following amount for retirement annuity: 5% through
4 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
5 and thereafter;

6 (5) Each security employee of the Department of
7 Corrections or of the Department of Human Services who is a
8 covered employee, 0.5% for a widow or survivors annuity
9 plus the following amount for retirement annuity: 5%
10 through December 31, 2001; 6% in 2002; 7% in 2003; and 8%
11 in 2004 and thereafter;

12 (6) Each security employee of the Department of
13 Corrections or of the Department of Human Services who is
14 not a covered employee, 1% for a widow or survivors annuity
15 plus the following amount for retirement annuity: 8.5%
16 through December 31, 2001; 9.5% in 2002; 10.5% in 2003; and
17 11.5% in 2004 and thereafter.

18 Notwithstanding any provision in this subsection (a) to the
19 contrary, in the case of an employee who participates in the
20 self-managed plan under Section 14-133.2, contributions for
21 widow or survivors annuities shall instead be used by the
22 System to fund the benefits in Sections 14-123, 14-123.1,
23 14-124, 14-125, 14-125.1, and 14-126.

24 (b) Contributions shall be in the form of a deduction from
25 compensation and shall be made notwithstanding that the
26 compensation paid in cash to the employee shall be reduced
27 thereby below the minimum prescribed by law or regulation. Each
28 member is deemed to consent and agree to the deductions from
29 compensation provided for in this Article, and shall receipt in
30 full for salary or compensation.

31 (Source: P.A. 92-14, eff. 6-28-01.)

32 (40 ILCS 5/14-133.2 new)

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

34 (a) The General Assembly finds that it is important for
35 Illinois to be able to attract and retain the most qualified

1 employees and that in order to attract and retain these
2 employees, the State of Illinois should have the flexibility to
3 provide the defined contribution plan as an alternative for
4 eligible employees who elect not to participate in a defined
5 benefit retirement program provided under this Article.
6 Accordingly, the State Employees Retirement System of Illinois
7 is hereby authorized to establish and administer a self-managed
8 plan, which shall offer participating employees the
9 opportunity to accumulate assets for retirement through a
10 combination of employee and employer contributions that may be
11 invested in mutual funds, collective investment funds, or other
12 investment products and used to purchase annuity contracts,
13 either fixed or variable or a combination of fixed and
14 variable. The plan must be qualified under the Internal Revenue
15 Code of 1986.

16 (b) The Board may adopt the self-managed plan established
17 under this Section for members under this Article. The State's
18 election to adopt the self-managed plan makes available to the
19 eligible employees of the State of Illinois the elections
20 described in Section 14-105.8.

21 The State Employees Retirement System of Illinois shall be
22 the plan sponsor for the self-managed plan and shall prepare a
23 plan document and adopt such rules and procedures as are
24 considered necessary or desirable for the administration of the
25 self-managed plan. Consistent with its fiduciary duty to the
26 participants and beneficiaries of the self-managed plan, the
27 Board of Trustees of the System may delegate aspects of plan
28 administration as it sees fit to companies authorized to do
29 business in this State.

30 (c) The System shall solicit proposals to provide
31 administrative services and funding vehicles for the
32 self-managed plan from insurance and annuity companies and
33 mutual fund companies, banks, trust companies, or other
34 financial institutions authorized to do business in this State.
35 In reviewing the proposals received and approving and
36 contracting with no fewer than 2 and no more than 7 companies,

1 the Board of Trustees of the System shall consider, among other
2 things, the following criteria:

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

5 (2) the reasonableness of the benefits in relation to
6 the premium charged;

7 (3) the suitability of the benefits to the needs and
8 interests of the participating employees and the State;

9 (4) the ability of the company to provide benefits
10 under the contract and the financial stability of the
11 company; and

12 (5) the efficacy of the contract in the recruitment and
13 retention of employees.

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

19 (d) Employees who are participating in the program must be
20 allowed to direct the transfer of their account balances among
21 the various investment options offered, subject to applicable
22 contractual provisions. The participant shall not be deemed a
23 fiduciary by reason of providing such investment direction. A
24 person who is a fiduciary shall not be liable for any loss
25 resulting from such investment direction and shall not be
26 deemed to have breached any fiduciary duty by acting in
27 accordance with that direction. Neither the System nor the
28 employer shall guarantee any of the investments in the
29 employee's account balances.

30 (e) An employee eligible to participate in the self-managed
31 plan must make a written election in accordance with the
32 provisions of Section 14-105.8 and the procedures established
33 by the System. Participation in the self-managed plan by an
34 electing employee shall begin on the first day of the first pay
35 period following the later of the date the employee's election
36 is filed with the System or the effective date of the

1 self-managed plan. The System shall not make the self-managed
2 plan available earlier than January 1, 2007. An employee's
3 participation in the traditional benefit package under this
4 Article shall terminate on the date that participation in the
5 self-managed plan begins.

6 An employee who has elected to participate in the
7 self-managed plan under this Section must continue
8 participation while employed in an eligible position, and may
9 not participate in the traditional benefit package
10 administered by the System under this Article while employed by
11 the State under this Article, unless the self-managed plan is
12 terminated in accordance with subsection (i).

13 Participation in the self-managed plan under this Section
14 shall constitute membership in the State Employees' Retirement
15 System of Illinois.

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

18 (f) If, at the time an employee elects to participate in
19 the self-managed plan, the employee has rights and credits in
20 the System due to previous participation in the traditional
21 benefit package, the System shall establish for the employee an
22 opening account balance in the self-managed plan, equal to (i)
23 the amount of the contribution refund that the employee would
24 be eligible to receive under Section 14-130 if the employee
25 terminated employment on that date and elected a refund of
26 contributions, plus (ii) an amount equal to the regular
27 employer contribution that would be required to fund the actual
28 regular cost incurred for each year of service credit earned,
29 provided that the total opening account balance does not exceed
30 7.6% of that participant's salary for that year, plus interest.
31 The interest used in this subsection (f) is calculated as the
32 average annual rate of return that the System has earned over
33 the past 20 fiscal years and is compounded. The System shall
34 transfer assets from the defined benefit retirement program to
35 the self-managed plan, as a tax-free transfer in accordance
36 with Internal Revenue Service guidelines, for purposes of

1 funding the employee's opening account balance.

2 (g) Notwithstanding any other provision of this Article, an
3 employee may not purchase or receive service or service credit
4 applicable to the traditional benefit package under this
5 Article for any period during which the employee was a
6 participant in the self-managed plan established under this
7 Section.

8 (h) The self-managed plan shall be funded by contributions
9 from employees participating in the self-managed plan and State
10 contributions as provided in this Section.

11 The contribution rate for employees participating in the
12 self-managed plan under this Section shall be equal to the
13 employee contribution rate applicable to participants of the
14 same class under Section 14-133. This required contribution
15 shall be made as an employer pick-up under Section 414(h) of
16 the Internal Revenue Code of 1986 or any successor Section
17 thereof. Any employee participating in the System's
18 traditional benefit package prior to his or her election to
19 participate in the self-managed plan shall continue to have the
20 employer pick up the contributions required under Section
21 14-133. However, the amounts picked up after the election of
22 the self-managed plan shall be remitted to and treated as
23 assets of the self-managed plan. In no event shall the employee
24 have an option of receiving these amounts in cash. Employees
25 may make additional contributions to the self-managed plan in
26 accordance with procedures prescribed by the System, to the
27 extent permitted under rules adopted by the System.

28 The program shall provide for State contributions to be
29 credited to each self-managed plan participant an amount equal
30 to the regular employer contribution that would be required to
31 fund the actual regular cost incurred for each year of service
32 credit earned had the participant chosen to enroll in the
33 traditional benefit plan. This amount shall not surpass 7.6% of
34 the participant's salary in any year.

35 The System shall not be obligated to remit the required
36 employer contributions to any of the insurance and annuity

1 companies, mutual fund companies, banks, trust companies,
2 financial institutions, or other sponsors of any of the funding
3 vehicles offered under the self-managed plan until it has
4 received the required employer contributions from the State. In
5 the event of a deficiency in the amount of State contributions,
6 the System shall implement any procedures to obtain the
7 required funding from the General Revenue Fund.

8 An amount of employer contribution, not exceeding 1% of the
9 participating employee's salary, shall be used for the purpose
10 of providing the disability benefits of the System to the
11 employee. Prior to the beginning of each plan year under the
12 self-managed plan, the Board of Trustees shall determine, as a
13 percentage of salary, the amount of employer contributions to
14 be allocated during that plan year for providing disability
15 benefits for employees in the self-managed plan. The provisions
16 of this paragraph shall work in conjunction with the provisions
17 of subsection (a-1) of Section 14-133.

18 (i) The self-managed plan authorized under this Section may
19 be terminated by the System, subject to the terms of any
20 relevant contracts, and the System shall have no obligation to
21 re-establish the self-managed plan under this Section. This
22 Section does not create a right to continued participation in
23 any self-managed plan set up by the System under this Section.
24 If the self-managed plan is terminated, the participants shall
25 have the right to participate in the traditional benefit
26 package and receive service credit in the traditional benefit
27 package for any years of employment following the termination.

28 (j) A participant in the self-managed plan becomes vested
29 in the employer contributions credited to his or her accounts
30 in the self-managed plan on the earliest to occur of the
31 following: (1) completion of 8 years of service credit under
32 this Article; (2) the death of the participating employee while
33 employed by an employer under this Article, if the participant
34 has completed at least 1.5 years of service; or (3) the
35 participant's election to retire and apply the reciprocal
36 provisions of Article 20 of this Code.

1 A participant in the self-managed plan who receives a
2 distribution of his or her vested amounts from the self-managed
3 plan while not yet eligible for retirement under this Article
4 (and Article 20, if applicable) shall forfeit all service
5 credit and accrued rights in the System; if subsequently
6 re-employed, the participant shall be considered a new
7 employee. If a former participant again becomes a participating
8 employee (or becomes employed by a participating system under
9 Article 20 of this Code) and continues as such for at least 2
10 years, all rights, service credits, and previous status as a
11 participant shall be restored upon repayment of the amount of
12 the distribution, without interest.

13 (k) If an employee participating in the self-managed plan
14 who is vested in employer contributions terminates employment,
15 the employee shall be entitled to a benefit which is based on
16 the account values attributable to both employer and employee
17 contributions and any investment return thereon.

18 If an employee participating in the self-managed plan who
19 is not vested in employer contributions terminates employment,
20 the employee shall be entitled to a benefit based solely on the
21 account values attributable to the employee's contributions
22 and any investment return thereon, and the employer
23 contributions and any investment return thereon shall be
24 forfeited. Any employer contributions which are forfeited
25 shall be held in escrow by the company investing those
26 contributions and shall be used, as directed by the System, for
27 future allocations of employer contributions or for the
28 restoration of amounts previously forfeited by former
29 participants who again become participating employees.

30 (l) The Commission on Government Forecasting and
31 Accountability shall conduct a study to determine the costs
32 associated with the implementation of the self-managed plan and
33 the transfer of eligible participants from the traditional
34 benefit package to the self-managed plan. The Commission on
35 Government Forecasting and Accountability shall report its
36 findings to the Governor and the General Assembly no later than

1 November 1, 2006.

2 (40 ILCS 5/14-152.2 new)

3 Sec. 14-152.2. New benefit increases. To the extent that
4 the changes made to this Article by this amendatory Act of the
5 94th General Assembly authorizing the System to offer a
6 self-managed plan are determined to be a new benefit increase
7 within the meaning of Section 14-152.1, the changes made by
8 this amendatory Act are exempt from the provisions of
9 subsection (d) of Section 14-152.1.

10 (40 ILCS 5/16-104.1 new)

11 Sec. 16-104.1. Traditional benefit package. "Traditional
12 benefit package" means the defined benefit retirement program
13 maintained by the System, which includes retirement annuities
14 payable directly from the System, as provided in Sections
15 16-132 through 16-136.4; disability benefits payable under
16 Sections 16-149 through 16-149.5; survivor's benefits payable
17 directly from the System, as provided in Sections 16-140
18 through 16-143.1; and contribution refunds, as provided in
19 Sections 16-138, 16-143.2, and 16-151.

20 (40 ILCS 5/16-104.2 new)

21 Sec. 16-104.2. Self-managed plan. "Self-managed plan"
22 means the defined contribution retirement program maintained
23 by the System, as described in Section 16-158.2. The
24 self-managed plan also includes disability benefits, as
25 provided in Sections 16-149 through 16-149.5 (but disregarding
26 disability retirement annuities under Section 16-149.2). The
27 self-managed plan does not include retirement annuities or
28 survivor's benefits payable directly from the System as
29 provided in Sections 16-132 through 16-136.4, Sections 16-140
30 through 16-143.1, and Section 16-149.2, or refunds determined
31 under Sections 16-138, 16-143.2, and 16-151.

32 (40 ILCS 5/16-131.7 new)

1 Sec. 16-131.7. Retirement program elections.

2 (a) For the purposes of this Act:

3 "Eligible member" means a either a currently eligible
4 member or a newly eligible member.

5 "Currently eligible member" means a member who is employed
6 by an employer on the date on which the employer first offers
7 to its employees the self-managed plan as an alternative to the
8 traditional benefit package.

9 "Newly eligible member" is a member who first becomes
10 employed by an employer after the date on which the employer
11 first offers its members the self-managed plan as an
12 alternative to the traditional benefit package. A newly
13 eligible member participates in the traditional benefit
14 package until he or she makes an election to participate in the
15 self-managed plan.

16 (b) Effective as of the date that an employer elects, as
17 described in Section 16-158.2, to offer to its members the
18 self-managed plan as an alternative to the traditional benefit
19 package, each of that employer's eligible members shall be
20 given the choice to elect which retirement program he or she
21 wishes to participate in with respect to all periods of covered
22 employment occurring on and after the effective date of the
23 employee's election. The retirement program election made by an
24 eligible member must be made in writing, in the manner
25 prescribed by the System, and within the time period described
26 in this Section.

27 The member election authorized by this Section is a
28 one-time, irrevocable election. If a member terminates
29 employment after making the election provided under this
30 subsection (b), then upon his or her subsequent re-employment
31 with an employer the original election shall automatically
32 apply to him or her, provided that the employer is then a
33 participating employer as described in Section 16-158.2.

34 An eligible member who fails to make this election shall,
35 by default, participate in the traditional benefit package.

36 (c) An eligible member may elect to participate in the

1 traditional benefit package or the self-managed plan.

2 A currently eligible member must make this election within
3 one year after the effective date of the employer's adoption of
4 the self-managed plan.

5 A newly eligible member must make this election within 6
6 months after the date on which the System receives the report
7 of status certification from the employer.

8 (d) If a currently eligible participant elects to
9 participate in the self-managed plan, the System shall fund
10 their account as stated in subsection (f) of Section 16-158.2.
11 Employer contributions to the self-managed plan shall commence
12 as of the first pay period that begins after the System
13 receives the member's election.

14 (e) An eligible member shall be provided with written
15 information prepared or prescribed by the System that describes
16 the member's retirement program choices. The eligible member
17 shall be offered an opportunity to receive counseling from the
18 System prior to making his or her election. This counseling may
19 consist of videotaped materials, group presentations,
20 individual consultation with an employee or authorized
21 representative of the System in person or by telephone or other
22 electronic means, or any combination of these methods.

23 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)

24 Sec. 16-152. Contributions by members.

25 (a) Each member shall make contributions for membership
26 service to this System as follows:

27 (1) Effective July 1, 1998, contributions of 7.50% of
28 salary towards the cost of the retirement annuity. Such
29 contributions shall be deemed "normal contributions".

30 (2) Effective July 1, 1969, contributions of 1/2 of 1%
31 of salary toward the cost of the automatic annual increase
32 in retirement annuity provided under Section 16-133.1.

33 (3) Effective July 24, 1959, contributions of 1% of
34 salary towards the cost of survivor benefits. Such
35 contributions shall not be credited to the individual

1 account of the member and shall not be subject to refund
2 except as provided under Section 16-143.2.

3 (4) Effective July 1, 2005, contributions of 0.40% of
4 salary toward the cost of the early retirement without
5 discount option provided under Section 16-133.2. This
6 contribution shall cease upon termination of the early
7 retirement without discount option as provided in Section
8 16-176. The contributions made under this paragraph (4)
9 shall be used by the System to fund benefits under Sections
10 16-149 through 16-149.5 for those that participate in the
11 self-managed plan.

12 (b) The minimum required contribution for any year of
13 full-time teaching service shall be \$192.

14 (c) Contributions shall not be required of any annuitant
15 receiving a retirement annuity who is given employment as
16 permitted under Section 16-118 or 16-150.1.

17 (d) A person who (i) was a member before July 1, 1998, (ii)
18 retires with more than 34 years of creditable service, and
19 (iii) does not elect to qualify for the augmented rate under
20 Section 16-129.1 shall be entitled, at the time of retirement,
21 to receive a partial refund of contributions made under this
22 Section for service occurring after the later of June 30, 1998
23 or attainment of 34 years of creditable service, in an amount
24 equal to 1.00% of the salary upon which those contributions
25 were based.

26 (e) A member's contributions toward the cost of early
27 retirement without discount made under item (a)(4) of this
28 Section shall not be refunded if the member has elected early
29 retirement without discount under Section 16-133.2 and has
30 begun to receive a retirement annuity under this Article
31 calculated in accordance with that election. Otherwise, a
32 member's contributions toward the cost of early retirement
33 without discount made under item (a)(4) of this Section shall
34 be refunded according to whichever one of the following
35 circumstances occurs first:

36 (1) The contributions shall be refunded to the member,

1 without interest, within 120 days after the member's
2 retirement annuity commences, if the member does not elect
3 early retirement without discount under Section 16-133.2.

4 (2) The contributions shall be included, without
5 interest, in any refund claimed by the member under Section
6 16-151.

7 (3) The contributions shall be refunded to the member's
8 designated beneficiary (or if there is no beneficiary, to
9 the member's estate), without interest, if the member dies
10 without having begun to receive a retirement annuity under
11 this Article.

12 (4) The contributions shall be refunded to the member,
13 without interest, within 120 days after the early
14 retirement without discount option provided under Section
15 16-133.2 is terminated under Section 16-176.

16 (Source: P.A. 93-320, eff. 7-23-03; 94-4, eff. 6-1-05.)

17 (40 ILCS 5/16-158.2 new)

18 Sec. 16-158.2. Self-managed plan.

19 (a) The General Assembly finds that it is important for
20 schools to be able to attract and retain the most qualified
21 employees and that in order to attract and retain these
22 employees, schools should have the flexibility to provide a
23 defined contribution plan as an alternative for eligible
24 members who elect not to participate in a defined benefit
25 retirement program provided under this Article. Accordingly,
26 the Teachers' Retirement System of the State of Illinois is
27 hereby authorized to establish and administer a self-managed
28 plan, which shall offer participating members the opportunity
29 to accumulate assets for retirement through a combination of
30 member and employer contributions that may be invested in
31 mutual funds, collective investment funds, or other investment
32 products and used to purchase annuity contracts, either fixed
33 or variable or a combination of fixed and variable. The plan
34 must be qualified under the Internal Revenue Code of 1986.

35 (b) Each employer subject to this Article may elect to

1 adopt the self-managed plan established under this Section.
2 This election is irrevocable. An employer's election to adopt
3 the self-managed plan makes available to the eligible members
4 of that employer the elections described in Section 16-131.7.

5 The Teachers' Retirement System of the State of Illinois
6 shall be the plan sponsor for the self-managed plan and shall
7 prepare a plan document and adopt any rules and procedures as
8 are considered necessary or desirable for the administration of
9 the self-managed plan. Consistent with its fiduciary duty to
10 the participants and beneficiaries of the self-managed plan,
11 the Board of Trustees of the System may delegate aspects of
12 plan administration as it sees fit to companies authorized to
13 do business in this State, to the employers, or to a
14 combination of both.

15 (c) Selection of service providers and funding vehicles.
16 The System shall solicit proposals to provide administrative
17 services and funding vehicles for the self-managed plan from
18 insurance and annuity companies and mutual fund companies,
19 banks, trust companies, or other financial institutions
20 authorized to do business in this State. In reviewing the
21 proposals received and approving and contracting with no fewer
22 than 2 and no more than 7 companies, the Board of Trustees of
23 the System shall consider, among other things, the following
24 criteria:

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

27 (2) the reasonableness of the benefits in relation to
28 the premium charged;

29 (3) the suitability of the benefits to the needs and
30 interests of the participating members and employers;

31 (4) the ability of the company to provide benefits
32 under the contract and the financial stability of the
33 company; and

34 (5) the efficacy of the contract in the recruitment and
35 retention of employees.

36 The System shall periodically review each approved

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

5 (d) Participants in the program must be allowed to direct
6 the transfer of their account balances among the various
7 investment options offered, subject to applicable contractual
8 provisions. The participant shall not be deemed a fiduciary by
9 reason of providing such investment direction. A person who is
10 a fiduciary shall not be liable for any loss resulting from
11 such investment direction and shall not be deemed to have
12 breached any fiduciary duty by acting in accordance with that
13 direction. Neither the System nor the employer guarantees any
14 of the investments in the participant's account balances.

15 (e) A member eligible to participate in the self-managed
16 plan must make a written election in accordance with the
17 provisions of Section 16-131.7 and the procedures established
18 by the System. Participation in the self-managed plan by an
19 electing member shall begin on the first day of the first pay
20 period following the later of the date the employee's election
21 is filed with the System or the effective date as of which the
22 member's employer begins to offer participation in the
23 self-managed plan. Employers may not make the self-managed plan
24 available earlier than January 1, 2007. A members's
25 participation in the traditional benefit package under this
26 Article shall terminate on the date that participation in the
27 self-managed plan begins.

28 A member who has elected to participate in the self-managed
29 plan under this Section must continue participation while he or
30 she remains a member, and may not participate in the
31 traditional benefit package while employed by that employer or
32 any other employer under this Article that has adopted the
33 self-managed plan, unless the self-managed plan is terminated
34 in accordance with subsection (i).

35 Participation in the self-managed plan under this Section
36 shall constitute membership in the Teachers' Retirement System

1 of the State of Illinois.

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 an employee elects to participate in
5 the self-managed plan, the employee has rights and credits in
6 the System due to previous participation in the traditional
7 benefit package, the System shall establish for the employee an
8 opening account balance in the self-managed plan, equal to (i)
9 the amount of the contribution refund that the employee would
10 be eligible to receive under Section 16-143.2 and 16-151 if the
11 employee terminated employment on that date and elected a
12 refund of contributions, plus (ii) an amount equal to the
13 regular employer contribution that would be required to fund
14 the actual regular cost incurred for each year of service
15 credit earned, provided that the total opening account balance
16 does not exceed 7.6% of that participant's salary for that
17 year, plus interest. The interest used in this subsection (f)
18 is calculated as the average annual rate of return that the
19 System has earned over the past 20 fiscal years and is
20 compounded. The System shall transfer assets from the defined
21 benefit retirement program to the self-managed plan, as a
22 tax-free transfer in accordance with Internal Revenue Service
23 guidelines, for purposes of funding the employee's opening
24 account balance.

25 (g) Notwithstanding any other provision of this Article, a
26 member may not purchase or receive service or service credit
27 applicable to the traditional benefit package under this
28 Article for any period during which the member was a
29 participant in the self-managed plan established under this
30 Section.

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

34 The contribution rate for participants in the self-managed
35 plan under this Section shall be equal to the member
36 contribution rate for all participants in the System, as

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

15 The program shall provide for State contributions to be
16 credited to each self-managed plan participant an amount equal
17 to the regular employer contribution that would be required to
18 fund the actual regular cost incurred for each year of service
19 credit earned had the participant chosen to enroll in the
20 traditional benefit plan. This amount shall not surpass 7.6% of
21 the participant's salary in any year.

22 An amount of employer contribution, not exceeding 1% of the
23 participating member's salary, shall be used for the purpose of
24 providing the disability benefits of the System to the member.
25 Prior to the beginning of each plan year under the self-managed
26 plan, the Board of Trustees shall determine, as a percentage of
27 salary, the amount of member contributions to be allocated
28 during that plan year for providing disability benefits for
29 members in the self-managed plan. The provisions of this
30 paragraph shall be administered in conjunction with the
31 provisions of Section 16-132.

32 The State of Illinois shall make contributions by
33 appropriations to the System of the employer contributions
34 required for participants in the self-managed plan under this
35 Section. The amount required shall be certified by the Board of
36 Trustees of the System and paid by the State in accordance with

1 Section 16-158. The System shall not be obligated to remit the
2 required employer contributions to any of the insurance and
3 annuity companies, mutual fund companies, banks, trust
4 companies, financial institutions, or other sponsors of any of
5 the funding vehicles offered under the self-managed plan until
6 it has received the required employer contributions from the
7 State. In the event of a deficiency in the amount of State
8 contributions, the System shall implement those procedures
9 described in subsection (b-1) of Section 16-158 to obtain the
10 required funding from the Common School Fund.

11 (i) The self-managed plan authorized under this Section may
12 be terminated by the System, subject to the terms of any
13 relevant contracts, and the System shall have no obligation to
14 re-establish the self-managed plan under this Section. This
15 Section does not create a right to continued participation in
16 any self-managed plan set up by the System under this Section.
17 If the self-managed plan is terminated, the participating
18 members shall have the right to participate in the traditional
19 benefit program offered by the System and receive service
20 credit in that program for any employment following the
21 termination.

22 (j) A participant in the self-managed plan becomes vested
23 in the employer contributions credited to his or her accounts
24 in the self-managed plan on the earliest to occur of the
25 following: (1) attainment of at least 5 years of creditable
26 service under this Article; (2) the death of the participating
27 member while employed under this Article, if the participant
28 has completed at least 1.5 years of service; or (3) the
29 participant's election to retire and apply the reciprocal
30 provisions of Article 20 of this Code.

31 A participant in the self-managed plan who receives a
32 distribution of his or her vested amounts from the self-managed
33 plan while not yet eligible for retirement under this Article
34 (and Article 20, if applicable) shall forfeit all service
35 credit and accrued rights in the System; if subsequently
36 re-employed under this Article, the participant shall be

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

8 (k) If a member participating in the self-managed plan who
9 is vested in employer contributions terminates employment, the
10 member shall be entitled to a benefit that is based on the
11 account values attributable to both employer and member
12 contributions and any investment return thereon.

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

25 (l) The Commission on Government Forecasting and
26 Accountability shall conduct a study to determine the costs
27 associated with the implementation of the self-managed plan and
28 the transfer of eligible participants from the traditional
29 benefit package to the self-managed plan. The Commission on
30 Government Forecasting and Accountability shall report its
31 findings to the Governor and the General Assembly no later than
32 November 1, 2006.

33 (40 ILCS 5/16-203.1 new)

34 Sec. 16-203.1. New benefit increases. To the extent that
35 the changes made to this Article by this amendatory Act of the

1 94th General Assembly authorizing the System to offer a
2 self-managed plan are determined to be a new benefit increase
3 within the meaning of Section 16-203, the changes made by this
4 amendatory Act are exempt from the provisions of subsection (d)
5 of Section 16-203.

6 (40 ILCS 5/18-105.1 new)

7 Sec. 18-105.1. Traditional benefit package. "Traditional
8 benefit package" means the defined benefit retirement program
9 maintained by the System, which includes retirement annuities
10 payable directly from the System, as provided in Sections
11 18-124 through 18-125.1; disability retirement annuities
12 payable under Sections 18-126 and 18-126.1; survivor's
13 annuities payable directly from the System, as provided in
14 Section 18-123 and Sections 18-128 through 18-128.1 and Section
15 18-128.3; and contribution refunds as provided in Section
16 18-129.

17 (40 ILCS 5/18-105.2 new)

18 Sec. 18-105.2. Self-managed plan. "Self-managed plan"
19 means the defined contribution retirement program maintained
20 by the System, as described in Section 18-133.2. The
21 self-managed plan also includes disability benefits, as
22 provided in Section 18-126.1. The self-managed plan does not
23 include retirement annuities or survivor's annuities payable
24 directly from the System, as provided in Section 18-123,
25 Sections 18-124 through 18-126, Sections 18-128 through
26 18-128.1, and Section 18-128.3 or refunds determined under
27 Section 18-129.

28 (40 ILCS 5/18-123.3 new)

29 Sec. 18-123.3. Retirement program elections.

30 (a) For the purposes of this Section:

31 "Eligible participant" means either a currently eligible
32 participant or a newly eligible participant.

33 "Currently eligible participant" means a participant who

1 is employed as a judge on the date on which the System first
2 offers the self-managed plan as an alternative to the
3 traditional benefit package.

4 "Newly eligible participant" means a participant who first
5 becomes employed as a judge after the date on which the System
6 first offers the self-managed plan as an alternative to the
7 traditional benefit package. A newly eligible participant
8 participates in the traditional benefit package until he or she
9 makes an election to participate in the self-managed plan.

10 (b) If the System offers to participants the self-managed
11 plan as an alternative to the traditional benefit package, each
12 eligible participant shall be given the choice to elect which
13 retirement program he or she wishes to participate in with
14 respect to all periods of covered employment occurring on or
15 after the effective date of the participant's election. The
16 retirement program election made by an eligible participant
17 must be made in writing, in the manner prescribed by the
18 System, and within the time period described in this Section.

19 The participant election authorized by this Section is a
20 one-time, irrevocable election. If a participant terminates
21 employment as a judge after making the election provided under
22 this subsection (b), then upon his or her subsequent
23 re-employment as a judge shall automatically apply to him or
24 her, provided that the System is then offering the self-managed
25 plan under Section 18-133.2.

26 An eligible participant who fails to make this election
27 shall, by default, participate in the traditional benefit
28 package.

29 (c) An eligible participant may elect to participate in the
30 traditional benefit package or the self-managed plan.

31 A currently eligible participant must make this election
32 within one year after the effective date of the employer's
33 adoption of the self-managed plan.

34 A newly eligible participant must make this election within
35 6 months after the date on which the System receives the report
36 of status certification from the employer.

1 (d) If a currently eligible participant elects to
2 participate in the self-managed plan, the System shall fund
3 their account as stated in subsection (f) of Section 18-133.2.
4 Employer contributions to the self-managed plan shall commence
5 as of the first pay period that begins after the System
6 receives the member's election.

7 (e) An eligible participant shall be provided with written
8 information prepared or prescribed by the System that describes
9 the participant's retirement program choices. The eligible
10 participant shall be offered an opportunity to receive
11 counseling from the System prior to making his or her election.
12 This counseling may consist of videotaped materials, group
13 presentations, individual consultation with an employee or
14 authorized representative of the System in person or by
15 telephone or other electronic means, or any combination of
16 these methods.

17 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

18 Sec. 18-133. Financing; employee contributions.

19 (a) Effective July 1, 1967, each participant is required to
20 contribute 7 1/2% of each payment of salary toward the
21 retirement annuity. Such contributions shall continue during
22 the entire time the participant is in service, with the
23 following exceptions:

24 (1) Contributions for the retirement annuity are not
25 required on salary received after 18 years of service by
26 persons who were participants before January 2, 1954.

27 (2) A participant who continues to serve as a judge
28 after becoming eligible to receive the maximum rate of
29 annuity may elect, through a written direction filed with
30 the Board, to discontinue contributing to the System. Any
31 such option elected by a judge shall be irrevocable unless
32 prior to January 1, 2000, and while continuing to serve as
33 judge, the judge (A) files with the Board a letter
34 cancelling the direction to discontinue contributing to
35 the System and requesting that such contributing resume,

1 and (B) pays into the System an amount equal to the total
2 of the discontinued contributions plus interest thereon at
3 5% per annum. Service credits earned in any other
4 "participating system" as defined in Article 20 of this
5 Code shall be considered for purposes of determining a
6 judge's eligibility to discontinue contributions under
7 this subdivision (a) (2).

8 (3) A participant who (i) has attained age 60, (ii)
9 continues to serve as a judge after becoming eligible to
10 receive the maximum rate of annuity, and (iii) has not
11 elected to discontinue contributing to the System under
12 subdivision (a) (2) of this Section (or has revoked any such
13 election) may elect, through a written direction filed with
14 the Board, to make contributions to the System based only
15 on the amount of the increases in salary received by the
16 judge on or after the date of the election, rather than the
17 total salary received. If a judge who is making
18 contributions to the System on the effective date of this
19 amendatory Act of the 91st General Assembly makes an
20 election to limit contributions under this subdivision
21 (a) (3) within 90 days after that effective date, the
22 election shall be deemed to become effective on that
23 effective date and the judge shall be entitled to receive a
24 refund of any excess contributions paid to the System
25 during that 90-day period; any other election under this
26 subdivision (a) (3) becomes effective on the first of the
27 month following the date of the election. An election to
28 limit contributions under this subdivision (a) (3) is
29 irrevocable. Service credits earned in any other
30 participating system as defined in Article 20 of this Code
31 shall be considered for purposes of determining a judge's
32 eligibility to make an election under this subdivision
33 (a) (3).

34 (b) Beginning July 1, 1969, each participant is required to
35 contribute 1% of each payment of salary towards the automatic
36 increase in annuity provided in Section 18-125.1. However, such

1 contributions need not be made by any participant who has
2 elected prior to September 15, 1969, not to be subject to the
3 automatic increase in annuity provisions.

4 (c) Effective July 13, 1953, each married participant
5 subject to the survivor's annuity provisions is required to
6 contribute 2 1/2% of each payment of salary, whether or not he
7 or she is required to make any other contributions under this
8 Section. Such contributions shall be made concurrently with the
9 contributions made for annuity purposes.

10 Notwithstanding any provision in this subsection (c) to the
11 contrary, in the case of an employee who participates in the
12 self-managed plan under Section 18-133.2, contributions for
13 survivor's annuity shall be used to fund benefits under Section
14 18-133.2.

15 (Source: P.A. 91-653, eff. 12-10-99.)

16 (40 ILCS 5/18-133.2 new)

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

18 (a) The General Assembly finds that it is important to be
19 able to attract and retain the most qualified judges and that
20 in order to attract and retain these judges, the System should
21 have the flexibility to provide a defined contribution plan as
22 an alternative for eligible participants who elect not to
23 participate in a defined benefit retirement program provided
24 under this Article. Accordingly, the Judges Retirement System
25 of Illinois is hereby authorized to establish and administer a
26 self-managed plan, which shall offer participants the
27 opportunity to accumulate assets for retirement through a
28 combination of participant and employer contributions that may
29 be invested in mutual funds, collective investment funds, or
30 other investment products and used to purchase annuity
31 contracts, either fixed or variable or a combination thereof.
32 The plan must be qualified under the Internal Revenue Code of
33 1986.

34 (b) The Board may adopt the self-managed plan established
35 under this Section. An employer's election to adopt the

1 self-managed plan makes available to the eligible participants
2 of that employer the elections described in Section 18-133.2.

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

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

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

23 (2) the reasonableness of the benefits in relation to
24 the premium charged;

25 (3) the suitability of the benefits to the needs and
26 interests of the participants and the employer;

27 (4) the ability of the company to provide benefits
28 under the contract and the financial stability of the
29 company; and

30 (5) the efficacy of the contract in the recruitment and
31 retention of judges.

32 The System shall periodically review each approved
33 company. A company may continue to provide administrative
34 services and funding vehicles for the self-managed plan only so
35 long as it continues to be an approved company under contract
36 with the Board.

1 (d) Participants who are under the self-managed plan must
2 be allowed to direct the transfer of their account balances
3 among the various investment options offered, subject to
4 applicable contractual provisions. The participant shall not
5 be deemed a fiduciary by reason of providing such investment
6 direction. A person who is a fiduciary shall not be liable for
7 any loss resulting from such investment direction and shall not
8 be deemed to have breached any fiduciary duty by acting in
9 accordance with that direction. Neither the System nor the
10 State guarantees any of the investments in the participant's
11 account balances.

12 (e) A person eligible to participate in the self-managed
13 plan must make a written election in accordance with the
14 provisions of Section 18-133.2 and the procedures established
15 by the System. Participation in the self-managed plan by an
16 electing participant shall begin on the first day of the month
17 next following the month in which the participant's election is
18 filed with the System, but not sooner than the effective date
19 of the self-managed plan. The System shall not make the
20 self-managed plan available earlier than January 1, 2007. A
21 participant's participation in the traditional benefit package
22 administered by the System under this Article shall terminate
23 on the date that participation in the self-managed plan begins.

24 A participant who has elected to participate in the
25 self-managed plan under this Section must continue
26 participation while employed as a judge, and may not
27 participate in the traditional benefit package administered by
28 the System under this Article while employed as a judge, unless
29 the self-managed plan is terminated in accordance with
30 subsection (i).

31 Participation in the self-managed plan under this Section
32 shall constitute membership in the Judges Retirement System of
33 Illinois.

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

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

1 the self-managed plan, the participant rights and credits in
2 the System due to previous participation in the traditional
3 benefit package, the System shall establish for the participant
4 an opening account balance in the self-managed plan, equal to
5 (i) the amount of the contribution refund that the participant
6 would be eligible to receive under Section 18-129 if the
7 participant terminated employment on that date and elected a
8 refund of contributions, plus (ii) an amount equal to the
9 regular employer contribution that would be required to fund
10 the actual regular cost incurred for each year of service
11 credit earned, provided that the total opening account balance
12 does not exceed 7.6% of that participant's salary for that
13 year, plus interest. The interest used in this subsection (f)
14 is calculated as the average annual rate of return that the
15 System has earned over the past 20 fiscal years and is
16 compounded. The System shall transfer assets from the defined
17 benefit retirement program to the self-managed plan, as a
18 tax-free transfer in accordance with Internal Revenue Service
19 guidelines, for purposes of funding the participant's opening
20 account balance.

21 (g) Notwithstanding any other provision of this Article, a
22 participant may not purchase or receive service or service
23 credit applicable to the traditional benefit package under this
24 Article for any period during which the participant was covered
25 under the self-managed plan established under this Section.

26 (h) The self-managed plan shall be funded by contributions
27 from participants participating in the self-managed plan and
28 State contributions as provided in this Section.

29 The contribution rate for persons participating in the
30 self-managed plan under this Section shall be equal to the
31 participant contribution rate for other participants in the
32 System, as provided in Section 18-133. This required
33 contribution shall be made as an employer pick-up under Section
34 414(h) of the Internal Revenue Code of 1986 or any successor
35 Section thereof. Any employee participating in the System's
36 traditional benefit package prior to his or her election to

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

10 The program shall provide for State contributions to be
11 credited to each self-managed plan participant an amount equal
12 to the regular employer contribution that would be required to
13 fund the actual regular cost incurred for each year of service
14 credit earned had the participant chosen to enroll in the
15 traditional benefit plan. This amount shall not surpass 7.6% of
16 the participant's salary in any year.

17 An amount of participant contribution, not exceeding 1% of
18 the participant's salary, shall be used for the purpose of
19 providing the disability benefits of the System to the
20 employee. Prior to the beginning of each plan year under the
21 self-managed plan, the Board of Trustees shall determine, as a
22 percentage of salary, the amount of participant contributions
23 to be allocated during that plan year for providing disability
24 benefits for participants in the self-managed plan. The
25 provisions of this paragraph shall be administered in
26 conjunction with the provisions of Section 18-124.

27 The State of Illinois shall make contributions by
28 appropriations to the System of the employer contributions
29 required for participants who are covered under the
30 self-managed plan under this Section. The amount required shall
31 be certified by the Board of Trustees of the System and paid by
32 the State in accordance with Section 18-140. The System shall
33 not be obligated to remit the required employer contributions
34 to any of the insurance and annuity companies, mutual fund
35 companies, banks, trust companies, financial institutions, or
36 other sponsors of any of the funding vehicles offered under the

1 self-managed plan until it has received the required employer
2 contributions from the State. In the event of a deficiency in
3 the amount of State contributions, the System shall implement
4 those procedures described in subsection (b) of Section 18-140
5 to obtain the required funding from the General Revenue Fund.

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

17 (j) A participant in the self-managed plan becomes vested
18 in the employer contributions credited to his or her accounts
19 in the self-managed plan on the earliest to occur of the
20 following: (1) attainment of 6 years of service credit; (2) the
21 death of the participant while employed as a judge, if the
22 participant has completed at least 1.5 years of service; or (3)
23 the participant's election to retire and apply the reciprocal
24 provisions of Article 20 of this Code.

25 A participant in the self-managed plan who receives a
26 distribution of his or her vested amounts from the self-managed
27 plan while not yet eligible for retirement under this Article
28 (and Article 20, if applicable) shall forfeit all service
29 credit and accrued rights in the System; if subsequently
30 re-employed as a judge, the participant shall be considered a
31 new employee. If a former participant again becomes a
32 participating employee (or becomes employed by a participating
33 system under Article 20 of this Code) and continues as such for
34 at least 2 years, all such rights, service credits, and
35 previous status as a participant shall be restored upon
36 repayment of the amount of the distribution, without interest.

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

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

18 (l) The Commission on Government Forecasting and
19 Accountability shall conduct a study to determine the costs
20 associated with the implementation of the self-managed plan and
21 the transfer of eligible participants from the traditional
22 benefit package to the self-managed plan. The Commission on
23 Government Forecasting and Accountability shall report its
24 findings to the Governor and the General Assembly no later than
25 November 1, 2006.

26 (40 ILCS 5/18-169.1 new)

27 Sec. 18-169.1. To the extent that the changes made to this
28 Article by this amendatory Act of the 94th General Assembly
29 authorizing the System to offer a self-managed plan are
30 determined to be a new benefit increase within the meaning of
31 Section 18-169, the changes made by this amendatory Act are
32 exempt from the provisions of subsection (d) of Section 18-169.

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