



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB5754

Introduced 2/16/2012, by Rep. Mike Fortner

SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly, State Employees, State Universities, Downstate Teachers, and Judges Articles of the Illinois Pension Code. Requires each retirement system that does not already have a self-managed plan to establish and maintain one. Authorizes participants to irrevocably elect to participate in the self-managed plan. Provides that, for the purpose of calculating traditional benefit package benefits and contributions, the annual salary of a participant may not, except under certain circumstances, exceed the greater of (i) the annual salary cap for new hires or (ii) the annual salary of the participant during the 365 days immediately before the effective date of the amendatory Act. Requires participation in the self-managed plan to the extent that a participant's salary exceeds the salary cap. Revises the schedule of contributions for participants. Shifts a portion of the employer contributions for downstate teachers and university employees from the State to the actual employer. Authorizes the Boards of Trustees of each system to triennially recalculate the normal cost of benefit plans offered by the systems. Defines "traditional benefit package" and "self-managed plan". Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB097 19807 EFG 65077 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by adding
5 Sections 2-103.1, 2-103.2, 2-108.2, 2-126.2, 2-134.1,
6 14-103.12a, 14-103.40, 14-103.41, 14-133.2, 14-135.08a,
7 15-112.1, 15-165.1, 16-121.1, 16-122.2, 16-122.3, 16-158.2,
8 16-181.4, 18-111.1, 18-118.1, 18-118.2, 18-133.2, and 18-140.1
9 and by changing Sections 2-126, 14-133, 15-157, 15-158.2,
10 16-152, and 18-133 as follows:

11 (40 ILCS 5/2-103.1 new)

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

20 (40 ILCS 5/2-103.2 new)

21 Sec. 2-103.2. Self-managed plan. "Self-managed plan" means
22 the defined contribution retirement program maintained by the

1 System, as described in Section 2-126.2. The self-managed plan
2 does not include retirement annuities or survivor's benefits
3 payable directly from the System, as provided in Sections
4 2-119, 2-119.01, 2-119.1, 2-120, 2-121, 2-121.1, 2-121.2, and
5 2-121.3 or refunds determined under Section 2-123.

6 (40 ILCS 5/2-108.2 new)

7 Sec. 2-108.2. Limitation on salary. For the purpose of
8 calculating traditional benefit package benefits and
9 contributions, the annual earnings, salary, or wages of a
10 participant shall not exceed the greater of (i) the amount
11 specified under subsection (b-5) of Section 1-160 or (ii) the
12 annual salary of the participant during the 365 days
13 immediately before the effective date of this Section.

14 (40 ILCS 5/2-126) (from Ch. 108 1/2, par. 2-126)

15 Sec. 2-126. Contributions by participants.

16 (a) Each participant shall contribute toward the cost of
17 his or her retirement annuity a percentage of each payment of
18 salary received by him or her for service as a member as
19 follows: for service between October 31, 1947 and January 1,
20 1959, 5%; for service between January 1, 1959 and June 30,
21 1969, 6%; for service between July 1, 1969 and January 10,
22 1973, 6 1/2%; for service after January 10, 1973, 7%; for
23 service after December 31, 1981, 8 1/2%.

24 (b) Beginning August 2, 1949, each male participant, and

1 from July 1, 1971, each female participant shall contribute
2 towards the cost of the survivor's annuity 2% of salary.

3 A participant who has no eligible survivor's annuity
4 beneficiary may elect to cease making contributions for
5 survivor's annuity under this subsection. A survivor's annuity
6 shall not be payable upon the death of a person who has made
7 this election, unless prior to that death the election has been
8 revoked and the amount of the contributions that would have
9 been paid under this subsection in the absence of the election
10 is paid to the System, together with interest at the rate of 4%
11 per year from the date the contributions would have been made
12 to the date of payment.

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

18 (d) In addition, each participant serving as an officer of
19 the General Assembly shall contribute, for the same purposes
20 and at the same rates as are required of a regular participant,
21 on each additional payment received as an officer. If the
22 participant serves as an officer for at least 2 but less than 4
23 years, he or she shall contribute an amount equal to the amount
24 that would have been contributed had the participant served as
25 an officer for 4 years. Persons who serve as officers in the
26 87th General Assembly but cannot receive the additional payment

1 to officers because of the ban on increases in salary during
2 their terms may nonetheless make contributions based on those
3 additional payments for the purpose of having the additional
4 payments included in their highest salary for annuity purposes;
5 however, persons electing to make these additional
6 contributions must also pay an amount representing the
7 corresponding employer contributions, as calculated by the
8 System.

9 (e) Notwithstanding any other provision of this Article,
10 the required contribution of a participant who first becomes a
11 participant on or after January 1, 2011 shall not exceed the
12 contribution that would be due under this Article if that
13 participant's highest salary for annuity purposes were
14 \$106,800, plus any increases in that amount under Section
15 2-108.1.

16 (e-1) Notwithstanding any provision of this Code to the
17 contrary, (i) for a participant who does not file an election
18 under subsection (a-5) of Section 2-126.2, any contributions on
19 amounts of salary in excess of the amount specified under
20 Section 2-108.2 for that year shall instead be used to finance
21 self-managed plan benefits and (ii) for a participant who files
22 an election under subsection (a-5) of Section 2-126.2, any
23 contributions made after the date of the election, including
24 the contributions for a survivor's annuity, shall be used to
25 finance the benefits under Section 2-126.2. Notwithstanding
26 any provision of this Code to the contrary, a participant who

1 does not file an election under subsection (a-5) of Section
2 2-126.2 shall contribute toward the traditional benefit
3 package a percentage of salary equal to the greater of (i)
4 one-half of the normal cost of the traditional benefit package
5 or (ii) 6% of salary.

6 (Source: P.A. 96-1490, eff. 1-1-11.)

7 (40 ILCS 5/2-126.2 new)

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

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

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

1 business in this State.

2 (a-5) A participant may file an irrevocable election to
3 transfer to the self-managed plan an amount equal to the
4 participant's total contributions under the traditional
5 benefit package, with interest. By filing the election, a
6 participant forfeits all accrued rights and benefits under the
7 traditional benefit package.

8 (b) Notwithstanding any other provision of this Code, (i)
9 for a participant who does not file an election under
10 subsection (a-5) of this Section, any portion of his or her
11 salary that exceeds the amount specified in Section 2-108.2 for
12 that year shall be subject to the self-managed plan and (ii)
13 for a participant who files an election under subsection (a-5)
14 of this Section, the entirety of the participant's salary
15 shall, after the date of the election, be subject to the
16 self-managed plan created under this Section.

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

26 (1) the nature and extent of the benefits that would be

1 provided to the participants;

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

4 (3) the suitability of the benefits to the needs and
5 interests of the participants and the State; and

6 (4) the ability of the company to provide benefits
7 under the contract and the financial stability of the
8 company.

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

14 In addition to the companies approved by the System under
15 this subsection (c), the System may offer its participants an
16 investment fund managed by the Illinois State Board of
17 Investment.

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

1 of the investments in the participant's account balances.

2 (e) Participation in the self-managed plan under this
3 Section shall constitute participation in the General Assembly
4 Retirement System.

5 (f) 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 shall be, (i) for a participant who does not file an
10 election under subsection (a-5) of this Section, 6% of the
11 amount of salary in excess of the limit specified in Section
12 2-108.2 in that year, in addition to the amount specified under
13 subsection (e-1) of Section 2-126 for that year and (ii) for a
14 participant who files an election under subsection (a-5) of
15 Section 2-126.2, 8% of any amount of salary up to and including
16 the limit specified in Section 2-108.2 for that year and 6% of
17 any amount of salary in excess of that limit for that year.
18 This required contribution shall be made as an employer pick-up
19 under Section 414(h) of the Internal Revenue Code of 1986 or
20 any successor Section thereof. Any participant in the System's
21 traditional benefit package prior to his or her election to
22 participate in the self-managed plan shall continue to have the
23 employer pick up the contributions required under Section
24 2-126. However, the amounts picked up after the election of the
25 self-managed plan shall be remitted to and treated as assets of
26 the self-managed plan. In no event shall a participant have the

1 option of receiving these amounts in cash. Participants may
2 make additional contributions to the self-managed plan in
3 accordance with procedures prescribed by the System, to the
4 extent permitted under rules adopted by the System.

5 The program shall provide for State contributions to the
6 self-managed plan in the following amounts: (i) for a
7 participant who does not file an election under subsection
8 (a-5) of this Section, 3% of the amount of salary in excess of
9 the limit specified in Section 2-108.2 for that year and (ii)
10 for a participant who does not file an election under
11 subsection (a-5) of this Section, 7.1% of any amount of salary
12 up to and including the limit specified in Section 2-108.2 for
13 that year and 3% of any amount of salary in excess of that
14 limit for that year.

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

26 (g) If a participant in the self-managed plan who is

1 otherwise vested under this Article terminates employment, the
2 participant shall be entitled to a benefit that is based on the
3 account values attributable to both State and member
4 contributions and any investment return thereon.

5 If a participant in the self-managed plan who is not
6 otherwise vested under this Article terminates employment, the
7 participant shall be entitled to a benefit based solely on the
8 account values attributable to the participant's contributions
9 and any investment return thereon, and the State contributions
10 and any investment return thereon shall be forfeited. Any State
11 contributions that are forfeited shall be held in escrow by the
12 company investing those contributions and shall be used, as
13 directed by the System, for future allocations of State
14 contributions.

15 (40 ILCS 5/2-134.1 new)

16 Sec. 2-134.1. To calculate the normal cost of benefits. To
17 calculate the normal cost of each plan offered by the system as
18 a percentage of salary and to update those amounts at least
19 every 3 years.

20 (40 ILCS 5/14-103.12a new)

21 Sec. 14-103.12a. Limitation on compensation. For the
22 purpose of calculating traditional benefit package benefits
23 and contributions, the annual earnings, salary, or wages of a
24 participant shall not exceed the greater of (i) the amount

1 specified under subsection (b-5) of Section 1-160 or (ii) the
2 annual salary of the participant during the 365 days
3 immediately before the effective date of this Section. If,
4 however, an employment contract that is in place on or before
5 the effective date of this Section authorizes an increase in
6 earnings, salary, or wages on or after the effective date of
7 this Section, then the annual earnings, salary, or wages of the
8 participant during the 365 days that immediately precede the
9 date that the contract expires may be used in lieu of the
10 amount specified in item (ii) of this Section.

11 (40 ILCS 5/14-103.40 new)

12 Sec. 14-103.40. Traditional benefit package. "Traditional
13 benefit package" means the defined benefit retirement program
14 maintained by the System, which includes retirement annuities
15 payable directly from the System, as provided in Sections
16 14-107, 14-108, 14-113, and 14-114; survivor's annuities
17 payable directly from the System, as provided in Sections
18 14-120, 14-121, and 14-121.1; and contribution refunds, as
19 provided in Section 14-130.

20 (40 ILCS 5/14-103.41 new)

21 Sec. 14-103.41. Self-managed plan. "Self-managed plan"
22 means the defined contribution retirement program maintained
23 by the System, as described in Section 14-133.2. The
24 self-managed plan does not include retirement annuities or

1 survivor's benefits payable directly from the System, as
2 provided in Sections 14-107, 14-108, 14-113, 14-114, 14-120,
3 14-121, and 14-121.1 or refunds determined under Section
4 14-130.

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

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

7 (a) Each participating employee shall make contributions
8 to the System, based on the employee's compensation, as
9 follows:

10 (1) Covered employees, except as indicated below, 3.5%
11 for retirement annuity, and 0.5% for a widow or survivors
12 annuity;

13 (2) Noncovered employees, except as indicated below,
14 7% for retirement annuity and 1% for a widow or survivors
15 annuity;

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

22 (4) Covered employees serving in a position in which
23 "eligible creditable service" as defined in Section 14-110
24 may be earned, 0.5% for a widow or survivors annuity plus
25 the following amount for retirement annuity: 5% through

1 December 31, 2001; 6% in 2002; 7% in 2003; and 8% in 2004
2 and thereafter;

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

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

15 (b) Contributions shall be in the form of a deduction from
16 compensation and shall be made notwithstanding that the
17 compensation paid in cash to the employee shall be reduced
18 thereby below the minimum prescribed by law or regulation. Each
19 member is deemed to consent and agree to the deductions from
20 compensation provided for in this Article, and shall receipt in
21 full for salary or compensation.

22 (c) Notwithstanding any provision of this Code to the
23 contrary, (i) for a participant who does not file an election
24 under subsection (a-5) of Section 14-133.2, any contributions
25 on amounts of salary in excess of the limit specified in
26 Section 14-103.12a for that year shall instead be used to

1 finance self-managed plan benefits and (ii) for a participant
2 who files an election under subsection (a-5) of Section
3 14-133.2, any contributions made after the date of the
4 election, including contributions for a survivor's annuity,
5 shall instead be used to finance the benefits under Section
6 14-133.2. Notwithstanding any provision of this Code to the
7 contrary, a participant who does not file an election under
8 subsection (a-5) of Section 14-133.2 shall contribute towards
9 the traditional benefit package a percentage of salary equal to
10 the greater of (i) one-half of the normal cost of the
11 traditional benefit package or (ii) 6% of salary.

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

13 (40 ILCS 5/14-133.2 new)

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

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

24 The State Employees' Retirement System of Illinois shall be
25 the plan sponsor for the self-managed plan and shall prepare a

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

8 (a-5) A participant may file an irrevocable election to
9 transfer amounts equal to the participant's total
10 contributions under the traditional benefit package, with
11 interest, to the self-managed plan under this Section. By
12 filing the election, a participant forfeits all accrued rights
13 and benefits under the traditional benefit package.

14 (b) Notwithstanding any other provision of this Code, (i)
15 for a participant who does not file an election under
16 subsection (a-5) of this Section, any portion of his or her
17 salary that exceeds the limit specified in Section 14-103.12a
18 for that year shall be subject to the self-managed plan and
19 (ii) for a participant who files an election under subsection
20 (a-5) of this Section, the entirety of the participant's salary
21 shall, after the date of the election, be subject to the
22 self-managed plan created under this Section.

23 (c) The System shall solicit proposals to provide
24 administrative services and funding vehicles for the
25 self-managed plan from insurance and annuity companies and
26 mutual fund companies, banks, trust companies, or other

1 financial institutions authorized to do business in this State.
2 In reviewing the proposals received and approving and
3 contracting with no fewer than 2 and no more than 7 companies,
4 the Board of Trustees of the System shall consider, among other
5 things, the following criteria:

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

8 (2) the reasonableness of the benefits in relation to
9 the premium charged;

10 (3) the suitability of the benefits to the needs and
11 interests of the participants and the State; and

12 (4) the ability of the company to provide benefits
13 under the contract and the financial stability of the
14 company.

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

20 In addition to the companies approved by the System under
21 this subsection (c), the System may offer its participants an
22 investment fund managed by the Illinois State Board of
23 Investment.

24 (d) Participants in the program must be allowed to direct
25 the transfer of their account balances among the various
26 investment options offered, subject to applicable contractual

1 provisions. The participant shall not be deemed a fiduciary by
2 reason of providing such investment direction. A person who is
3 a fiduciary shall not be liable for any loss resulting from
4 that investment direction and shall not be deemed to have
5 breached any fiduciary duty by acting in accordance with that
6 direction. Neither the System nor the State shall guarantee any
7 of the investments in the participant's account balances.

8 (e) Participation in the self-managed plan under this
9 Section shall constitute participation in the State Employees'
10 Retirement System of Illinois.

11 (f) The self-managed plan shall be funded by contributions
12 from participants in the self-managed plan and State
13 contributions as provided in this Section.

14 The contribution rate for participants in the self-managed
15 plan shall be, (i) for a participant who does not file an
16 election under subsection (a-5) of this Section, 6% of the
17 amount of salary in excess of the limit specified in 14-103.12a
18 for that year, in addition to the amount specified under
19 subsection (c) of Section 14-133 for that year and (ii) for a
20 participant who files an election under subsection (a-5) of
21 Section 14-133.2, 8% of any amount of salary up to and
22 including the limit specified in Section 14-103.12a for that
23 year and 6% of any amount of salary in excess of that limit for
24 that year. This required contribution shall be made as an
25 employer pick-up under Section 414(h) of the Internal Revenue
26 Code of 1986 or any successor Section thereof. Any participant

1 in the System's traditional benefit package prior to his or her
2 election to participate in the self-managed plan shall continue
3 to have the employer pick up the contributions required under
4 Section 14-133. However, the amounts picked up after the
5 election of the self-managed plan shall be remitted to and
6 treated as assets of the self-managed plan. In no event shall a
7 participant have the option of receiving these amounts in cash.
8 Participants may make additional contributions to the
9 self-managed plan in accordance with procedures prescribed by
10 the System, to the extent permitted under rules adopted by the
11 System.

12 The program shall provide for State contributions to the
13 self-managed plan in the following amounts: (i) for a
14 participant who does not file an election under subsection
15 (a-5) of this Section, 3% of the amount of salary in excess of
16 the limit specified in 14-103.12a for that year and (ii) for a
17 participant who does not file an election under subsection
18 (a-5) of this Section, 7.1% of any amount of salary up to and
19 including the limit specified in Section 14-103.12a for that
20 year and 3% of any amount of salary in excess of that limit for
21 that year.

22 The State of Illinois shall make contributions by
23 appropriations to the System for participants in the
24 self-managed plan under this Section. The amount required shall
25 be certified by the Board of Trustees of the System and paid by
26 the State in accordance with Sections 14-132 and 14-135.08. The

1 System shall not be obligated to remit the required State
2 contributions to any of the insurance and annuity companies,
3 mutual fund companies, banks, trust companies, financial
4 institutions, or other sponsors of any of the funding vehicles
5 offered under the self-managed plan until it has received the
6 required State contributions from the State.

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

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

22 (40 ILCS 5/14-135.08a new)

23 Sec. 14-135.08a. To calculate the normal cost of benefits.
24 To calculate the normal cost of each plan offered by the system
25 as a percentage of salary and to update those amounts at least

1 every 3 years.

2 (40 ILCS 5/15-112.1 new)

3 Sec. 15-112.1. Limitation on earnings and required
4 participation in the self-managed plan.

5 (a) For the purpose of calculating traditional benefit
6 package benefits and contributions, the annual earnings,
7 salary, or wages of a participant shall not exceed the greater
8 of (i) the amount specified under subsection (b-5) of Section
9 1-160 or (ii) the annual salary of the participant during the
10 365 days immediately before the effective date of this Section.
11 If, however, an employment contract that is in place on or
12 before the effective date of this Section authorizes an
13 increase in earnings, salary, or wages on or after the
14 effective date of this Section, then the annual earnings,
15 salary, or wages of the participant during the 365 days that
16 immediately precede the date that the contract expires may be
17 used in lieu of the amount specified in item (ii) of this
18 Section.

19 (b) Notwithstanding any other provision of this Code, (i)
20 for a participant who does not make an election under Section
21 15-134.5, any portion of his or her salary that exceeds the
22 limit specified in subsection (a) of this Section for that year
23 shall be subject to the self-managed plan and (ii) for a
24 participant who makes an election under Section 15-134.5, the
25 entirety of the participant's salary shall, after the date of

1 the election, be subject to the self-managed plan created under
2 this Section, as is provided in Section 15-158.2.

3 (40 ILCS 5/15-157) (from Ch. 108 1/2, par. 15-157)

4 Sec. 15-157. Employee Contributions.

5 (a) Each participating employee shall make contributions
6 towards the retirement benefits payable under the retirement
7 program applicable to the employee from each payment of
8 earnings applicable to employment under this system on and
9 after the date of becoming a participant as follows: Prior to
10 September 1, 1949, 3 1/2% of earnings; from September 1, 1949
11 to August 31, 1955, 5%; from September 1, 1955 to August 31,
12 1969, 6%; from September 1, 1969, 6 1/2%. These contributions
13 are to be considered as normal contributions for purposes of
14 this Article.

15 Each participant who is a police officer or firefighter
16 shall make normal contributions of 8% of each payment of
17 earnings applicable to employment as a police officer or
18 firefighter under this system on or after September 1, 1981,
19 unless he or she files with the board within 60 days after the
20 effective date of this amendatory Act of 1991 or 60 days after
21 the board receives notice that he or she is employed as a
22 police officer or firefighter, whichever is later, a written
23 notice waiving the retirement formula provided by Rule 4 of
24 Section 15-136. This waiver shall be irrevocable. If a
25 participant had met the conditions set forth in Section

1 15-132.1 prior to the effective date of this amendatory Act of
2 1991 but failed to make the additional normal contributions
3 required by this paragraph, he or she may elect to pay the
4 additional contributions plus compound interest at the
5 effective rate. If such payment is received by the board, the
6 service shall be considered as police officer service in
7 calculating the retirement annuity under Rule 4 of Section
8 15-136. While performing service described in clause (i) or
9 (ii) of Rule 4 of Section 15-136, a participating employee
10 shall be deemed to be employed as a firefighter for the purpose
11 of determining the rate of employee contributions under this
12 Section.

13 (b) Starting September 1, 1969, each participating
14 employee shall make additional contributions of 1/2 of 1% of
15 earnings to finance a portion of the cost of the annual
16 increases in retirement annuity provided under Section 15-136,
17 except that with respect to participants in the self-managed
18 plan this additional contribution shall be used to finance the
19 benefits obtained under that retirement program.

20 (c) In addition to the amounts described in subsections (a)
21 and (b) of this Section, each participating employee shall make
22 contributions of 1% of earnings applicable under this system on
23 and after August 1, 1959. The contributions made under this
24 subsection (c) shall be considered as survivor's insurance
25 contributions for purposes of this Article if the employee is
26 covered under the traditional benefit package, and such

1 contributions shall be considered as additional contributions
2 for purposes of this Article if the employee is participating
3 in the self-managed plan or has elected to participate in the
4 portable benefit package and has completed the applicable
5 one-year waiting period. Contributions in excess of \$80 during
6 any fiscal year beginning before August 31, 1969 and in excess
7 of \$120 during any fiscal year thereafter until September 1,
8 1971 shall be considered as additional contributions for
9 purposes of this Article.

10 (d) If the board by board rule so permits and subject to
11 such conditions and limitations as may be specified in its
12 rules, a participant may make other additional contributions of
13 such percentage of earnings or amounts as the participant shall
14 elect in a written notice thereof received by the board.

15 (e) That fraction of a participant's total accumulated
16 normal contributions, the numerator of which is equal to the
17 number of years of service in excess of that which is required
18 to qualify for the maximum retirement annuity, and the
19 denominator of which is equal to the total service of the
20 participant, shall be considered as accumulated additional
21 contributions. The determination of the applicable maximum
22 annuity and the adjustment in contributions required by this
23 provision shall be made as of the date of the participant's
24 retirement.

25 (f) Notwithstanding the foregoing, a participating
26 employee shall not be required to make contributions under this

1 Section after the date upon which continuance of such
2 contributions would otherwise cause his or her retirement
3 annuity to exceed the maximum retirement annuity as specified
4 in clause (1) of subsection (c) of Section 15-136.

5 (g) A participating employee may make contributions for the
6 purchase of service credit under this Article.

7 (h) Notwithstanding any provision of this Code to the
8 contrary, (i) for a member who does not file an election under
9 subsection (e) of Section 15-158.2, any contributions on
10 amounts of salary in excess of the limit specified in Section
11 15-112.1 for that year shall instead be used to finance
12 self-managed plan benefits and (ii) for a member who files an
13 election under subsection (e) of Section 15-158.2, any
14 contributions made after the date of the election, including
15 the contributions for a survivor's annuity, shall be used to
16 finance the benefits under Section 15-158.2. Notwithstanding
17 any provision of this Code to the contrary, a member who does
18 not file an election under subsection (a-5) of Section 15-158.2
19 shall contribute towards the traditional benefit package a
20 percentage of salary equal to the greater of (i) one-half of
21 the normal cost of the traditional benefit package or (ii) 6%
22 of salary.

23 (Source: P.A. 90-32, eff. 6-27-97; 90-65, eff. 7-7-97; 90-448,
24 eff. 8-16-97; 90-511, eff. 8-22-97; 90-576, eff. 3-31-98;
25 90-655, eff. 7-30-98; 90-766, eff. 8-14-98.)

1 (40 ILCS 5/15-158.2)

2 Sec. 15-158.2. Self-managed plan.

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

20 (b) Adoption by employers. Each employer subject to this
21 Article may elect to adopt the self-managed plan established
22 under this Section; this election is irrevocable. An employer's
23 election to adopt the self-managed plan makes available to the
24 eligible employees of that employer the elections described in
25 Section 15-134.5.

26 The State Universities Retirement System shall be the plan

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

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

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

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

24 (3) the suitability of the benefits to the needs and
25 interests of the participating employees and the employer;

26 (4) the ability of the company to provide benefits

1 under the contract and the financial stability of the
2 company; and

3 (5) the efficacy of the contract in the recruitment and
4 retention of employees.

5 The System, in consultation with the employers, shall
6 periodically review each approved company. A company may
7 continue to provide administrative services and funding
8 vehicles for the self-managed plan only so long as it continues
9 to be an approved company under contract with the Board.

10 (d) Employee Direction. Employees who are participating in
11 the program must be allowed to direct the transfer of their
12 account balances among the various investment options offered,
13 subject to applicable contractual provisions. The participant
14 shall not be deemed a fiduciary by reason of providing such
15 investment direction. A person who is a fiduciary shall not be
16 liable for any loss resulting from such investment direction
17 and shall not be deemed to have breached any fiduciary duty by
18 acting in accordance with that direction. Neither the System
19 nor the employer guarantees any of the investments in the
20 employee's account balances.

21 (e) Participation. An employee eligible to participate in
22 the self-managed plan must make a written election in
23 accordance with the provisions of Section 15-134.5 and the
24 procedures established by the System or become subject to the
25 limitation specified in Section 15-112.1. Participation in the
26 self-managed plan by an ~~electing~~ employee shall begin on the

1 first day of the first pay period following the later of the
2 date the employee's election is filed with the System, ~~or~~ the
3 effective date as of which the employee's employer begins to
4 offer participation in the self-managed plan, or the date the
5 participant's annual salary exceeds the limitation specified
6 in Section 15-112.1. Employers may not make the self-managed
7 plan available earlier than January 1, 1998. An employee's
8 participation in any other retirement program administered by
9 the System under this Article shall terminate on the date that
10 participation in the self-managed plan begins.

11 An employee who participates ~~has elected to participate~~ in
12 the self-managed plan under this Section must continue
13 participation while employed in an eligible position, and may
14 not participate in any other retirement program administered by
15 the System under this Article while employed by that employer
16 or any other employer that has adopted the self-managed plan,
17 unless the self-managed plan is terminated in accordance with
18 subsection (i).

19 Participation in the self-managed plan under this Section
20 shall constitute membership in the State Universities
21 Retirement System.

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

24 (f) Establishment of Initial Account Balance. If at the
25 time an employee elects to participate in the self-managed plan
26 he or she has rights and credits in the System due to previous

1 participation in the traditional benefit package, the System
2 shall establish for the employee an opening account balance in
3 the self-managed plan, equal to the amount of contribution
4 refund that the employee would be eligible to receive under
5 Section 15-154 if the employee terminated employment on that
6 date and elected a refund of contributions, except that this
7 hypothetical refund shall include interest at the effective
8 rate for the respective years. The System shall transfer assets
9 from the defined benefit retirement program to the self-managed
10 plan, as a tax free transfer in accordance with Internal
11 Revenue Service guidelines, for purposes of funding the
12 employee's opening account balance.

13 (g) No Duplication of Service Credit. Notwithstanding any
14 other provision of this Article, an employee may not purchase
15 or receive service or service credit applicable to any other
16 retirement program administered by the System under this
17 Article for any period during which the employee was a
18 participant in the self-managed plan established under this
19 Section.

20 (h) Contributions.

21 (1) The self-managed plan shall be funded by
22 contributions from employees participating in the
23 self-managed plan and employer contributions as provided
24 in this Section.

25 (A) Before the effective date of this amendatory
26 Act of the 97th General Assembly, the ~~The~~ contribution

1 rate for employees participating in the self-managed
2 plan under this Section shall be equal to the employee
3 contribution rate for other participants in the
4 System, as provided in Section 15-157. This required
5 contribution shall be made as an "employer pick-up"
6 under Section 414(h) of the Internal Revenue Code of
7 1986 or any successor Section thereof. Any employee
8 participating in the System's traditional benefit
9 package prior to his or her election to participate in
10 the self-managed plan shall continue to have the
11 employer pick up the contributions required under
12 Section 15-157. However, the amounts picked up after
13 the election of the self-managed plan shall be remitted
14 to and treated as assets of the self-managed plan. In
15 no event shall an employee have an option of receiving
16 these amounts in cash. Employees may make additional
17 contributions to the self-managed plan in accordance
18 with procedures prescribed by the System, to the extent
19 permitted under rules prescribed by the System.

20 (B) On and after the effective date of this
21 amendatory Act of the 97th General Assembly, the
22 contribution rate for participants in the self-managed
23 plan shall be, (i) for a participant who does not file
24 an election under subsection (e) of this Section, 6% of
25 the amount of salary in excess of the limit specified
26 in 15-112.1 for that year, in addition to the amount

1 specified under subsection (h) of Section 15-157 for
2 that year and (ii) for a participant who files an
3 election under subsection (e) of this Section, 8% of
4 any amount of salary up to and including the limit
5 specified in Section 15-112.1 for that year and 6% of
6 any amount of salary in excess of that limit for that
7 year. This required contribution shall be made as an
8 employer pick-up under Section 414(h) of the Internal
9 Revenue Code of 1986 or any successor Section thereof.
10 Any participant in the System's traditional benefit
11 package prior to his or her election to participate in
12 the self-managed plan shall continue to have the
13 employer pick up the contributions required under
14 Section 15-157. However, the amounts picked up after
15 the election of the self-managed plan shall be remitted
16 to and treated as assets of the self-managed plan. In
17 no event shall a participant have the option of
18 receiving these amounts in cash. Participants may make
19 additional contributions to the self-managed plan in
20 accordance with procedures prescribed by the System,
21 to the extent permitted under rules adopted by the
22 System.

23 (2) The program shall provide for employer and State
24 contributions to the self-managed plan in the following
25 amounts: (i) for a member who does not file an election
26 under subsection (e) of this Section, 3% of the amount of

1 salary in excess of the limit specified in Section 15-112.1
2 for that year, to be paid by the actual employer, and (ii)
3 for a member who files an election under subsection (e) of
4 this Section, 7.1% of any amount of salary up to and
5 including the limit specified in Section 15-112.1 for that
6 year, to be paid by the State, and 3% of any amount of
7 salary in excess of that limit for that year, to be paid by
8 the actual employer.

9 The program shall provide for these employer and State
10 contributions to be credited to each self-managed plan
11 participant ~~at a rate of 7.6% of the participating~~
12 ~~employee's salary~~, less the amount used by the System to
13 provide disability benefits for the employee. The amounts
14 so credited shall be paid into the participant's
15 self-managed plan accounts in a manner to be prescribed by
16 the System.

17 (3) An amount of employer contribution, not exceeding
18 1% of the participating employee's salary, shall be used
19 for the purpose of providing the disability benefits of the
20 System to the employee. Prior to the beginning of each plan
21 year under the self-managed plan, the Board of Trustees
22 shall determine, as a percentage of salary, the amount of
23 employer contributions to be allocated during that plan
24 year for providing disability benefits for employees in the
25 self-managed plan.

26 (4) The State of Illinois shall make contributions by

1 appropriations to the System of the employer contributions
2 required for employees who participate in the self-managed
3 plan under this Section. The amount required shall be
4 certified by the Board of Trustees of the System and paid
5 by the State in accordance with Section 15-165. The System
6 shall not be obligated to remit the required employer
7 contributions to any of the insurance and annuity
8 companies, mutual fund companies, banks, trust companies,
9 financial institutions, or other sponsors of any of the
10 funding vehicles offered under the self-managed plan until
11 it has received the required employer contributions from
12 the State. In the event of a deficiency in the amount of
13 State contributions, the System shall implement those
14 procedures described in subsection (c) of Section 15-165 to
15 obtain the required funding from the General Revenue Fund.

16 (i) Termination. The self-managed plan authorized under
17 this Section may be terminated by the System, subject to the
18 terms of any relevant contracts, and the System shall have no
19 obligation to reestablish the self-managed plan under this
20 Section. This Section does not create a right to continued
21 participation in any self-managed plan set up by the System
22 under this Section. If the self-managed plan is terminated, the
23 participants shall have the right to participate in one of the
24 other retirement programs offered by the System and receive
25 service credit in such other retirement program for any years
26 of employment following the termination.

1 (j) Vesting; Withdrawal; Return to Service. A participant
2 in the self-managed plan becomes vested in the employer
3 contributions credited to his or her accounts in the
4 self-managed plan on the earliest to occur of the following:
5 (1) completion of 5 years of service with an employer described
6 in Section 15-106; (2) the death of the participating employee
7 while employed by an employer described in Section 15-106, if
8 the participant has completed at least 1 1/2 years of service;
9 or (3) the participant's election to retire and apply the
10 reciprocal provisions of Article 20 of this Code.

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

23 (k) Benefit amounts. If an employee who is vested in
24 employer contributions terminates employment, the employee
25 shall be entitled to a benefit which is based on the account
26 values attributable to both employer and employee

1 contributions and any investment return thereon.

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

13 (Source: P.A. 93-347, eff. 7-24-03.)

14 (40 ILCS 5/15-165.1 new)

15 Sec. 15-165.1. To calculate the normal cost of benefits. To
16 calculate the normal cost of each plan offered by the system as
17 a percentage of salary and to update those amounts at least
18 every 3 years.

19 (40 ILCS 5/16-121.1 new)

20 Sec. 16-121.1. Limitation on salary. For the purpose of
21 calculating traditional benefit package benefits and
22 contributions, the annual earnings, salary, or wages of a
23 member shall not exceed the greater of (i) the amount specified
24 under subsection (b-5) of Section 1-160 or (ii) the annual

1 salary of the member during the 365 days immediately before the
2 effective date of this Section. If, however, an employment
3 contract that is in place on or before the effective date of
4 this Section authorizes an increase in earnings, salary, or
5 wages on or after the effective date of this Section, then the
6 annual earnings, salary, or wages of the member during the 365
7 days that immediately precede the date that the contract
8 expires may be used in lieu of the amount specified in item
9 (ii) of this Section.

10 (40 ILCS 5/16-122.2 new)

11 Sec. 16-122.2. 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, 16-133, 16-133.1, and 16-136; survivor's annuities
16 payable directly from the System, as provided in Sections
17 16-140, 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143,
18 and 16-143.1; and contribution refunds, as provided in Section
19 16-151.

20 (40 ILCS 5/16-122.3 new)

21 Sec. 16-122.3. 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 does not include retirement annuities or

1 survivor's benefits payable directly from the System, as
2 provided in Sections 16-132, 16-133, 16-133.1, 16-136, 16-140,
3 16-141, 16-142, 16-142.1, 16-142.2, 16-142.3, 16-143, and
4 16-143.1 or refunds determined under Section 16-151.

5 (40 ILCS 5/16-152) (from Ch. 108 1/2, par. 16-152)
6 Sec. 16-152. Contributions by members.

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

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

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

15 (3) Effective July 24, 1959, contributions of 1% of
16 salary towards the cost of survivor benefits. Such
17 contributions shall not be credited to the individual
18 account of the member and shall not be subject to refund
19 except as provided under Section 16-143.2.

20 (4) Effective July 1, 2005, contributions of 0.40% of
21 salary toward the cost of the early retirement without
22 discount option provided under Section 16-133.2. This
23 contribution shall cease upon termination of the early
24 retirement without discount option as provided in Section
25 16-176.

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

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

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

15 (e) A member's contributions toward the cost of early
16 retirement without discount made under item (a)(4) of this
17 Section shall not be refunded if the member has elected early
18 retirement without discount under Section 16-133.2 and has
19 begun to receive a retirement annuity under this Article
20 calculated in accordance with that election. Otherwise, a
21 member's contributions toward the cost of early retirement
22 without discount made under item (a)(4) of this Section shall
23 be refunded according to whichever one of the following
24 circumstances occurs first:

25 (1) The contributions shall be refunded to the member,
26 without interest, within 120 days after the member's

1 retirement annuity commences, if the member does not elect
2 early retirement without discount under Section 16-133.2.

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

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

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

15 (f) Notwithstanding any provision of this Code to the
16 contrary, (i) for a member who does not file an election under
17 subsection (a-5) of Section 16-158.2, any contributions on
18 amounts of salary in excess of the limit specified in Section
19 16-121.1 for that year shall instead be used to finance
20 self-managed plan benefits and (ii) for a member who files an
21 election under subsection (a-5) of Section 16-158.2, any
22 contributions made after the date of the election, including
23 the contributions for a survivor's annuity, shall be used to
24 finance the benefits under Section 16-158.2. Notwithstanding
25 any provision of this Code to the contrary, a member who does
26 not file an election under subsection (a-5) of Section 16-158.2

1 shall contribute towards the traditional benefit package a
2 percentage of salary equal to the greater of (i) one-half of
3 the normal cost of the traditional benefit package or (ii) 6%
4 of salary.

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

6 (40 ILCS 5/16-158.2 new)

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

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

17 The Teachers' Retirement System of the State of Illinois
18 shall be the plan sponsor for the self-managed plan and shall
19 prepare a plan document and adopt any rules and procedures that
20 are considered necessary or desirable for the administration of
21 the self-managed plan. Consistent with its fiduciary duty to
22 the members and beneficiaries of the self-managed plan, the
23 Board of Trustees of the System may delegate aspects of plan
24 administration as it sees fit to companies authorized to do
25 business in this State.

1 (a-5) A member may file an irrevocable election to transfer
2 amounts equal to the member's total contributions under the
3 traditional benefit package, with interest, to the
4 self-managed plan under this Section. By filing the election, a
5 member forfeits all accrued rights and benefits under the
6 traditional benefit package.

7 (b) Notwithstanding any other provision of this Code, (i)
8 for a member who does not file an election under subsection
9 (a-5) of this Section, any portion of his or her salary that
10 exceeds the limit specified in Section 16-121.1 for that year
11 shall be subject to the self-managed plan and (ii) for a member
12 who files an election under subsection (a-5) of this Section,
13 the entirety of the member's salary shall, after the date of
14 the election, be subject to the self-managed plan created under
15 this Section.

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

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

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

3 (3) the suitability of the benefits to the needs and
4 interests of the members and the State; and

5 (4) the ability of the company to provide benefits
6 under the contract and the financial stability of the
7 company.

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

13 In addition to the companies approved by the System under
14 this subsection (c), the System may offer its members an
15 investment fund managed by the Illinois State Board of
16 Investment.

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

1 (e) Participation in the self-managed plan under this
2 Section shall constitute participation in the Teachers'
3 Retirement System of the State of Illinois.

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

7 The contribution rate for members in the self-managed plan
8 shall be, (i) for a member who does not file an election under
9 subsection (a-5) of this Section, 6% of the amount of salary in
10 excess of the limit specified in Section 16-121.1 for that
11 year, in addition to the amount specified under subsection (f)
12 of Section 16-152 for that year and (ii) for a member who files
13 an election under subsection (a-5) of this Section, 8% of any
14 amount of salary up to and including the limit specified in
15 Section 16-121.1 for that year and 6% of any amount of salary
16 in excess of that limit for that year. This required
17 contribution shall be made as an employer pick-up under Section
18 414(h) of the Internal Revenue Code of 1986 or any successor
19 Section thereof. Any member in the System's traditional benefit
20 package prior to his or her election to participate in the
21 self-managed plan shall continue to have the employer pick up
22 the contributions required under Section 16-152. However, the
23 amounts picked up after the election of the self-managed plan
24 shall be remitted to and treated as assets of the self-managed
25 plan. In no event shall a member have the option of receiving
26 these amounts in cash. Members may make additional

1 contributions to the self-managed plan in accordance with
2 procedures prescribed by the System, to the extent permitted
3 under rules adopted by the System.

4 The program shall provide for employer and State
5 contributions to the self-managed plan in the following
6 amounts: (i) for a member who does not file an election under
7 subsection (a-5) of this Section, 3% of the amount of salary in
8 excess of the limit specified in Section 16-121.1 for that
9 year, to be paid by the actual employer, and (ii) for a member
10 who files an election under subsection (a-5) of this Section,
11 7.1% of any amount of salary up to and including the limit
12 specified in Section 16-121.1 for that year, to be paid by the
13 State, and 3% of any amount of salary in excess of that limit
14 for that year, to be paid by the actual employer.

15 The State of Illinois shall make contributions by
16 appropriations to the System for members in the self-managed
17 plan under this Section. The amount required shall be certified
18 by the Board of Trustees of the System and paid by the State in
19 accordance with Section 16-158. The System shall not be
20 obligated to remit the required State contributions to any of
21 the insurance and annuity companies, mutual fund companies,
22 banks, trust companies, financial institutions, or other
23 sponsors of any of the funding vehicles offered under the
24 self-managed plan until it has received the required State
25 contributions from the State.

26 (g) If a member in the self-managed plan who is otherwise

1 vested under this Article terminates employment, the member
2 shall be entitled to a benefit that is based on the account
3 values attributable to both State and member contributions and
4 any investment return thereon.

5 If a member in the self-managed plan who is not otherwise
6 vested under this Article terminates employment, the member
7 shall be entitled to a benefit based solely on the account
8 values attributable to the member's contributions and any
9 investment return thereon, and the State contributions and any
10 investment return thereon shall be forfeited. Any State
11 contributions that are forfeited shall be held in escrow by the
12 company investing those contributions and shall be used, as
13 directed by the System, for future allocations of State
14 contributions.

15 (40 ILCS 5/16-181.4 new)

16 Sec. 16-181.4. To calculate the normal cost of benefits. To
17 calculate the normal cost of each plan offered by the system as
18 a percentage of salary and to update those amounts at least
19 every 3 years.

20 (40 ILCS 5/18-111.1 new)

21 Sec. 18-111.1. Limitation on salary. For the purpose of
22 calculating traditional benefit package benefits and
23 contributions, the annual earnings, salary, or wages of a
24 participant shall not exceed the greater of (i) the amount

1 specified under subsection (b-5) of Section 1-160 or (ii) the
2 annual salary of the participant during the 365 days
3 immediately before the effective date of this Section.

4 (40 ILCS 5/18-118.1 new)

5 Sec. 18-118.1. Traditional benefit package. "Traditional
6 benefit package" means the defined benefit retirement program
7 maintained by the System, which includes retirement annuities
8 payable directly from the System, as provided in Sections
9 18-124, 18-125, and 18-125.1; survivor's annuities payable
10 directly from the System, as provided in Sections 18-128,
11 18-128.01, 18-128.1, 18-128.1, and 18-128.3; and contribution
12 refunds, as provided in Section 18-129.

13 (40 ILCS 5/18-118.2 new)

14 Sec. 18-118.2. Self-managed plan. "Self-managed plan"
15 means the defined contribution retirement program maintained
16 by the System, as described in Section 18-133.2. The
17 self-managed plan does not include retirement annuities or
18 survivor's benefits payable directly from the System, as
19 provided in Sections 18-124, 18-125, 18-125.1, 18-128,
20 18-128.01, 18-128.1, 18-128.1, and 18-128.3 or refunds
21 determined under Section 18-129.

22 (40 ILCS 5/18-133) (from Ch. 108 1/2, par. 18-133)

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

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

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

9 (2) A participant who continues to serve as a judge
10 after becoming eligible to receive the maximum rate of
11 annuity may elect, through a written direction filed with
12 the Board, to discontinue contributing to the System. Any
13 such option elected by a judge shall be irrevocable unless
14 prior to January 1, 2000, and while continuing to serve as
15 judge, the judge (A) files with the Board a letter
16 cancelling the direction to discontinue contributing to
17 the System and requesting that such contributing resume,
18 and (B) pays into the System an amount equal to the total
19 of the discontinued contributions plus interest thereon at
20 5% per annum. Service credits earned in any other
21 "participating system" as defined in Article 20 of this
22 Code shall be considered for purposes of determining a
23 judge's eligibility to discontinue contributions under
24 this subdivision (a) (2).

25 (3) A participant who (i) has attained age 60, (ii)
26 continues to serve as a judge after becoming eligible to

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

25 (b) Beginning July 1, 1969, each participant is required to
26 contribute 1% of each payment of salary towards the automatic

1 increase in annuity provided in Section 18-125.1. However, such
2 contributions need not be made by any participant who has
3 elected prior to September 15, 1969, not to be subject to the
4 automatic increase in annuity provisions.

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

11 (d) Notwithstanding any other provision of this Article,
12 the required contributions for a participant who first becomes
13 a participant on or after January 1, 2011 shall not exceed the
14 contributions that would be due under this Article if that
15 participant's highest salary for annuity purposes were
16 \$106,800, plus any increase in that amount under Section
17 18-125.

18 (e) Notwithstanding any provision of this Code to the
19 contrary, (i) for a participant who does not file an election
20 under subsection (a-5) of Section 18-133.2, any contributions
21 on amounts of salary in excess of the limit specified in
22 Section 18-118.1 for that year shall instead be used to finance
23 self-managed plan benefits and (ii) for a member who files an
24 election under subsection (a-5) of Section 18-133.2, any
25 contributions made after the date of the election, including
26 the contributions for a survivor's annuity, shall be used to

1 finance the benefits under Section 18-133.2. Notwithstanding
2 any provision of this Code to the contrary, a member who does
3 not file an election under subsection (a-5) of Section 18-133.2
4 shall contribute towards the traditional benefit package a
5 percentage of salary equal to the greater of (i) one-half of
6 the normal cost of the traditional benefit package or (ii) 6%
7 of salary.

8 (Source: P.A. 96-1490, eff. 1-1-11.)

9 (40 ILCS 5/18-133.2 new)

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

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

20 The Judges Retirement System of Illinois shall be the plan
21 sponsor for the self-managed plan and shall prepare a plan
22 document and adopt any rules and procedures that are considered
23 necessary or desirable for the administration of the
24 self-managed plan. Consistent with its fiduciary duty to the
25 participants and beneficiaries of the self-managed plan, the

1 Board of Trustees of the System may delegate aspects of plan
2 administration as it sees fit to companies authorized to do
3 business in this State.

4 (a-5) A participant may file an irrevocable election to
5 transfer amounts equal to the participant's total
6 contributions under the traditional benefit package, with
7 interest, to the self-managed plan under this Section. By
8 filing the election, a participant forfeits all accrued rights
9 and benefits under the traditional benefit package.

10 (b) Notwithstanding any other provision of this Code, (i)
11 for a participant who does not file an election under
12 subsection (a-5) of this Section, any portion of his or her
13 salary that exceeds the limit specified in Section 18-111.1 for
14 that year shall be subject to the self-managed plan and (ii)
15 for a participant who files an election under subsection (a-5)
16 of this Section, the entirety of the participant's salary
17 shall, after the date of the election, be subject to the
18 self-managed plan created under this Section.

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

1 things, the following criteria:

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

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

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

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

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

16 In addition to the companies approved by the System under
17 this subsection (c), the System may offer its participants an
18 investment fund managed by the Illinois State Board of
19 Investment.

20 (d) Participants in the program must be allowed to direct
21 the transfer of their account balances among the various
22 investment options offered, subject to applicable contractual
23 provisions. The participant shall not be deemed a fiduciary by
24 reason of providing such investment direction. A person who is
25 a fiduciary shall not be liable for any loss resulting from
26 that investment direction and shall not be deemed to have

1 breached any fiduciary duty by acting in accordance with that
2 direction. Neither the System nor the State shall guarantee any
3 of the investments in the participant's account balances.

4 (e) Participation in the self-managed plan under this
5 Section shall constitute participation in the Judges
6 Retirement System of Illinois.

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

10 The contribution rate for participants in the self-managed
11 plan shall be, (i) for a participant who does not file an
12 election under subsection (a-5) of this Section, 6% of the
13 amount of salary in excess of the limit specified in Section
14 18-111.1 for that year, in addition to the amount specified
15 under subsection (e) of Section 18-133 for that year and (ii)
16 for a participant who files an election under subsection (a-5)
17 of this Section, 8% of any amount of salary up to and including
18 the limit specified in Section 18-111.1 for that year and 6% of
19 any amount of salary in excess of that limit for that year.
20 This required contribution shall be made as an employer pick-up
21 under Section 414(h) of the Internal Revenue Code of 1986 or
22 any successor Section thereof. Any participant in the System's
23 traditional benefit package prior to his or her election to
24 participate in the self-managed plan shall continue to have the
25 employer pick up the contributions required under Section
26 18-133. However, the amounts picked up after the election of

1 the self-managed plan shall be remitted to and treated as
2 assets of the self-managed plan. In no event shall a
3 participant have the option of receiving these amounts in cash.
4 participants may make additional contributions to the
5 self-managed plan in accordance with procedures prescribed by
6 the System, to the extent permitted under rules adopted by the
7 System.

8 The program shall provide for State contributions to the
9 self-managed plan in the following amounts: (i) for a
10 participant who does not file an election under subsection
11 (a-5) of this Section, 3% of the amount of salary in excess of
12 the limit specified in Section 18-111.1 for that year and (ii)
13 for a participant who does not file an election under
14 subsection (a-5) of this Section, 7.1% of any amount of salary
15 up to and including the limit specified in Section 18-111.1 for
16 that year and 3% of any amount of salary in excess of that
17 limit for that year.

18 The State of Illinois shall make contributions by
19 appropriations to the System for participants in the
20 self-managed plan under this Section. The amount required shall
21 be certified by the Board of Trustees of the System and paid by
22 the State in accordance with Sections 18-132 and 18-140. The
23 System shall not be obligated to remit the required State
24 contributions to any of the insurance and annuity companies,
25 mutual fund companies, banks, trust companies, financial
26 institutions, or other sponsors of any of the funding vehicles

1 offered under the self-managed plan until it has received the
2 required State contributions from the State.

3 (g) If a participant in the self-managed plan who is
4 otherwise vested under this Article terminates employment, the
5 participant shall be entitled to a benefit that is based on the
6 account values attributable to both State and participant
7 contributions and any investment return thereon.

8 If a participant in the self-managed plan who is not
9 otherwise vested under this Article terminates employment, the
10 participant shall be entitled to a benefit based solely on the
11 account values attributable to the participant's contributions
12 and any investment return thereon, and the State contributions
13 and any investment return thereon shall be forfeited. Any State
14 contributions that are forfeited shall be held in escrow by the
15 company investing those contributions and shall be used, as
16 directed by the System, for future allocations of State
17 contributions.

18 (40 ILCS 5/18-140.1 new)

19 Sec. 18-140.1. To calculate the normal cost of benefits. To
20 calculate the normal cost of each plan offered by the system as
21 a percentage of salary and to update those amounts at least
22 every 3 years.

23 Section 90. The State Mandates Act is amended by adding
24 Section 8.36 as follows:

1 (30 ILCS 805/8.36 new)

2 Sec. 8.36. Exempt mandate. Notwithstanding Sections 6 and 8
3 of this Act, no reimbursement by the State is required for the
4 implementation of any mandate created by this amendatory Act of
5 the 97th General Assembly.

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

1	INDEX	
2	Statutes amended in order of appearance	
3	40 ILCS 5/2-103.1 new	
4	40 ILCS 5/2-103.2 new	
5	40 ILCS 5/2-108.2 new	
6	40 ILCS 5/2-126	from Ch. 108 1/2, par. 2-126
7	40 ILCS 5/2-126.2 new	
8	40 ILCS 5/2-134.1 new	
9	40 ILCS 5/14-103.12a new	
10	40 ILCS 5/14-103.40 new	
11	40 ILCS 5/14-103.41 new	
12	40 ILCS 5/14-133	from Ch. 108 1/2, par. 14-133
13	40 ILCS 5/14-133.2 new	
14	40 ILCS 5/14-135.08a new	
15	40 ILCS 5/15-112.1 new	
16	40 ILCS 5/15-157	from Ch. 108 1/2, par. 15-157
17	40 ILCS 5/15-158.2	
18	40 ILCS 5/15-165.1 new	
19	40 ILCS 5/16-121.1 new	
20	40 ILCS 5/16-122.2 new	
21	40 ILCS 5/16-122.3 new	
22	40 ILCS 5/16-152	from Ch. 108 1/2, par. 16-152
23	40 ILCS 5/16-158.2 new	
24	40 ILCS 5/16-181.4 new	
25	40 ILCS 5/18-111.1 new	

1 40 ILCS 5/18-118.1 new

2 40 ILCS 5/18-118.2 new

3 40 ILCS 5/18-133 from Ch. 108 1/2, par. 18-133

4 40 ILCS 5/18-133.2 new

5 40 ILCS 5/18-140.1 new

6 30 ILCS 805/8.36 new