



Illinois Municipal Retirement Fund

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Member Services Representatives 1-800-ASK-IMRF

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GENERAL MEMORANDUM

Number: 602

Date: July 30, 2010

To: All Authorized Agents

Subject: Recent Public Acts signed into law

Executive Summary

On July 23, 2010, the governor signed Senate Bill 2554 (Public Act 96-1258, effective immediately). This law allows Voluntary Additional Contributions to begin immediately upon enrollment in the Voluntary Additional Contributions program, instead of requiring a waiting period of two months.

Also, on July 21, 2010, the governor signed House Bill 4960 (Public Act 96-1140, effective immediately). This new law changes the default beneficiary and removes the grandfathering of the 600-hour standard:

Default (“automatic”) beneficiary for members is now the member’s estate.

Active and inactive members—Previously, a married member’s spouse was automatically the member’s beneficiary. Now, the death benefit will default to the member’s estate, regardless of the member’s marital status. The member’s spouse may not have the choice of a surviving spouse pension (assuming the spouse is eligible) unless the member has a valid designation of beneficiary form on file naming the spouse as the sole primary beneficiary.

Retired members—Previously, a retired member’s spouse was automatically the member’s beneficiary for the \$3,000 lump sum death benefit. Now, the \$3,000 lump sum death benefit will default to the retired member’s estate unless the member has a valid designation of beneficiary form on file naming a beneficiary.

Grandfathering of 600-hour standard is eliminated.

Under the old law, if a member participated in IMRF prior to January 1, 1982, he or she was grandfathered under the 600-hour standard with all employers. The member participated in IMRF if his or her position met or exceeded 600 hours, regardless of the employer’s hourly standard. Now, an employee participates in IMRF only if his or her position meets or exceeds the employer’s hourly standard. Two exceptions apply:

Current “grandfathered” members remain grandfathered

If a 1,000-hour employer currently employs members who are grandfathered under the 600-hour standard, the grandfathering provisions continue to apply **for the current employment period only**.

Employers that changed hourly standard

If an employer changed its hourly standard from 600 to 1,000 hours, any member who participated under that employer before it changed its hourly standard remains grandfathered under 600 hours **for that employer only**. (This new law makes no change to an employer’s hourly standard, or to an employer’s ability to change its hourly standard.)

Dear Authorized Agent:

Two bills relating to IMRF have been signed into law by the governor; both are effective immediately.

Public Act 96-1258 allows Voluntary Additional Contributions to begin immediately upon enrollment in the Voluntary Additional Contribution program, instead of requiring a waiting period of two months.

Public Act 96-1140 changes the default beneficiary and removes the grandfathering of the 600-hour standard:

Default (automatic) beneficiary for death benefits

Old Law:

Active or inactive member—If an active or inactive member was unmarried, his or her estate was automatically the member's beneficiary. However, if the member was married, the spouse was automatically the member's beneficiary. If the member died, the spouse—if otherwise eligible—could select a surviving spouse pension. If the member wanted any other arrangement, he or she needed to submit a designation of beneficiary form specifically excluding the spouse.

Retired member—Once a member retired, his or her spouse was paid a surviving spouse pension (if otherwise eligible) and was automatically the beneficiary for the \$3,000 lump sum death benefit.

New Law:

Active or inactive member—An active or inactive member's estate is automatically the member's beneficiary, regardless of the member's marital status. A member's spouse may not have the choice of a surviving spouse pension (if the spouse is otherwise eligible) unless the member has a valid designation of beneficiary form on file naming the spouse as the sole primary beneficiary.

To ensure the spouse can select a surviving spouse pension if the member dies before retiring, the member must have a valid designation of beneficiary form on file with IMRF naming the spouse as the sole primary beneficiary.

Retired member—Once a member retires, his or her spouse will be paid a surviving spouse pension, if otherwise eligible (no change). However, the member's estate is now automatically the member's beneficiary for the \$3,000 death benefit. If the member wants any other arrangement, he or she must have a valid designation of beneficiary form on file with IMRF.

Elimination of 600-hour grandfathering provision

Old Law:

If a member earned any portion of his or her pension prior to January 1, 1982, the member was “grandfathered” under the 600-hour standard (the 1,000-hour standard did not exist before January 1, 1982). These members “carried” that hourly standard with them and were required to participate in IMRF if their position required 600 hours or more, even if the employer had a 1,000-hour standard.

These members also carried their 600-hour standard into retirement. If they returned to work for an IMRF employer, they were required to participate in IMRF and their pensions were suspended if their position required 600 or more hours, regardless of the employer’s hourly standard.

New Law:

Eliminates the grandfathering of the 600-hour standard. An employee will participate in IMRF only if his or her position meets or exceeds their employer’s hourly standard. (Two exceptions apply.)

This change impacts retired members who were grandfathered under the 600-hour standard and who return to work for an IMRF employer. Effective July 21, 2010, if they return to work for a 1,000-hour employer and their new position requires at least 600 hours but less than 1,000 hours, the **pension will be suspended** but they **will not participate** in IMRF.

(Please note: If an employee works in more than one position for the same employer, the hours of all of jobs are combined when applying the hourly standard.)

Exceptions:

1. Current “grandfathered” individuals remain grandfathered

If a 1,000-hour employer currently employs members who are grandfathered under the 600-hour standard, the member remains grandfathered for the **current employment period only**:

—Grandfathered members currently working for a 1,000-hour employer in a position requiring at least 600 but less than 1,000 hours will continue to participate in IMRF. If the grandfathered member previously retired but is now working for a 1,000-hour employer, he or she will continue to participate in IMRF and the member’s pension remains suspended.

If the grandfathered member terminates participation, the grandfathering is eliminated:

—If he or she returns to the same or to a different 1,000-hour employer, the employee will participate only if the new position requires 1,000 hours or more.

—After retirement, if he or she returns to work for the same or for a different 1,000-hour employer, if the position requires between 600 and 1,000 hours, the retiree will **not participate in IMRF** and the **pension will be suspended**.

2. Members remain grandfathered with current employer if employer changed hourly standard

All school and special education districts are under an annual hourly standard of 600 hours. All other IMRF employers that joined IMRF on or before January 1, 1982, can elect the 1,000-hour standard for newly hired employees.

If an employer changed its hourly standard from 600 to 1,000, any member who participated under that employer before it changed its hourly standard remains grandfathered under 600 hours **for that employer only**. The member will participate in IMRF under that employer if the position requires 600 hours or more, even if the employer now has a 1,000-hour standard. For all other IMRF employers, the member's grandfathering is eliminated.

This new law makes no change to an employer's hourly standard, or to an employer's ability to change its hourly standard. All school and special education districts are under an annual hourly standard of 600 hours.

All other IMRF employers that joined IMRF:

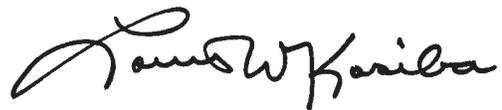
— On or before January 1, 1982, can elect the 1,000-hour standard for newly hired employees only. If the 1,000-hour annual standard is adopted, it cannot be revoked.

— After January 1, 1982, chose an hourly standard at that time. These employers cannot change their hourly standard.

Questions?

If you have any questions regarding the information presented in this memorandum, please call an IMRF Member Services Representative at 1-800-ASK-IMRF (1-800-275-4673) 7:30 a.m. to 5:30 p.m., Monday through Friday.

Sincerely,



Louis W. Kosiba
Executive Director