

TITLE 80: PUBLIC OFFICIALS AND EMPLOYEES
SUBTITLE H: DEFERRED COMPENSATION
CHAPTER I: ILLINOIS STATE BOARD OF INVESTMENT

PART 2700
STATE (OF ILLINOIS) EMPLOYEES' DEFERRED COMPENSATION PLAN

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AUTHORITY: Implementing section 457 of the Internal Revenue Code (26 USCA 457, et seq.) and implementing and authorized by Section 22A-111.1 and Article 24 of the Illinois Pension Code [40 ILCS 5].

SOURCE: Emergency rule adopted at 3 Ill. Reg. 11, p. 161, effective March 6, 1979, for a maximum of 150 days; adopted at 3 Ill. Reg. 13, p. 7, effective March 19, 1979; amended at 3 Ill. Reg. 36, p. 436, effective August 29, 1979; amended at 4 Ill. Reg. 1, p. 45, effective December 26, 1979; amended at 6 Ill. Reg. 9655, effective July 23, 1982; rules repealed, new rules adopted and codified at 7 Ill. Reg. 10845, effective August 31, 1983; emergency amendments at 13 Ill. Reg. 629, effective January 1, 1989, for a maximum of 150 days; amended at 13 Ill. Reg. 9308, effective May 31, 1989; emergency amendment at 17 Ill. Reg. 19976, effective November 2, 1993, for a maximum of 150 days; emergency expired April 2, 1994; amended at 18 Ill. Reg. 7224, effective May 2, 1994; amended at 21 Ill. Reg. 10050, effective July 15, 1997; emergency amendment at 23 Ill. Reg. 566, effective January 1, 1999, for a maximum of 150 days; amendment at 23 Ill. Reg. 6039, effective May 5, 1999; emergency amendment at 26 Ill. Reg. 478, effective January 1, 2002, for a maximum of 150 days; amended at 26 Ill. Reg. 7442, effective May 6, 2002; emergency amendment at 29 Ill. Reg. 20050, effective November 23, 2005, for a maximum of 150 days; amended at 30 Ill. Reg. 8408, effective April 21, 2006; amended at 33 Ill. Reg. 13451, effective September 14, 2009; amended at 35 Ill. Reg. 13928, effective August 1, 2011; amended at 36 Ill. Reg. 17518, effective January 1, 2013; amended at 37 Ill. Reg. 14184, effective August 23, 2013; amended at 39 Ill. Reg. 4506, effective March 16, 2015; amended at 42 Ill. Reg. 16757, effective August 30, 2018; amended at 45 Ill. Reg. _____, effective _____.

SUBPART A: INTRODUCTION AND PURPOSE OF PLAN

Section 2700.125 Forms

Forms necessary for participants to exercise the options available to them through the Plan, including, but not limited to, Distribution Method Election Form, Change Form, Beneficiary Election Form and Authorization for Direct Deposit, can be provided by either the Department ~~of Central Management Services~~ or the Recordkeeper, unless specifically indicated otherwise in this Part. Changes can be made through paper forms, phone, and/or online depending on the administrative needs of the Department or the Recordkeeper.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

SUBPART B: DEFINITIONS

Section 2700.200 Definitions

- a) Whenever used in the Plan, the following terms shall have the meanings set forth in this Section unless otherwise expressly provided, and when the defined meaning is intended, the term is capitalized:

"Account Balance" means the bookkeeping account maintained with respect to each Participant that reflects the value of the Deferred Compensation credited to the Participant, including Annual Deferrals, the earnings or loss of the Investment Option (net of Investment Option expenses) allocable to the Participant, any transfers for the Participant's benefit, any distribution made to the Participant or the Participant's Beneficiary, the value of any outstanding Participant Loans and as adjusted for Loan repayments and as otherwise provided in the Plan. If a Participant has more than one Beneficiary at the time of the Participant's death, then a separate Account Balance shall be maintained for each Beneficiary. The Account Balance includes any subaccount established for rollover contributions, Roth rollover contributions, Roth Contributions, and plan-to-plan transfers made for a Participant, the account established for a Beneficiary after a Participant's death, and any account or accounts established for an alternate payee (as defined in Code section 414(p)(8)).

"ACH Debit" or "Automated Clearing House Debit" means an electronic system that allows a payee, with approval of the payer, to initiate a debit from the payer's bank account.

"Alternate Retirement System" means this Plan, which is described in section 457 of the Internal Revenue Code, when used for purposes of Code section 3121(b)(7)(F) to exclude contractual employees from mandatory Social Security

coverage.

"Annual Deferral" means the amount of Compensation deferred in any year.

"Applicable Dollar Amount" means the amount of Compensation allowed to be deferred in any calendar year as established under Code section 457(e)(15).

"Auto-Enrollment Eligible Employee" means an Employee who, on or after July 1, 2020, first becomes a member or participant of a retirement system created under Article 2, 14, or 18 of the Illinois Pension Code [40 ILCS 5].

"Auto-Enrollment Opt-Out Period" means the 30-day period following the start date of an Employee's employment with an Employer during which Auto-Enrollment Eligible Employees may withdraw from participation in automatic enrollment into the Plan.

"Auto-Enrollment Withdrawal Period" means the 90 days following the end of the Auto-Enrollment Opt-Out Period.

"Beneficiary" means the person, persons or legal entity entitled to receive any undistributed Deferred Compensation that becomes payable in the event of the Participant's death, as designated by the Participant, or provided for in accordance with the Plan.

"Board" means the Illinois State Board of Investment.

"Code" means the Internal Revenue Code (26 USC 1 et seq.), as amended ~~from time to time~~, or any successor statute.

"Compensation" means all cash Compensation for services to the State, including salary, wages, fees, commissions, bonuses, and overtime pay, that is includable in the Employee's gross income for the calendar year but for a Compensation reduction election under Code section 125, 132(f), 401(k), 403(b) or 457(b).

"Custodial Account" means the fund created under and subject to the Custodial Agreement.

"Custodial Agreement" means the written agreement made by and between the State and the Custodian under which the Custodial Account is maintained.

"Custodian" means a bank, as described in section 408(n) of the Internal Revenue Code, or a person who meets the non-bank trustee requirements in accordance

with the regulations under Code section 408(a)(2) relating to the use of non-bank trustees.

"Deferred Compensation" means that portion of the Participant's Compensation that the Participant defers under this Plan through either Pre-Tax Contributions and/or Roth Contributions.

"Deferred Compensation Account" means an account established under this Plan that is the basis for any distribution payable to the Participant under Section 2700.730, including any subaccounts under the Deferred Compensation Account.

"Delayed Distribution Date" means the date a Participant elects to make a decision regarding distribution of the Participant's account.

"Department" means the Department of Central Management Services of the State of Illinois.

"Employee" means *any person, including a person elected, appointed or under contract, receiving Compensation from the State for personal services rendered, including salaried persons* [40 ILCS 5/24-102], except that any person under contract with the Employer shall be eligible only to the extent the Internal Revenue Service or the Illinois Department of Revenue shall permit or approve.

"Employer" means the State of Illinois, including all officers, boards, commissions and agencies created by the Illinois Constitution, whether in the executive, legislative or judicial branch, all officers, departments, boards, commissions, agencies, institutions, authorities, universities, bodies politic and corporate of the State; administrative units or corporate outgrowths of the State government that are created by or pursuant to statute other than units of local government and their officers, school districts and boards of election commissioners; and all administrative units and corporate outgrowths of these entities as may be created by executive order of the Governor.

"Hardship Committee" means a committee that is responsible for determining whether any Participant has suffered an Unforeseeable Emergency and is entitled to a distribution as provided under Section 2700.740, as well as determining Loan claims appeals as provided under Section 2700.770.

"Includable Compensation" means the Employee's actual wages in box 1 of Form W-2 for a year for services to the State, as defined in Code section 457(e)(5).

"Investment Option" means any and all investment vehicles established by the Board for the investment of Deferred Compensation.

"Loan" means a Participant loan described in Section 2700.770.

"Minor" means a Beneficiary who is under age 18 at the time a benefit under this Plan becomes payable to him or her, unless Illinois law defines another age.

"Minority Option" means an Investment Option with a minority-owned firm that has documented State certification.

"Normal Retirement Age" means age 70½ unless the Participant has elected an alternative Normal Retirement Age by written instrument delivered to the Department within 30 days after the Participant's Severance of Employment as provided in Section 2700.510. A Participant's Normal Retirement Age determines:

the latest time when benefits may commence under this Plan (unless the Participant continues employment after Normal Retirement Age); and

the period during which a Participant may utilize the ~~three~~-year Catch-up provision of Section 2700.440.

For purposes of clarification: Normal Retirement Age for purposes of the catch-up provision of Section 2700.440 can be no later than age 70½, and benefits must commence no later than the time prescribed in Code section 401(a)(9) (notwithstanding the election of any alternative retirement age to the contrary).

"Participant" means any Employee who has enrolled in this Plan as provided in Section 2700.410 and has not had a complete distribution of his or her Deferred Compensation Account.

"Pay Agency" means any State or State-Related agency, including Employers, responsible for calculating, deducting, and applying retirement plan deferral amounts for Employees' paychecks. A Pay Agency is also any State or State-Related agency responsible for the communication and/or transmission of retirement plan deferral amounts to other Employers.

"Pay Period" means an accounting period established by the State of Illinois for measuring and paying Compensation earned by Employees. A Pay Period may be monthly, semi-monthly, bi-weekly or another period determined by the Employer.

"Plan" means the State (of Illinois) Employees' Deferred Compensation Plan, as set forth in this Part, ~~and as it may be amended from time to time.~~

"Plan Year" shall be the tax year as established by the Comptroller for payroll purposes.

"Pre-Tax Contributions" means a Participant's Deferred Compensation that is not includible in the Participant's gross income at the time deferred. A Participant's Pre-Tax Contributions will be separately accounted for, including gain or loss attributable to those Pre-Tax Contributions.

"Prior Plan I" means the State Employees' Deferred Compensation Plan approved and adopted by the Board on September 10, 1976.

"Prior Plan II" means the State Employees' Deferred Compensation Plan approved and adopted by the Board on May 18, 1979.

"Prior Plan III" means the State Employees' Deferred Compensation Plan (80 Ill. Adm. Code 2700) adopted at 7 Ill. Reg. 10845, effective August 31, 1983.

"Recordkeeper" means the non-fiduciary, non-discretionary entity that, under contract with the Board, performs functions as directed by the Board or Department, as appropriate, as described in this Part, in its contract with the Board, and as described in any other written agreements with the Board and/or the Department.

"Roth Contributions" means a Participant's Deferred Compensation that is includible in the Participant's gross income at the time deferred. A Participant's Roth Contributions will be separately accounted for, including gain or loss attributable to those Roth Contributions.

"Severance from Employment" means the permanent severance of the Participant's employment relationship with the Employer by means of:

retirement;

discharge;

resignation, provided seniority or continuous service is interrupted;

layoff, unless there is a designated date for return to paid status;

expiration or non-renewal of contract, appointment or term of office;

nonreelection; or

other form of permanent severance as may be provided by appropriate law, contract or rules and regulations.

For the purposes of this definition, neither a break in State service for a period of less than 30 days nor transfers among various branches of State Government shall be considered a Severance from Employment.

An independent contractor is considered to sever service with the Employer upon the expiration of all contracts under which services are performed for the Employer, if the expiration constitutes a good faith and complete termination of the contractual relationship.

"State" means State of Illinois.

"Unforeseeable Emergency" means severe financial hardship to the Participant resulting from an unexpected illness or accident of the Participant or of a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

"Valuation Date" means the date on which an Investment Option is valued and earnings and/or losses are allocated to Participants' Deferred Compensation Accounts. There shall be a Valuation Date at least once a month and, if practical at the discretion of the Board, more frequent Valuation Dates to reflect, as closely as possible, the earnings and/or losses of any particular Deferred Compensation Account from the time Compensation is deferred and invested in various Investment Options until it is eventually distributed according to the Plan. It may also include each business day/the last day of the calendar month/the last day of the calendar quarter/each December 31.

- b) Except when otherwise indicated by context, any masculine terminology shall also include the feminine and neuter and vice-versa, and the definition of any terms in the singular may also include the plural.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

SUBPART C: ADMINISTRATION

Section 2700.300 Responsibilities of the Department

- a) Subject to the general supervision of the Board as provided in Section 2700.310, the Department has the full authority to administer the Plan and promulgate,

adopt, amend or revoke internal management procedures ~~that~~which are consistent with, and necessary to implement and maintain, this Plan.

- b) ~~The Department, or Recordkeeper, will communicate the obligations contained in this Plan and such other information as the Department deems necessary to administer the Plan. The Department, on behalf of the State of Illinois, shall enter into a written agreement with each Participant, which shall set forth:~~
 - 1) ~~the obligations contained in this Plan,~~
 - 2) ~~the amounts of Compensation to be deferred, and~~
 - 3) ~~such other information as the Department deems necessary to administer the Plan.~~
- c) ~~The Department shall work with the Pay Agency and Recordkeeper as needed to withdraw and return any excess amount deferred consistent with Section 2700.440(f). For the avoidance of doubt, this subsection does not apply to Loan repayments under Section 2700.770.~~
- d) Pamphlets describing this Plan and outlining the options and opportunities available shall be made available to eligible employees.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.311 Standards Governing the Selection of Investment Options

- a) The Board, in consultation with investment staff and ~~with the input of~~ an independent investment consultant, is responsible for the selection and monitoring of the Investment Options for the Plan.
- b) The objective of the Board is to offer a sufficient range of Investment Options with materially different risk and return characteristics to allow Plan participants, by choosing among such Investment Options, the opportunity ~~Participants~~ to diversify their account balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and tolerance for risk ~~that reasonably span the risk/return spectrum.~~
- c) The screening process used by the Board to select Investment Options for inclusion in the Plan will consider attributes relevant to the specific asset class and search objective, as developed by the investment staff and investment consultant. The attributes for passively managed investment options designed to track the return and risk characteristics of a specific index may differ from the

attributes considered for actively managed strategies. The Board's screening process for certain attributes may differ from the following selection criteria in an effort to identify the most suitable Investment Options. Attributes may include, but are not limited to, the following~~The Board shall select Investment Options after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach used and the investment record. The criteria for index funds (those products designed to approximate the return of a specific index) are, in some cases, different from those of actively managed products. The criteria for suitable Investment Options, as well as illustrative examples, within the structure are:~~

- 1) Registration with the Securities and Exchange Commission under the Investment Advisors Act of 1940 (15 USC 80b-1 through 80b-21);
 - 2) A minimum number of years of verifiable firm and team performance history;
 - 3) A minimum number of years for portfolio manager tenure and experience;
 - 4) Robustness of firm's investment philosophy and process;
 - 5) Historical performance and risk review of cumulative, annual and rolling time periods;
 - 6) Classification of style to determine the basis to compare to other investment managers and investment options with similar investment style/strategy and to determine if there has been deviation from style over time;
 - 7) A minimum level of product and strategy size;
 - 8) Firm's trading, back office, accounting, reporting and client servicing capabilities; and
 - 9) Fees.
- d) The Board's review and/or evaluation process is expected to consist of the following criteria, as appropriate, and reviews are expected to be conducted in light of full market cycles.
- 1) Quantitative criteria to be used by the Board to select Investment Options may include, but are not limited to, the following:

- A1) Adherence~~The Investment Option has consistently adhered to clearly defined investment objectives and style of discipline over time.~~ (For example, the Investment Option's investment portfolio matches the Investment Option's investment strategy/style.)
- B2) Historical performance of annual and rolling time periods, and risk metrics such as beta, standard deviation, Sharpe ratio, information ratio, and down-market and up-market capture, versus peers and applicable market indexes.~~The Investment Option has demonstrated investment results that consistently rank it in the upper 50% of the peer group universe of those investment options with similar objectives. (For example, the Investment Option's 5 and 10 year annualized performance returns were above the industry median over the same period.)~~
- 3) ~~The Investment Option has performed in the upper 50% of the peer group universe in difficult market environments relative to its peers and benchmarks over a long period of time. (For example, in a year when the market posted negative performance returns, the Investment Option posted returns that protected against declines better than the overall market.)~~
- 4) ~~The analysis of the volatility of investment returns of each Investment Option are favorable and commensurate with the stated investment objectives of the Plan. (For example, the Investment Option's volatility, as measured by standard deviation, was less than its benchmark with a similar investment style.)~~
- C5) Investment management fees and any additional fees (e.g., 12-b1, administrative, redemption, etc.)~~The expense ratio of the Investment Option is in the bottom two-thirds of a universe of investment options with similar objectives. (For example, the Investment Option's expense ratio is below its industry median expense ratio.)~~
- D6) Sufficient investment strategy and fund assets under management~~The Investment Option is an appropriate size to accommodate the assets of the Plan. (For example, an Investment Option has sufficient assets to accommodate investor cash flow activity without impacting investment results.)~~
- 2) Qualitative criteria to be used by the Board to select Investment Options may include, but are not limited to, the following:

- A) Investment philosophy and process, including the strategy objective, discipline, valuation process, implementation, and research capabilities;
 - B) Personnel structure, including portfolio manager and research team experience, quality, tenure, and turnover;
 - C) Business goals and structure, including ownership, compensation, and incentive practices;
 - D) Demonstrated commitment to operations and technology efficiencies; and
 - E) Willingness, pursuant to contract between the Board, on behalf of the Plan, and the investment manager, to meet specified requirements, including the obligation to meet with Board staff and consultant as requested for a review of the performance of the Investment Option.
- 7) ~~The Investment Option sponsor or family of Investment Options has demonstrated over time that its depth of operation and management is superior. (For example, the Investment Option has been managed by the same investment portfolio team for several years.)~~
- 8) ~~The future outlook of the Investment Option is positive, considering the investment manager, portfolio structure and investment style. (For example, the Investment Option's portfolio manager has a long track record of outperformance. However, it is important to note that there is no guarantee for future investment performance.)~~
- 9) ~~Investment Option family or manager must be willing, by contract, to provide summary performance reviews of the Investment Option. (For example, the Investment Option's portfolio manager provides a quarterly commentary on performance results for the Investment Option.)~~
- d) The Board shall use best efforts to include representation of emerging investment managers and minority investment managers~~a State certified Minority Option~~ in the Plan. The Plan shall seek to include at least one Investment Option managed by a State certified minority money manager, unless the Board determines that no such entity exists that conforms to the Board's fiduciary responsibility.
- e) An independent investment consultant shall be responsible for performing a thorough due diligence on each Investment Option, monitoring~~The investment~~

~~consultant shall monitor~~ the performance of the Investment ~~Options~~Option on an ongoing basis, and ~~providing~~present a quarterly report to the Board ~~that addresses on a quarterly basis. This analysis shall measure~~ the performance of each Investment Option relative to the appropriate index and ~~peer universes similar portfolios in a universe of same style Investment Options. All of the criteria that were considered by the Board in the selection process shall also be reviewed on a quarterly basis.~~

- f) The selection of Investment Options for the Plan ~~will occur~~occurs in an environment of full disclosure characterized by competitive selection, objective evaluation and proper documentation. The overriding consideration with respect to all decisions made by the Board concerning the Plan is that the decisions be made solely in the best interests of the Plan's participants and beneficiaries. The following protocols guide the Board's selection of Investment Options for the Plan:
- 1) The Board shall select Investment Options for the Plan, in consultation with its investment staff and with the input of its independent investment consultant, through a competitive proposal process, using uniform documents for the solicitation, review and acceptance of the Investment Option. Uniform documents may vary by the investment structure of an Investment Option. The Board may deviate from this process only if, in consultation with its investment staff and independent investment consultant, it determines that an emergency procurement is in the best interest of the Plan's participants.
 - 2) The competitive proposal documents shall contain, at a minimum:
 - A) a description of the goal to be achieved;
 - B) the particular strategy of Investment Option;
 - C) the need for the Investment Option;
 - D) the qualifications that are necessary; and
 - E) a plan for post-performance review by the Board's investment consultant.
 - 3) The Board and its investment consultant shall determine parameters for the Investment Option search. Advertisements for the Investment Option search shall be placed in ~~the State newspaper and in~~ one or more industry periodicals at least 14 days before the response is due.

- 4) All interested respondents shall return their responses to the Board, as directed by the proposal document. Investment staff and investment consultant shall open the responses, record them and thoroughly review each for content, quality and compliance with proposal document requirements.
- 5) Following review and evaluation of the responses from interested firms, the field of candidates is narrowed to a smaller list of the most highly qualified Investment Options. At this point, the Board's investment staff and investment consultant will meet with representatives of each Investment Option to obtain an independent assessment of each option's capabilities.
- 6) Following the interviews with the selected Investment Options, the Board's investment staff and investment consultant will recommend to the Board one or more Investment Options for the Plan. Generally, the finalists appear before the Board to present their qualifications.
- 7) The Board ~~will accept~~accepts or ~~modify~~modifies the recommendation and ~~is tasked with making~~makes the final decision with respect to the Investment Options for the Plan.
- 8) Subsequent to the Board's decision, the Board's legal counsel, investment staff and investment consultant will coordinate with representatives of the Investment Option, ~~Department~~CMS and the Recordkeeper, in order to provide an appropriate transition for the new Investment Option into the Plan and provide appropriate notice of the transition to the Plan.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.312 Responsibilities of the Pay Agency

- a) Receive salary deferral elections and revocations from the Recordkeeper and the Department and then apply them to the first appropriate Pay Period and ongoing Pay Periods according to the rules of the Plan.
- b) The Pay Agency shall monitor for and suspend a Participant's deferrals for the remainder of the calendar year when the Participant has deferred the allowable maximum.
- c) The Pay Agency shall work with the Department and Recordkeeper as needed to withdraw and return any excess amount deferred consistent with Section

2700.440(f). For the avoidance of doubt, this subsection does not apply to Loan repayments under Section 2700.770.

(Source: Added at 45 Ill. Reg. _____, effective _____)

Section 2700.315 Responsibilities of the Recordkeeper

The Recordkeeper shall:

- a) accept Plan contributions from the Department and cause those contributions to be invested among the Investment Options, as directed by the Participant;
- b) accept Plan enrollments and deferral elections from Participants on behalf of the State of Illinois containing the amounts and/or percentages of Compensation to be deferred and communicate any changes to the Pay Agencies;
- cb) process distributions upon receipt of information from the Department that indicates that a Participant is eligible for distribution;
- de) process changes to Investment Options, as directed by the Board;
- ed) process changes to investment allocations, as requested by the Participant, provided that the allocation is made to one of the available Investment Options and that the allocation reconciles with the Department's instructions, based upon the request from the Participant, for allocating the contribution;
- fe) provide the production, printing and assembly of enrollment kits for distribution to eligible employees and provide enrollment representatives to assist with employee meetings;
- gf) process all requests for hardship distribution due to an Unforeseeable Emergency resulting from:
 - 1) payment for the burial or funeral expenses for the parent, spouse and/or qualifying dependent of the Participant;
 - 2) costs associated with preventing eviction from, or foreclosure on the mortgage of, the Participant's primary residence;
 - 3) expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under section 165 of the Code (regardless of whether the loss exceeds 10% of the Participant's adjusted gross income) beyond insurance reimbursement;

4) unreimbursed medical expenses resulting from sudden illness or accident of the Participant or the Participant's spouse and/or qualifying dependents;

5) expenses and losses, including loss of income, incurred due to a disaster declared by the Federal Emergency Management Agency ("FEMA") where the participant's principal residence or principal place of employment is located in an area for which FEMA is providing individual assistance for the disaster;

~~65~~) other extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control that create a financial hardship;

~~h~~g) review and forward all requests for hardship distribution for an Unforeseeable Emergency as governed by 26 CFR 1.457-6 (2012), resulting from a cause not contemplated in subsection (g)~~Section 2700.315(f)~~ to the Hardship Committee for review and determination;

~~i~~h) process all Loan applications, Loan repayments, Loan defaults and reamortizations;

~~j~~i) communicate with Participants regarding the Plan's Participant Loan feature and notify Participants regarding delinquent Loan payments and other Loan-related matters;

~~k~~j) prepare and distributemail quarterly account statements to Participants;

~~l~~k) communicate with Participants regarding the costs and available Investment Options under the Plan, matters relating to investment education, and other information required in order to maintain qualification of the Plan or as otherwise agreed with the Board or the Department;

~~m~~l) enter data provided by the Department into its recordkeeping system for the proper operation and maintenance of the records of the Plan;

~~n~~m) provide Code section 457 compliance monitoring, monitor for compliance with laws governing the use of electronic media for providing employee benefits notices and making benefit elections and consents, and monitor distributions in the normal course, plan-to-plan transfers, Loans and rollovers to ensure compliance with the terms of the Plan;

~~o~~n) provide Participant access to daily pricing valuations through its on-line access system, as well as provide directions and/or direct links to other pricing

calculators when applicable; and

- ~~pe)~~ monitor, calculate and process required minimum distributions under section 401(a)(9) of the Code; ~~and-~~
- ~~q)~~ accept and store beneficiary designations made by participants on or after June 15, 2020.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

SUBPART D: PARTICIPATION IN THE PLAN

Section 2700.400 Eligibility

All Employees shall be eligible to participate in the Plan and defer Compensation immediately upon becoming employed by the EmployerState.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.410 Enrollment

- a) Auto-Enrollment Eligible Employees

 - 1) An Auto-Enrollment Eligible Employee may make one of two affirmative elections during the Auto-Enrollment Opt-Out period:

 - A) Not to have Contributions made; or
 - B) To become a Participant in the Plan under subsection (b).
 - 2) An Auto-Enrollment Eligible Employee who does not make one of the two aforementioned affirmative elections during the Auto-Enrollment Opt-Out Period will be automatically enrolled and become a Participant of the Plan following the end of the Auto-Enrollment Opt-Out Period and shall have 3% of his or her Compensation for each Pay Period deferred on a pretax basis into his or her Deferred Compensation Account.
- ba) Any Employee eligible to participate in the Plan may become a Participant by agreeing ~~in writing, on a form to be provided under the Plan,~~ to a deferral of his or her Compensation on a pretax or Roth basis.
- c) The amount to be deferred shall be selected by the Participant at the time of enrollment, unless the Participant is automatically enrolled under subsection (a).

This amount may not be less than the minimum amount allowable or exceed the basic annual limitation.

- ~~db)~~ The deferral shall commence no sooner than the first Pay Period of the month following the date the deferral election is form is properly completed by the Employee, or the Employee is automatically enrolled in accordance with subsection (a). However, the deferral shall only commence in that Pay Period if the Pay Agency payroll has not closed, and provided that the election is completed in good order in the month prior to the month in which the deferrals commence.
- ~~e)~~ A new Employee may defer Compensation payable in the calendar month during which the Participant first becomes an Employee if an agreement providing for the deferral is entered into on or before the first day on which the Participant performs services for the State and before the first day of the month in which deferrals commence.
- ~~d)~~ The amount to be deferred shall be selected by the Participant and will be agreed to at the time of enrollment. This amount may not be less than the minimum amount allowable or exceed the basic annual limitation.
- e) The amount deferred may be changed by the Participant at any time. The change shall become effective no sooner than the first Pay Period of the month following the date the election form is made properly completed by the Employee ~~and accepted by the Department.~~
- f) A Participant's request to defer Compensation shall remain in effect until the Participant's Severance from Employment, unless revoked prior to that time. The Pay Agency Department shall suspend deferrals for the remainder of the calendar year for Participants who have deferred ~~in excess of~~ the allowable maximum. If a Participant defers in excess of the allowable maximum, the Department and Pay Agency shall also withdraw and return to the Participant the excess amount deferred. Deferrals will resume with the first paycheck received in the following calendar year.
- g) Deferrals can be made by reductions in Compensation only.
- h) The Participant election shall also include the designation of Investment Options ~~and a designation of Beneficiary~~. In the event the Participant fails to designate an Investment Option, the Participant shall be invested in the Plan's Target Date Funds as the Plan's ~~Qualified~~ Default Investment Alternative, consistent with the direction from the U.S. Department of Labor, as selected by the Board. This election shall remain in effect until a new election is filed.

- i) An employee who has been automatically enrolled in the Plan may elect, within 90 days after enrollment, to withdraw from the Plan and receive a refund of amounts deferred, as well as any earnings after Plan fees. An employee making such an election shall forfeit all employer matching contributions, if any, made prior to the election. Any refunded amount shall be included in the employee's gross income for the taxable year in which the refund is issued. The effective date of the withdrawal will be as soon as administratively practicable. Unless the Participant affirmatively elects otherwise, any such withdrawal request will be treated as an affirmative election to cease having elective deferrals made on his or her behalf.
- j) An Auto-Enrollment Eligible Employee will be invested in the Plan's Stable Value Fund after the Auto-Enrollment Opt-Out Period.
- k) If a participant does not change the default auto-enrollment arrangement of his or her future contribution investment allocation and/or existing investment balances, the existing Stable Value Fund account balance and future Stable Value Fund investment allocations shall be transferred to the Plan's Target Date Funds as soon as administratively possible following the Auto-Enrollment Withdrawal Period.
- l) During the Auto-Enrollment Withdrawal Period, participants may make two separate decisions:
 - 1) To keep, cancel or change the pending mix transaction for future investment allocations; or
 - 2) To keep, cancel or change the pending exchange transaction.
- mi) Acceptance by the Department shall be granted whenever forms are properly completed and the criteria set by the Plan for acceptance are met.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.415 Designation of Beneficiary

- a) A Participant may designate a Beneficiary or Beneficiaries who shall receive any balance in the Participant's Deferred Compensation Account in the event of his or her death.
- b) A designation of Beneficiary shall be effective for subsequent distributions when received by the Department or the Recordkeeper. The designation shall be provided in a manner prescribed by the Department and Recordkeeper in writing

~~on a form provided under the Plan for that purpose that has been signed by the Participant.~~

- c) A Participant may, at any time, change his or her Beneficiary in a manner prescribed by the Department and Recordkeeper~~by completion of the form provided under the Plan.~~
- d) No Beneficiary shall have any rights under this Plan until the death of the Participant who has designated him or her and a separate account has been established by the Recordkeeper, ~~at the direction of the Department, as provided for under this Section.~~
- e) Participants may designate primary and contingent Beneficiaries. A contingent Beneficiary's interest shall become effective only upon the death of any and all primary Beneficiaries, or if any and all of the primary Beneficiary designations have been found invalid.
- f) If more than one Beneficiary is named in either category, benefits shall be paid according to the following ~~rules~~:
 - 1) Beneficiaries can be designated to share equally or to receive specific percentages.
 - 2) If a Beneficiary dies before the Participant, only the surviving Beneficiaries shall be eligible to receive any benefits in the event of the death of the Participant. If more than two Beneficiaries are originally named to receive different percentages of the benefits, surviving Beneficiaries shall share in the same proportion to each other as indicated in the original designation.
- g) A person, trust, estate or other legal entity may be designated as a Beneficiary.
- h) If a Beneficiary has not been designated, or a designation is ineffective due to the death of all Primary and Contingent Beneficiaries prior to the death of the Participant, or the designation is ineffective for any reason, the estate of the Participant shall be the Beneficiary.
- i) Upon the death of the Participant, any Beneficiary entitled to the value of the Deferred Compensation Account under the provisions of this Section shall become a "vested Beneficiary" and have all the rights of the Participant, with the exception of making any deferrals or applying for a Loan under the Plan.
- j) Before the account can be distributed, the Beneficiary must provide the

Department or the Recordkeeper with his or her Social Security Number and a certified copy of the Participant's death certificate.

- k) In the event of a conflict between the provisions of this Section and any annuity contract purchased prior to January 1, 1999, this Section shall prevail.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.420 Allowable Deferrals~~Minimum Deferral~~

- a) Minimum Deferrals: Each Employee who becomes a Participant must agree to defer a minimum amount of \$10 per Pay Period or 1% of Compensation each Pay Period~~\$20 per month, whichever is greater.~~
- b) Maximum Deferrals: No limit – Participants may contribute any whole percentage or dollar amount up to 100% of currently available Compensation each payroll period, subject to the limitations under Code sections 402(g) and 415.~~The minimum for an Employee who is a contractual Employee, who is participating in the Plan and who uses the Plan as an Alternate Retirement System as defined in regulations for Code section 3121(b)(7)(F) is 7.5% of Compensation each Pay Period unless the minimum is changed by Code section 3121(b)(7)(F) regulations, in which case the minimum is whatever is prescribed by the Code. If the 7.5% minimum is less than \$10 a Pay Period or \$20 a month, the latter becomes the minimum.~~

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.430 Basic Annual Limitation

The maximum amount of the Annual Deferral under the Plan for any calendar year shall not exceed the lesser of the Applicable Dollar Amount or the Participant's Includible Compensation for the calendar year. The Applicable Dollar Amount in a calendar year ~~2009~~ is \$16,500, adjusted for cost-of-living, ~~after 2009~~ to the extent provided under section 415(d) of the Code.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.435 Age 50 Catch-up Annual Deferral Contributions

A Participant who has deferred the maximum allowed by Section 2700.430 may defer an additional amount for the calendar year in which his or her 50th birthday occurs and all calendar years thereafter, subject to the limitation that total deferrals not exceed 100% of the Employee's Includible Compensation. This additional deferral amount shall be no more than the amount prescribed by Code section 414(v) for the calendar year, and shall be in accordance with the

~~limitations on the amount, as adjusted from time to time by the Secretary of the Treasury pursuant to Code sections 414(v) and 457(b), or any other amount as amended or set forth by the Code. An Employee who is using the Special Catch-up provision of Section 2700.440 is not eligible for this catch-up deferral. A Participant who will attain age 50 or more by the end of the calendar year is permitted to elect an additional amount of Annual Deferrals, up to the maximum age 50 catch-up Annual Deferrals for the year. The maximum dollar amount of age 50 catch-up Annual Deferral for a year is \$5,500 for calendar year 2009, adjusted for cost of living after 2009 to the extent provided under the Code.~~

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.450 Revocation of Deferral

- a) Any Participant may revoke his or her election to have Compensation deferred ~~by completing the Revocation Section of the Enrollment Form.~~
- b) Following notice of revocation, the Participant's full Compensation shall be restored as soon as administratively possible. ~~In no case shall deductions continue later than the Pay Period occurring 30 days after receipt of the revocation form and any other forms requested by the Department to fulfill the requirements of the Office of the Comptroller or any other State agency.~~
- c) ~~The Department shall suspend a Participant's deferrals for the remainder of the calendar year when the Participant has deferred in excess of the allowable maximum and shall withdraw and return the excess amount deferred consistent with Section 2700.440(f) of this Part. For the avoidance of doubt, the preceding sentence does not apply to Loan repayments under Section 2700.770.~~
- cd) Revocation shall not cause distribution of the Participant's Account.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

SUBPART F: PARTICIPANT'S ACCOUNTS, INVESTMENTS AND STATEMENTS

Section 2700.640 Method of Making Investment Requests

- a) A Participant shall, at the time of enrollment, make an investment request ~~on a form provided for that purpose~~ under the Plan, unless the Participant is automatically enrolled in the Plan.
- b) Once made, an investment request shall continue for any deferrals unless later changed by the Participant.

- c) A Participant may change investment requests for future amounts of Deferred Compensation an unlimited number of times.
- d) A change in investment request shall be made to the Plan's Recordkeeper by telephone notice or use of internet on-line access programs. To the extent allowed by law, the Recordkeeper shall make a Participant financially whole in situations in which a Participant's transaction request was received timely and in good order, but, due to an error or omission by the Recordkeeper, was not executed in compliance with the Participant's instructions.
- e) A Participant may change an investment request governing amounts previously deferred. However, after June 1, 1994, amounts previously deferred into the stable value option shall not be exchanged directly or indirectly into a money market fund. Any exchange from the stable value option must first be exchanged into one of the other investment options for a period of 90 days.

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.670 Investment Options

- a) The Board shall offer different types of Investment Options to meet various participant investment objectives. Investment Options may consist of collective trust funds, other pooled investment vehicles, and/or mutual funds whose eligible investments, investment guidelines, and investment philosophies are governed by a prospectus or similar disclosure. Investment Options may also include separately managed accounts that are governed by an investment management agreement that would include investment guidelines. Additionally, the Board may create Investment Options consisting of the investments described in this subsection.
- b) The Board will offer a series of target date funds that allow participants to choose a single fund that is based on their expected target retirement date.
- c) The Board will designate the target date funds as the default Investment Option for any Participant who fails to make an investment choice for his or her contributions.
- da) The Board ~~will~~may establish at least one investment option within each of the following broad asset classes~~any or all of the following Options~~ for the investment of Deferred Compensation:
 - 1) Capital Preservation (Money Market or Stable Value) Investment Option A, which shall be invested primarily in savings and loan or commercial

~~bank deposits, commercial paper, or guaranteed interest contracts of insurance companies.~~

- 2) ~~Fixed Income (Bonds) Investment Option B, which shall be invested primarily in corporate or Government bonds or pooled investment vehicles, such as mutual funds, whose investment policies emphasize such investments.~~
- 3) ~~US Equity (Stocks) Investment Option C, which shall be invested in insurance company contracts, either on a group or individual basis, designed to provide an annuity.~~
- 4) ~~International Equity (Stocks) Investment Option D, which shall be invested primarily in common or preferred stocks, similar equity securities or other property expected to offer growth possibilities or pooled investment vehicles, such as mutual funds, whose investment policies emphasize such investments.~~

- ~~eb) The Board may also establish additional Investment Options at its own discretion to serve the needs of the Plan's Participants establish more than one Investment Option for each category described in subsection (a) if deemed appropriate.~~
- ~~fe) The Board is specifically authorized to utilize outside investment managers to the extent deemed appropriate by the Board.~~
- ~~gd) The Board also has the authority to eliminate ~~any or all of the~~ Investment Options ~~offered~~ ~~created~~ by the Plan, provided that, in such event, Participants will be given no less than 30 days' notice of the elimination and effective date. The Board will provide Participants an opportunity to direct their balances in the to-be terminated Investment Option to other Investment Options prior to the termination effective date. Balances not directed by participants will be transferred or "mapped" to the Plans' Investment Options the Board deems appropriate. ~~any Participant who has requested that his or her Deferred Compensation Account be measured as if invested in the Investment Option or Options that have been eliminated shall be notified of the elimination. Any such Participant shall then have the opportunity to change his or her investment request or revoke his or her deferral pursuant to Section 2700.450, regardless of any other provision of this Plan.~~~~
- ~~h) The Board is authorized to adopt a custom naming convention (also known as "white labeling") that is specific to each Investment Option in the Plan, which is typically intended to more clearly represent the type of investment offered.~~

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.680 In-Plan Conversions and Rollovers to the Plan

- a) A Participant who is an Employee and who is entitled to receive an eligible rollover distribution from another eligible retirement plan may request to have all or a portion of the eligible rollover distribution paid to the Plan.
- b) The Department may require documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Code section 402 and to confirm that the plan is an eligible retirement plan within the meaning of Code section 402(c)(8)(B).
- c) For purposes of this Section, an eligible rollover distribution means any distribution of all or any portion of a Participant's benefit under another eligible retirement plan, except that an eligible rollover distribution does not include:
 - 1) any installment payment for a period of 10 years or more;
 - 2) any distribution made as a result of an Unforeseeable Emergency or other distribution that is made to a Participant;
 - 3) any amount constituting a security interest for an outstanding Loan under the eligible retirement plan; or
 - 4) for any other distribution, the portion, if any, of that distribution that is a required minimum distribution under Code section 401(a)(9). Code section 401(a)(9) outlines required distributions and the manner in which those distributions must be made.
- d) In addition, an eligible retirement plan means an individual retirement account described in Code section 408(b), a qualified trust described in Code section 401(a), an annuity plan described in Code section 403(a) or 403(b), or an eligible governmental plan described in Code section 457(b) that accepts the eligible rollover distribution.
- e) The Plan will not accept an eligible rollover distribution that includes an outstanding Loan as an asset from an eligible retirement plan.
- f) The Recordkeeper, at the direction of the Department, shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan from any eligible retirement plan that is not an eligible governmental plan under Code section 457(b).

- g) In addition, the Recordkeeper, at the direction of the Department, shall establish and maintain for the Participant a separate account for any eligible rollover distribution paid to the Plan from any eligible retirement plan that is an eligible governmental plan under Code section 457(b).
- h) Notwithstanding any provision of this Part to the contrary, the Plan may accept a rollover contribution that consists of designated Roth Contributions from an applicable retirement plan described in Code section 402A(e)(1), but only to the extent the rollover is permitted under Code section 402(c). Additionally, a direct rollover of a distribution from a Roth Contributions Account may only be made to another Roth contribution account under an applicable retirement plan described in Code section 402A(e)(1) or to a Roth IRA described in Code section 408A, and only to the extent the rollover is permitted under Code section 402(c).
- i) The Plan may allow in-plan Roth conversions. To the extent permitted by applicable law, Participants may, at their discretion, elect to convert all or a portion of their existing Pre-Tax Contributions to Roth Contributions at any time, and this conversion will not be considered a distribution under the Plan.
- j) The Plan may allow indirect rollovers, in which an Employee or a former Employee with an Account Balance contributes amounts to the Plan that were previously directly paid from an eligible retirement plan providing that those assets were withdrawn within the last 60 days (unless a waiver has been granted by the IRS).

(Source: Amended at 45 Ill. Reg. _____, effective _____)

SUBPART G: DISTRIBUTIONS

Section 2700.700 Distribution Events

- a) Distributions under this Plan shall be made in accordance with Code section 401(a)(9) (including, but not limited to, the Plan provisions described in Sections 2700.315 and 2700.740) and Treasury Regulations issued under section 401(a)(9), including the minimum distribution incidental benefit requirement of Code section 401(a)(9)(G) and Treasury Regulations 1.401(a)(9)-2 through 1.401(a)(9)-9 (26 CFR 1.401(a)(9)-2 through (a)(9)-9 (2012)). However, these provisions of the Code and Treasury Regulations shall override the other distribution provisions of the Plan only to the extent that the other Plan provisions provide for a distribution that is less rapid than is required under the provisions of the Code and the Treasury Regulations.
- b) ~~In accordance with the suspension, under the Worker, Retiree and Employer~~

~~Recovery Act of 2008, of required minimum distributions for calendar year 2009 only, the Plan will not make required minimum distributions to Plan Participants who otherwise would be required to take a required minimum distribution for calendar year 2009.~~

- c) In accordance with the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act; 15 USC 116), the Plan will not make required minimum distributions to Plan Participants who otherwise would be required to take a required minimum distribution in calendar year 2020. 2020 required minimum distributions requested prior to the CARES Act passage may be recontributed to the Plan in accordance with IRS guidance.
- d) In accordance with the CARES Act, the Plan will permit Plan Participants who are qualified individuals (as provided in Section 2202 of the CARES Act) to request Coronavirus-Related Distributions up to an aggregate limit of \$100,000 from May 29, 2020 through December 28, 2020. Plan Participants may repay all or part of the amount of a Coronavirus-Related Distribution, provided the repayment is made within 3 years after the date that the distribution was received. If repaid, the distribution will be treated as though it were repaid in a direct trustee-to-trustee transfer.
- e**b**) A Participant's Deferred Compensation Account may begin to be distributed 30 days after the date of one of the following events:
 - 1) Severance from Employment;
 - 2) Death; or
 - 3) Delayed Distribution Date.
- f**e**) A Participant's Deferred Compensation Account may begin to be distributed as soon as possible but not later than 30 days after determination of an Unforeseeable Emergency.
- g**d**) A Participant, with \$5,000 or less in his or her Deferred Compensation Account, may elect to cash out the Account in compliance with conditions specified in Section 2700.735.
- h**e**) No distributions shall be made to a Participant who is employed as an independent contractor before a date that is at least 12 months after the day on which his or her employment contract expires. Should the independent contractor be re-employed by the State as either an Employee or independent contractor during the 12-month waiting period, no distribution shall be started on the

projected distribution date. If the contractor has attained age 70½ at the time the contract is terminated, the 12-month waiting period is waived.

- if) Participants are responsible for notifying the Department of their Severance from Employment.
- ig) Beneficiaries are responsible for notifying the Department or the Recordkeeper of the death of the Participant and supplying the Department with a certified copy of the Death Certificate.
- kh) A Participant who does not receive the initial distribution until the calendar year following the year in which he or she reaches age 7270½ or separates, if he or she works past age 7270½, shall receive at least 2 taxable distributions in the same year.
- li) If a Participant has a separate account attributable to rollover contributions to the Plan, the Participant may at any time elect to receive a distribution of all or any portion of the amount held in the rollover account.
- mj) An alternate payee, pursuant to the terms of a qualified domestic relations order, may at any time elect to receive a distribution of all or any portion of the amount held and maintained on behalf of the alternate payee upon the proper execution and designation under the qualified domestic relations order. An alternate payee is not eligible to apply for a Loan pursuant to Section 2700.770.
- nk) If a Participant has an outstanding Loan, the Participant's or Beneficiary's accrued benefit shall be subject to offset or other adjustment upon distribution, in satisfaction of any outstanding Loan balance.
- ol) Notwithstanding any provision in this Part to the contrary, for a Participant's Roth Contributions only, a distribution shall not be a "qualified distribution" unless it meets the requirements of Code section 402A(d).

(Source: Amended at 45 Ill. Reg. _____, effective _____)

Section 2700.740 Unforeseeable Emergency

- a) A distribution of all or a portion of a Participant's Deferred Compensation Account or a change in method of distribution to a Participant shall be permitted in the event the Participant experiences an Unforeseeable Emergency.
- b) Distributions shall not be made to the extent that the hardship is or may be relieved:

- 1) through reimbursement or compensation by insurance or otherwise;
 - 2) by liquidation of the Participant's assets to the extent the liquidation of assets would not itself cause severe financial hardship;
 - 3) by cessation of deferrals under the Plan; or
 - 4) through receipt of a Loan under Section 2700.770.
- c) A distribution pursuant to this Section shall not be permitted unless the Participant has first exhausted the amount otherwise available for a Loan under Section 2700.770, except to the extent the Participant can demonstrate in its hardship distribution application that receipt of a Loan would itself cause severe financial hardship.
- ~~d) A Participant's deferrals shall automatically be revoked upon application for a hardship distribution. A Participant's Loan repayments shall not automatically be revoked upon application for a hardship distribution.~~
- ~~e) If the hardship application is approved, the Participant cannot re-enroll for 6 months following receipt of the hardship application, unless the application is to request cessation of distribution payments.~~
- f) For the purposes of this Plan, a Beneficiary whose interest has "vested" in accordance with Section 2700.415 shall have all rights of a Participant to request a distribution in the event of an Unforeseeable Emergency.
- g) A Participant desiring a distribution by reason of a serious Unforeseeable Emergency must apply to the Recordkeeper and demonstrate that:
- 1) the circumstances being experienced were not under the Participant's control;
 - 2) the circumstances constitute a real emergency that is likely to cause the Participant great financial hardship;
 - 3) the Unforeseeable Emergency that is the subject of the request occurred no more than 24 months prior to the date of the request;
 - 4) the amount of the need cannot be reasonably relieved:

- A) through reimbursement or compensation by insurance or otherwise;
 - B) by liquidation of assets (including those of the Participant's spouse and minor children), to the extent the liquidation would not itself cause an immediate and heavy financial need;
 - C) by stopping elective contributions to the Plan;
 - D) following receipt of a Loan under Section 2700.770; or
 - E) by taking withdrawals from the plans maintained by the employer and any other company, or by borrowing from commercial resources on reasonable commercial terms; and
- 5) an Unforeseeable Emergency request form and 457 direct emergency withdrawal worksheet have been completed and submitted to the Recordkeeper, along with all documentation possessed by the Participant that supports the basis of the request.
- h) The Recordkeeper shall have the authority to require medical or other evidence it may need to determine the necessity for Participant's withdrawal request. In the event this information is not provided, the case shall be considered closed 60 days after the date of the request for additional information.
 - i) The Recordkeeper shall reach its decision to process or reject the financial hardship withdrawal request, in accordance with Section 2700.315(f), within 30 days following receipt of the completed application and necessary information required by the application.
 - j) In the event the basis for the hardship does not fall into the guidelines established by Section 2700.315(f), the Recordkeeper shall forward all relevant information to the Hardship Committee for consideration and a final decision.
 - k) The Hardship Committee may request additional information from the Participant in order to make its decision on applications processed through either subsection (i) or (j). The Hardship Committee shall reach its decision within 30 days after receipt of the application and information necessary to reach a final determination.
 - l) If a Participant is not satisfied with the decision of the Hardship Committee on an application for an Unforeseeable Emergency distribution or change in

distribution, the Participant may appeal in writing to the Board within 20 days after the mailing date of the Hardship Committee's decision.

- m) The Board, or its duly appointed representative, shall, within ~~30-60~~ days after receipt of the appeal, conduct a hearing and review evidence presented by the Participant.
- n) The ~~Board or the~~ Executive Committee of the Board shall then render a final decision within 15 days after the hearing that shall be binding on all parties.
- o) If an application for an Unforeseeable Emergency distribution is approved, the distribution shall be limited to an amount sufficient only to meet the emergency, which amount shall not include any security interest for an outstanding Loan under Section 2700.770 or exceed the amount of his or her Deferred Compensation Account as of the Valuation Date next preceding or coincident with the withdrawal.
- p) The allowed distribution shall be payable in a method determined by the Recordkeeper and shall commence as soon as possible, but not later than 30 days after notice to the Participant and the Department of approval of the request.

(Source: Amended at 42 Ill. Reg. 16757, effective August 30, 2018)

Section 2700.770 Loans

- a) A Participant who is an Employee may apply for and receive a Loan from his or her Account Balance as provided in this Section. A Beneficiary may not apply for a Loan from his or her Account Balance.
- b) A Participant may initiate a Loan by contacting the Recordkeeper and filling out a loan application. Once a Loan is approved by the Recordkeeper, the Participant shall execute a promisory note in a form prescribed by the Recordkeeper.
- c) The amount to be loaned shall be selected by the Participant at the time a Loan application is filed and:
 - 1) shall not be for an amount less than \$1,000; nor
 - 2) exceed the lesser of:
 - A) \$50,000 reduced by the highest outstanding balance of loans from all qualified Employer plans from the preceding 12 months; or

- B) one-half of the present value of the Participant's Account Balance.
- d) Any amount in an account or accounts established for an alternate payee shall be excluded in determining the amount available for purposes of subsection (b).
- e) All Loans shall be repaid over a non-renewable repayment period between one and ~~five~~ years. A participant may pay off the Loan amount in full prior to the end of the repayment period by requesting a payoff amount from the Recordkeeper. Once the Recordkeeper has provided the Participant with a payoff figure, the Participant has 30 days in which to make the payment in one single installment via certified check or money order.
- f) Any Loan shall be amortized in substantially level installments of principal and accrued interest that shall be paid at least quarterly over the term of the Loan.
- g) All Loans shall provide a fixed rate of interest of 1% above the prime interest rate as published in the Wall Street Journal on the last business day of the month immediately preceding the month in which the Loan is granted.
- h) All Loans shall be secured as of the date of the Loan by the Participant's Account Balance; however, no more than 50% of the aggregate value of the Participant's Account Balance shall be used as security for the Loan.
- i) If a Participant dies prior to the disbursement of the proceeds of any Loan, the Participant's Loan request shall be void as of the date of death and no disbursement shall be made by operation of this Section to the Participant's Beneficiary or estate.
- j) The amount of the Loan may not be changed or revoked by the Participant and shall remain in effect until repaid or defaulted except in the case of any exception provided for military leave pursuant to the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA) contained in 38 USC 4318. Participants shall not have more than one Loan outstanding at a time; a Loan must be repaid in full before another Loan can be applied for and received.
- k) Loan disbursements and any Loan fee shall be debited pro rata across all investment funds and available contribution types within the Participant's Account in effect at the time the debits are made by the Plan. Principal repayments and interest payments shall be reinvested in the Participant's Account in accordance with the Participant's investment elections in effect at the time payments are received by the Plan.

- l) Participants are responsible for notifying the Department and Recordkeeper of any failure of Loan repayments to be initiated or otherwise be made in accordance with the Loan terms. In accordance with the CARES Act passed on March 27, 2020, a Participant who is a qualified individual for purposes of section 2202 of the CARES Act is permitted to delay Loan repayments due between May 29, 2020 and December 31, 2020; however, interest will accrue on all deferred payments.
- m) Failure to make Loan repayments in the manner and within the time period provided for in the Loan shall result in a default on the Loan and the unpaid Loan balance and any interest due on the loan shall become due and payable in accordance with the terms of the Loan. Upon the occurrence of a default, a Participant's Account Balance shall be adjusted and the Recordkeeper shall otherwise process the default in accordance with applicable tax law requirements.
- n) A Participant that is not approved for a Loan or a Loan amendment may appeal the denial in writing to the Hardship Committee within 30 days after the date of the Loan denial. The Hardship Committee shall render a final decision, within 30 days after receipt of the appeal, that shall be binding on all parties.
- o) If an appeal for a Loan is approved, the Loan shall be made and repaid in accordance with this Section.
- p) Loan Initiation Service Policies
 - 1) The Plan's Loan policies shall be entered into the Recordkeeper's system; Loan processing will be implemented in accordance with this Section. Any changes to the Plan's Loan program must be communicated in writing to the Recordkeeper at least 30 business days in advance of the effective date of any change to this subsection (p).
 - 2) A Participant may initiate a Loan by speaking to a representative of the Recordkeeper or by accessing the Recordkeeper's website. If the Participant meets the Plan rules for loan eligibility and certifies that no other loan is outstanding across all affiliated retirement plans through the State of Illinois and the highest outstanding loan balance of each loan in the last 12 months for any affiliated retirement plan loan, then the Recordkeeper shall permit the Participant to initiate a Loan based upon the information certified by the Participant.
 - A) If a Participant's Account contains investments that access redemption fees on Loans, the redemption fee will be deducted

from the Participant's Account and will not offset the Loan amount.

- B) In order to receive a Loan, the Participant will be required to provide the Recordkeeper with banking information in order to set up an ACH debit for Loan repayment. In addition, the Participant must agree to the terms and conditions of the ACH debit, as provided by the Recordkeeper.
 - C) The Participant's banking information will go through a pre-note process in order to validate the accuracy of the account information. If the account is rejected as a result of the pre-note process, the Participant will be notified: the Loan will be processed and the Participant will be required to provide revised banking information.
 - D) Participants will be permitted to investigate a Loan even if they are not eligible to initiate a Loan.
- 3) Loans may not be refinanced.
 - 4) If the Loan initiation is confirmed prior to the earlier of 4 p.m. Eastern Standard Time or the close of the New York Stock Exchange, the Participant's Account will reflect the Loan issue that same day. If the Loan initiation is confirmed after the close of the New York Stock Exchange, the Participant's Account will reflect the Loan issue the following business day.
 - 5) A Loan origination fee will be extracted from the Participant's Account at the time of the redemption and will not offset the Loan amount.
 - 6) A Loan check will be generated and mailed to the Participant's address of record within 2 business days from the date of issue.
 - 7) Each month, the Recordkeeper will provide the Board with a report detailing the Participants who have initiated Loans.
 - 8) Scheduled Loan Repayments:
 - A) The Recordkeeper's bank is instructed to debit the Loan repayment amount from the applicable Participant's banking account based upon the ACH debit information provided during the Loan initiation. The first Loan repayment amount will be debited on the

first day of month following the Loan issue date plus 10 days and every first of the month thereafter (the debit date).

- B) The Recordkeeper will apply the debited amount to the Participant's Loan on the fifth business day following the debit date.
- C) If a Loan repayment is not successfully debited from the Participant's banking account, the Recordkeeper will notify the Participant and the Participant will be required to take one of the following actions prior to the quarter following the quarter of the missed Loan repayment (the cure period): immediately pay the total amount of any rejected Loan repayments; pay the rejected Loan repayment on the next scheduled repayment date, along with the next scheduled repayment amount; or pay the entire remaining Loan balance in full. In order to avoid a Loan default, processing of the elected repayment method must occur prior to the end of the cure period. If the Participant does not take action on the rejected Loan repayment, the next scheduled payment will be processed on the next scheduled Loan repayment date.
- D) The Loan repayment amount shall be invested in accordance with the Participant's current investment election on file with the Recordkeeper.

9) Thirty days must elapse after the date of full Loan repayment before a Participant may apply for and receive another Loan.

109) Through the Recordkeeper's website, Participants will have the ability to view their Loan repayment history; receive notifications regarding insufficient funds or invalid banking information; edit the banking information on file with the Recordkeeper; and elect to receive email alerts regarding upcoming Loan repayments.

(Source: Amended at 45 Ill. Reg. _____, effective _____)