



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB4837

Introduced 01/19/06, by Rep. Raymond Poe

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-105.3 new  
40 ILCS 5/3-111 from Ch. 108 1/2, par. 3-111  
40 ILCS 5/3-111.1 from Ch. 108 1/2, par. 3-111.1  
40 ILCS 5/3-111.2 new  
30 ILCS 805/8.30 new

Amends the Downstate Police Article of the Pension Code. Provides for a Deferred Retirement Option Plan, under which a police officer who is at least age 50 with 20 years of service may continue in active service for up to 5 years while having his or her retirement pension paid into a special account, to be distributed to the police officer upon retirement. Bases the retirement pension on the police officer's service and salary at the time of joining the DROP plan. Requires termination of service at the end of the DROP plan participation period. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 16762 AMC 52033 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT in relation to 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 3-105.3 and 3-111.2 and changing Sections 3-111 and  
6 3-111.1 as follows:

7 (40 ILCS 5/3-105.3 new)

8 Sec. 3-105.3. Deferred Retirement Option Plan. "Deferred  
9 Retirement Option Plan" or "DROP plan" means the Deferred  
10 Retirement Option Plan established under Section 3-111.2.

11 (40 ILCS 5/3-111) (from Ch. 108 1/2, par. 3-111)

12 Sec. 3-111. Pension.

13 (a) A police officer age 50 or more with 20 or more years  
14 of creditable service, who is not a participant in the  
15 self-managed plan under Section 3-109.3 and who is no longer in  
16 service as a police officer, shall receive a pension of 1/2 of  
17 the salary attached to the rank held by the officer on the  
18 police force for one year immediately prior to retirement or,  
19 beginning July 1, 1987 for persons terminating service on or  
20 after that date, the salary attached to the rank held on the  
21 last day of service or for one year prior to the last day,  
22 whichever is greater. The pension shall be increased by 2.5% of  
23 such salary for each additional year of service over 20 years  
24 of service through 30 years of service, to a maximum of 75% of  
25 such salary.

26 The changes made to this subsection (a) by this amendatory  
27 Act of the 91st General Assembly apply to all pensions that  
28 become payable under this subsection on or after January 1,  
29 1999. All pensions payable under this subsection that began on  
30 or after January 1, 1999 and before the effective date of this  
31 amendatory Act shall be recalculated, and the amount of the

1 increase accruing for that period shall be payable to the  
2 pensioner in a lump sum.

3 For a police officer who retires at the conclusion of  
4 participation in the DROP plan, calculation of the amount of  
5 the retirement pension shall be based on the police officer's  
6 salary and accumulated service on the date he or she began  
7 participation in the DROP plan and shall include any annual  
8 increases that would have accrued under Section 3-111.1 if the  
9 police officer had retired on that date.

10 (a-5) No pension in effect on or granted after June 30,  
11 1973 shall be less than \$200 per month. Beginning July 1, 1987,  
12 the minimum retirement pension for a police officer having at  
13 least 20 years of creditable service shall be \$400 per month,  
14 without regard to whether or not retirement occurred prior to  
15 that date. If the minimum pension established in Section  
16 3-113.1 is greater than the minimum provided in this  
17 subsection, the Section 3-113.1 minimum controls.

18 (b) A police officer mandatorily retired from service due  
19 to age by operation of law, having at least 8 but less than 20  
20 years of creditable service, shall receive a pension equal to 2  
21 1/2% of the salary attached to the rank he or she held on the  
22 police force for one year immediately prior to retirement or,  
23 beginning July 1, 1987 for persons terminating service on or  
24 after that date, the salary attached to the rank held on the  
25 last day of service or for one year prior to the last day,  
26 whichever is greater, for each year of creditable service.

27 A police officer who retires or is separated from service  
28 having at least 8 years but less than 20 years of creditable  
29 service, who is not mandatorily retired due to age by operation  
30 of law, and who does not apply for a refund of contributions at  
31 his or her last separation from police service, shall receive a  
32 pension upon attaining age 60 equal to 2.5% of the salary  
33 attached to the rank held by the police officer on the police  
34 force for one year immediately prior to retirement or,  
35 beginning July 1, 1987 for persons terminating service on or  
36 after that date, the salary attached to the rank held on the

1 last day of service or for one year prior to the last day,  
2 whichever is greater, for each year of creditable service.

3 (c) A police officer no longer in service who has at least  
4 one but less than 8 years of creditable service in a police  
5 pension fund but meets the requirements of this subsection (c)  
6 shall be eligible to receive a pension from that fund equal to  
7 2.5% of the salary attached to the rank held on the last day of  
8 service under that fund or for one year prior to that last day,  
9 whichever is greater, for each year of creditable service in  
10 that fund. The pension shall begin no earlier than upon  
11 attainment of age 60 (or upon mandatory retirement from the  
12 fund by operation of law due to age, if that occurs before age  
13 60) and in no event before the effective date of this  
14 amendatory Act of 1997.

15 In order to be eligible for a pension under this subsection  
16 (c), the police officer must have at least 8 years of  
17 creditable service in a second police pension fund under this  
18 Article and be receiving a pension under subsection (a) or (b)  
19 of this Section from that second fund. The police officer need  
20 not be in service on or after the effective date of this  
21 amendatory Act of 1997.

22 (Source: P.A. 90-460, eff. 8-17-97; 91-939, eff. 2-1-01.)

23 (40 ILCS 5/3-111.1) (from Ch. 108 1/2, par. 3-111.1)

24 Sec. 3-111.1. Increase in pension.

25 (a) Except as provided in subsection (e), the monthly  
26 pension of a police officer who retires after July 1, 1971, and  
27 prior to January 1, 1986, shall be increased, upon either the  
28 first of the month following the first anniversary of the date  
29 of retirement if the officer is 60 years of age or over at  
30 retirement date, or upon the first day of the month following  
31 attainment of age 60 if it occurs after the first anniversary  
32 of retirement, by 3% of the originally granted pension and by  
33 an additional 3% of the originally granted pension in January  
34 of each year thereafter.

35 (b) The monthly pension of a police officer who retired

1 from service with 20 or more years of service, on or before  
2 July 1, 1971, shall be increased in January of the year  
3 following the year of attaining age 65 or in January of 1972,  
4 if then over age 65, by 3% of the originally granted pension  
5 for each year the police officer received pension payments. In  
6 each January thereafter, he or she shall receive an additional  
7 increase of 3% of the original pension.

8 (c) The monthly pension of a police officer who retires on  
9 disability or is retired for disability shall be increased in  
10 January of the year following the year of attaining age 60, by  
11 3% of the original grant of pension for each year he or she  
12 received pension payments. In each January thereafter, the  
13 police officer shall receive an additional increase of 3% of  
14 the original pension.

15 (d) The monthly pension of a police officer who retires  
16 after January 1, 1986, shall be increased, upon either the  
17 first of the month following the first anniversary of the date  
18 of retirement if the officer is 55 years of age or over, or  
19 upon the first day of the month following attainment of age 55  
20 if it occurs after the first anniversary of retirement, by 1/12  
21 of 3% of the originally granted pension for each full month  
22 that has elapsed since the pension began, and by an additional  
23 3% of the originally granted pension in January of each year  
24 thereafter.

25 The changes made to this subsection (d) by this amendatory  
26 Act of the 91st General Assembly apply to all initial increases  
27 that become payable under this subsection on or after January  
28 1, 1999. All initial increases that became payable under this  
29 subsection on or after January 1, 1999 and before the effective  
30 date of this amendatory Act shall be recalculated and the  
31 additional amount accruing for that period, if any, shall be  
32 payable to the pensioner in a lump sum.

33 For the purpose of calculating eligibility for increases  
34 under this Section, the date of retirement of a police officer  
35 who retires at the conclusion of participation in the DROP plan  
36 shall be deemed to be the date he or she began participation in

1 the DROP plan.

2 (e) Notwithstanding the provisions of subsection (a), upon  
3 the first day of the month following (1) the first anniversary  
4 of the date of retirement, or (2) the attainment of age 55, or  
5 (3) July 1, 1987, whichever occurs latest, the monthly pension  
6 of a police officer who retired on or after January 1, 1977 and  
7 on or before January 1, 1986, and did not receive an increase  
8 under subsection (a) before July 1, 1987, shall be increased by  
9 3% of the originally granted monthly pension for each full year  
10 that has elapsed since the pension began, and by an additional  
11 3% of the originally granted pension in each January  
12 thereafter. The increases provided under this subsection are in  
13 lieu of the increases provided in subsection (a).

14 (f) Notwithstanding the other provisions of this Section,  
15 beginning with increases granted on or after July 1, 1993, the  
16 second and all subsequent automatic annual increases granted  
17 under subsection (a), (b), (d), or (e) of this Section shall be  
18 calculated as 3% of the amount of pension payable at the time  
19 of the increase, including any increases previously granted  
20 under this Section, rather than 3% of the originally granted  
21 pension amount. Section 1-103.1 does not apply to this  
22 subsection (f).

23 (Source: P.A. 91-939, eff. 2-1-01.)

24 (40 ILCS 5/3-111.2 new)

25 Sec. 3-111.2. Deferred Retirement Option Plan.

26 (a) The Deferred Retirement Option Plan created by this  
27 Section shall first become available to eligible police  
28 officers on January 1, 2007.

29 (b) To be eligible to participate in the DROP plan, a  
30 police officer must (i) be in active service, (ii) have  
31 attained age 50, and (iii) have at least 20 years of creditable  
32 service in the Fund. A police officer may participate in the  
33 DROP plan only once.

34 (c) An election to participate in the DROP plan must be  
35 made within 3 years after becoming eligible under subsection

1 (b) or by January 1, 2010, whichever is later. The election,  
2 once made, is irrevocable.

3 The election to participate in the DROP plan shall be made  
4 in writing on forms provided for that purpose by the Board and  
5 shall be filed with the Board. The application must indicate  
6 the date upon which participation in the DROP plan is to begin,  
7 which shall be the first day of a calendar month and not less  
8 than 30 days nor more than 90 days after the date of filing the  
9 application.

10 As a part of the application, the police officer must file  
11 with the Board and with his or her employer an irrevocable  
12 letter of resignation from employment, effective on the date of  
13 termination of the police officer's participation in the DROP  
14 plan (unless that termination results from acceptance of a  
15 disability benefit).

16 (d) A police officer's participation in the DROP plan shall  
17 commence on the date specified in the application and shall end  
18 upon (i) termination of service, (ii) death of the police  
19 officer, (iii) disability for which the police officer receives  
20 a benefit under Section 3-114.1, 3-114.2, or 3-114.3, or (iv)  
21 expiration of 5 years from the date the police officer's  
22 participation in the DROP plan began, whichever occurs first.

23 (e) A police officer who is participating in the DROP plan  
24 shall be considered an active police officer for the purposes  
25 of this Article, including Section 3-128, but shall be subject  
26 to the special conditions of the DROP plan.

27 A police officer shall continue to make the contributions  
28 that are required for active police officers during his or her  
29 participation in the DROP plan. These contributions shall be  
30 accumulated in the police officer's DROP account and shall be  
31 treated as being "picked up" within the meaning of Section  
32 3-125.2 of this Code and Section 414(h)(2) of the Internal  
33 Revenue Code of 1986, as amended.

34 A police officer who is participating in the DROP plan  
35 shall not receive service credit for the period of that  
36 participation, and the salary earned during that period shall

1 be disregarded in calculating the police officer's benefits  
2 under this Article.

3 (f) A police officer who participates in the DROP plan may  
4 terminate service at any time during participation in the DROP  
5 plan. A police officer who participates in the DROP plan must  
6 terminate service on the last day of participation in the DROP  
7 plan, unless participation in the DROP plan is ended due to  
8 acceptance of a disability benefit.

9 (g) A police officer who is participating in the DROP plan  
10 remains eligible to apply for a disability benefit under  
11 Section 3-114.1, 3-114.2, or 3-114.3, but participation in the  
12 DROP plan ceases upon acceptance of the disability benefit. If  
13 participation in the DROP plan is ended due to acceptance of a  
14 disability benefit, (1) the disabled police officer shall be  
15 credited with employee contributions and creditable service  
16 for the period of participation in the DROP plan, (2) the  
17 police officer's letter of resignation from service that is  
18 required to be filed at the time of application to participate  
19 in the DROP plan is void, and (3) the amounts in the disabled  
20 police officer's DROP account are forfeited to the Fund.

21 (h) The Fund shall maintain a separate DROP account for the  
22 benefit of each police officer who becomes a participant in the  
23 DROP plan. The Fund shall pay into the police officer's DROP  
24 account:

25 (1) for each month of the police officer's  
26 participation in the DROP plan, an amount equal to the  
27 monthly retirement pension that the police officer would  
28 have been eligible to receive if the police officer had  
29 terminated service and taken a retirement pension on the  
30 date his or her participation in the DROP plan began,  
31 including any increases in pension for which the police  
32 officer would have been eligible under Section 3-111.1;

33 (2) the employee contributions paid by the police  
34 officer during the period of participation in the DROP  
35 plan; and

36 (3) interest on the balance in the DROP account, at the



1 rate of one percent below the Fund's total rate of return  
2 for the previous calendar year, paid and compounded  
3 monthly, throughout the period of participation in the DROP  
4 plan. The DROP account shall cease earning interest when  
5 the police officer's participation in the DROP plan ends.

6 (i) In addition to the retirement pension under Section  
7 3-111, a police officer who terminates service and retires at  
8 the conclusion of his or her participation in the DROP plan  
9 shall receive, upon retirement, a DROP benefit equal to the  
10 balance in the police officer's DROP account at the time of  
11 retirement.

12 At the time of application for a retirement pension, the  
13 police officer shall elect to receive the DROP benefit in the  
14 form of either a lump sum or an actuarially equivalent annuity  
15 for life. If a lump sum payment is elected, it may be taken in  
16 the form of cash or a cash equivalent or be rolled over into an  
17 individual retirement account (IRA) or a qualified retirement  
18 plan. A DROP benefit payable in the form of an annuity shall be  
19 in a fixed amount not subject to annual or other increases. A  
20 DROP benefit shall be treated as a retirement benefit for the  
21 purposes of Section 1-119 (QILDROs).

22 (j) If a police officer receiving a DROP benefit in the  
23 form of an annuity re-enters service, the DROP benefit annuity  
24 payments shall be suspended until the police officer's  
25 subsequent retirement.

26 (k) If a police officer dies while participating in the  
27 DROP plan, the DROP benefit shall be paid as a lump sum to the  
28 surviving spouse or other survivor of the police officer  
29 entitled to a pension under Section 3-112 or, if there is no  
30 such survivor, then to the deceased police officer's estate.

31 (l) If a retired police officer dies while receiving a DROP  
32 benefit in the form of an annuity, and the DROP account balance  
33 at the time of retirement exceeds the total amount of DROP  
34 benefit annuity payments received, the excess shall be refunded  
35 to the surviving spouse or other survivor of the police officer  
36 entitled to a pension under Section 3-112 or, if there is no

1 such survivor, then to the deceased police officer's estate.

2 Section 90. The State Mandates Act is amended by adding  
3 Section 8.30 as follows:

4 (30 ILCS 805/8.30 new)

5 Sec. 8.30. Exempt mandate. Notwithstanding Sections 6 and 8  
6 of this Act, no reimbursement by the State is required for the  
7 implementation of any mandate created by this amendatory Act of  
8 the 94th General Assembly.

9 Section 99. Effective date. This Act takes effect upon  
10 becoming law.