



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4964

Introduced 01/19/06, by Rep. Michael K. Smith

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110

from Ch. 108 1/2, par. 3-110

30 ILCS 805/8.30 new

Amends the Downstate Police Article of the Illinois Pension Code. Allows a police officer to establish creditable service for up to 5 years of service in the military, naval, or air forces of the United States entered upon prior to becoming an active police officer of a municipality. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB094 18233 AMC 53544 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing
5 Section 3-110 as follows:

6 (40 ILCS 5/3-110) (from Ch. 108 1/2, par. 3-110)

7 Sec. 3-110. Creditable service.

8 (a) "Creditable service" is the time served by a police
9 officer as a member of a regularly constituted police force of
10 a municipality. In computing creditable service furloughs
11 without pay exceeding 30 days shall not be counted, but all
12 leaves of absence for illness or accident, regardless of
13 length, and all periods of disability retirement for which a
14 police officer has received no disability pension payments
15 under this Article shall be counted.

16 (a-5) Up to 3 years of time during which the police officer
17 receives a disability pension under Section 3-114.1, 3-114.2,
18 3-114.3, or 3-114.6 shall be counted as creditable service,
19 provided that (i) the police officer returns to active service
20 after the disability for a period at least equal to the period
21 for which credit is to be established and (ii) the police
22 officer makes contributions to the fund based on the rates
23 specified in Section 3-125.1 and the salary upon which the
24 disability pension is based. These contributions may be paid at
25 any time prior to the commencement of a retirement pension. The
26 police officer may, but need not, elect to have the
27 contributions deducted from the disability pension or to pay
28 them in installments on a schedule approved by the board. If
29 not deducted from the disability pension, the contributions
30 shall include interest at the rate of 6% per year, compounded
31 annually, from the date for which service credit is being
32 established to the date of payment. If contributions are paid

1 under this subsection (a-5) in excess of those needed to
2 establish the credit, the excess shall be refunded. This
3 subsection (a-5) applies to persons receiving a disability
4 pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 on
5 the effective date of this amendatory Act of the 91st General
6 Assembly, as well as persons who begin to receive such a
7 disability pension after that date.

8 (b) Creditable service includes all periods of service in
9 the military, naval or air forces of the United States entered
10 upon while an active police officer of a municipality, provided
11 that upon applying for a permanent pension, and in accordance
12 with the rules of the board, the police officer pays into the
13 fund the amount the officer would have contributed if he or she
14 had been a regular contributor during such period, to the
15 extent that the municipality which the police officer served
16 has not made such contributions in the officer's behalf. The
17 total amount of such creditable service shall not exceed 5
18 years, except that any police officer who on July 1, 1973 had
19 more than 5 years of such creditable service shall receive the
20 total amount thereof.

21 (b-5) Creditable service includes periods of service in the
22 military, naval, or air forces of the United States entered
23 upon prior to becoming an active police officer of a
24 municipality, provided that: (i) the police officer submits a
25 written application to the board, including a copy of the
26 police officer's discharge papers for the service; (ii) pays to
27 the fund all police officer contributions for the creditable
28 service at the rates in effect at the time of application as
29 provided in Section 3-125.1, based on the police officer's
30 salary and contribution rate at the date of application, and
31 all municipality normal costs for each month purchased as
32 described by the most current valuation balance sheet of the
33 Division of Insurance of the Department of Financial and
34 Professional Regulation; and (iii) the police officer received
35 no credit for the service under any other retirement system,
36 pension fund, or annuity and benefit fund under this Code. The

1 total amount of such creditable service shall not exceed 5
2 years.

3 The changes made to this Section by this amendatory Act of
4 the 94th General Assembly apply without regard to whether the
5 police officer was in service on or after its effective date.
6 In the case of a person who is receiving a pension benefit on
7 the effective date of this amendatory Act of the 94th General
8 Assembly, the increase shall begin to accrue on the first
9 benefit payment date following that effective date.

10 (c) Creditable service also includes service rendered by a
11 police officer while on leave of absence from a police
12 department to serve as an executive of an organization whose
13 membership consists of members of a police department, subject
14 to the following conditions: (i) the police officer is a
15 participant of a fund established under this Article with at
16 least 10 years of service as a police officer; (ii) the police
17 officer received no credit for such service under any other
18 retirement system, pension fund, or annuity and benefit fund
19 included in this Code; (iii) pursuant to the rules of the board
20 the police officer pays to the fund the amount he or she would
21 have contributed had the officer been an active member of the
22 police department; and (iv) the organization pays a
23 contribution equal to the municipality's normal cost for that
24 period of service.

25 (d) (1) Creditable service also includes periods of
26 service originally established in another police pension
27 fund under this Article or in the Fund established under
28 Article 7 of this Code for which (i) the contributions have
29 been transferred under Section 3-110.7 or Section 7-139.9
30 and (ii) any additional contribution required under
31 paragraph (2) of this subsection has been paid in full in
32 accordance with the requirements of this subsection (d).

33 (2) If the board of the pension fund to which
34 creditable service and related contributions are
35 transferred under Section 3-110.7 or 7-139.9 determines
36 that the amount transferred is less than the true cost to

1 the pension fund of allowing that creditable service to be
2 established, then in order to establish that creditable
3 service the police officer must pay to the pension fund,
4 within the payment period specified in paragraph (3) of
5 this subsection, an additional contribution equal to the
6 difference, as determined by the board in accordance with
7 the rules and procedures adopted under paragraph (6) of
8 this subsection.

9 (3) Except as provided in paragraph (4), the additional
10 contribution must be paid to the board (i) within 5 years
11 from the date of the transfer of contributions under
12 Section 3-110.7 or 7-139.9 and (ii) before the police
13 officer terminates service with the fund. The additional
14 contribution may be paid in a lump sum or in accordance
15 with a schedule of installment payments authorized by the
16 board.

17 (4) If the police officer dies in service before
18 payment in full has been made and before the expiration of
19 the 5-year payment period, the surviving spouse of the
20 officer may elect to pay the unpaid amount on the officer's
21 behalf within 6 months after the date of death, in which
22 case the creditable service shall be granted as though the
23 deceased police officer had paid the remaining balance on
24 the day before the date of death.

25 (5) If the additional contribution is not paid in full
26 within the required time, the creditable service shall not
27 be granted and the police officer (or the officer's
28 surviving spouse or estate) shall be entitled to receive a
29 refund of (i) any partial payment of the additional
30 contribution that has been made by the police officer and
31 (ii) those portions of the amounts transferred under
32 subdivision (a)(1) of Section 3-110.7 or subdivisions
33 (a)(1) and (a)(3) of Section 7-139.9 that represent
34 employee contributions paid by the police officer (but not
35 the accumulated interest on those contributions) and
36 interest paid by the police officer to the prior pension

1 fund in order to reinstate service terminated by acceptance
2 of a refund.

3 At the time of paying a refund under this item (5), the
4 pension fund shall also repay to the pension fund from
5 which the contributions were transferred under Section
6 3-110.7 or 7-139.9 the amount originally transferred under
7 subdivision (a)(2) of that Section, plus interest at the
8 rate of 6% per year, compounded annually, from the date of
9 the original transfer to the date of repayment. Amounts
10 repaid to the Article 7 fund under this provision shall be
11 credited to the appropriate municipality.

12 Transferred credit that is not granted due to failure
13 to pay the additional contribution within the required time
14 is lost; it may not be transferred to another pension fund
15 and may not be reinstated in the pension fund from which it
16 was transferred.

17 (6) The Public Employee Pension Fund Division of the
18 Department of Insurance shall establish by rule the manner
19 of making the calculation required under paragraph (2) of
20 this subsection, taking into account the appropriate
21 actuarial assumptions; the police officer's service, age,
22 and salary history; the level of funding of the pension
23 fund to which the credits are being transferred; and any
24 other factors that the Division determines to be relevant.
25 The rules may require that all calculations made under
26 paragraph (2) be reported to the Division by the board
27 performing the calculation, together with documentation of
28 the creditable service to be transferred, the amounts of
29 contributions and interest to be transferred, the manner in
30 which the calculation was performed, the numbers relied
31 upon in making the calculation, the results of the
32 calculation, and any other information the Division may
33 deem useful.

34 (e)(1) Creditable service also includes periods of
35 service originally established in the Fund established
36 under Article 7 of this Code for which the contributions

1 have been transferred under Section 7-139.11.

2 (2) If the board of the pension fund to which
3 creditable service and related contributions are
4 transferred under Section 7-139.11 determines that the
5 amount transferred is less than the true cost to the
6 pension fund of allowing that creditable service to be
7 established, then the amount of creditable service the
8 police officer may establish under this subsection (e)
9 shall be reduced by an amount equal to the difference, as
10 determined by the board in accordance with the rules and
11 procedures adopted under paragraph (3) of this subsection.

12 (3) The Public Pension Division of the Department of
13 Financial and Professional Regulation shall establish by
14 rule the manner of making the calculation required under
15 paragraph (2) of this subsection, taking into account the
16 appropriate actuarial assumptions; the police officer's
17 service, age, and salary history; the level of funding of
18 the pension fund to which the credits are being
19 transferred; and any other factors that the Division
20 determines to be relevant. The rules may require that all
21 calculations made under paragraph (2) be reported to the
22 Division by the board performing the calculation, together
23 with documentation of the creditable service to be
24 transferred, the amounts of contributions and interest to
25 be transferred, the manner in which the calculation was
26 performed, the numbers relied upon in making the
27 calculation, the results of the calculation, and any other
28 information the Division may deem useful.

29 (Source: P.A. 94-356, eff. 7-29-05.)

30 Section 90. The State Mandates Act is amended by adding
31 Section 8.30 as follows:

32 (30 ILCS 805/8.30 new)

33 Sec. 8.30. Exempt mandate. Notwithstanding Sections 6 and 8
34 of this Act, no reimbursement by the State is required for the

1 implementation of any mandate created by this amendatory Act of
2 the 94th General Assembly.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.