

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
5 adding Sections 3-105.3 and 3-111.2 and changing Sections
6 3-111 and 3-111.1 as follows:

7 (40 ILCS 5/3-105.3 new)

8 Sec. 3-105.3. Deferred Retirement Option Plan.
9 "Deferred Retirement Option Plan" or "DROP plan" means the
10 Deferred Retirement Option Plan established under Section
11 3-111.2.

12 (40 ILCS 5/3-111) (from Ch. 108 1/2, par. 3-111)

13 Sec. 3-111. Pension.

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

27 The changes made to this subsection (a) by this
28 amendatory Act of the 91st General Assembly apply to all
29 pensions that become payable under this subsection on or
30 after January 1, 1999. All pensions payable under this

1 subsection that began on or after January 1, 1999 and before
2 the effective date of this amendatory Act shall be
3 recalculated, and the amount of the increase accruing for
4 that period shall be payable to the pensioner in a lump sum.

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

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

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

31 A police officer who retires or is separated from service
32 having at least 8 years but less than 20 years of creditable
33 service, who is not mandatorily retired due to age by
34 operation of law, and who does not apply for a refund of

1 contributions at his or her last separation from police
2 service, shall receive a pension upon attaining age 60 equal
3 to 2.5% of the salary attached to the rank held by the police
4 officer on the police force for one year immediately prior to
5 retirement or, beginning July 1, 1987 for persons terminating
6 service on or after that date, the salary attached to the
7 rank held on the last day of service or for one year prior to
8 the last day, whichever is greater, for each year of
9 creditable service.

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

22 In order to be eligible for a pension under this
23 subsection (c), the police officer must have at least 8 years
24 of creditable service in a second police pension fund under
25 this Article and be receiving a pension under subsection (a)
26 or (b) of this Section from that second fund. The police
27 officer need not be in service on or after the effective date
28 of this amendatory Act of 1997.

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

30 (40 ILCS 5/3-111.1) (from Ch. 108 1/2, par. 3-111.1)
31 Sec. 3-111.1. Increase in pension.

32 (a) Except as provided in subsection (e), the monthly
33 pension of a police officer who retires after July 1, 1971,

1 and prior to January 1, 1986, shall be increased, upon either
2 the first of the month following the first anniversary of the
3 date of retirement if the officer is 60 years of age or over
4 at retirement date, or upon the first day of the month
5 following attainment of age 60 if it occurs after the first
6 anniversary of retirement, by 3% of the originally granted
7 pension and by an additional 3% of the originally granted
8 pension in January of each year thereafter.

9 (b) The monthly pension of a police officer who retired
10 from service with 20 or more years of service, on or before
11 July 1, 1971, shall be increased in January of the year
12 following the year of attaining age 65 or in January of 1972,
13 if then over age 65, by 3% of the originally granted pension
14 for each year the police officer received pension payments.
15 In each January thereafter, he or she shall receive an
16 additional increase of 3% of the original pension.

17 (c) The monthly pension of a police officer who retires
18 on disability or is retired for disability shall be increased
19 in January of the year following the year of attaining age
20 60, by 3% of the original grant of pension for each year he
21 or she received pension payments. In each January
22 thereafter, the police officer shall receive an additional
23 increase of 3% of the original pension.

24 (d) The monthly pension of a police officer who retires
25 after January 1, 1986, shall be increased, upon either the
26 first of the month following the first anniversary of the
27 date of retirement if the officer is 55 years of age or over,
28 or upon the first day of the month following attainment of
29 age 55 if it occurs after the first anniversary of
30 retirement, by 1/12 of 3% of the originally granted pension
31 for each full month that has elapsed since the pension began,
32 and by an additional 3% of the originally granted pension in
33 January of each year thereafter.

34 The changes made to this subsection (d) by this

1 amendatory Act of the 91st General Assembly apply to all
2 initial increases that become payable under this subsection
3 on or after January 1, 1999. All initial increases that
4 became payable under this subsection on or after January 1,
5 1999 and before the effective date of this amendatory Act
6 shall be recalculated and the additional amount accruing for
7 that period, if any, shall be payable to the pensioner in a
8 lump sum.

9 For the purpose of calculating eligibility for increases
10 under this Section, the date of retirement of a police
11 officer who retires at the conclusion of participation in the
12 DROP plan shall be deemed to be the date he or she began
13 participation in the DROP plan.

14 (e) Notwithstanding the provisions of subsection (a),
15 upon the first day of the month following (1) the first
16 anniversary of the date of retirement, or (2) the attainment
17 of age 55, or (3) July 1, 1987, whichever occurs latest, the
18 monthly pension of a police officer who retired on or after
19 January 1, 1977 and on or before January 1, 1986, and did not
20 receive an increase under subsection (a) before July 1, 1987,
21 shall be increased by 3% of the originally granted monthly
22 pension for each full year that has elapsed since the pension
23 began, and by an additional 3% of the originally granted
24 pension in each January thereafter. The increases provided
25 under this subsection are in lieu of the increases provided
26 in subsection (a).

27 (f) Notwithstanding the other provisions of this
28 Section, beginning with increases granted on or after July 1,
29 1993, the second and all subsequent automatic annual
30 increases granted under subsection (a), (b), (d), or (e) of
31 this Section shall be calculated as 3% of the amount of
32 pension payable at the time of the increase, including any
33 increases previously granted under this Section, rather than
34 3% of the originally granted pension amount. Section 1-103.1

1 does not apply to this subsection (f).

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

3 (40 ILCS 5/3-111.2 new)

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

5 (a) The Deferred Retirement Option Plan created by this
6 Section shall first become available to eligible police
7 officers on January 1, 2004.

8 (b) To be eligible to participate in the DROP plan, a
9 police officer must (i) be in active service, (ii) have
10 attained age 50, and (iii) have at least 20 years of
11 creditable service in the Fund. A police officer may
12 participate in the DROP plan only once.

13 (c) An election to participate in the DROP plan must be
14 made within 3 years after becoming eligible under subsection
15 (b) or by January 1, 2007, whichever is later. The election,
16 once made, is irrevocable.

17 The election to participate in the DROP plan shall be
18 made in writing on forms provided for that purpose by the
19 Board and shall be filed with the Board. The application
20 must indicate the date upon which participation in the DROP
21 plan is to begin, which shall be the first day of a calendar
22 month and not less than 30 days nor more than 90 days after
23 the date of filing the application.

24 As a part of the application, the police officer must
25 file with the Board and with his or her employer an
26 irrevocable letter of resignation from employment, effective
27 on the date of termination of the police officer's
28 participation in the DROP plan (unless that termination
29 results from acceptance of a disability benefit).

30 (d) A police officer's participation in the DROP plan
31 shall commence on the date specified in the application and
32 shall end upon (i) termination of service, (ii) death of the
33 police officer, (iii) disability for which the police officer

1 receives a benefit under Section 3-114.1, 3-114.2, or
2 3-114.3, or (iv) expiration of 5 years from the date the
3 police officer's participation in the DROP plan began,
4 whichever occurs first.

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

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

16 A police officer who is participating in the DROP plan
17 shall not receive service credit for the period of that
18 participation, and the salary earned during that period shall
19 be disregarded in calculating the police officer's benefits
20 under this Article.

21 (f) A police officer who participates in the DROP plan
22 may terminate service at any time during participation in the
23 DROP plan. A police officer who participates in the DROP
24 plan must terminate service on the last day of participation
25 in the DROP plan, unless participation in the DROP plan is
26 ended due to acceptance of a disability benefit.

27 (g) A police officer who is participating in the DROP
28 plan remains eligible to apply for a disability benefit under
29 Section 3-114.1, 3-114.2, or 3-114.3, but participation in
30 the DROP plan ceases upon acceptance of the disability
31 benefit. If participation in the DROP plan is ended due to
32 acceptance of a disability benefit, (1) the disabled police
33 officer shall be credited with employee contributions and
34 creditable service for the period of participation in the

1 DROP plan, (2) the police officer's letter of resignation
2 from service that is required to be filed at the time of
3 application to participate in the DROP plan is void, and (3)
4 the amounts in the disabled police officer's DROP account are
5 forfeited to the Fund.

6 (h) The Fund shall maintain a separate DROP account for
7 the benefit of each police officer who becomes a participant
8 in the DROP plan. The Fund shall pay into the police
9 officer's DROP account:

10 (1) for each month of the police officer's
11 participation in the DROP plan, an amount equal to the
12 monthly retirement pension that the police officer would
13 have been eligible to receive if the police officer had
14 terminated service and taken a retirement pension on the
15 date his or her participation in the DROP plan began,
16 including any increases in pension for which the police
17 officer would have been eligible under Section 3-111.1;

18 (2) the employee contributions paid by the police
19 officer during the period of participation in the DROP
20 plan; and

21 (3) interest on the balance in the DROP account, at
22 the rate of 7% per annum, paid and compounded monthly,
23 throughout the period of participation in the DROP plan.
24 The DROP account shall cease earning interest when the
25 police officer's participation in the DROP plan ends.

26 (i) In addition to the retirement pension under Section
27 3-111, a police officer who terminates service and retires at
28 the conclusion of his or her participation in the DROP plan
29 shall receive, upon retirement, a DROP benefit equal to the
30 balance in the police officer's DROP account at the time of
31 retirement.

32 At the time of application for a retirement pension, the
33 police officer shall elect to receive the DROP benefit in the
34 form of either a lump sum or an actuarially equivalent

1 annuity for life. If a lump sum payment is elected, it may
2 be taken in the form of cash or a cash equivalent or be
3 rolled over into an individual retirement account (IRA) or a
4 qualified retirement plan. A DROP benefit payable in the
5 form of an annuity shall be in a fixed amount not subject to
6 annual or other increases. A DROP benefit shall be treated
7 as a retirement benefit for the purposes of Section 1-119
8 (OILDROs).

9 (j) If a police officer receiving a DROP benefit in the
10 form of an annuity re-enters service, the DROP benefit
11 annuity payments shall be suspended until the police
12 officer's subsequent retirement.

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

18 (l) If a retired police officer dies while receiving a
19 DROP benefit in the form of an annuity, and the DROP account
20 balance at the time of retirement exceeds the total amount of
21 DROP benefit annuity payments received, the excess shall be
22 refunded to the surviving spouse or other survivor of the
23 police officer entitled to a pension under Section 3-112 or,
24 if there is no such survivor, then to the deceased police
25 officer's estate.

26 Section 90. The State Mandates Act is amended by adding
27 Section 8.27 as follows:

28 (30 ILCS 805/8.27 new)

29 Sec. 8.27. Exempt mandate. Notwithstanding Sections 6
30 and 8 of this Act, no reimbursement by the State is required
31 for the implementation of any mandate created by this
32 amendatory Act of the 93rd General Assembly.

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.