



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

HB3656

Introduced 2/24/2009, by Rep. Jay C. Hoffman

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110

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

30 ILCS 805/8.33 new

Amends the Downstate Police Article of the Illinois Pension Code. Allows a police officer that is transferring creditable service from one downstate police pension fund to another to elect to have his or her creditable service reduced rather than paying the difference between the amount transferred and the true cost of allowing that creditable service to be established. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB096 11614 AMC 22140 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

1 disability pension is based. These contributions may be paid at
2 any time prior to the commencement of a retirement pension. The
3 police officer may, but need not, elect to have the
4 contributions deducted from the disability pension or to pay
5 them in installments on a schedule approved by the board. If
6 not deducted from the disability pension, the contributions
7 shall include interest at the rate of 6% per year, compounded
8 annually, from the date for which service credit is being
9 established to the date of payment. If contributions are paid
10 under this subsection (a-5) in excess of those needed to
11 establish the credit, the excess shall be refunded. This
12 subsection (a-5) applies to persons receiving a disability
13 pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 on
14 the effective date of this amendatory Act of the 91st General
15 Assembly, as well as persons who begin to receive such a
16 disability pension after that date.

17 (b) Creditable service includes all periods of service in
18 the military, naval or air forces of the United States entered
19 upon while an active police officer of a municipality, provided
20 that upon applying for a permanent pension, and in accordance
21 with the rules of the board, the police officer pays into the
22 fund the amount the officer would have contributed if he or she
23 had been a regular contributor during such period, to the
24 extent that the municipality which the police officer served
25 has not made such contributions in the officer's behalf. The
26 total amount of such creditable service shall not exceed 5

1 years, except that any police officer who on July 1, 1973 had
2 more than 5 years of such creditable service shall receive the
3 total amount thereof.

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

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

1 (2) If the board of the pension fund to which
2 creditable service and related contributions are
3 transferred under Section ~~3-110.7~~ or 7-139.9 determines
4 that the amount transferred is less than the true cost to
5 the pension fund of allowing that creditable service to be
6 established, then in order to establish that creditable
7 service the police officer must pay to the pension fund,
8 within the payment period specified in paragraph (3) of
9 this subsection, an additional contribution equal to the
10 difference, as determined by the board in accordance with
11 the rules and procedures adopted under paragraph (6) of
12 this subsection. If the board of the pension fund to which
13 creditable service and related contributions are
14 transferred under Section 3-110.7 determines that the
15 amount transferred is less than the true cost to the
16 pension fund of allowing that creditable service to be
17 established, then the police officer may elect (A) to
18 establish that creditable service by paying to the pension
19 fund, within the payment period specified in paragraph (3)
20 of this subsection (d), an additional contribution equal to
21 the difference, as determined by the board in accordance
22 with the rules and procedures adopted under paragraph (6)
23 of this subsection (d) or (B) to have his or her creditable
24 service reduced by an amount equal to the difference
25 between the amount transferred under Section 3-110.7 and
26 the true cost to the pension fund of allowing that

1 creditable service to be established, as determined by the
2 board in accordance with the rules and procedures adopted
3 under paragraph (6) of this subsection (d).

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

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

21 (5) If the additional contribution that is required or
22 elected under paragraph (2) of this subsection (d) is not
23 paid in full within the required time, the creditable
24 service shall not be granted and the police officer (or the
25 officer's surviving spouse or estate) shall be entitled to
26 receive a refund of (i) any partial payment of the

1 additional contribution that has been made by the police
2 officer and (ii) those portions of the amounts transferred
3 under subdivision (a)(1) of Section 3-110.7 or
4 subdivisions (a)(1) and (a)(3) of Section 7-139.9 that
5 represent employee contributions paid by the police
6 officer (but not the accumulated interest on those
7 contributions) and interest paid by the police officer to
8 the prior pension fund in order to reinstate service
9 terminated by acceptance of a refund.

10 At the time of paying a refund under this item (5), the
11 pension fund shall also repay to the pension fund from
12 which the contributions were transferred under Section
13 3-110.7 or 7-139.9 the amount originally transferred under
14 subdivision (a)(2) of that Section, plus interest at the
15 rate of 6% per year, compounded annually, from the date of
16 the original transfer to the date of repayment. Amounts
17 repaid to the Article 7 fund under this provision shall be
18 credited to the appropriate municipality.

19 Transferred credit that is not granted due to failure
20 to pay the additional contribution within the required time
21 is lost; it may not be transferred to another pension fund
22 and may not be reinstated in the pension fund from which it
23 was transferred.

24 (6) The Public Employee Pension Fund Division of the
25 Department of Insurance shall establish by rule the manner
26 of making the calculation required under paragraph (2) of

1 this subsection, taking into account the appropriate
2 actuarial assumptions; the police officer's service, age,
3 and salary history; the level of funding of the pension
4 fund to which the credits are being transferred; and any
5 other factors that the Division determines to be relevant.
6 The rules may require that all calculations made under
7 paragraph (2) be reported to the Division by the board
8 performing the calculation, together with documentation of
9 the creditable service to be transferred, the amounts of
10 contributions and interest to be transferred, the manner in
11 which the calculation was performed, the numbers relied
12 upon in making the calculation, the results of the
13 calculation, and any other information the Division may
14 deem useful.

15 (e) (1) Creditable service also includes periods of
16 service originally established in the Fund established
17 under Article 7 of this Code for which the contributions
18 have been transferred under Section 7-139.11.

19 (2) If the board of the pension fund to which
20 creditable service and related contributions are
21 transferred under Section 7-139.11 determines that the
22 amount transferred is less than the true cost to the
23 pension fund of allowing that creditable service to be
24 established, then the amount of creditable service the
25 police officer may establish under this subsection (e)
26 shall be reduced by an amount equal to the difference, as

1 determined by the board in accordance with the rules and
2 procedures adopted under paragraph (3) of this subsection.

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

20 (4) Until January 1, 2010, a police officer who
21 transferred service from the Fund established under
22 Article 7 of this Code under the provisions of Public Act
23 94-356 may establish additional credit, but only for the
24 amount of the service credit reduction in that transfer, as
25 calculated under paragraph (3) of this subsection (e). This
26 credit may be established upon payment by the police

1 officer of an amount to be determined by the board, equal
2 to (1) the amount that would have been contributed as
3 employee and employer contributions had all of the service
4 been as an employee under this Article, plus interest
5 thereon at the rate of 6% per year, compounded annually
6 from the date of service to the date of transfer, less (2)
7 the total amount transferred from the Article 7 Fund, plus
8 (3) interest on the difference at the rate of 6% per year,
9 compounded annually, from the date of the transfer to the
10 date of payment. The additional service credit is allowed
11 under this amendatory Act of the 95th General Assembly
12 notwithstanding the provisions of Article 7 terminating
13 all transferred credits on the date of transfer.

14 (Source: P.A. 94-356, eff. 7-29-05; 95-812, eff. 8-13-08.)

15 Section 90. The State Mandates Act is amended by adding
16 Section 8.33 as follows:

17 (30 ILCS 805/8.33 new)

18 Sec. 8.33. Exempt mandate. Notwithstanding Sections 6 and 8
19 of this Act, no reimbursement by the State is required for the
20 implementation of any mandate created by this amendatory Act of
21 the 96th General Assembly.

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.