



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB2359

Introduced 2/27/2009, by Sen. Kirk W. Dillard

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 805/8.33 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. Effective immediately.

LRB096 10720 AMC 20904 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

1 such salary for each additional year of service over 20 years
2 of service through 30 years of service, to a maximum of 75% of
3 such salary.

4 The changes made to this subsection (a) by this amendatory
5 Act of the 91st General Assembly apply to all pensions that
6 become payable under this subsection on or after January 1,
7 1999. All pensions payable under this subsection that began on
8 or after January 1, 1999 and before the effective date of this
9 amendatory Act shall be recalculated, and the amount of the
10 increase accruing for that period shall be payable to the
11 pensioner in a lump sum.

12 For a police officer who retires at the conclusion of
13 participation in the DROP plan, calculation of the amount of
14 the retirement pension shall be based on the police officer's
15 salary and accumulated service on the date he or she began
16 participation in the DROP plan and shall include any annual
17 increases that would have accrued under Section 3-111.1 if the
18 police officer had retired on that date.

19 (a-5) No pension in effect on or granted after June 30,
20 1973 shall be less than \$200 per month. Beginning July 1, 1987,
21 the minimum retirement pension for a police officer having at
22 least 20 years of creditable service shall be \$400 per month,
23 without regard to whether or not retirement occurred prior to
24 that date. If the minimum pension established in Section
25 3-113.1 is greater than the minimum provided in this
26 subsection, the Section 3-113.1 minimum controls.

1 (b) A police officer mandatorily retired from service due
2 to age by operation of law, having at least 8 but less than 20
3 years of creditable service, shall receive a pension equal to 2
4 1/2% of the salary attached to the rank he or she held on the
5 police force for one year immediately prior to retirement or,
6 beginning July 1, 1987 for persons terminating service on or
7 after that date, the salary attached to the rank held on the
8 last day of service or for one year prior to the last day,
9 whichever is greater, for each year of creditable service.

10 A police officer who retires or is separated from service
11 having at least 8 years but less than 20 years of creditable
12 service, who is not mandatorily retired due to age by operation
13 of law, and who does not apply for a refund of contributions at
14 his or her last separation from police service, shall receive a
15 pension upon attaining age 60 equal to 2.5% of the salary
16 attached to the rank held by the police officer on the police
17 force for one year immediately prior to retirement or,
18 beginning July 1, 1987 for persons terminating service on or
19 after that date, the salary attached to the rank held on the
20 last day of service or for one year prior to the last day,
21 whichever is greater, for each year of creditable service.

22 (c) A police officer no longer in service who has at least
23 one but less than 8 years of creditable service in a police
24 pension fund but meets the requirements of this subsection (c)
25 shall be eligible to receive a pension from that fund equal to
26 2.5% of the salary attached to the rank held on the last day of

1 service under that fund or for one year prior to that last day,
2 whichever is greater, for each year of creditable service in
3 that fund. The pension shall begin no earlier than upon
4 attainment of age 60 (or upon mandatory retirement from the
5 fund by operation of law due to age, if that occurs before age
6 60) and in no event before the effective date of this
7 amendatory Act of 1997.

8 In order to be eligible for a pension under this subsection
9 (c), the police officer must have at least 8 years of
10 creditable service in a second police pension fund under this
11 Article and be receiving a pension under subsection (a) or (b)
12 of this Section from that second fund. The police officer need
13 not be in service on or after the effective date of this
14 amendatory Act of 1997.

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

16 (40 ILCS 5/3-111.1) (from Ch. 108 1/2, par. 3-111.1)

17 Sec. 3-111.1. Increase in pension.

18 (a) Except as provided in subsection (e), the monthly
19 pension of a police officer who retires after July 1, 1971, and
20 prior to January 1, 1986, shall be increased, upon either the
21 first of the month following the first anniversary of the date
22 of retirement if the officer is 60 years of age or over at
23 retirement date, or upon the first day of the month following
24 attainment of age 60 if it occurs after the first anniversary
25 of retirement, by 3% of the originally granted pension and by

1 an additional 3% of the originally granted pension in January
2 of each year thereafter.

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

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

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

1 thereafter.

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

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

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

1 subsection (a).

2 (f) Notwithstanding the other provisions of this Section,
3 beginning with increases granted on or after July 1, 1993, the
4 second and all subsequent automatic annual increases granted
5 under subsection (a), (b), (d), or (e) of this Section shall be
6 calculated as 3% of the amount of pension payable at the time
7 of the increase, including any increases previously granted
8 under this Section, rather than 3% of the originally granted
9 pension amount. Section 1-103.1 does not apply to this
10 subsection (f).

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

12 (40 ILCS 5/3-111.2 new)

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

14 (a) The Deferred Retirement Option Plan created by this
15 Section shall first become available to eligible police
16 officers on January 1, 2010.

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

22 (c) An election to participate in the DROP plan must be
23 made within 3 years after becoming eligible under subsection
24 (b) or by January 1, 2013, whichever is later. The election,
25 once made, is irrevocable.

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

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

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

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

25 A police officer shall continue to make the contributions
26 that are required for active police officers during his or her

1 participation in the DROP plan. These contributions shall be
2 accumulated in the police officer's DROP account and shall be
3 treated as being "picked up" within the meaning of Section
4 3-125.2 of this Code and Section 414(h)(2) of the Internal
5 Revenue Code of 1986, as amended.

6 A police officer who is participating in the DROP plan
7 shall not receive service credit for the period of that
8 participation, and the salary earned during that period shall
9 be disregarded in calculating the police officer's benefits
10 under this Article.

11 (f) A police officer who participates in the DROP plan may
12 terminate service at any time during participation in the DROP
13 plan. A police officer who participates in the DROP plan must
14 terminate service on the last day of participation in the DROP
15 plan, unless participation in the DROP plan is ended due to
16 acceptance of a disability benefit.

17 (g) A police officer who is participating in the DROP plan
18 remains eligible to apply for a disability benefit under
19 Section 3-114.1, 3-114.2, or 3-114.3, but participation in the
20 DROP plan ceases upon acceptance of the disability benefit. If
21 participation in the DROP plan is ended due to acceptance of a
22 disability benefit, (1) the disabled police officer shall be
23 credited with employee contributions and creditable service
24 for the period of participation in the DROP plan, (2) the
25 police officer's letter of resignation from service that is
26 required to be filed at the time of application to participate

1 in the DROP plan is void, and (3) the amounts in the disabled
2 police officer's DROP account are forfeited to the Fund.

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

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

15 (2) the employee contributions paid by the police
16 officer during the period of participation in the DROP
17 plan; and

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

23 (i) In addition to the retirement pension under Section
24 3-111, a police officer who terminates service and retires at
25 the conclusion of his or her participation in the DROP plan
26 shall receive, upon retirement, a DROP benefit equal to the

1 balance in the police officer's DROP account at the time of
2 retirement.

3 At the time of application for a retirement pension, the
4 police officer shall elect to receive the DROP benefit in the
5 form of either a lump sum or an actuarially equivalent annuity
6 for life. If a lump sum payment is elected, it may be taken in
7 the form of cash or a cash equivalent or be rolled over into an
8 individual retirement account (IRA) or a qualified retirement
9 plan. A DROP benefit payable in the form of an annuity shall be
10 in a fixed amount not subject to annual or other increases. A
11 DROP benefit shall be treated as a retirement benefit for the
12 purposes of Section 1-119 (QILDROs).

13 (j) If a police officer receiving a DROP benefit in the
14 form of an annuity re-enters service, the DROP benefit annuity
15 payments shall be suspended until the police officer's
16 subsequent retirement.

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

22 (l) If a retired police officer dies while receiving a DROP
23 benefit in the form of an annuity, and the DROP account balance
24 at the time of retirement exceeds the total amount of DROP
25 benefit annuity payments received, the excess shall be refunded
26 to the surviving spouse or other survivor of the police officer

1 entitled to a pension under Section 3-112 or, if there is no
2 such survivor, then to the deceased police officer's estate.

3 Section 90. The State Mandates Act is amended by adding
4 Section 8.33 as follows:

5 (30 ILCS 805/8.33 new)

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

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