

100TH GENERAL ASSEMBLY State of Illinois 2017 and 2018 SB3487

Introduced 2/16/2018, by Sen. Pamela J. Althoff

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Merges all Article 3 police pension funds into a single Downstate Police Pension Fund on January 1, 2020. Creates a Transition Board, which is responsible for planning, overseeing, and administering the consolidation. Authorizes the Transition Board to undertake numerous activities necessary for the consolidation, including making arrangements for staff, investments, transfer of assets and liabilities, acquisition of property, establishment of municipality accounts, and adopting rules and procedures. Authorizes the Transition Board to enter into contracts and to obligate and expend the assets of the Fund. Creates a new Board of Trustees for the Fund, and provides for administration of the Fund by the Transition Board until the new Board assumes its duties on January 1, 2021. Provides for investment of the Fund's assets by a custodian chosen by the Board of Trustees. Makes conforming and other changes. Provides that beginning January 1, 2020, the employee contribution for Tier 1 participants is 35% (rather than 9.91%) of a Tier 1 participant's salary. Provides that notwithstanding any other provision of law, a Tier 1 participant may voluntarily make an irrevocable election to instead become a Tier 2 participant with respect to service performed or established on and after the effective date of the election. Defines "Tier 1 participant" and "Tier 2 participant" and makes corresponding changes. Amends the State Mandates Act to require implementation without reimbursement. Makes other changes. Effective immediately, except that certain changes to the Illinois Pension Code take effect January 1, 2020.

LRB100 20044 MJP 35326 b

FISCAL NOTE ACT MAY APPLY

PENSION IMPACT NOTE ACT MAY APPLY

STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

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1 AN ACT concerning public employee benefits.

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

- Section 5. The Illinois Pension Code is amended by changing Section 3-101, 3-111, 3-111.1, and 3-112 and by adding Sections 3-101.1, 3-101.2, 3-108.2a, 3-109.5, and 7-199.5 as follows:
- 7 (40 ILCS 5/3-101) (from Ch. 108 1/2, par. 3-101)
- 8 Sec. 3-101. Creation of Fund fund.
 - (a) Until January 1, 2020, in In each municipality, as defined in Section 3-103, the city council or the board of trustees, as the case may be, shall establish and administer a police pension fund, as prescribed in this Article, for the benefit of its police officers and of their surviving spouses, children, and certain other dependents. The duty of the corporate authorities of a municipality to establish and administer a police pension fund shall be suspended during any period during which the fund is dissolved under Section 3-144.6 of this Code.
 - (b) On January 1, 2020, all of the individual police pension funds then existing under this Article are merged and consolidated into a single pension fund, to be known as the Downstate Police Pension Fund, which shall be established and administered as prescribed in this Article.

1	(c)	Ве	ginning	January	1,	2020,	each	mun	icipa	lity	, as
2	defined	in	Section	3-103,	shall	parti	cipate	in	the	Downs	state
3	Police	Pens	ion Fund	for the	e bene	fit of	its po	olic	e off	icers	s and
4	of the	ir	survivin	g spous	ses,	childr	en, ai	nd (certa	in c	other
5	depende	nts.									

- 6 (d) It is the purpose of this consolidation to provide the
 7 advantages of (i) centralized custody and investment of pension
 8 fund assets, (ii) consistent interpretation and application of
 9 this Article in accordance with a single set of rules and
 10 procedures adopted by the consolidated pension fund, and (iii)
 11 securing the future funding of pension benefits through an
 12 independent determination of each municipality's required
- 14 (Source: P.A. 97-99, eff. 1-1-12.)

annual contribution rate.

- 15 (40 ILCS 5/3-101.1 new)
- Sec. 3-101.1. Transition Board.
- 17 (a) There is hereby created a Downstate Police Pension Fund
 18 Transition Board, which may be referred to as the "Transition
 19 Board". The Transition Board shall consist of 11 members as
 20 follows:
- 21 (1) The Director of the Illinois Department of
 22 Insurance, or his or her designee.
- 23 (2) Two persons with experience in managing or
 24 administering an Illinois public employee pension fund or
 25 retirement system, appointed by the Governor.

1	(3) One person with experience in providing actuarial
2	services to an Illinois public employee pension fund or
3	retirement system, appointed by the Governor.
4	(4) One person with experience in auditing Illinois
5	public employee pension funds or retirement systems,
6	appointed by the Auditor General.
7	(5) Two members of the labor organization representing
8	the largest number of police officers participating in
9	Article 3 pension funds, with one member being an active
10	participant and the other being a retired participant,
11	appointed by the Governor from recommendations of the
12	President of that organization.
13	(6) Two persons who are mayors or chief elected
14	officers of municipalities that maintain an Article 3
15	pension fund, appointed by the Governor from
16	recommendations of the Executive Director of the
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- /	organization representing the largest number of
18	<pre>organization representing the largest number of municipalities in the State.</pre>
18	municipalities in the State.
18 19	<pre>municipalities in the State. (7) One person familiar with the operation and</pre>
18 19 20	<pre>municipalities in the State. (7) One person familiar with the operation and administration of the Illinois Municipal Retirement Fund,</pre>
18 19 20 21	<u>municipalities in the State.</u> (7) One person familiar with the operation and administration of the Illinois Municipal Retirement Fund, appointed by the Executive Director of that Fund.
18 19 20 21 22	<pre>municipalities in the State. (7) One person familiar with the operation and administration of the Illinois Municipal Retirement Fund, appointed by the Executive Director of that Fund. (8) One person familiar with the investment authority</pre>

All such appointments and designations shall be made by

1	filing a written notice thereof with the Secretary of State no
2	later than 30 days after the effective date of this amendatory
3	Act of the 100th General Assembly.
4	(b) The Transition Board shall be responsible for planning,
5	overseeing, and administering the consolidation and merger of
6	all existing Article 3 pension funds into a single Downstate
7	Police Pension Fund.
8	Members of the Transition Board shall act at all times in a
9	manner appropriate for fiduciaries of the Fund and fiduciaries
10	of the pension funds being consolidated.
11	The Transition Board's powers and duties include, but are
12	<pre>not limited to, the following:</pre>
13	(1) Providing for the establishment of offices,
14	infrastructure, and personnel necessary for the operation
15	of the Downstate Police Pension Fund.
16	(2) Providing for the preservation and consolidation
17	of membership, beneficiary, financial, and other records
18	relating to the Article 3 pension funds to be merged.
19	(3) Obtaining all necessary Internal Revenue Service
20	and any other necessary approval or review.
21	(4) Providing for the final auditing of existing
22	Article 3 pension funds, including a final accounting of
23	their respective assets and liabilities, paid for by the
24	applicable pension fund.
25	(5) Providing for the custody and transfer of the
26	assets and liabilities of the existing Article 3 pension

funds to the Downstate Police Pension Fund, on a schedule to be determined by the Transition Board.

- (6) Providing for the long-term investment of the assets of the Downstate Police Pension Fund that are not required for the short-term payment of benefits.
- (7) Providing an appropriate system of accounting for the assets and liabilities attributable to the existing Article 3 pension funds and establishing separate reserves and accounts for each municipality participating in the Downstate Police Pension Fund in accordance with this Article. In so doing, the Transition Board shall be guided by the methods and experience of the Illinois Municipal Retirement Fund.
- (8) Providing an appropriate system of determining, administering, receiving, and enforcing the required municipal contributions to the Fund. In so doing, the Transition Board shall be guided by the methods and experience of the Illinois Municipal Retirement Fund. The municipal contribution rate shall be determined separately for each municipality on an annual basis in accordance with the requirements of this Article, based on the municipality's separate reserves and accounts within the Fund. The Transition Board shall endeavor to determine the required municipal contributions to the Fund and to notify and provide reasonable guidance to municipalities in a manner that ensures uninterrupted contributions during the

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1	transition period.
2	(9) Ensuring the uninterrupted payment and
3	administration of benefits.
4	(10) Adopting any rules or procedures necessary for the
5	efficient consolidation of the existing Article 3 pension
6	funds and the efficient operation and administration of the
7	Downstate Police Pension Fund.
8	(11) Considering the consequences of the consolidation
9	on any QILDROs filed with the pension funds being
10	consolidated and giving appropriate notice and advice to
11	persons who may be affected by those QILDROs concerning the
12	possible effects of consolidation.
13	(12) Administering the Downstate Police Pension Fund
14	and exercising and performing all of the powers and duties
15	of its Board of Trustees from the time of the Fund's
16	inception until the Board of Trustees under subsection (d)
17	of Section 3-128 has been elected and assumes its duties.
18	(13) Making recommendations to the Governor and the
19	General Assembly with respect to legislation necessary or
20	useful for the implementation of this consolidation or for
21	the successful operation of the Downstate Police Pension
22	<u>Fund.</u>
23	(c) The Public Pension Division of the Department of
24	Insurance shall provide all reasonably necessary and available

temporary office space, technical and clerical support, and

monetary or other assistance at the request of the Transition

1 Board.

For the purpose of implementing the consolidation, the Transition Board may direct the Public Pension Division to accelerate, expand, or enhance its examination under Section 1A-104 of all or specific Article 3 pension funds, or to conduct a particular study or investigation thereof. The expenses of such examinations and investigations, to the extent not paid by the Division, shall be charged to the applicable pension fund.

(d) The Illinois Municipal Retirement Fund is authorized to provide any reasonable managerial, professional, clerical, and other assistance to the Transition Board that is consistent with its fiduciary and other obligations.

The Transition Board is authorized to enter into reasonable contracts or other agreements with the Illinois Municipal Retirement Fund, without public bidding or procurement procedures but not exceeding 3 years in duration, to provide administrative, investment, professional, technical, or other services or facilities for the Downstate Police Pension Fund.

(e) In preparation for the inception of the Downstate Police Pension Fund on January 1, 2020 and during the period of its administration of that Fund, the Transition Board is authorized to expend or obligate the assets of the Fund for any of the reasonable expenses of the Fund, including the payment of benefits and reasonable administrative expenses. As used in this Section, "reasonable administrative expenses" includes,

- 1 but is not limited to, the cost of hiring personnel and
- 2 obtaining professional services, the cost of leases or
- 3 purchases of property or services for the Fund, the cost of
- 4 insurance, and the cost of indemnifying members of the
- 5 <u>Transition Board and its employees, advisors, and agents.</u>
- 6 (f) In preparation for the inception of the Downstate
- 7 Police Pension Fund on January 1, 2020, the Transition Board is
- 8 specifically authorized to retain for the Fund, during the
- 9 period before its inception, an executive director and an
- 10 actuary with the powers and duties described in Sections 3-141c
- 11 and 3-141d.
- 12 (g) Members of the Transition Board, other than State
- officials and employees, may be compensated for their service,
- and all members may be reimbursed for their reasonable expenses
- out of any moneys available for that purpose.
- 16 (h) Sixty days after the Board of Trustees under subsection
- 17 (d) of Section 3-128 assumes its duties, the Transition Board
- is abolished.
- 19 (40 ILCS 5/3-101.2 new)
- Sec. 3-101.2. Consolidation of pension funds.
- 21 (a) On January 1, 2020, all of the individual police
- 22 pension funds then established under this Article are merged
- and consolidated into a single pension fund, to be known as the
- 24 Downstate Police Pension Fund, which shall be established and
- 25 administered as prescribed in this Article.

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estak	olis	shed	under	this	Arti	cle,	and	the	munic	ipalit	ties	that
estab	olis	shed	them,	shall	coope	erate	with	the	Trans	ition 1	Boar	:d.

(b) The Downstate Police Pension Fund shall be the legal successor to each of the pension funds that are consolidated within it, and it may exercise any of the rights and powers and perform any of the duties of those pension funds.

At the time of consolidation, or as otherwise directed by the Transition Board, all assets and liabilities belonging to or arising from the trust of an existing pension fund shall become the assets and liabilities of the Downstate Police Pension Fund.

As and when directed by the Transition Board, the trustees of the pension funds established under Article 3 of this Code shall transfer to the Downstate Police Pension Fund, for management and investment as assets of the Downstate Police Pension Fund, all of their securities and other investments not needed for immediate use.

(c) At the time of consolidation or as otherwise directed by the Transition Board, assets not belonging to or arising from the trust that are incidentally owned by a pension fund, and any incidental liabilities of a pension fund not relating to or arising from the trust, shall become the assets and liabilities of the municipality.

Assets not belonging to or arising from the trust that are owned by a municipality and incidentally used by a pension

fund, and any associated liabilities, are not affected by the

consolidation and shall continue to be managed as assets and

liabilities of that municipality.

As necessary or useful to effectuate the consolidation, the board of trustees of a pension fund to be consolidated and the applicable municipality may each, in its discretion, continue or renegotiate any employment or service contract, lease, or other contract to which it is a party that relates to the operation of the consolidated pension fund, and it may take appropriate action to terminate any such contract as necessary to terminate or avoid unnecessary or duplicative personnel, facilities, or services.

- (d) Beginning on January 1, 2020, all benefits payable under this Article shall be payable from the Downstate Police Pension Fund.
- (e) The consolidation of pension funds under this Article shall not diminish or impair the benefits of any current or former police officer who participated in one of those pension funds, or of any such police officer's surviving spouse, children, or other dependents.
- The consolidation of pension funds under this Article does not entitle any person to a recalculation or combination of any benefit or benefits previously granted or to a refund of any contribution previously paid.
- 25 <u>The consolidation of pension funds under this Article is</u> 26 not intended to increase the benefits provided under this

Article, except insofar as the consolidation of pension funds 1 2 into a single Fund will allow police officers in active service 3 on or after the consolidation date to have their benefit calculations (and those of their qualifying survivors) include 4 5 consideration of all of the police officer's service, salary, and credits in the Fund as though arising under that single 6 7 Fund, rather than as arising under more than one participating 8 municipality or more than one Article 3 pension fund.

- 9 (40 ILCS 5/3-108.2a new)
- 10 Sec. 3-108.2a. Tier 1 participant; Tier 2 participant.
- "Tier 1 participant": A participant who first became a

 participant before January 1, 2011. In the case of a Tier 1

 participant who elects to become a Tier 2 participant under

 Section 3-109.5 of this Code, that participant shall be deemed

 a Tier 1 participant only with respect to service performed or

 established before the effective date of that election.
 - "Tier 2 participant": A participant who first became a participant on or after January 1, 2011 or a Tier 1 participant who elected to become a Tier 2 participant under Section 3-109.5 of this Code with respect to service performed or established on or after the effective date of that election.
- 22 (40 ILCS 5/3-109.5 new)

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23 <u>Sec. 3-109.5. Voluntary Tier 2 election. Notwithstanding</u> 24 any other provision of law, a Tier 1 participant may

- voluntarily elect to instead become a Tier 2 participant with
 respect to service performed or established on and after the
 date of the election. An election made under this Section is
 irrevocable and must be made in writing with the Board. An
 election made under this Section does not affect a person's
 participation under any other Article of this Code.
- 7 (40 ILCS 5/3-111) (from Ch. 108 1/2, par. 3-111) 8 Sec. 3-111. Pension.
 - (a) A police officer age 50 or more with 20 or more years of creditable service, who is not a participant in the self-managed plan under Section 3-109.3 and who is no longer in service as a police officer, shall receive a pension of 1/2 of the salary attached to the rank held by the officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% of such salary for each additional year of service over 20 years of service through 30 years of service, to a maximum of 75% of such salary.

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

- or after January 1, 1999 and before the effective date of this amendatory Act shall be recalculated, and the amount of the increase accruing for that period shall be payable to the pensioner in a lump sum.
 - (a-5) No pension in effect on or granted after June 30, 1973 shall be less than \$200 per month. Beginning July 1, 1987, the minimum retirement pension for a police officer having at least 20 years of creditable service shall be \$400 per month, without regard to whether or not retirement occurred prior to that date. If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this subsection, the Section 3-113.1 minimum controls.
 - (b) A police officer mandatorily retired from service due to age by operation of law, having at least 8 but less than 20 years of creditable service, shall receive a pension equal to 2 1/2% of the salary attached to the rank he or she held on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service.

A police officer who retires or is separated from service having at least 8 years but less than 20 years of creditable service, who is not mandatorily retired due to age by operation of law, and who does not apply for a refund of contributions at his or her last separation from police service, shall receive a

pension upon attaining age 60 equal to 2.5% of the salary attached to the rank held by the police officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service.

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

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

(d) Notwithstanding any other provision of this Article, the provisions of this subsection (d) apply to a person who is not a participant in the self-managed plan under Section 3-109.3 and who is a Tier 2 participant first becomes a police officer under this Article on or after January 1, 2011.

A police officer age 55 or more who has 10 or more years of service in that capacity shall be entitled at his option to receive a monthly pension for his service as a police officer computed by multiplying 2.5% for each year of such service by his or her final average salary.

The pension of a police officer who is retiring after attaining age 50 with 10 or more years of creditable service shall be reduced by one-half of 1% for each month that the police officer's age is under age 55.

The maximum pension under this subsection (d) shall be 75% of final average salary.

For the purposes of this subsection (d), "final average salary" means the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period.

Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual salary based on the plan year of a member or participant to whom this Section

- applies shall not exceed \$106,800; however, that amount shall
- annually thereafter be increased by the lesser of (i) 3% of
- 3 that amount, including all previous adjustments, or (ii)
- 4 one-half the annual unadjusted percentage increase (but not
- 5 less than zero) in the consumer price index-u for the 12 months
- 6 ending with the September preceding each November 1, including
- 7 all previous adjustments.
- 8 (Source: P.A. 96-1495, eff. 1-1-11.)
- 9 (40 ILCS 5/3-111.1) (from Ch. 108 1/2, par. 3-111.1)
- 10 Sec. 3-111.1. Increase in pension.
- 11 (a) Except as provided in subsection (e), the monthly
- pension of a police officer who retires after July 1, 1971, and
- prior to January 1, 1986, shall be increased, upon either the
- 14 first of the month following the first anniversary of the date
- of retirement if the officer is 60 years of age or over at
- 16 retirement date, or upon the first day of the month following
- 17 attainment of age 60 if it occurs after the first anniversary
- of retirement, by 3% of the originally granted pension and by
- 19 an additional 3% of the originally granted pension in January
- of each year thereafter.
- 21 (b) The monthly pension of a police officer who retired
- from service with 20 or more years of service, on or before
- July 1, 1971, shall be increased in January of the year
- following the year of attaining age 65 or in January of 1972,
- if then over age 65, by 3% of the originally granted pension

- for each year the police officer received pension payments. In each January thereafter, he or she shall receive an additional increase of 3% of the original pension.
 - (c) The monthly pension of a police officer who retires on disability or is retired for disability shall be increased in January of the year following the year of attaining age 60, by 3% of the original grant of pension for each year he or she received pension payments. In each January thereafter, the police officer shall receive an additional increase of 3% of the original pension.
 - (d) The monthly pension of a police officer who retires after January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 55 years of age or over, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, by 1/12 of 3% of the originally granted pension for each full month that has elapsed since the pension began, and by an additional 3% of the originally granted pension in January of each year thereafter.

The changes made to this subsection (d) by this amendatory Act of the 91st General Assembly apply to all initial increases that become payable under this subsection on or after January 1, 1999. All initial increases that became payable under this subsection on or after January 1, 1999 and before the effective date of this amendatory Act shall be recalculated and the

- additional amount accruing for that period, if any, shall be payable to the pensioner in a lump sum.
 - (e) Notwithstanding the provisions of subsection (a), upon the first day of the month following (1) the first anniversary of the date of retirement, or (2) the attainment of age 55, or (3) July 1, 1987, whichever occurs latest, the monthly pension of a police officer who retired on or after January 1, 1977 and on or before January 1, 1986, and did not receive an increase under subsection (a) before July 1, 1987, shall be increased by 3% of the originally granted monthly pension for each full year that has elapsed since the pension began, and by an additional 3% of the originally granted pension in each January thereafter. The increases provided under this subsection are in lieu of the increases provided in subsection (a).
 - (f) Notwithstanding the other provisions of this Section, beginning with increases granted on or after July 1, 1993, the second and all subsequent automatic annual increases granted under subsection (a), (b), (d), or (e) of this Section shall be calculated as 3% of the amount of pension payable at the time of the increase, including any increases previously granted under this Section, rather than 3% of the originally granted pension amount. Section 1-103.1 does not apply to this subsection (f).
 - (g) Notwithstanding any other provision of this Article, the monthly pension of a <u>Tier 2 participant</u> person who first becomes a police officer under this Article on or after January

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 $\frac{1}{1}$, 2011 shall be increased on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted pension. Ιf the annual unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the pension shall not be increased.

For the purposes of this subsection (g), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the pension funds.

- 22 (Source: P.A. 96-1495, eff. 1-1-11.)
- 23 (40 ILCS 5/3-112) (from Ch. 108 1/2, par. 3-112)
- Sec. 3-112. Pension to survivors.
- 25 (a) Upon the death of a police officer entitled to a

pension under Section 3-111, the surviving spouse shall be entitled to the pension to which the police officer was then entitled. Upon the death of the surviving spouse, or upon the remarriage of the surviving spouse if that remarriage terminates the surviving spouse's eligibility under Section 3-121, the police officer's unmarried children who are under age 18 or who are dependent because of physical or mental disability shall be entitled to equal shares of such pension. If there is no eligible surviving spouse and no eligible child, the dependent parent or parents of the officer shall be entitled to receive or share such pension until their death or marriage or remarriage after the death of the police officer.

Notwithstanding any other provision of this Article, for a <u>Tier 2 participant person who first becomes a police officer under this Article on or after January 1, 2011</u>, the pension to which the surviving spouse, children, or parents are entitled under this subsection (a) shall be in the amount of 66 2/3% of the police officer's earned pension at the date of death. Nothing in this subsection (a) shall act to diminish the survivor's benefits described in subsection (e) of this Section.

Notwithstanding any other provision of this Article, the monthly pension of a survivor of a <u>Tier 2 participant</u> person who first becomes a police officer under this Article on or after January 1, 2011 shall be increased on the January 1 after attainment of age 60 by the recipient of the survivor's pension

and each January 1 thereafter by 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's pension. If the annual unadjusted percentage change in the consumer price index-u for a 12-month period ending in September is zero or, when compared with the preceding period, decreases, then the survivor's pension shall not be increased.

For the purposes of this subsection (a), "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the pension funds.

(b) Upon the death of a police officer while in service, having at least 20 years of creditable service, or upon the death of a police officer who retired from service with at least 20 years of creditable service, whether death occurs before or after attainment of age 50, the pension earned by the police officer as of the date of death as provided in Section 3-111 shall be paid to the survivors in the sequence provided in subsection (a) of this Section.

- (c) Upon the death of a police officer while in service, having at least 10 but less than 20 years of service, a pension of 1/2 of the salary attached to the rank or ranks held by the officer for one year immediately prior to death shall be payable to the survivors in the sequence provided in subsection (a) of this Section. If death occurs as a result of the performance of duty, the 10 year requirement shall not apply and the pension to survivors shall be payable after any period of service.
- (d) Beginning July 1, 1987, a minimum pension of \$400 per month shall be paid to all surviving spouses, without regard to the fact that the death of the police officer occurred prior to that date. If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this subsection, the Section 3-113.1 minimum controls.
- (e) The pension of the surviving spouse of a police officer who dies (i) on or after January 1, 2001, (ii) without having begun to receive either a retirement pension payable under Section 3-111 or a disability pension payable under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6, and (iii) as a result of sickness, accident, or injury incurred in or resulting from the performance of an act of duty shall not be less than 100% of the salary attached to the rank held by the deceased police officer on the last day of service, notwithstanding any provision in this Article to the contrary.
- (Source: P.A. 96-1495, eff. 1-1-11.)

1 (40 ILCS 5/7-199.5 new)

2 Sec. 7-199.5. To assist in the creation and administration 3 of the Downstate Police Pension Fund. To assist in the 4 creation and administration of the Downstate Police Pension Fund under Article 3 of this Code, including assisting the 5 Downstate Police Pension Fund Transition Board, created under 6 7 Section 3-101.1 of this Code; and pursuant to any contract or other agreement it may enter into with the Transition Board or 8 9 the Board of Trustees of the Downstate Police Pension Fund, to 10 provide for the administrative staff of one Fund to provide assistance to or consolidate particular services or operations 11 12 with that of the other Fund, to the extent consistent with 13 their respective fiduciary and other responsibilities.

- Section 10. The Illinois Pension Code is amended by changing Sections 3-101, 3-103, 3-105, 3-108.2, 3-108.3, 3-110, 3-110.7, 3-125, 3-125.1, 3-128, 3-134, 3-135, and 3-141 and by adding Sections 3-102.1, 3-103.9, 3-104, 3-128.1, 3-128.2, 3-140.5, 3-141a, 3-141b, 3-141c, and 3-141d as follows:
- 20 (40 ILCS 5/3-102.1 new)
- 21 <u>Sec. 3-102.1. Fund. "Fund" or "pension fund": Until January</u>
 22 <u>1, 2020, a police pension fund established by a municipality</u>
- 23 under this Article.

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- Beginning January 1, 2020, "Fund" or "pension fund" means
 the Downstate Police Pension Fund created under this Article to
 consolidate all of the individual pension funds previously
 established under this Article; depending on the context, the
 terms may include one or more of those previously established
 pension funds.
- 7 (40 ILCS 5/3-103) (from Ch. 108 1/2, par. 3-103)
- 8 Sec. 3-103. Municipality; participating municipality; 9 governing body.
 - (a) "Municipality": (1) Any city, village or incorporated town of 5,000 or more but less than 500,000 inhabitants, as determined from the United States Government statistics or a census taken at any time by the city, village or incorporated town and (2) any city, village or incorporated town of less than 5,000 inhabitants which, by referendum held under Section 3-145 adopts this Article.
 - (b) "Participating municipality" means a municipality, as defined in subsection (a), that both is required (or has elected) to and does in fact participate in the Downstate Police Pension Fund under this Article.
 - (c) "Governing body" includes the board of town trustees or other persons empowered to draft the tentative budget and appropriation ordinance and the electors of such a township acting at the annual or special meeting of town electors.
- 25 (Source: P.A. 83-1440.)

1	(40 ILCS 5/3-103.9 new)
2	Sec. 3-103.9. Authorized agent of a participating
3	municipality.
4	(a) Each participating municipality shall appoint an
5	authorized agent who shall have the powers and duties set forth
6	in this Section. In the absence of such an appointment, the
7	duties of the authorized agent shall devolve upon the clerk or
8	secretary of the municipality.
9	(b) The authorized agent of the municipality shall have the
10	<pre>following powers and duties:</pre>
11	(1) To certify to the Fund whether or not a given
12	person is authorized to participate in the Fund.
13	(2) To certify to the Fund when a participating
14	employee is on a leave of absence authorized by the
15	municipality.
16	(3) To request the proper officer to cause employee
17	contributions to be withheld from salary and promptly
18	transmitted to the Fund.
19	(4) To request the proper officer to cause municipality
20	contributions to be promptly forwarded to the Fund.
21	(5) To forward promptly to all participating employees
22	any communications for such employees from the Fund or the
23	municipality.
24	(6) To forward promptly to the Board of the Fund all
25	applications, claims reports, and other communications

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1	delivered to the agent by participating employees.
2	(7) To perform all duties related to the administration
3	of the Fund as requested by the Fund or the governing body
4	of the municipality.
5	(c) The governing body of each participating municipality
6	may delegate either or both of the following powers to its
7	authorized agent:
8	(1) To file a petition for nomination of an executive
9	trustee of the Fund.
10	(2) To cast the ballot for election of an executive
11	trustee of the Fund.
12	If a governing body does not authorize its agent to perform
13	the powers set forth in this Section, they shall be performed
14	by the governing body itself, unless the governing body by
15	resolution duly certified to the Fund delegates them to some
16	other officer or employee.
17	(d) The delivery of any communication or document by an
18	employee or a municipality to the authorized agent of the
19	municipality does not constitute delivery to the Fund.
20	(40 ILCS 5/3-104 new)
21	Sec. 3-104. Prescribed rate of interest. "Prescribed rate
22	of interest": The rate of interest to be used for calculation

of the rates of municipality contributions and amounts of

annuities and benefits as determined by the Board on the basis

of the probable effective rate of interest on a long term

1 basis.

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2 (40 ILCS 5/3-105) (from Ch. 108 1/2, par. 3-105)
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- 3 Sec. 3-105. Board. "Board": <u>Until January 1, 2020, the</u> The
- 4 board of trustees of the police pension fund of a municipality
- 5 as established in subsection (a) of Section 3-128.
- Beginning January 1, 2020, the Board of Trustees of the
- 7 Downstate Police Pension Fund created under this Article to
- 8 consolidate all of the individual pension funds previously
- 9 established under this Article, as established in subsection
- 10 (d) of Section 3-128, or until that board is established and
- 11 has assumed its duties, the Transition Board created under
- 12 Section 3-101.1; depending on the context, the term may include
- 13 the former board of trustees of one or more of those previously
- 14 established pension funds.
- 15 (Source: P.A. 83-1440.)
- 16 (40 ILCS 5/3-108.2)
- 17 Sec. 3-108.2. Participant. "Participant": A police officer
- 18 or deferred pensioner of the Fund a pension fund, or a
- 19 beneficiary of the Fund pension fund.
- 20 (Source: P.A. 90-507, eff. 8-22-97.)
- 21 (40 ILCS 5/3-108.3)
- Sec. 3-108.3. Beneficiary. "Beneficiary": A person
- receiving benefits from the Fund a pension fund, including, but

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not limited to, retired pensioners, disabled pensioners, their 1 2 surviving spouses, minor children, disabled children, and 3 dependent parents. If a special needs trust as described in Section 1396p(d)(4) of Title 42 of the United States Code, as 4 5 amended from time to time, has been established for a disabled adult child, then the special needs trust may stand in lieu of 6 the disabled adult child as a beneficiary for the purposes of 7 8 this Article.

- 9 (Source: P.A. 96-1143, eff. 7-21-10.)
- 10 (40 ILCS 5/3-110) (from Ch. 108 1/2, par. 3-110)
- 11 Sec. 3-110. Creditable service.
- 12 (a) "Creditable service" is the time served by a police 1.3 officer as a member of a regularly constituted police force of a municipality. In computing creditable service furloughs 14 without pay exceeding 30 days shall not be counted, but all 15 16 leaves of absence for illness or accident, regardless of length, and all periods of disability retirement for which a 17 police officer has received no disability pension payments 18 19 under this Article shall be counted.
 - (a-3) Upon the consolidation of the police pension funds under this Article into the Downstate Police Pension Fund on January 1, 2020, creditable service under any such pension fund shall be deemed to be creditable service in the Downstate Police Pension Fund, subject to the following provisions:
- 25 (1) The consolidation of police pension funds into the

Downstate Police Pension Fund shall not result in the duplication of any service credit based on the same period of service in this or any other pension fund or retirement system subject to this Code.

- Article imposes a limit on the amount of creditable service that may be established for a particular activity or purpose and prior to consolidation a police officer has established periods of creditable service for that activity or purpose in more than one former police pension fund under this Article, which periods are within that limitation for each such fund but together exceed that limitation, then upon consolidation all such credit previously established by the police officer shall be preserved under the Fund, but no additional creditable service for that activity or purpose may be established by that police officer in the Fund.
- (3) The consolidation of police pension funds into the Downstate Police Pension Fund shall not entitle any person or pension fund to a refund of any contribution or payment previously paid or transferred in order to establish or transfer creditable service under this Article.
- (a-5) Up to 3 years of time during which the police officer receives a disability pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 shall be counted as creditable service, provided that (i) the police officer returns to active service

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after the disability for a period at least equal to the period for which credit is to be established and (ii) the police officer makes contributions to the Fund fund based on the rates specified in Section 3-125.1 and the salary upon which the disability pension is based. These contributions may be paid at any time prior to the commencement of a retirement pension. The police officer may, but need not, elect to have the contributions deducted from the disability pension or to pay them in installments on a schedule approved by the board. If not deducted from the disability pension, the contributions shall include interest at the rate of 6% per year, compounded annually, from the date for which service credit is being established to the date of payment. If contributions are paid under this subsection (a-5) in excess of those needed to establish the credit, the excess shall be refunded. This subsection (a-5) applies to persons receiving a disability pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 on the effective date of this amendatory Act of the 91st General Assembly, as well as persons who begin to receive such a disability pension after that date.

(b) Creditable service includes all periods of service in the military, naval or air forces of the United States entered upon while an active police officer of a municipality, provided that upon applying for a permanent pension, and in accordance with the rules of the board, the police officer pays into the Fund fund the amount the officer would have contributed if he

or she had been a regular contributor during such period, to the extent that the municipality which the police officer served has not made such contributions in the officer's behalf. The total amount of such creditable service shall not exceed 5 years, except that any police officer who on July 1, 1973 had more than 5 years of such creditable service shall receive the total amount thereof.

(b-5) Creditable service includes all periods of service in the military, naval, or air forces of the United States entered upon before beginning service as an active police officer of a municipality, provided that, in accordance with the rules of the board, the police officer pays into the <u>Fund fund</u> the amount the police officer would have contributed if he or she had been a regular contributor during such period, plus an amount determined by the Board to be equal to the municipality's normal cost of the benefit, plus interest at the actuarially assumed rate calculated from the date the employee last became a police officer under this Article. The total amount of such creditable service shall not exceed 2 years.

(c) Creditable service also includes service rendered by a police officer while on leave of absence from a police department to serve as an executive of an organization whose membership consists of members of a police department, subject to the following conditions: (i) the police officer is a participant of the Fund a fund established under this Article with at least 10 years of service as a police officer; (ii) the

police officer received no credit for such service under any other retirement system, pension fund, or annuity and benefit fund included in this Code; (iii) pursuant to the rules of the board the police officer pays to the <u>Fund fund</u> the amount he or she would have contributed had the officer been an active member of the police department; (iv) the organization pays a contribution equal to the municipality's normal cost for that period of service; and (v) for all leaves of absence under this subsection (c), including those beginning before the effective date of this amendatory Act of the 97th General Assembly, the police officer continues to remain in sworn status, subject to the professional standards of the public employer or those terms established in statute.

- (d) (1) Creditable service also includes periods of service originally established in another police pension fund under this Article or in the Fund established under Article 7 of this Code for which (i) the contributions have been transferred under Section 3-110.7 or Section 7-139.9 and (ii) any additional contribution required under paragraph (2) of this subsection has been paid in full in accordance with the requirements of this subsection (d).
- (2) If the board of the pension fund to which creditable service and related contributions are transferred under Section 7-139.9 determines that the amount transferred is less than the true cost to the pension fund of allowing that creditable service to be

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established, then in order to establish that creditable service the police officer must pay to the pension fund, within the payment period specified in paragraph (3) of this subsection, an additional contribution equal to the difference, as determined by the board in accordance with the rules and procedures adopted under paragraph (6) of this subsection. If the board of the pension fund to which creditable service and related contributions are transferred under Section 3-110.7 determines that amount transferred is less than the true cost to the pension fund of allowing that creditable service to be established, then the police officer may elect (A) to establish that creditable service by paying to the pension fund, within the payment period specified in paragraph (3) of this subsection (d), an additional contribution equal to the difference, as determined by the board in accordance with the rules and procedures adopted under paragraph (6) of this subsection (d) or (B) to have his or her creditable service reduced by an amount equal to the difference between the amount transferred under Section 3-110.7 and true cost to the pension fund of allowing that creditable service to be established, as determined by the board in accordance with the rules and procedures adopted under paragraph (6) of this subsection (d).

(3) Except as provided in paragraph (4), the additional contribution that is required or elected under paragraph

- (2) of this subsection (d) must be paid to the board (i) within 5 years from the date of the transfer of contributions under Section 3-110.7 or 7-139.9 and (ii) before the police officer terminates service with the fund. The additional contribution may be paid in a lump sum or in accordance with a schedule of installment payments authorized by the board.
- (4) If the police officer dies in service before payment in full has been made and before the expiration of the 5-year payment period, the surviving spouse of the officer may elect to pay the unpaid amount on the officer's behalf within 6 months after the date of death, in which case the creditable service shall be granted as though the deceased police officer had paid the remaining balance on the day before the date of death.
- (5) If the additional contribution that is required or elected under paragraph (2) of this subsection (d) is not paid in full within the required time, the creditable service shall not be granted and the police officer (or the officer's surviving spouse or estate) shall be entitled to receive a refund of (i) any partial payment of the additional contribution that has been made by the police officer and (ii) those portions of the amounts transferred under subdivision (a)(1) of Section 3-110.7 or subdivisions (a)(1) and (a)(3) of Section 7-139.9 that represent employee contributions paid by the police

officer (but not the accumulated interest on those contributions) and interest paid by the police officer to the prior pension fund in order to reinstate service terminated by acceptance of a refund.

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

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

(6) The Public Employee Pension Fund Division of the Department of Insurance shall establish by rule the manner of making the calculation required under paragraph (2) of this subsection, taking into account the appropriate actuarial assumptions; the police officer's service, age, and salary history; the level of funding of the pension fund to which the credits are being transferred; and any other factors that the Division determines to be relevant.

The rules may require that all calculations made under paragraph (2) be reported to the Division by the board performing the calculation, together with documentation of the creditable service to be transferred, the amounts of contributions and interest to be transferred, the manner in which the calculation was performed, the numbers relied upon in making the calculation, the results of the calculation, and any other information the Division may deem useful.

- (e) (1) Creditable service also includes periods of service originally established in the Fund established under Article 7 of this Code for which the contributions have been transferred under Section 7-139.11.
- (2) If the board of the pension fund to which creditable service and related contributions are transferred under Section 7-139.11 determines that the amount transferred is less than the true cost to the pension fund of allowing that creditable service to be established, then the amount of creditable service the police officer may establish under this subsection (e) shall be reduced by an amount equal to the difference, as determined by the board in accordance with the rules and procedures adopted under paragraph (3) of this subsection.
- (3) The Public Pension Division of the Department of Financial and Professional Regulation shall establish by rule the manner of making the calculation required under

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

(4) Until January 1, 2010, a police officer who transferred service from the Fund established under Article 7 of this Code under the provisions of Public Act 94-356 may establish additional credit, but only for the amount of the service credit reduction in that transfer, as calculated under paragraph (3) of this subsection (e). This credit may be established upon payment by the police officer of an amount to be determined by the board, equal to (1) the amount that would have been contributed as employee and employer contributions had all of the service been as an employee under this Article, plus interest thereon at the rate of 6% per year, compounded annually

from the date of service to the date of transfer, less (2) 1 2 the total amount transferred from the Article 7 Fund, plus 3 (3) interest on the difference at the rate of 6% per year, compounded annually, from the date of the transfer to the 4 5 date of payment. The additional service credit is allowed under this amendatory Act of the 95th General Assembly 6 7 notwithstanding the provisions of Article 7 terminating all transferred credits on the date of transfer. 8

- 9 (Source: P.A. 96-297, eff. 8-11-09; 96-1260, eff. 7-23-10; 10 97-651, eff. 1-5-12.)
- 11 (40 ILCS 5/3-110.7)

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- 12 Sec. 3-110.7. Transfer between Article 3 funds.
 - (a) Until January 1, 2020 (the consolidation date), an Am active member of a pension fund established under this Article may apply for transfer to that fund of his or her creditable service and related contributions accumulated in any other police pension fund established under this Article, except that a police officer may not transfer creditable service under this Section from a pension fund unless (i) the police officer actively served in the police department under that fund for at least 2 years, (ii) the police officer actively served in the police department under that fund for less than 2 years but was laid off or otherwise involuntarily terminated for a reason other than the fault of the officer, or (iii) the police officer was not in service in the police department under that

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- fund on or after the effective date of this Section. Upon receiving the application, that other pension fund shall transfer to the pension fund in which the applicant currently participates an amount equal to:
 - (1) the amounts actually contributed by or on behalf of the applicant to the fund as employee contributions (including any interest paid by the applicant in order to reinstate service), plus interest on those amounts at the rate of 6% per year, compounded annually, from the date of contribution to the date of transfer; plus
- 11 (2) an amount representing employer contributions,
 12 equal to the total amount determined under subdivision (1).
 13 Participation in that other pension fund shall terminate on the
 14 date of transfer.
 - (b) An active member of the Fund a pension fund established under this Article may reinstate in the Fund service in any other pension fund established under this Article that was terminated by receipt of a refund, by paying to the Fund that other pension fund the amount of the refund plus interest thereon at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.
- 22 (Source: P.A. 90-460, eff. 8-17-97.)
- 23 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)
- Sec. 3-125. Financing; tax.
- 25 (a) The governing body city council or the board of

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trustees of a participating the municipality shall annually levy a tax upon all the taxable property of the municipality at the rate on the dollar which will produce an amount which, when added to the deductions from the salaries or wages of police officers, and revenues available from other sources, will equal a sum sufficient to meet the annual requirements of the account of the participating municipality police pension fund. The annual requirements to be provided by such tax levy are equal to (1) the normal cost of benefits attributable to the participating municipality and its police officers, as determined by an enrolled actuary employed by the Fund, the pension fund for the year involved, plus (2) an amount sufficient to bring the total assets of the account of the participating municipality pension fund up to 90% of the total actuarial liabilities of the account of the participating municipality pension fund by the end of municipal fiscal year 2040, as annually updated and determined by an enrolled actuary employed by the Fund Illinois Department of Insurance or by an enrolled actuary retained by the pension fund or the municipality. In making these determinations, the required minimum employer contribution shall be calculated each year as a level percentage of payroll over the years remaining up to and including fiscal year 2040 and shall be determined under the entry age normal projected unit credit actuarial cost method. The tax shall be levied and collected in the same manner as the general taxes of the municipality, and in

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- addition to all other taxes now or hereafter authorized to be levied upon all property within the municipality, and shall be in addition to the amount authorized to be levied for general purposes as provided by Section 8-3-1 of the Illinois Municipal Code, approved May 29, 1961, as amended. The tax shall be forwarded directly to the treasurer of the board within 30 business days after receipt by the county.
 - (b) For purposes of determining the required employer contribution to the Fund a pension fund, the value of the pension fund's assets shall be equal to the actuarial value of the pension fund's assets, which shall be calculated as follows:
 - (1) (Blank). On March 30, 2011, the actuarial value of a pension fund's assets shall be equal to the market value of the assets as of that date.
 - (2) In determining the actuarial value of the System's assets of the account of the participating municipality for fiscal years after March 30, 2011, any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.
 - (c) If a participating municipality fails to transmit to the <u>Fund</u> fund contributions required of it under this Article for more than 90 days after the payment of those contributions is due, the <u>Fund</u> fund may, after giving notice to the municipality, certify to the State Comptroller the amounts of

1	the delinquent payments in accordance with any applicable rules
2	of the Comptroller, and the Comptroller must, beginning in
3	fiscal year 2016, deduct and remit to the Fund, for credit to
4	the account of the participating municipality, fund the
5	certified amounts or a portion of those amounts from the
6	following proportions of payments of State funds to the
7	municipality:

- (1) in fiscal year 2016, one-third of the total amount of any payments of State funds to the municipality;
- (2) in fiscal year 2017, two-thirds of the total amount of any payments of State funds to the municipality; and
- (3) in fiscal year 2018 and each fiscal year thereafter, the total amount of any payments of State funds to the municipality.

The State Comptroller may not deduct from any payments of State funds to the municipality more than the amount of delinquent payments certified to the State Comptroller by the Fund fund.

- (d) (Blank). The police pension fund shall consist of the following moneys which shall be set apart by the treasurer of the municipality:
- 22 (1) All moneys derived from the taxes levied hereunder;
 23 (2) Contributions by police officers under Section
 24 3-125.1;
- 25 (3) All moneys accumulated by the municipality under
 26 any previous legislation establishing a fund for the

1	benefit of disabled or retired police officers;
2	(4) Donations, gifts or other transfers authorized by
3	this Article.
4	(e) (Blank). The Commission on Government Forecasting and
5	Accountability shall conduct a study of all funds established
6	under this Article and shall report its findings to the General
7	Assembly on or before January 1, 2013. To the fullest extent
8	possible, the study shall include, but not be limited to, the
9	following:
10	(1) fund balances;
11	(2) historical employer contribution rates for each
12	fund;
13	(3) the actuarial formulas used as a basis for employer
14	contributions, including the actual assumed rate of return
15	for each year, for each fund;
16	(4) available contribution funding sources;
17	(5) the impact of any revenue limitations caused by
18	PTELL and employer home rule or non home rule status; and
19	(6) existing statutory funding compliance procedures
20	and funding enforcement mechanisms for all municipal
21	pension funds.
22	(Source: P.A. 99-8, eff. 7-9-15.)
23	(40 ILCS 5/3-125.1) (from Ch. 108 1/2, par. 3-125.1)
24	Sec. 3-125.1. Contributions by police officers. Each
25	police officer shall contribute to the Fund pension fund the

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following percentages of salary for the periods stated:
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      Beginning July 1, 1909 and prior to July 23, 1943, 1% (except
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      that prior to July 1, 1921 not more than one dollar per month
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      shall be deducted, and except that beginning July 1, 1921 and
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      prior to July 1, 1927 not more than $2 per month shall be
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      deducted); beginning July 23, 1943 and prior to July 20, 1949,
      3%; beginning July 20, 1949 and prior to July 17, 1959, 5%;
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      beginning July 17, 1959 and prior to July 1, 1971, 7%;
 9
      beginning July 1, 1971 and prior to July 1, 1975, 7 1/2%;
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      beginning July 1, 1975 and prior to January 1, 1987, 8 1/2%;
      beginning January 1, 1987 and prior to January 1, 2001, 9%; and
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      beginning January 1, 2001, 9.91%, except that beginning January
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      1, 2020, each Tier 1 participant shall contribute 35% of his or
      her salary. Such sums shall be paid or deducted monthly.
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      Contribution to the self-managed plan shall be no less than 10%
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      of salary.
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          "Salary" means the annual salary, including longevity,
      attached to the police officer's rank, as established by the
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      municipality's appropriation ordinance,
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                                                               any
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established, but excluding any "overtime pay", "holiday pay", 21 22 "bonus pay", "merit pay", or any other cash benefit not

compensation for overtime which is included in the salary so

included in the salary so established.

(Source: P.A. 91-939, eff. 2-1-01.) 24

25 (40 ILCS 5/3-128) (from Ch. 108 1/2, par. 3-128)

- 1 Sec. 3-128. Board created.
- 2 (a) This subsection (a) applies until January 1, 2020.
- 3 A board of 5 members shall constitute a board of trustees to
- 4 administer the pension fund and to designate the beneficiaries
- 5 thereof. The board shall be known as the "Board of Trustees of
- 6 the Police Pension Fund" of the municipality.
- 7 Two members of the board shall be appointed by the mayor or
- 8 president of the board of trustees of the municipality
- 9 involved. The 3rd and 4th members of the board shall be elected
- 10 from the active participants of the pension fund by such active
- 11 participants. The 5th member shall be elected by and from the
- 12 beneficiaries.
- One of the members appointed by the mayor or president of
- the board of trustees shall serve for one year beginning on the
- 2nd Tuesday in May after the municipality comes under this
- 16 Article. The other appointed member shall serve for 2 years
- beginning on the same date. Their successors shall serve for 2
- 18 years each or until their successors are appointed and
- 19 qualified.
- 20 (b) The members of the boards of trustees serving on
- 21 December 31, 2019 may continue to exercise the powers of that
- office until March 1, 2020 for the sole purpose of assisting in
- 23 the consolidation of their respective pension funds, but
- 24 subject to the supervision and requirements of the Transition
- 25 Board.
- 26 (c) Beginning January 1, 2020, and until the board

1	esta	blished	under	subsection	(d)	has	been	elect	ed and	assumes
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2	its	duties,	the	Transition	Board	d e	stabl:	ished	under	Section
3	3-10	11 1 shal	loner	rate as the 1	Roard	\circ f	Trust	ees of	the Fii	ind

- (d) Beginning January 1, 2021, or as soon thereafter as it is able to assume its duties, the Board of Trustees of the Downstate Police Pension Fund shall consist of 11 members. The Board shall consist of representatives of various groups as follows:
 - (1) One trustee, appointed by the Governor, who shall serve as the chairman and may vote only in the event of a tie.
 - (2) Five trustees shall each be a mayor, chief elected officer, chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality, and each such trustee shall be designated as an executive trustee.
 - (3) Three trustees shall each be a police officer participating in the Fund, and each such trustee shall be designated as a police officer trustee. No person shall be eligible to become a police officer trustee who does not have at least 8 years of creditable service in the Fund.
 - (4) Two trustees shall be retired police officers of the Fund, who shall be designated the annuitant trustees.

 No person shall be eligible to become an annuitant trustee who does not have at least 8 years of creditable service in the Fund. For the purposes of this Section and Section

1	3-128.2	, a	police	of	ficer	rece	iving	a	disability	pension
2	shall be	e co	nsidere	d a	retir	ed po	lice	off	icer.	

- Beginning January 1, 2020, elections for executive trustees shall be conducted in accordance with Section 3-128.1 and elections for police officer and annuitant trustees shall be conducted in accordance with Section 3-128.2.
- (e) The executive trustees shall elect one executive trustee to serve as vice-chairman. The police officer trustees and annuitant trustees shall elect one police officer trustee or annuitant trustee to serve as vice-chairman.
- (f) An executive or police officer trustee shall be disqualified immediately upon any change in status which removes the trustee from the required employment or office within the group he or she represents. The annuitant trustee shall be disqualified upon termination or suspension of his or her retirement or disability pension.
- The Board shall fill any vacancy by appointment of a person with the appropriate employment status for the period until the next election of trustees, or, if the remaining term is less than 2 years, for the remainder of the term, and until a successor has been elected and has qualified.
- (g) The Board shall elect annually from its members a president and secretary.
- The election for board members shall be held biennially on the 3rd Monday in April, at such place or places in the municipality and under the Australian ballot system and such

other regulations as shall be prescribed by the appointed members of the board.

The active pension fund participants shall be entitled to vote only for the active participant members of the board. All beneficiaries of legal age may vote only for the member chosen from among the beneficiaries. No person shall be entitled to cast more than one ballot at such election. The term of elected members shall be 2 years, beginning on the 2nd Tuesday of the first May after the election.

Upon the death, resignation or inability to act of any elected board member, his or her successor shall be elected for the unexpired term at a special election, to be called by the board and conducted in the same manner as the regular biennial election.

(h) Members of the board shall neither receive nor have any right to receive any salary from the <u>Fund</u> pension fund for services performed as trustees in that office, but shall be reimbursed for any reasonable expenses incurred in attending meetings of the Board and in performing duties on behalf of the <u>Fund</u> and for the amount of any earnings withheld by any employing municipality because of attendance at any Board meeting.

(i) Except for the chairman, who may vote only in the event of a tie, each trustee shall be entitled to one vote on any and all actions before the Board. At least 6 concurring votes shall be necessary for every decision or action by the Board at any

- of its meetings. No decision or action shall become effective
- 2 unless presented and so approved at a regular or duly called
- 3 special meeting of the Board.
- 4 (Source: P.A. 83-1440.)
- 5 (40 ILCS 5/3-128.1 new)
- 6 Sec. 3-128.1. Election of executive trustees.
- 7 (a) Beginning January 1, 2020, the election of executive
- 8 <u>trustees shall be conducted in accordance with this Section.</u>
- 9 (b) During the period beginning on August 1 and ending on
- September 15 of each year, the Board shall accept nominations
- of candidates for election as executive trustees for terms
- beginning on the next January 1, and for vacancies to be filled
- 13 by election.
- 14 All nominations for the position of executive trustee shall
- 15 be by petition, signed by a representative of the governing
- body of at least 5 participating municipalities.
- 17 (c) The election shall be by ballot and may be conducted in
- 18 person, by mail, or electronically, pursuant to the rules and
- 19 procedures established by the Board.
- 20 All candidates properly nominated in petitions received by
- 21 the Board shall be placed in alphabetical order upon the proper
- 22 ballot. In the initial election, there shall be one election
- for the 5 executive trusteeships, and the 5 candidates getting
- 24 the highest number of votes shall be declared elected.
- 25 (d) The governing body of each participating municipality

- 1 participating in the Fund shall have one vote at any election
- 2 in which an executive trustee is to be elected, and may cast
- 3 that vote for any candidate on the executive trustee ballot.
- A vote may be cast for a person not on the ballot by
- 5 writing in his or her name.
- In case of a tie vote, the candidate employed by the
- 7 municipality having the greatest number of participating
- 8 police officers at the time of the election shall be declared
- 9 elected.
- 10 (e) The election shall be completed by December 1 of the
- 11 year. The results shall be entered in the minutes of the
- meeting of the Board following the tally of votes.
- 13 (f) Each executive trustee so elected shall hold office for
- 14 a term of 4 years and until his or her successor has been duly
- 15 elected and qualified. However, for the initial executive
- 16 trustees, 2 of the initial executive trustees shall serve for a
- term of one year, one initial executive trustee shall serve for
- 18 a term of 2 years, one initial executive trustee shall serve
- 19 for a term of 3 years, and one initial executive trustee shall
- 20 serve for a term of 4 years. The terms of the initial executive
- 21 trustees shall be determined by lot at the first meeting of the
- Board.
- 23 (40 ILCS 5/3-128.2 new)
- Sec. 3-128.2. Election of police officer and annuitant
- 25 trustees.

	(a)	Begi	nning	Janı	ıary	1,	2020,	the	elec	tion	of	pol	ice
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wit	h thi	is Se	ction.	The	annu	iitan	t tru:	stees	shal	l be	ele	cted	in
an	elec	tion	separa	ate	from	the	elec	tion	for	poli	ce	offi	cer
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- (b) During the period beginning on August 1 and ending on September 15 of each applicable year, the Board shall accept nominations of candidates for election as police officer or annuitant trustees for terms beginning on the next January 1, and for vacancies to be filled by election.
- All nominations for the position of police officer trustee shall be by petition, signed by at least 50 active police officers participating in the Fund. All nominations for the position of annuitant trustee shall be by petition, signed by at least 25 annuitants of the Fund.
- (c) The election shall be by ballot and may be conducted in person, by mail, or electronically, pursuant to the rules and procedures established by the Board.
- All candidates properly nominated in petitions received by the Board shall be placed in alphabetical order on the proper ballot. In the initial election, there shall be one election for the 3 police officer trusteeships, and the 3 candidates getting the highest number of votes shall be declared elected. In the initial election there shall be one election for the 2 annuitant trusteeships, and the 2 candidates receiving the highest number of votes shall be declared elected.

- (d) No person shall cast more than one vote for each candidate for whom he or she is eligible to vote. In elections for board members to be chosen from the active police officers, all active police officers and no others may vote. In elections for board members to be chosen from retired police officers,
- 6 <u>all retired police officers and no others may vote.</u>
 - In case of a tie vote, the candidate currently (or in the case of an annuitant trustee, formerly) employed by the municipality having the greatest number of participating police officers at the time of the election shall be declared elected.
 - (e) The election shall be completed by December 1 of the year. The result shall be entered in the minutes of the meeting of the Board following the tally of votes.
 - (f) Each trustee so elected shall hold office for a term of 4 years and until his or her successor has been duly elected and qualified, except that the initial police officer trustees shall serve for terms of one, 2, or 3 years, as determined by lot at the first meeting of the Board. The initial annuitant trustees shall serve terms of 3 or 4 years, as determined by lot at the first meeting of the Board.
- 22 (40 ILCS 5/3-134) (from Ch. 108 1/2, par. 3-134)
- Sec. 3-134. To submit annual list of <u>Fund</u> payments. To submit annually to the <u>governing body of each participating</u> municipality <u>city council or board of trustees</u> at the close of

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the municipality's fiscal year, a list of persons entitled to 1 payments from the Fund that are chargeable to the account of the participating municipality fund, stating the amount of payments, and their purpose, as ordered by the Board board. It shall also include items of income accrued to the account of the participating municipality fund during the fiscal year. The 7 list shall be signed by the secretary and president of the Board board, and attested under oath. A resolution or order for the payment of money shall not be valid unless approved by a majority of the Board board members, and signed by the president and secretary of the Board board.

(40 ILCS 5/3-135) (from Ch. 108 1/2, par. 3-135) 1.3

(Source: P.A. 83-1440.)

Sec. 3-135. To invest funds. To determine the limitations on the amounts of cash to be invested in order to maintain such cash balances as may be deemed advisable to meet current annuity, benefit, and expense requirements, and to invest the remaining available cash in securities, in accordance with the prudent person investment rule and the other provisions of this Article. Beginning on the consolidation date, the Article 1 and 1A restrictions on the investment of Article 3 Funds no longer apply, except to the extent that they do not also apply to Article 7 of this Code. Beginning January 1, 1998, the board shall invest funds in accordance with Sections 1-113.1 through 1 113.10 of this Code.

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1 (Source: P.A. 90-507, eff. 8-22-97.)

- 2 (40 ILCS 5/3-140.5 new)
- 3 Sec. 3-140.5. Custodian. The Board shall appoint one or
- 4 more custodians to receive and hold the assets of the Fund on
- 5 such terms as the Board may agree.
- 6 (40 ILCS 5/3-141) (from Ch. 108 1/2, par. 3-141)

Sec. 3-141. Annual report by treasurer. On the 2nd Tuesday in May annually through 2020, the treasurer of the municipality and all other officials of the municipality who had the custody of any pension funds herein provided, shall make a sworn statement to the pension board, and to the mayor and council or president and board of trustees of the municipality, of all moneys received and paid out by them on account of the pension fund during the year, and of the amount of funds then on hand and owing to the pension fund. The final report required under this subsection shall be due in May of 2020 and shall include the period up to and including the consolidation of the municipality's pension fund into the Downstate Police Pension Fund. All surplus then remaining with any official other than the treasurer shall be paid to the treasurer of municipality or as directed by the Board. Upon demand of the Board pension board, any official shall furnish a statement relative to the official method of collection or handling of the pension funds. All books and records of that official shall

- 1 be produced at any time by him for examination and inspection
- 2 by the Board board.
- 3 (Source: P.A. 83-1440.)
- 4 (40 ILCS 5/3-141a new)
- 5 Sec. 3-141a. Deposit and disposition of funds; custodian.
 - (a) All money received by the Board shall immediately be deposited with the custodian for the account of the Fund. All payments from the accounts of the Fund shall be made by the custodian only, and only by a check or draft signed by the president of the board or the executive director, as the board may direct. Such checks and drafts shall be drawn only upon proper authorization by the board as properly recorded in the

official minute books of the meetings of the Board.

- (b) The assets of the Pension Fund shall be invested as one fund, and no particular person or municipality shall have any right in any specific security or in any item of cash other than an undivided interest in the whole.
- (c) If a participating municipality terminates participation because it fails to meet the requirements of Section 3-103, it shall pay to the Fund the amount equal to any net debit balance in its municipality account and any account receivable. Its successors, assigns, and transferees of its assets shall be obligated to make this payment to the extent of the value of assets transferred to them. The Fund shall pay an amount equal to any net credit balance to the participating

municipality, its successors or assigns. Any remaining net debit or credit balance not collectible or payable shall be transferred to a terminated municipality reserve account. The Fund shall pay to each police officer of the participating municipality an amount equal to his or her credits in the employee reserves. The employees shall have no further rights to any benefits from the Fund, except that annuities awarded prior to the date of termination shall continue to be paid.

- 9 (40 ILCS 5/3-141b new)
- Sec. 3-141b. Authorizations.
- 11 (a) Each participating municipality shall:
- 12 (1) deduct all normal and additional contributions

 13 from each payment of earnings payable to each participating

 14 employee who is entitled to any earnings from the

 15 municipality, and remit all normal and additional

 16 contributions immediately to the Board; and
- 17 (2) pay to the Board contributions required by this
 18 Article.
 - (b) Each participating employee shall, by virtue of the payment of contributions to this Fund, receive a vested interest in the annuities and benefits provided in this Article and in consideration of such vested interest shall be deemed to have agreed and authorized the deduction from earnings of all contributions payable to this Fund in accordance with this Article.

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(c) Payment of earnings less the amounts of contributions
provided in this Article shall be a full and complete discharge
of all claims for payment for services rendered by any employee
during the period covered by any such payment.

5 (40 ILCS 5/3-141c new)

Sec. 3-141c. Executive director. The executive director shall be in charge of the general administration of the Fund and shall have such special powers and duties as may be properly delegated or assigned by the Board from time to time. Such general administrative duties shall include: the computation of the amounts of annuities, benefits, prior service credits, and contributions required for reinstatement of credits for Board consideration; the processing of approved benefit claims and expenses of administration for payment; the placing of any and all matters before the Board which require action or are in the interest of the Board or the Fund; the preparation and maintenance of necessary and proper records for administrative and actuarial purposes; the conduct of any necessary or desirable communications in the course of operations of the Fund; and the carrying out of any actions of the Board which are so delegated.

- 22 (40 ILCS 5/3-141d new)
- 23 Sec. 3-141d. Actuary.
- 24 <u>(a) The actuary</u> shall be the technical advisor of the

1	Board. In addition to general advice, the actuary shall
2	specifically be responsible for and shall make a general
3	investigation, at least once every 3 years, of the experience
4	of the participating municipalities as to mortality,
5	disability, retirement, separation, marital status of
6	employees, marriage of surviving spouses, interest, and
7	employee earnings rates, and to make recommendations as a
8	result of any such investigation as to:
9	(1) the actuarial tables to be used for computing
10	annuities and benefits and for determining the premiums for
11	disability and death benefit purposes;
12	(2) the tables to be used in any regular actuarial
13	valuations; and
14	(3) the prescribed rate of interest.
15	(b) The actuary shall make the computations of municipality
16	obligations, contribution rates including annual valuations of
17	the liabilities and reserves for present and prospective
18	annuities and benefits, and certify to the correctness thereof.
19	(c) The actuary shall advise the Board on any matters of an

- Section 90. The State Mandates Act is amended by adding Section 8.42 as follows:
- 23 (30 ILCS 805/8.42 new)

actuarial nature affecting the Fund.

Sec. 8.42. Exempt mandate. Notwithstanding Sections 6 and 8

- of this Act, no reimbursement by the State is required for the
- 2 <u>implementation of any mandate created by this amendatory Act of</u>
- 3 the 100th General Assembly.
- 4 Section 99. Effective date. This Act takes effect upon
- 5 becoming law, except that Section 10 takes effect January 1,
- 6 2020.

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2	Statutes amended in order of appearance
3	40 ILCS 5/3-101 from Ch. 108 1/2, par. 3-101
4	40 ILCS 5/3-101.1 new
5	40 ILCS 5/3-101.2 new
6	40 ILCS 5/3-108.2a new
7	40 ILCS 5/3-109.5 new
8	40 ILCS 5/3-111 from Ch. 108 1/2, par. 3-111
9	40 ILCS 5/3-111.1 from Ch. 108 1/2, par. 3-111.1
10	40 ILCS 5/3-112 from Ch. 108 1/2, par. 3-112
11	40 ILCS 5/7-199.5 new
12	40 ILCS 5/3-102.1 new
13	40 ILCS 5/3-103 from Ch. 108 1/2, par. 3-103
14	40 ILCS 5/3-103.9 new
15	40 ILCS 5/3-104 new
16	40 ILCS 5/3-105 from Ch. 108 1/2, par. 3-105
17	40 ILCS 5/3-108.2
18	40 ILCS 5/3-108.3
19	40 ILCS 5/3-110 from Ch. 108 1/2, par. 3-110
20	40 ILCS 5/3-110.7
21	40 ILCS 5/3-125 from Ch. 108 1/2, par. 3-125
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1	40 ILCS 5/3-134	from Ch. 108 1/2, par. 3-134
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