

1 AN ACT in relation to public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by  
5 adding Sections 6-106.2 and 6-127.1 and changing Sections  
6 6-128 and 6-164 as follows:

7 (40 ILCS 5/6-106.2 new)

8 Sec. 6-106.2. Deferred Retirement Option Plan.  
9 "Deferred Retirement Option Plan" or "DROP plan" means the  
10 Deferred Retirement Option Plan established under Section  
11 6-127.1.

12 (40 ILCS 5/6-127.1 new)

13 Sec. 6-127.1. Deferred Retirement Option Plan.

14 (a) The Deferred Retirement Option Plan created by this  
15 Section shall first become available to eligible firemen on  
16 January 1, 2004.

17 (b) To be eligible to participate in the DROP plan, a  
18 fireman must (i) be in active service, (ii) have attained age  
19 50, and (iii) have at least 20 years of creditable service in  
20 the Fund. A fireman may participate in the DROP plan only  
21 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, 2007, whichever is later. The election,  
25 once made, is irrevocable.

26 The election to participate in the DROP plan shall be  
27 made in writing on forms provided for that purpose by the  
28 Board and shall be filed with the Board. The application  
29 must indicate the date upon which participation in the DROP  
30 plan is to begin, which shall be the first day of a calendar

1 month and not less than 30 days nor more than 90 days after  
2 the date of filing the application.

3 As a part of the application, the fireman must file with  
4 the Board and with his or her employer an irrevocable letter  
5 of resignation from employment, effective on the date of  
6 termination of the fireman's participation in the DROP plan  
7 (unless that termination results from acceptance of a  
8 disability benefit).

9 (d) A fireman's participation in the DROP plan shall  
10 commence on the date specified in the application and shall  
11 end upon (i) termination of service, (ii) death of the  
12 fireman, (iii) disability for which the fireman receives a  
13 benefit under Section 6-151, 6-151.1, or 6-152, or (iv)  
14 expiration of 3 years from the date the fireman's  
15 participation in the DROP plan began, whichever occurs first.

16 (e) A fireman who is participating in the DROP plan  
17 shall be considered an active fireman for the purposes of  
18 this Article, including Section 6-174, but shall be subject  
19 to the special conditions of the DROP plan.

20 A fireman shall continue to make the contributions that  
21 are required for active firemen during his or her  
22 participation in the DROP plan. These contributions shall be  
23 accumulated in the fireman's DROP account and shall be  
24 treated as being "picked up" within the meaning of Section  
25 6-165.1 of this Code and Section 414(h)(2) of the Internal  
26 Revenue Code of 1986, as amended.

27 A fireman who is participating in the DROP plan shall not  
28 receive service credit for the period of that participation,  
29 and the salary earned during that period shall be disregarded  
30 in calculating the fireman's benefits under this Article.

31 (f) A fireman who participates in the DROP plan may  
32 terminate service at any time during participation in the  
33 DROP plan. A fireman who participates in the DROP plan must  
34 terminate service on the last day of participation in the

1 DROP plan, unless participation in the DROP plan is ended due  
2 to acceptance of a disability benefit.

3 (g) A fireman who is participating in the DROP plan  
4 remains eligible to apply for a disability benefit under  
5 Section 6-151, 6-151.1, or 6-152, but participation in the  
6 DROP plan ceases upon acceptance of the disability benefit.  
7 If participation in the DROP plan is ended due to acceptance  
8 of a disability benefit, (1) the disabled fireman shall be  
9 credited with employee contributions and creditable service  
10 for the period of participation in the DROP plan, (2) the  
11 fireman's letter of resignation from service that is required  
12 to be filed at the time of application to participate in the  
13 DROP plan is void, and (3) the amounts in the disabled  
14 fireman's DROP account are forfeited to the Fund.

15 (h) The Fund shall maintain a separate DROP account for  
16 the benefit of each fireman who becomes a participant in the  
17 DROP plan. The Fund shall pay into the fireman's DROP  
18 account:

19 (1) for each month of the fireman's participation  
20 in the DROP plan, an amount equal to the monthly  
21 retirement annuity that the fireman would have been  
22 eligible to receive if the fireman had terminated service  
23 and taken a retirement annuity on the date his or her  
24 participation in the DROP plan began, including any  
25 increases in annuity for which the fireman would have  
26 been eligible under Section 6-164;

27 (2) the employee contributions paid by the fireman  
28 during the period of participation in the DROP plan; and

29 (3) interest on the balance in the DROP account, at  
30 the rate of 7% per annum, paid and compounded monthly,  
31 throughout the period of participation in the DROP plan.  
32 The DROP account shall cease earning interest when the  
33 fireman's participation in the DROP plan ends.

34 (i) For a fireman who retires at the conclusion of

1 participation in the DROP plan, calculation of the amount of  
2 the retirement annuity, including any alternative minimum  
3 annuity calculated under Section 6-128, shall be based on the  
4 fireman's average salary and accumulated service as of the  
5 date he or she began participation in the DROP plan and shall  
6 include any annual increases that would have accrued under  
7 Section 6-164 if the fireman had retired on that date.

8 In addition to the retirement annuity, a fireman who  
9 terminates service and retires at the conclusion of his or  
10 her participation in the DROP plan shall receive, upon  
11 retirement, a DROP benefit equal to the balance in the  
12 fireman's DROP account at the time of retirement.

13 At the time of application for a retirement annuity, the  
14 fireman shall elect to receive the DROP benefit in the form  
15 of either a lump sum or an actuarially equivalent annuity for  
16 life. If a lump sum payment is elected, it may be rolled  
17 over into an individual retirement account (IRA) or a  
18 qualified retirement plan. A DROP benefit payable in the  
19 form of an annuity shall be in a fixed amount not subject to  
20 annual or other increases. A DROP benefit shall be treated  
21 as a retirement benefit for the purposes of Section 1-119  
22 (OILDROs).

23 (j) If a fireman receiving a DROP benefit in the form of  
24 an annuity re-enters service, the DROP benefit annuity  
25 payments shall be suspended until the fireman's subsequent  
26 retirement.

27 (k) If a fireman dies while participating in the DROP  
28 plan, the DROP benefit shall be paid as a lump sum to the  
29 surviving spouse or other survivor of the fireman entitled to  
30 an annuity under this Article or, if there is no such  
31 survivor, then to the deceased fireman's estate.

32 (l) If a retired fireman dies while receiving a DROP  
33 benefit in the form of an annuity, and the DROP account  
34 balance at the time of retirement exceeds the total amount of

1 DROP benefit annuity payments received, the excess shall be  
2 refunded to the surviving spouse or other survivor of the  
3 fireman entitled to an annuity under this Article or, if  
4 there is no such survivor, then to the deceased fireman's  
5 estate.

6 (40 ILCS 5/6-128) (from Ch. 108 1/2, par. 6-128)

7 Sec. 6-128. Alternative minimum retirement annuity for  
8 future entrants.

9 (a) A future entrant who withdraws on or after July 21,  
10 1959, after completing at least 23 years of service, and for  
11 whom the annuity otherwise provided in this Article is less  
12 than that stated in this Section, has a right to receive  
13 annuity as follows:

14 If he is age 53 or more on withdrawal, his annuity after  
15 withdrawal, shall be equal to 50% of his average salary  
16 determined by striking an average of 4 consecutive highest  
17 years of salary within the last 10 years of service  
18 immediately preceding the date of withdrawal.

19 An employee who reaches compulsory retirement age and who  
20 has less than 23 years of service shall be entitled to a  
21 minimum annuity equal to an amount determined by the product  
22 of (1) his years of service and (2) 2% of his average salary  
23 for the 4 consecutive highest years of salary within the last  
24 10 years of service immediately prior to his reaching  
25 compulsory retirement age.

26 An employee who remains in service after qualifying for  
27 annuity under this section shall have added to this annuity  
28 an additional 1% of salary for each completed year of service  
29 or fraction thereof rendered until July 21, 1959, and an  
30 additional 1% for a total of 2% of salary from July 21, 1959.  
31 Each future entrant who has completed 23 years of service  
32 before reaching age 53 shall have added to this annuity 1% of  
33 salary for each completed year of service or fraction thereof

1 in excess of 23 years up to age 53. "Salary" as referred to  
2 in this paragraph shall be determined by striking an average  
3 of the 4 consecutive highest years of salary within the last  
4 10 years of service immediately preceding withdrawal.

5 (b) In lieu of the annuity provided in the foregoing  
6 provisions of this Section any future entrant who withdraws  
7 from the service either (i) after December 31, 1983 with at  
8 least 22 years of service credit and having attained age 52  
9 in the service, or (ii) after December 31, 1984 with at least  
10 21 years of service credit and having attained age 51 in the  
11 service, or (iii) after December 31, 1985 with at least 20  
12 years of service credit and having attained age 50 in the  
13 service, or (iv) after December 31, 1990 with at least 20  
14 years of service regardless of age, may elect to receive an  
15 annuity, to begin not earlier than upon attainment of age 50  
16 if under that age at withdrawal, computed as follows: an  
17 annuity equal to 50% of the average salary for the 4 highest  
18 consecutive years of the last 10 years of service, plus  
19 additional annuity equal to 2% of such average salary for  
20 each completed year of service or fraction thereof rendered  
21 after his completion of the minimum number of years of  
22 service required for him to be eligible under this subsection  
23 (b). However, the annuity provided under this subsection (b)  
24 may not exceed 75% of such average salary.

25 (c) For a fireman who retires at the conclusion of  
26 participation in the DROP plan, calculation of the amount of  
27 the retirement annuity, including any alternative minimum  
28 annuity calculated under this Section, shall be based on the  
29 fireman's average salary and accumulated service as of the  
30 date he or she began participation in the DROP plan and shall  
31 include any annual increases that would have accrued under  
32 Section 6-164 if the fireman had retired on that date.

33 (Source: P.A. 86-1488.)

1 (40 ILCS 5/6-164) (from Ch. 108 1/2, par. 6-164)  
2 Sec. 6-164. Automatic annual increase; retirement after  
3 September 1, 1959.

4 (a) A fireman qualifying for a minimum annuity who  
5 retires from service after September 1, 1959 shall, upon  
6 either the first of the month following the first anniversary  
7 of his date of retirement if he is age 60 (age 55 if born  
8 before January 1, 1945) or over on that anniversary date, or  
9 upon the first of the month following his attainment of age  
10 60 (age 55 if born before January 1, 1945) if that occurs  
11 after the first anniversary of his retirement date, have his  
12 then fixed and payable monthly annuity increased by 1 1/2%,  
13 and such first fixed annuity as granted at retirement  
14 increased by an additional 1 1/2% in January of each year  
15 thereafter up to a maximum increase of 30%. Beginning July  
16 1, 1982 for firemen born before January 1, 1930, and  
17 beginning January 1, 1990 for firemen born after December 31,  
18 1929 and before January 1, 1940, and beginning January 1,  
19 1996 for firemen born after December 31, 1939 but before  
20 January 1, 1945, such increases shall be 3% and such firemen  
21 shall not be subject to the 30% maximum increase.

22 Any fireman born before January 1, 1945 who qualifies for  
23 a minimum annuity and retires after September 1, 1967 but has  
24 not received the initial increase under this subsection  
25 before January 1, 1996 is entitled to receive the initial  
26 increase under this subsection on (1) January 1, 1996, (2)  
27 the first anniversary of the date of retirement, or (3)  
28 attainment of age 55, whichever occurs last. The changes to  
29 this Section made by this amendatory Act of 1995 apply  
30 beginning January 1, 1996 and apply without regard to whether  
31 the fireman or annuitant terminated service before the  
32 effective date of this amendatory Act of 1995.

33 For the purpose of calculating eligibility for increases  
34 under this Section, the date of retirement of a fireman who

1 retires at the conclusion of participation in the DROP plan  
2 shall be deemed to be the date he or she began participation  
3 in the DROP plan.

4 (b) Subsection (a) of this Section is not applicable to  
5 an employee receiving a term annuity.

6 (c) To help defray the cost of such increases in  
7 annuity, there shall be deducted, beginning September 1,  
8 1959, from each payment of salary to a fireman, 1/8 of 1% of  
9 each such salary payment and an additional 1/8 of 1%  
10 beginning on September 1, 1961, and September 1, 1963,  
11 respectively, concurrently with and in addition to the salary  
12 deductions otherwise made for annuity purposes.

13 Each such additional 1/8 of 1% deduction from salary  
14 which shall, on September 1, 1963, result in a total increase  
15 of 3/8 of 1% of salary, shall be credited to the Automatic  
16 Increase Reserve, to be used, together with city  
17 contributions as provided in this Article, to defray the cost  
18 of the 1 1/2% annuity increments herein specified. Any  
19 balance in such reserve as of the beginning of each calendar  
20 year shall be credited with interest at the rate of 3% per  
21 annum.

22 The salary deductions provided in this Section are not  
23 subject to refund, except to the fireman himself, in any case  
24 in which a fireman withdraws prior to qualification for  
25 minimum annuity and applies for refund, or applies for  
26 annuity, and also where a term annuity becomes payable. In  
27 such cases, the total of such salary deductions shall be  
28 refunded to the fireman, without interest, and charged to the  
29 aforementioned reserve.

30 (Source: P.A. 89-136, eff. 7-14-95.)

31 Section 90. The State Mandates Act is amended by adding  
32 Section 8.27 as follows:

1 (30 ILCS 805/8.27 new)

2 Sec. 8.27. Exempt mandate. Notwithstanding Sections 6  
3 and 8 of this Act, no reimbursement by the State is required  
4 for the implementation of any mandate created by this  
5 amendatory Act of the 93rd General Assembly.

6 Section 99. Effective date. This Act takes effect upon  
7 becoming law.