



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB0788

Introduced 2/7/2007, by Rep. Paul D. Froehlich - Mike Boland

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110

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

30 ILCS 805/8.31 new

Amends the Downstate Police Article of the Pension Code to allow purchase of service credit for up to 2 years of military service not immediately preceded by employment, unless the Board of Trustees of a fund opts not to grant the creditable service by resolution of a majority of its members. Allows purchase at a reduced interest rate for 6 months after the effective date. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB095 08395 AMC 28568 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT in relation to public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing
5 Section 3-110 as follows:

6 (40 ILCS 5/3-110) (from Ch. 108 1/2, par. 3-110)
7 Sec. 3-110. Creditable service.

8 (a) "Creditable service" is the time served by a police
9 officer as a member of a regularly constituted police force of
10 a municipality. In computing creditable service furloughs
11 without pay exceeding 30 days shall not be counted, but all
12 leaves of absence for illness or accident, regardless of
13 length, and all periods of disability retirement for which a
14 police officer has received no disability pension payments
15 under this Article shall be counted.

16 (a-5) Up to 3 years of time during which the police officer
17 receives a disability pension under Section 3-114.1, 3-114.2,
18 3-114.3, or 3-114.6 shall be counted as creditable service,
19 provided that (i) the police officer returns to active service
20 after the disability for a period at least equal to the period
21 for which credit is to be established and (ii) the police
22 officer makes contributions to the fund based on the rates
23 specified in Section 3-125.1 and the salary upon which the

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

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

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

4 (b-1) In addition to any creditable service established
5 under subsection (b), creditable service must be granted for up
6 to 24 months of service in the armed forces of the United
7 States that was not immediately preceded by employment as a
8 police officer, except that the Board may opt not to grant the
9 creditable service under this subsection (b-1) by resolution of
10 a majority of its members. In order to receive creditable
11 service for military service under this subsection (b-1), a
12 police officer must (1) apply to the Fund in writing and
13 provide evidence of the military service that is satisfactory
14 to the Board and (2) make contributions to the Fund equal to
15 (i) the employee contributions that would have been required
16 had the service been rendered as a member, plus (ii) an amount
17 determined by the board to be equal to the employer's normal
18 cost of the benefits accrued for that military service, plus
19 (iii) interest on items (i) and (ii) from the date of first
20 membership in the Fund to the date of payment. If payment is
21 made during the 6-month period that begins 3 months after the
22 effective date of this amendatory Act of the 95th General
23 Assembly, the required interest shall be at the rate of 2.5%
24 per year, compounded annually; otherwise, the required
25 interest shall be calculated at the rate of 6% per year,
26 compounded annually.

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

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

24 (2) If the board of the pension fund to which
25 creditable service and related contributions are
26 transferred under Section 3-110.7 or 7-139.9 determines

1 that the amount transferred is less than the true cost to
2 the pension fund of allowing that creditable service to be
3 established, then in order to establish that creditable
4 service the police officer must pay to the pension fund,
5 within the payment period specified in paragraph (3) of
6 this subsection, an additional contribution equal to the
7 difference, as determined by the board in accordance with
8 the rules and procedures adopted under paragraph (6) of
9 this subsection.

10 (3) Except as provided in paragraph (4), the additional
11 contribution must be paid to the board (i) within 5 years
12 from the date of the transfer of contributions under
13 Section 3-110.7 or 7-139.9 and (ii) before the police
14 officer terminates service with the fund. The additional
15 contribution may be paid in a lump sum or in accordance
16 with a schedule of installment payments authorized by the
17 board.

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

26 (5) If the additional contribution is not paid in full

1 within the required time, the creditable service shall not
2 be granted and the police officer (or the officer's
3 surviving spouse or estate) shall be entitled to receive a
4 refund of (i) any partial payment of the additional
5 contribution that has been made by the police officer and
6 (ii) those portions of the amounts transferred under
7 subdivision (a)(1) of Section 3-110.7 or subdivisions
8 (a)(1) and (a)(3) of Section 7-139.9 that represent
9 employee contributions paid by the police officer (but not
10 the accumulated interest on those contributions) and
11 interest paid by the police officer to the prior pension
12 fund in order to reinstate service terminated by acceptance
13 of a refund.

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

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

1 was transferred.

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

19 (e)(1) Creditable service also includes periods of
20 service originally established in the Fund established
21 under Article 7 of this Code for which the contributions
22 have been transferred under Section 7-139.11.

23 (2) If the board of the pension fund to which
24 creditable service and related contributions are
25 transferred under Section 7-139.11 determines that the
26 amount transferred is less than the true cost to the

1 pension fund of allowing that creditable service to be
2 established, then the amount of creditable service the
3 police officer may establish under this subsection (e)
4 shall be reduced by an amount equal to the difference, as
5 determined by the board in accordance with the rules and
6 procedures adopted under paragraph (3) of this subsection.

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

24 (Source: P.A. 94-356, eff. 7-29-05.)

25 Section 90. The State Mandates Act is amended by adding

1 Section 8.31 as follows:

2 (30 ILCS 805/8.31 new)

3 Sec. 8.31. Exempt mandate. Notwithstanding Sections 6 and 8
4 of this Act, no reimbursement by the State is required for the
5 implementation of any mandate created by this amendatory Act of
6 the 95th General Assembly.

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