



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB4991

by Rep. Gary Hannig

SYNOPSIS AS INTRODUCED:

40 ILCS 5/4-105e new
40 ILCS 5/4-109
40 ILCS 5/4-109.4 new

from Ch. 108 1/2, par. 4-109

Amends the Downstate Firefighter Article of the Illinois Pension Code. Allows a firefighter to elect to receive either a lump sum payment or an actuarially equivalent annuity for up to 5 years of service as part of a deferred retirement option plan. Amends the State Mandates Act to require implementation without reimbursement. Effective July 1, 2008.

LRB095 18343 AMC 44428 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning 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 4-109 and by adding Sections 4-105e and 4-109.4 and by
6 changing Section 4-109 as follows:

7 (40 ILCS 5/4-105e new)

8 Sec. 4-105e. Deferred Retirement Option Plan. "Deferred
9 Retirement Option Plan" or "DROP plan" means the Deferred
10 Retirement Option Plan established under Section 4-109.3.

11 (40 ILCS 5/4-109) (from Ch. 108 1/2, par. 4-109)

12 Sec. 4-109. Pension.

13 (a) A firefighter age 50 or more with 20 or more years of
14 creditable service, who is no longer in service as a
15 firefighter, shall receive a monthly pension of 1/2 the monthly
16 salary attached to the rank held by him or her in the fire
17 service at the date of retirement.

18 The monthly pension shall be increased by 1/12 of 2.5% of
19 such monthly salary for each additional month over 20 years of
20 service through 30 years of service, to a maximum of 75% of
21 such monthly salary.

22 For a firefighter who retires at the conclusion of

1 participation in the DROP plan, calculation of the amount of
2 the retirement pension shall be based on the firefighter's
3 salary and accumulated service on the date he or she began
4 participation in the DROP plan, but the monthly retirement
5 pension shall not be less than the last monthly amount payable
6 to the DROP account under subdivision (g)(1) of Section
7 4-109.4.

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

16 (b) A firefighter who retires or is separated from service
17 having at least 10 but less than 20 years of creditable
18 service, who is not entitled to receive a disability pension,
19 and who did not apply for a refund of contributions at his or
20 her last separation from service shall receive a monthly
21 pension upon attainment of age 60 based on the monthly salary
22 attached to his or her rank in the fire service on the date of
23 retirement or separation from service according to the
24 following schedule:

25 For 10 years of service, 15% of salary;

26 For 11 years of service, 17.6% of salary;

1 For 12 years of service, 20.4% of salary;
2 For 13 years of service, 23.4% of salary;
3 For 14 years of service, 26.6% of salary;
4 For 15 years of service, 30% of salary;
5 For 16 years of service, 33.6% of salary;
6 For 17 years of service, 37.4% of salary;
7 For 18 years of service, 41.4% of salary;
8 For 19 years of service, 45.6% of salary.

9 (Source: P.A. 91-466, eff. 8-6-99.)

10 (40 ILCS 5/4-109.4 new)

11 Sec. 4-109.4. Deferred Retirement Option Plan (DROP).

12 (a) To be eligible to participate in the DROP plan, a
13 firefighter must (i) be in active service, (ii) have attained
14 age 50, and (iii) have at least 20 years of creditable service
15 in the Fund. A firefighter may participate in the DROP plan
16 only once and for a maximum period of 5 years.

17 (b) An election to participate in the DROP plan must be
18 made within 3 years after becoming eligible under subsection

19 (a) The election, once made, is irrevocable. The election to
20 participate in the DROP plan shall be made in writing on forms
21 provided for that purpose by the Board and shall be filed with
22 the Board. The application must indicate the date upon which
23 participation in the DROP plan is to begin, which shall be the
24 first day of a calendar month and not less than 30 days nor
25 more than 90 days after the date of filing the application. As

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

7 (c) A firefighter's participation in the DROP plan shall
8 commence on the date specified in the application and shall end
9 upon (i) termination of service, (ii) death of the firefighter,
10 (iii) disability for which the firefighter receives a benefit
11 under Section 4-110, 4-110.1, or 4-111, or (iv) completion of
12 the maximum 5 years of participation in the DROP plan,
13 whichever occurs first.

14 (d) A firefighter who is participating in the DROP plan
15 shall be considered an active firefighter for the purposes of
16 this Article, including Section 4-121, but shall be subject to
17 the special conditions of the DROP plan. A firefighter shall
18 continue to make the contributions that are required for active
19 firefighters during his or her participation in the DROP plan.
20 These contributions shall be accumulated in the firefighter's
21 DROP account and shall be treated as being "picked up" within
22 the meaning of Section 4-118.2 of this Code and Section
23 414(h) (2) of the Internal Revenue Code of 1986, as amended. A
24 firefighter who is participating in the DROP plan shall not
25 receive service credit for the period of that participation,
26 and the salary earned during that period shall be disregarded

1 in calculating the firefighter's benefit under this Article.

2 (e) A firefighter who participates in the DROP plan may
3 terminate service at any time during participation in the DROP
4 plan. A firefighter who participates in the DROP plan must
5 terminate service on the last day of participation in the DROP
6 plan, unless participation in the DROP plan is ended due to
7 acceptance of a disability benefit.

8 (f) A firefighter who is participating in the DROP plan
9 remains eligible to apply for a disability benefit under
10 Section 4-110, 4-110.1, or 4-111, but participation in the DROP
11 plan ceases upon acceptance of the disability benefit. If
12 participation in the DROP plan is ended due to acceptance of a
13 disability benefit, (1) the disabled firefighter shall be
14 credited with employee contributions and creditable service
15 for the period of participation in the DROP plan, (2) the
16 firefighter's letter of resignation from service that is
17 required to be filed at the time of application to participate
18 in the DROP plan is void, and (3) the amounts in the disabled
19 firefighter's DROP account are forfeited to the Fund.

20 (g) The Fund shall maintain a separate DROP account for the
21 benefit of each firefighter who becomes a participant in the
22 DROP plan. The Fund shall pay into the firefighter's DROP
23 account:

24 (1) for each month of the firefighter's participation
25 in the DROP plan, an amount equal to the monthly retirement
26 pension that the firefighter would have been eligible to

1 receive if the firefighter had terminated service and begun
2 receiving a retirement pension on the date his or her
3 participation in the DROP plan began, but calculating the
4 amount of any increase that would accrue under Section
5 4-109.1(d) to exclude the period before attainment of age
6 55;

7 (2) the employee contributions paid by the firefighter
8 during the period of participation in the DROP plan; and

9 (3) interest on the balance in the DROP account, at the
10 rate of 6% per annum, paid and compounded monthly,
11 throughout the period of participation in the DROP plan.
12 The DROP account shall cease earning interest when the
13 firefighter's participation in the DROP plan ends. DROP
14 accounts shall be treated as separate accounts for
15 accounting purposes, but the actual assets shall be
16 commingled with the other assets of the pension fund for
17 investment purposes, rather than kept in separate
18 investment accounts.

19 (h) In addition to the retirement pension under Section
20 4-109, a firefighter who terminates service and retires at the
21 conclusion of his or her participation in the DROP plan shall
22 receive, upon retirement, a DROP benefit equal to the balance
23 in the firefighter's DROP account at the time of retirement.

24 At the time of application for a retirement pension, the
25 firefighter shall elect to receive the DROP benefit in the form
26 of either a lump sum or an actuarially equivalent annuity for

1 life. If a lump sum payment is elected, it may be taken in the
2 form of cash or a cash equivalent or be rolled over into an
3 individual retirement account (IRA) or a qualified retirement
4 plan. A DROP benefit payable in the form of an annuity shall be
5 in a fixed amount not subject to annual or other increases; the
6 amount of the annuity shall be calculated in the manner
7 prescribed by the Public Pension Division of the Department of
8 Financial and Professional Regulation. A DROP benefit shall be
9 treated as a retirement benefit for the purposes of Section
10 1-119 (QILDROs).

11 (i) If a firefighter receiving a DROP benefit in the form
12 of an annuity re-enters service, the DROP benefit annuity
13 payments shall be suspended until the firefighter's subsequent
14 retirement.

15 (j) If a firefighter dies while participating in the DROP
16 plan, the DROP benefit shall be paid as a lump sum to the
17 surviving spouse or other survivor of the firefighter entitled
18 to a pension under Section 4-114 or, if there is no such
19 survivor, then to the deceased firefighter's estate.

20 (k) If a retired firefighter dies while receiving a DROP
21 benefit in the form of an annuity, and the DROP account balance
22 at the time of retirement exceeds the total amount of DROP
23 benefit annuity payments received, the excess shall be refunded
24 to the surviving spouse or other survivor of the firefighter
25 entitled to a pension under Section 4-114 or, if there is no
26 such survivor, then to the deceased firefighter's estate.

1 Section 99. Effective date. This Act takes effect July 1,
2 2008.