LRB09518996AMC45168b

95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB5523

Introduced 2/14/2008, by Rep. Daniel J. Burke

SYNOPSIS AS INTRODUCED:

40 ILCS 5/6-127.5 new
30 ILCS 805/8.32 new

Amends the Chicago Firefighter Article of the Illinois Pension Code. Allows certain firemen, at the time of applying for a retirement annuity, to elect to forfeit a portion of their service credit in exchange for a lump sum payment. Provides for calculation of the lump sum payment. Provides for the lump sum payment to be held by the Fund, and provides for the payment of interest. Authorizes withdrawal of one-half of the lump sum one year after retirement and the remainder 2 years after retirement. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

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FISCAL NOTE ACT MAY APPLY

PENSION IMPACT NOTE ACT MAY APPLY

STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

A BILL FOR

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 adding Section 6-127.5 as follows:

(40 ILCS 5/6-127.5 new)

Sec. 6-127.5. Lump sum payment option.

(a) This Section applies only to a fireman not in receipt of disability benefits who (i) is otherwise eligible and applies for a minimum annuity under subsection (c) of Section 6-128 and (ii) withdraws from service as an active fireman on or after the effective date of this Section.

(b) A qualifying fireman may elect, at the time of applying for a retirement annuity under subsection (c) of Section 6-128, to have a lump sum payment established to his or her credit in an account to be held by the Fund, in exchange for which he or she agrees to forfeit a portion of his or her service credit that is in excess of the minimum amount required to qualify for an annuity under subsection (c) of Section 6-128.

The service credit to be forfeited shall not exceed 36 months and shall be the latest service credit actively earned by the fireman prior to retirement.

The lump sum payment shall be an amount equal to the sum of

(1) an amount representing the employee contributions credited to the fireman's account for the period of service credit being forfeited, adjusted as provided in this Section, and (2) an amount equal to the number of months of service credit forfeited, multiplied by the limited monthly annuity amount (calculated in accordance with this Section for the sole purpose of determining the lump sum amount).

For the purposes of calculating employee contributions under item (1) and the limited monthly annuity amount under item (2), the fireman's salary shall be deemed to be the salary attached to the fireman's career service rank, without any increases or cost of living adjustments during the forfeited period of service.

The limited monthly annuity amount under item (2) shall be calculated by:

(i) determining the fireman's average salary as defined in subsection (d) of Section 6-128, but using the limitations applicable to that determination that are provided in this Section, and

(ii) applying the formula in subsection (c) of Section 6-128, including the 75% limitation, using the average salary determined under item (i) and all of the fireman's service credit (including the service credit to be forfeited), and then

(iii) reducing the resulting monthly annuity by an amount equal to 1/12th of 2.5% of that average salary for each month of forfeited service credit.

(c) Interest shall accrue on any portion of a lump sum payment held by the Fund, beginning on the fireman's date of withdrawal from service, at a rate to be determined annually by the Fund. For the first 2 years after the fireman's date of withdrawal from service, the interest rate shall be no less than 50% of the Fund's most recent 10-year overall average rate of return. At least 90 days before any change in the interest rate takes effect, the Fund must send written notification of the change to all annuitants directly affected by the change.

(d) One-half of the lump sum payment, including any interest that has accrued, shall become payable to the fireman (or in the case of death to the fireman's designated beneficiary or estate) one year after the fireman's date of withdrawal from service. The balance of the lump sum payment, including any interest that may have accrued, shall become payable 2 years after the fireman's date of withdrawal from service. The fireman may withdraw all or a portion of the lump sum payment, including any interest that may have accrued, at any time after it becomes payable. Lump sum payments and the interest thereon shall remain in the fireman's account with the Fund until withdrawn. The fireman may direct that any withdrawal be rolled over into another qualified plan. The Fund may require up to 30 days of advance notice for any substantial withdrawal from a fireman's account. The limitations on the withdrawal of lump sum payments contained in this subsection

(d) may be permanently or temporarily reduced or eliminated by a majority vote of the Board.

(e) For a fireman who has elected the lump sum payment option under this Section, the service credit forfeited under this Section and the salary received for that forfeited service shall be excluded from the calculation of the fireman's retirement annuity and average salary under subsections (c) and (d) of Section 6-128. The resulting monthly retirement annuity shall constitute the originally granted annuity amount for all purposes of this Article. The forfeiture of service credit under this Section does not reduce the fireman's career service for any purpose used by the City of Chicago. The withdrawal of a lump sum payment from a fireman's account shall be treated as the payment of a retirement benefit and not as a refund of contributions for the purposes of this Article and other applicable laws.

(f) A fireman's election of the lump sum payment option under this Section is irrevocable.

Section 90. The State Mandates Act is amended by adding Section 8.32 as follows:

(30 ILCS 805/8.32 new)

Sec. 8.32. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 95th General Assembly.

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