

**SB2358**



**96TH GENERAL ASSEMBLY**

**State of Illinois**

**2009 and 2010**

**SB2358**

Introduced 2/27/2009, by Sen. Kirk W. Dillard

**SYNOPSIS AS INTRODUCED:**

40 ILCS 5/3-110

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

30 ILCS 805/8.33 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. Allows purchase at a reduced interest rate for 6 months. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB096 10723 AMC 20907 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

**A BILL FOR**

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 may 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. In order to receive creditable service for  
9 military service under this subsection (b-1), a police officer  
10 must (1) apply to the Fund in writing and provide evidence of  
11 the military service that is satisfactory to the Board and (2)  
12 make contributions to the Fund equal to (i) the employee  
13 contributions that would have been required had the service  
14 been rendered as a member, plus (ii) an amount determined by  
15 the board to be equal to the employer's normal cost of the  
16 benefits accrued for that military service, plus (iii) interest  
17 on items (i) and (ii) from the date of first membership in the  
18 Fund to the date of payment. If payment is made during the  
19 6-month period that begins 3 months after the effective date of  
20 this amendatory Act of the 96th General Assembly, the required  
21 interest shall be at the rate of 2.5% per year, compounded  
22 annually; otherwise, the required interest shall be calculated  
23 at the rate of 6% per year, compounded annually.

24 (c) Creditable service also includes service rendered by a  
25 police officer while on leave of absence from a police  
26 department to serve as an executive of an organization whose

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

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

21 (2) If the board of the pension fund to which  
22 creditable service and related contributions are  
23 transferred under Section 3-110.7 or 7-139.9 determines  
24 that the amount transferred is less than the true cost to  
25 the pension fund of allowing that creditable service to be  
26 established, then in order to establish that creditable

1 service the police officer must pay to the pension fund,  
2 within the payment period specified in paragraph (3) of  
3 this subsection, an additional contribution equal to the  
4 difference, as determined by the board in accordance with  
5 the rules and procedures adopted under paragraph (6) of  
6 this subsection.

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

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

23 (5) If the additional contribution is not paid in full  
24 within the required time, the creditable service shall not  
25 be granted and the police officer (or the officer's  
26 surviving spouse or estate) shall be entitled to receive a

1 refund of (i) any partial payment of the additional  
2 contribution that has been made by the police officer and  
3 (ii) those portions of the amounts transferred under  
4 subdivision (a)(1) of Section 3-110.7 or subdivisions  
5 (a)(1) and (a)(3) of Section 7-139.9 that represent  
6 employee contributions paid by the police officer (but not  
7 the accumulated interest on those contributions) and  
8 interest paid by the police officer to the prior pension  
9 fund in order to reinstate service terminated by acceptance  
10 of a refund.

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

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

25 (6) The Public Employee Pension Fund Division of the  
26 Department of Insurance shall establish by rule the manner

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

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

20 (2) If the board of the pension fund to which  
21 creditable service and related contributions are  
22 transferred under Section 7-139.11 determines that the  
23 amount transferred is less than the true cost to the  
24 pension fund of allowing that creditable service to be  
25 established, then the amount of creditable service the  
26 police officer may establish under this subsection (e)



1 shall be reduced by an amount equal to the difference, as  
2 determined by the board in accordance with the rules and  
3 procedures adopted under paragraph (3) of this subsection.

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

21 (4) Until January 1, 2010, a police officer who  
22 transferred service from the Fund established under  
23 Article 7 of this Code under the provisions of Public Act  
24 94-356 may establish additional credit, but only for the  
25 amount of the service credit reduction in that transfer, as  
26 calculated under paragraph (3) of this subsection (e). This

1 credit may be established upon payment by the police  
2 officer of an amount to be determined by the board, equal  
3 to (1) the amount that would have been contributed as  
4 employee and employer contributions had all of the service  
5 been as an employee under this Article, plus interest  
6 thereon at the rate of 6% per year, compounded annually  
7 from the date of service to the date of transfer, less (2)  
8 the total amount transferred from the Article 7 Fund, plus  
9 (3) interest on the difference at the rate of 6% per year,  
10 compounded annually, from the date of the transfer to the  
11 date of payment. The additional service credit is allowed  
12 under this amendatory Act of the 95th General Assembly  
13 notwithstanding the provisions of Article 7 terminating  
14 all transferred credits on the date of transfer.

15 (Source: P.A. 94-356, eff. 7-29-05; 95-812, eff. 8-13-08.)

16 Section 90. The State Mandates Act is amended by adding  
17 Section 8.33 as follows:

18 (30 ILCS 805/8.33 new)

19 Sec. 8.33. Exempt mandate. Notwithstanding Sections 6 and 8  
20 of this Act, no reimbursement by the State is required for the  
21 implementation of any mandate created by this amendatory Act of  
22 the 96th General Assembly.

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