



## 97TH GENERAL ASSEMBLY

### State of Illinois

### 2011 and 2012

### SB1902

Introduced 2/10/2011, by Sen. Dale E. Risinger

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110

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

30 ILCS 805/8.35 new

Amends the Downstate Police Article of the Illinois Pension Code. Provides that if, as a result of the publication of the 2010 federal census data, a city, village, or incorporated town is first recognized as having a population of 5,000 or more inhabitants and is, therefore, required to create a downstate police pension fund, then an employee of such a city, village, or town who transfers credit from an IMRF fund to that fund shall pay the true cost of establishing service credit in that fund. Specifies that if the board of trustees of the applicable downstate police fund determines that the amount transferred is less than the true cost to the pension fund of allowing service credit to be transferred, then the amount of creditable service the police officer may establish shall be reduced by an amount equal to the difference between those 2 amounts, as determined by the board. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB097 10141 JDS 50327 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

1 AN ACT concerning 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-5) Creditable service includes all periods of service in  
5 the military, naval, or air forces of the United States entered  
6 upon before beginning service as an active police officer of a  
7 municipality, provided that, in accordance with the rules of  
8 the board, the police officer pays into the fund the amount the  
9 police officer would have contributed if he or she had been a  
10 regular contributor during such period, plus an amount  
11 determined by the Board to be equal to the municipality's  
12 normal cost of the benefit, plus interest at the actuarially  
13 assumed rate calculated from the date the employee last became  
14 a police officer under this Article. The total amount of such  
15 creditable service shall not exceed 2 years.

16 (c) Creditable service also includes service rendered by a  
17 police officer while on leave of absence from a police  
18 department to serve as an executive of an organization whose  
19 membership consists of members of a police department, subject  
20 to the following conditions: (i) the police officer is a  
21 participant of a fund established under this Article with at  
22 least 10 years of service as a police officer; (ii) the police  
23 officer received no credit for such service under any other  
24 retirement system, pension fund, or annuity and benefit fund  
25 included in this Code; (iii) pursuant to the rules of the board  
26 the police officer pays to the fund the amount he or she would

1 have contributed had the officer been an active member of the  
2 police department; and (iv) the organization pays a  
3 contribution equal to the municipality's normal cost for that  
4 period of service.

5 (d) (1) Creditable service also includes periods of  
6 service originally established in another police pension  
7 fund under this Article or in the Fund established under  
8 Article 7 of this Code for which (i) the contributions have  
9 been transferred under Section 3-110.7 or Section 7-139.9  
10 and (ii) any additional contribution required under  
11 paragraph (2) of this subsection has been paid in full in  
12 accordance with the requirements of this subsection (d).

13 (2) If the board of the pension fund to which  
14 creditable service and related contributions are  
15 transferred under Section 7-139.9 determines that the  
16 amount transferred is less than the true cost to the  
17 pension fund of allowing that creditable service to be  
18 established, then in order to establish that creditable  
19 service the police officer must pay to the pension fund,  
20 within the payment period specified in paragraph (3) of  
21 this subsection, an additional contribution equal to the  
22 difference, as determined by the board in accordance with  
23 the rules and procedures adopted under paragraph (6) of  
24 this subsection. If the board of the pension fund to which  
25 creditable service and related contributions are  
26 transferred under Section 3-110.7 determines that the

1 amount transferred is less than the true cost to the  
2 pension fund of allowing that creditable service to be  
3 established, then the police officer may elect (A) to  
4 establish that creditable service by paying to the pension  
5 fund, within the payment period specified in paragraph (3)  
6 of this subsection (d), an additional contribution equal to  
7 the difference, as determined by the board in accordance  
8 with the rules and procedures adopted under paragraph (6)  
9 of this subsection (d) or (B) to have his or her creditable  
10 service reduced by an amount equal to the difference  
11 between the amount transferred under Section 3-110.7 and  
12 the true cost to the pension fund of allowing that  
13 creditable service to be established, as determined by the  
14 board in accordance with the rules and procedures adopted  
15 under paragraph (6) of this subsection (d).

16 (2.5) If, as a result of the publication of the 2010  
17 federal census data, a city, village, or incorporated town  
18 is first recognized as having a population of 5,000 or more  
19 inhabitants and is, therefore, required to create a fund  
20 under this Article, then an employee of such a city,  
21 village, or town who transfers credit from an Article 7  
22 fund to a fund created under this Article shall pay the  
23 true cost of establishing service credit in the fund  
24 created under this Article. If the board determines that  
25 the amount transferred is less than the true cost to the  
26 pension fund of allowing service credit to be transferred,

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

6           (3) Except as provided in paragraph (4), the additional  
7       contribution that is required or elected under paragraph  
8       (2) of this subsection (d) must be paid to the board (i)  
9       within 5 years from the date of the transfer of  
10      contributions under Section 3-110.7 or 7-139.9 and (ii)  
11      before the police officer terminates service with the fund.  
12      The additional contribution may be paid in a lump sum or in  
13      accordance with a schedule of installment payments  
14      authorized by the 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 that is required or  
24      elected under paragraph (2) of this subsection (d) is not  
25      paid in full within the required time, the creditable  
26      service shall not be granted and the police officer (or the

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

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

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

26 (6) The Public Employee Pension Fund Division of the



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

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

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

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

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

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

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

16 (Source: P.A. 95-812, eff. 8-13-08; 96-297, eff. 8-11-09;  
17 96-1260, eff. 7-23-10.)

18 Section 90. The State Mandates Act is amended by adding  
19 Section 8.35 as follows:

20 (30 ILCS 805/8.35 new)

21 Sec. 8.35. Exempt mandate. Notwithstanding Sections 6 and 8  
22 of this Act, no reimbursement by the State is required for the  
23 implementation of any mandate created by this amendatory Act of  
24 the 97th General Assembly.

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