



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB3765

Introduced 2/25/2005, by Rep. Michael K. Smith

SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110
30 ILCS 805/8.29 new

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

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.

LRB094 10510 EFG 40781 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
24 disability pension is based. These contributions may be paid at
25 any time prior to the commencement of a retirement pension. The
26 police officer may, but need not, elect to have the
27 contributions deducted from the disability pension or to pay
28 them in installments on a schedule approved by the board. If
29 not deducted from the disability pension, the contributions
30 shall include interest at the rate of 6% per year, compounded
31 annually, from the date for which service credit is being
32 established to the date of payment. If contributions are paid

1 under this subsection (a-5) in excess of those needed to
2 establish the credit, the excess shall be refunded. This
3 subsection (a-5) applies to persons receiving a disability
4 pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 on
5 the effective date of this amendatory Act of the 91st General
6 Assembly, as well as persons who begin to receive such a
7 disability pension after that date.

8 (b) Creditable service includes all periods of service in
9 the military, naval or air forces of the United States entered
10 upon while an active police officer of a municipality, provided
11 that upon applying for a permanent pension, and in accordance
12 with the rules of the board, the police officer pays into the
13 fund the amount the officer would have contributed if he or she
14 had been a regular contributor during such period, to the
15 extent that the municipality which the police officer served
16 has not made such contributions in the officer's behalf. The
17 total amount of such creditable service shall not exceed 5
18 years, except that any police officer who on July 1, 1973 had
19 more than 5 years of such creditable service shall receive the
20 total amount thereof.

21 (b-1) In addition to any creditable service established
22 under subsection (b), creditable service may be granted for up
23 to 24 months of service in the armed forces of the United
24 States that was not immediately preceded by employment as a
25 police officer. In order to receive creditable service for
26 military service under this subsection (b-1), a police officer
27 must (1) apply to the Fund in writing and provide evidence of
28 the military service that is satisfactory to the Board and (2)
29 make contributions to the Fund equal to (i) the employee
30 contributions that would have been required had the service
31 been rendered as a member, plus (ii) an amount determined by
32 the board to be equal to the employer's normal cost of the
33 benefits accrued for that military service, plus (iii) interest
34 on items (i) and (ii) from the date of first membership in the
35 Fund to the date of payment. If payment is made during the
36 6-month period that begins 3 months after the effective date of

1 this amendatory Act of the 94th General Assembly, the required
2 interest shall be at the rate of 2.5% per year, compounded
3 annually; otherwise, the required interest shall be calculated
4 at the rate of 6% per year, compounded annually.

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

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

28 (2) If the board of the pension fund to which
29 creditable service and related contributions are
30 transferred under Section 3-110.7 or 7-139.9 determines
31 that the amount transferred is less than the true cost to
32 the pension fund of allowing that creditable service to be
33 established, then in order to establish that creditable
34 service the police officer must pay to the pension fund,
35 within the payment period specified in paragraph (3) of
36 this subsection, an additional contribution equal to the

1 difference, as determined by the board in accordance with
2 the rules and procedures adopted under paragraph (6) of
3 this subsection.

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

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

20 (5) If the additional contribution is not paid in full
21 within the required time, the creditable service shall not
22 be granted and the police officer (or the officer's
23 surviving spouse or estate) shall be entitled to receive a
24 refund of (i) any partial payment of the additional
25 contribution that has been made by the police officer and
26 (ii) those portions of the amounts transferred under
27 subdivision (a)(1) of Section 3-110.7 or subdivisions
28 (a)(1) and (a)(3) of Section 7-139.9 that represent
29 employee contributions paid by the police officer (but not
30 the accumulated interest on those contributions) and
31 interest paid by the police officer to the prior pension
32 fund in order to reinstate service terminated by acceptance
33 of a refund.

34 At the time of paying a refund under this item (5), the
35 pension fund shall also repay to the pension fund from
36 which the contributions were transferred under Section

1 3-110.7 or 7-139.9 the amount originally transferred under
2 subdivision (a)(2) of that Section, plus interest at the
3 rate of 6% per year, compounded annually, from the date of
4 the original transfer to the date of repayment. Amounts
5 repaid to the Article 7 fund under this provision shall be
6 credited to the appropriate municipality.

7 Transferred credit that is not granted due to failure
8 to pay the additional contribution within the required time
9 is lost; it may not be transferred to another pension fund
10 and may not be reinstated in the pension fund from which it
11 was transferred.

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

29 (Source: P.A. 90-460, eff. 8-17-97; 91-887, eff. 7-6-00;
30 91-939, eff. 2-1-01.)

31 Section 90. The State Mandates Act is amended by adding
32 Section 8.29 as follows:

33 (30 ILCS 805/8.29 new)

34 Sec. 8.29. Exempt mandate. Notwithstanding Sections 6 and 8

1 of this Act, no reimbursement by the State is required for the
2 implementation of any mandate created by this amendatory Act of
3 the 94th General Assembly.

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