



## 95TH GENERAL ASSEMBLY

### State of Illinois

2007 and 2008

**HB5692**

Introduced 2/15/2008, by Rep. Jay C. Hoffman

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/3-110

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

30 ILCS 805/8.32 new

Amends the Downstate Police Article of the Illinois Pension Code. Allows a police officer that is transferring creditable service from one downstate police pension fund to another to elect to have his or her creditable service reduced rather than paying the difference between the amount transferred and the true cost of allowing that creditable service to be established. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB095 18378 AMC 44464 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 (c) Creditable service also includes service rendered by a  
5 police officer while on leave of absence from a police  
6 department to serve as an executive of an organization whose  
7 membership consists of members of a police department, subject  
8 to the following conditions: (i) the police officer is a  
9 participant of a fund established under this Article with at  
10 least 10 years of service as a police officer; (ii) the police  
11 officer received no credit for such service under any other  
12 retirement system, pension fund, or annuity and benefit fund  
13 included in this Code; (iii) pursuant to the rules of the board  
14 the police officer pays to the fund the amount he or she would  
15 have contributed had the officer been an active member of the  
16 police department; and (iv) the organization pays a  
17 contribution equal to the municipality's normal cost for that  
18 period of service.

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

1           (2) If the board of the pension fund to which  
2           creditable service and related contributions are  
3           transferred under Section ~~3-110.7~~ or 7-139.9 determines  
4           that the amount transferred is less than the true cost to  
5           the pension fund of allowing that creditable service to be  
6           established, then in order to establish that creditable  
7           service the police officer must pay to the pension fund,  
8           within the payment period specified in paragraph (3) of  
9           this subsection, an additional contribution equal to the  
10          difference, as determined by the board in accordance with  
11          the rules and procedures adopted under paragraph (6) of  
12          this subsection. If the board of the pension fund to which  
13          creditable service and related contributions are  
14          transferred under Section 3-110.7 determines that the  
15          amount transferred is less than the true cost to the  
16          pension fund of allowing that creditable service to be  
17          established, then the police officer may elect (A) to  
18          establish that creditable service by paying to the pension  
19          fund, within the payment period specified in paragraph (3)  
20          of this subsection (d), an additional contribution equal to  
21          the difference, as determined by the board in accordance  
22          with the rules and procedures adopted under paragraph (6)  
23          of this subsection (d) or (B) to have his or her creditable  
24          service reduced by an amount equal to the difference  
25          between the amount transferred under Section 3-110.7 and  
26          the true cost to the pension fund of allowing that

1       creditable service to be established, as determined by the  
2       board in accordance with the rules and procedures adopted  
3       under paragraph (6) of this subsection (d).

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

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

21           (5) If the additional contribution that is required or  
22       elected under paragraph (2) of this subsection (d) is not  
23       paid in full within the required time, the creditable  
24       service shall not be granted and the police officer (or the  
25       officer's surviving spouse or estate) shall be entitled to  
26       receive a refund of (i) any partial payment of the

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

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

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

24 (6) The Public Employee Pension Fund Division of the  
25 Department of Insurance shall establish by rule the manner  
26 of making the calculation required under paragraph (2) of

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

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

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



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

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

20 (Source: P.A. 94-356, eff. 7-29-05.)

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

23 (30 ILCS 805/8.32 new)

24 Sec. 8.32. 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 95th General Assembly.

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