AN ACT in relation to 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 changing Sections 3-110, 3-111, 3-111.1, 3-112, 3-113.1, 3-114.1, 3-114.2, 3-114.3, 3-114.6, 3-120, 3-124.1, 3-125.1, and 3-127 and adding Sections 3-105.2, 3-109.2, and 3-109.3 as follows:

(40 ILCS 5/3-105.2 new)

Sec. 3-105.2. Self-Managed Plan. "Self-managed plan": The defined contribution retirement program established for eligible employees under Section 3-109.3. The self-managed plan includes disability benefits as provided in Sections 3-114.1, 3-114.2, 3-114.3, and 3-114.6 (but disregarding disability retirement annuities under Section 3-116.1). The self-managed plan does not include any retirement annuities, death benefits, or survivors insurance benefits payable directly from the fund under Section 3-111, 3-111.1, 3-112, 3-114.1, 3-114.2, 3-114.3, 3-114.6, or 3-116.1 or any refunds determined under Section 3-124.

(40 ILCS 5/3-109.2 new)

Sec. 3-109.2. Retirement Program Elections.

(a) For the purposes of this Section and Section 3-109.3:

"Eligible employee" means a police officer who is hired on or within one year after the effective date of the self-managed plan established under Section 3-109.3.

"Ineligible employee" means a police officer who is hired before or more than one year after that effective date.

(b) Each eligible employee may elect to participate in

Originated in the Senate

Secretary of the Senate

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the self-managed plan with respect to all periods of covered employment occurring on and after the effective date of the eligible employee's election. The election must be made in writing, in the manner prescribed by the fund, and within 6 months after the later of (i) the date upon which the self-managed plan takes effect or (ii) the date of hire.

The election, once made, is irrevocable. If an employee terminates employment after making the election, then upon his or her subsequent re-employment under this Article with the same municipality, the original election shall automatically be reinstated.

A police officer who does not elect to participate in the self-managed plan within the permitted time shall participate in the defined benefit plan otherwise provided under this Article.

The employer shall not remit contributions to the fund on behalf of an eligible employee until the earlier of the expiration of the employee's 6-month election period or the date on which the employee submits a properly completed election to the employer or to the fund.

(c) Each eligible employee shall be provided with written information prepared or prescribed by the fund, describing the employee's retirement program choices. The eligible employee shall be offered an opportunity to receive counseling from the fund prior to making his or her election. This counseling may consist of videotaped materials, group presentations, individual consultation with an employee or authorized representative of the fund in person or by telephone or other electronic means, or any combination of these methods.

(40 ILCS 5/3-109.3 new)

Sec. 3-109.3. Self-managed plan.

(a) Purpose. The General Assembly finds that it is

important for municipalities to be able to attract and retain the most qualified police officers and that in order to attract and retain these police officers, municipalities should have the flexibility to provide a defined contribution plan as an alternative for eligible employees who elect not to participate in a defined benefit retirement program provided under this Article. Accordingly, a self-managed plan shall be provided, which shall offer participating employees the opportunity to accumulate assets for retirement through a combination of employee and employer contributions that may be invested in mutual funds, collective investment funds, or other investment products and used to purchase annuity contracts, either fixed or variable, or a combination thereof. The plan must be qualified under the Internal Revenue Code of 1986.

(b) Study by Commission; Adoption of plan. The Illinois Pension Laws Commission shall study and evaluate the creation of a statewide self-managed plan for eligible employees under this Article. The Commission shall report its findings and recommendations to the General Assembly no later than January 1, 2002.

In accordance with the recommendations of the Commission and any action taken by the General Assembly in response to those recommendations, a statewide self-managed plan shall be adopted for eligible employees under this Article. The self-managed plan shall take effect as specified in the plan, but in no event earlier than July 1, 2002 or the date of its approval by the U.S. Internal Revenue Service, whichever occurs later.

The self-managed plan shall include a plan document and shall provide for the adoption of such rules and procedures as are necessary or desirable for the administration of the self-managed plan. Consistent with fiduciary duty to the participants and beneficiaries of the self-managed plan, it

may provide for delegation of suitable aspects of plan administration to companies authorized to do business in this State.

(c) Selection of service providers and funding vehicles. The principal administrator of the self-managed plan shall solicit proposals to provide administrative services and funding vehicles for the self-managed plan from insurance and annuity companies and mutual fund companies, banks, trust companies, or other financial institutions authorized to do business in this State. In reviewing the proposals received and approving and contracting with no fewer than 2 and no more than 7 companies, the principal administrator shall consider, among other things, the following criteria:

(1) the nature and extent of the benefits that would be provided to the participants;

(2) the reasonableness of the benefits in relation to the premium charged;

(3) the suitability of the benefits to the needs and interests of the participating employees and the employer;

(4) the ability of the company to provide benefits under the contract and the financial stability of the company; and

(5) the efficacy of the contract in the recruitment and retention of employees.

The principal administrator shall periodically review each approved company. A company may continue to provide administrative services and funding vehicles for the self-managed plan only so long as it continues to be an approved company under contract with the principal administrator.

(d) Employee Direction. Employees who are participating in the program must be allowed to direct the transfer of their account balances among the various investment options

offered, subject to applicable contractual provisions. The participant shall not be deemed a fiduciary by reason of providing such investment direction. A person who is a fiduciary shall not be liable for any loss resulting from such investment direction and shall not be deemed to have breached any fiduciary duty by acting in accordance with that direction. The self-managed plan does not guarantee any of the investments in the employee's account balances.

(e) Participation. An eligible employee must make a written election in accordance with the provisions of Section 3-109.2 and the procedures established under the self-managed plan. Participation in the self-managed plan by an eligible employee who elects to participate in the self-managed plan shall begin on the first day of the first pay period following the later of the date the employee's election is filed with the fund or the employer, but in no event sooner than the effective date of the self-managed plan.

A police officer who has elected to participate in the self-managed plan under this Section must continue participation while employed in an eligible position, and may not participate in any other retirement program administered by the municipality while employed as a police officer by that municipality. Participation in the self-managed plan under this Section shall constitute membership in an Article 3 pension fund.

(f) No Duplication of Service Credit. Notwithstanding any other provision of this Article, a police officer may not purchase or receive service or service credit applicable to any other retirement program administered by a fund under this Article for any period during which the police officer was a participant in the self-managed plan established under this Section.

(g) Contributions. The self-managed plan shall be funded by contributions from participants in the self-managed

plan and employer contributions as provided in this Section.

The contribution rate for a participant in the self-managed plan under this Section shall be a minimum of 10% of his or her salary. This required contribution shall be made as an "employer pick-up" under Section 414(h) of the Internal Revenue Code of 1986 or any successor Section thereof. An employee may make additional contributions to the self-managed plan in accordance with the terms of the plan.

The self-managed plan shall provide for employer contributions to be credited to each self-managed plan participant at a rate of 10% of the participating employee's salary, less the amount of the employer contribution used to provide disability benefits for the employee. The amounts so credited shall be paid into the participant's self-managed plan accounts in the manner prescribed by the plan.

An amount of employer contribution, not exceeding 1.5% of the participating employee's salary, shall be used for the purpose of providing disability benefits to the participating employee. Prior to the beginning of each plan year under the self-managed plan, the principal administrator shall determine, as a percentage of salary, the amount of employer contributions to be allocated during that plan year for providing disability benefits for employees in the self-managed plan.

(h) Vesting; Withdrawal; Return to Service. A participant in the self-managed plan becomes fully vested in the employer contributions credited to his or her account in the self-managed plan on the earliest to occur of the following:

(1) completion of 6 years of service with the municipality; or

(2) the death of the participating employee while employed by the municipality, if the participant has

completed at least 1.5 years of service.

A participant in the self-managed plan who receives a distribution of his or her vested amounts from the self-managed plan upon or after termination of employment shall forfeit all service credit and accrued rights in the fund of his or her employer; if subsequently re-employed, the participant shall be considered a new employee. If a former participant again becomes a participating employee and continues as such for at least 2 years, all such rights, service credit, and previous status as a participant shall be restored upon repayment of the amount of the distribution without interest.

(i) Benefit amounts. If a participating employee who is fully vested in employer contributions terminates employment, the participating employee shall be entitled to a benefit which is based on the account values attributable to both employer and employee contributions and any investment return thereon.

If a participating employee who is not fully vested in employer contributions terminates employment, the employee shall be entitled to a benefit based on the account values attributable to the employee's contributions and any investment return thereon, plus the following percentage of employer contributions and any investment return thereon: 20% after the second year; 40% after the third year; 60% after the fourth year; 80% after the fifth year; and 100% after the sixth year. The remainder of employer contributions and investment return thereon shall be forfeited. Any employer contributions that are forfeited shall be held in escrow by the company investing those contributions and shall be used as directed by the municipality for future allocations of employer contributions or for the restoration of amounts previously forfeited by former participants who again become participating employees.

(40 ILCS 5/3-110) (from Ch. 108 1/2, par. 3-110)

Sec. 3-110. Creditable service.

(a) "Creditable service" is the time served by a police officer as a member of a regularly constituted police force of a municipality. In computing creditable service furloughs without pay exceeding 30 days shall not be counted, but all leaves of absence for illness or accident, regardless of length, and all periods of disability retirement for which a police officer has received no disability pension payments under this Article shall be counted.

(a-5) Up to 3 years of time during which the police officer receives a disability pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 shall be counted as creditable service, provided that (i) the police officer returns to active service after the disability for a period at least equal to the period for which credit is to be established and (ii) the police officer makes contributions to the fund based on the rates specified in Section 3-125.1 and the salary upon which the disability pension is based. These contributions may be paid at any time prior to the commencement of a retirement pension. The police officer may, but need not, elect to have the contributions deducted from the disability pension or to pay them in installments on a schedule approved by the board. If not deducted from the disability pension, the contributions shall include interest at the rate of 6% per year, compounded annually, from the date for which service credit is being established to the date of payment. If contributions are paid under this subsection (a-5) in excess of those needed to establish the credit, the excess shall be refunded. This subsection (a-5) applies to persons receiving a disability pension under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6 on the effective date of this amendatory Act of the 91st General Assembly, as well as persons who begin to receive such a disability pension after

that date.

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

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

(d)(1) Creditable service also includes periods of service originally established in another police pension fund under this Article or in the Fund established under Article 7 of this Code for which (i) the contributions have been

transferred under Section 3-110.7 or Section 7-139.9 and (ii) any additional contribution required under paragraph (2) of this subsection has been paid in full in accordance with the requirements of this subsection (d).

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

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

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

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

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

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

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

(6) The Public Employee Pension Fund Division of the Department of Insurance shall establish by rule the manner of making the calculation required under paragraph (2) of this subsection, taking into account the appropriate actuarial assumptions; the police officer's service, age, and salary history; the level of funding of the pension fund to which the credits are being transferred; and any other factors that the Division determines to be relevant. The rules may require that all calculations made under paragraph (2) be reported to the Division by the board performing the calculation, together with documentation of the creditable

service to be transferred, the amounts of contributions and interest to be transferred, the manner in which the calculation was performed, the numbers relied upon in making the calculation, the results of the calculation, and any other information the Division may deem useful.

(Source: P.A. 90-460, eff. 8-17-97; 91-887, eff. 7-6-00.)

(40 ILCS 5/3-111) (from Ch. 108 1/2, par. 3-111)

Sec. 3-111. Pension.

(a) A police officer age 50 or more with 20 or more years of creditable service, who is not a participant in the self-managed plan under Section 3-109.3 and who is no longer in service as a police officer, shall receive a pension of 1/2 of the salary attached to the rank held by the officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5% ~~2%~~ of such salary for each additional year of service over 20 years of service through 30 years of service, ~~up--to 30--years,--and-1%-of-such-salary-for-each-additional-year-of service-over-30-years,~~ to a maximum of 75% of such salary.

The changes made to this subsection (a) by this amendatory Act of the 91st General Assembly apply to all pensions that become payable under this subsection on or after January 1, 1999. All pensions payable under this subsection that began on or after January 1, 1999 and before the effective date of this amendatory Act shall be recalculated, and the amount of the increase accruing for that period shall be payable to the pensioner in a lump sum.

(a-5) No pension in effect on or granted after June 30, 1973 shall be less than $200 per month. Beginning July 1, 1987, the minimum retirement pension for a police officer

having at least 20 years of creditable service shall be $400 per month, without regard to whether or not retirement occurred prior to that date. <u>If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this subsection, the Section 3-113.1 minimum controls.</u>

(b) A police officer mandatorily retired from service due to age by operation of law, having at least 8 but less than 20 years of creditable service, shall receive a pension equal to 2 1/2% of the salary attached to the rank he or she held on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service.

A police officer who retires or is separated from service having at least 8 years but less than 20 years of creditable service, who is not mandatorily retired due to age by operation of law, and who does not apply for a refund of contributions at his or her last separation from police service, shall receive a pension upon attaining age 60 equal to 2.5% of the salary attached to the rank held by the police officer on the police force for one year immediately prior to retirement or, beginning July 1, 1987 for persons terminating service on or after that date, the salary attached to the rank held on the last day of service or for one year prior to the last day, whichever is greater, for each year of creditable service.

(c) A police officer no longer in service who has at least one but less than 8 years of creditable service in a police pension fund but meets the requirements of this subsection (c) shall be eligible to receive a pension from that fund equal to 2.5% of the salary attached to the rank

held on the last day of service under that fund or for one year prior to that last day, whichever is greater, for each year of creditable service in that fund. The pension shall begin no earlier than upon attainment of age 60 (or upon mandatory retirement from the fund by operation of law due to age, if that occurs before age 60) and in no event before the effective date of this amendatory Act of 1997.

In order to be eligible for a pension under this subsection (c), the police officer must have at least 8 years of creditable service in a second police pension fund under this Article and be receiving a pension under subsection (a) or (b) of this Section from that second fund. The police officer need not be in service on or after the effective date of this amendatory Act of 1997.

(Source: P.A. 90-460, eff. 8-17-97.)

(40 ILCS 5/3-111.1) (from Ch. 108 1/2, par. 3-111.1)

Sec. 3-111.1. Increase in pension.

(a) Except as provided in subsection (e), the monthly pension of a police officer who retires after July 1, 1971, and prior to January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 60 years of age or over at retirement date, or upon the first day of the month following attainment of age 60 if it occurs after the first anniversary of retirement, by 3% of the originally granted pension and by an additional 3% of the originally granted pension in January of each year thereafter.

(b) The monthly pension of a police officer who retired from service with 20 or more years of service, on or before July 1, 1971, shall be increased in January of the year following the year of attaining age 65 or in January of 1972, if then over age 65, by 3% of the originally granted pension for each year the police officer received pension payments.

In each January thereafter, he or she shall receive an additional increase of 3% of the original pension.

(c) The monthly pension of a police officer who retires on disability or is retired for disability shall be increased in January of the year following the year of attaining age 60, by 3% of the original grant of pension for each year he or she received pension payments. In each January thereafter, the police officer shall receive an additional increase of 3% of the original pension.

(d) The monthly pension of a police officer who retires after January 1, 1986, shall be increased, upon either the first of the month following the first anniversary of the date of retirement if the officer is 55 years of age or over ~~at the retirement date~~, or upon the first day of the month following attainment of age 55 if it occurs after the first anniversary of retirement, by 1/12 of 3% of the originally granted pension for each full month ~~year~~ that has elapsed since the pension began, and by an additional 3% of the originally granted pension in January of each year thereafter.

The changes made to this subsection (d) by this amendatory Act of the 91st General Assembly apply to all initial increases that become payable under this subsection on or after January 1, 1999. All initial increases that became payable under this subsection on or after January 1, 1999 and before the effective date of this amendatory Act shall be recalculated and the additional amount accruing for that period, if any, shall be payable to the pensioner in a lump sum.

(e) Notwithstanding the provisions of subsection (a), upon the first day of the month following (1) the first anniversary of the date of retirement, or (2) the attainment of age 55, or (3) July 1, 1987, whichever occurs latest, the monthly pension of a police officer who retired on or after

January 1, 1977 and on or before January 1, 1986, and did not receive an increase under subsection (a) before July 1, 1987, shall be increased by 3% of the originally granted monthly pension for each full year that has elapsed since the pension began, and by an additional 3% of the originally granted pension in each January thereafter. The increases provided under this subsection are in lieu of the increases provided in subsection (a).

(f) Notwithstanding the other provisions of this Section, beginning with increases granted on or after July 1, 1993, the second and all subsequent automatic annual increases granted under subsection (a), (b), (d), or (e) of this Section shall be calculated as 3% of the amount of pension payable at the time of the increase, including any increases previously granted under this Section, rather than 3% of the originally granted pension amount. Section 1-103.1 does not apply to this subsection (f).

(Source: P.A. 87-1265.)

(40 ILCS 5/3-112) (from Ch. 108 1/2, par. 3-112)

Sec. 3-112. Pension to survivors.

(a) Upon the death of a police officer entitled to a pension under Section 3-111, the surviving spouse shall be entitled to the pension to which the police officer was then entitled. Upon the death of the surviving spouse, or upon the remarriage of the surviving spouse if that remarriage terminates the surviving spouse's eligibility under Section 3-121, the police officer's unmarried children who are under age 18 or who are dependent because of physical or mental disability shall be entitled to equal shares of such pension. If there is no eligible surviving spouse and no eligible child, the dependent parent or parents of the officer shall be entitled to receive or share such pension until their death or marriage or remarriage after the death of the police

officer.

(b) Upon the death of a police officer while in service, having at least 20 years of creditable service, or upon the death of a police officer who retired from service with at least 20 years of creditable service, whether death occurs before or after attainment of age 50, the pension earned by the police officer as of the date of death as provided in Section 3-111 shall be paid to the survivors in the sequence provided in subsection (a) of this Section.

(c) Upon the death of a police officer while in service, having at least 10 but less than 20 years of service, a pension of 1/2 of the salary attached to the rank or ranks held by the officer for one year immediately prior to death shall be payable to the survivors in the sequence provided in subsection (a) of this Section. If death occurs as a result of the performance of duty, the 10 year requirement shall not apply and the pension to survivors shall be payable after any period of service.

(d) Beginning July 1, 1987, a minimum pension of $400 per month shall be paid to all surviving spouses, without regard to the fact that the death of the police officer occurred prior to that date. <u>If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this subsection, the Section 3-113.1 minimum controls.</u>

<u>(e) The pension of the surviving spouse of a police officer who dies (i) on or after January 1, 2001, (ii) without having begun to receive either a retirement pension payable under Section 3-111 or a disability pension payable under Section 3-114.1, 3-114.2, 3-114.3, or 3-114.6, and (iii) as a result of sickness, accident, or injury incurred in or resulting from the performance of an act of duty shall not be less than 100% of the salary attached to the rank held by the deceased police officer on the last day of service,</u>

notwithstanding any provision in this Article to the contrary.

(Source: P.A. 89-408, eff. 11-15-95.)

(40 ILCS 5/3-113.1)

Sec. 3-113.1. Minimum retirement, survivor, and disability pensions.

(a) Beginning January 1, 1999, the minimum retirement pension payable to a police officer with 20 or more years of creditable service, the minimum disability pension payable under Section 3-114.1, 3-114.2, ~~or~~ 3-114.3, or 3-114.6, and the minimum surviving spouse's pension shall be $600 per month, without regard to whether the police officer was in service on or after the effective date of this amendatory Act of the 91st General Assembly.

In the case of a pensioner whose pension began before the effective date of this amendatory Act and is subject to increase under this subsection (a), the pensioner shall be entitled to a lump sum payment of the amount of that increase accruing from January 1, 1999 (or the date the pension began, if later) to the effective date of this amendatory Act.

(b) Beginning January 1, 2000, the minimum retirement pension payable to a police officer with 20 or more years of creditable service, the minimum disability pension payable under Section 3-114.1, 3-114.2, ~~or~~ 3-114.3, or 3-114.6, and the minimum surviving spouse's pension shall be $800 per month, without regard to whether the police officer was in service on or after the effective date of this amendatory Act of the 91st General Assembly.

(c) Beginning January 1, 2001, the minimum retirement pension payable to a police officer with 20 or more years of creditable service, the minimum disability pension payable under Section 3-114.1, 3-114.2, ~~or~~ 3-114.3, or 3-114.6, and the minimum surviving spouse's pension shall be $1000 per

month, without regard to whether the police officer was in service on or after the effective date of this amendatory Act of the 91st General Assembly.

(d) This Section does not grant a pension to any surviving spouse who is not otherwise eligible to receive a pension under this Article.

(e) No survivor benefits are payable to a participant in the self-managed plan.

(Source: P.A. 91-466, eff. 8-6-99.)

(40 ILCS 5/3-114.1) (from Ch. 108 1/2, par. 3-114.1)

Sec. 3-114.1. Disability pension - Line of duty.

(a) If a police officer as the result of sickness, accident or injury incurred in or resulting from the performance of an act of duty, is found to be physically or mentally disabled for service in the police department, so as to render necessary his or her suspension or retirement from the police service, the police officer shall be entitled to a disability retirement pension equal to the greatest of (1) 65% of the salary attached to the rank on the police force held by the officer at the date of suspension of duty or retirement, (2) the retirement pension that the police officer would be eligible to receive if he or she retired (but not including any automatic annual increase in that retirement pension), or (3) the pension provided under subsection (d), if applicable.

A police officer shall be considered "on duty", while on any assignment approved by the chief of the police department of the municipality he or she serves, whether the assignment is within or outside the municipality.

(b) If a police officer on disability pension dies while still disabled, the disability pension shall continue to be paid to his or her survivors in the sequence provided in Section 3-112.

(c) From and after July 1, 1987, any pension payable under this Section shall be at least $400 per month, without regard to the fact that the disability or death of the police officer occurred prior to that date. If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this Section, the Section 3-113.1 minimum controls.

(d) A disabled police officer who (1) is receiving a pension under this Section on the effective date of this amendatory Act of the 91st General Assembly, (2) files with the Fund, within 30 days after that effective date and annually thereafter while the pension remains payable, a written application for the benefits of this subsection, including an affidavit stating that the applicant has not earned any income from gainful employment during the most recently concluded tax year and a copy of his or her most recent Illinois income tax return, (3) has service credit in the Fund for at least 7 years of active duty, and (4) has been receiving the pension under this Section for a period which, when added to the officer's total service credit in the Fund, equals at least 20 years, shall be eligible to receive an annual noncompounded increase in his or her pension under this Section, equal to 3% of the original pension.

The Fund may take appropriate steps to verify the applicant's disability and earnings status, and for this purpose may request from the Department of Revenue a certified copy of the applicant's Illinois income tax return for any year for which a benefit under this Section is payable or has been paid.

The annual increase shall accrue on each anniversary of the initial pension payment date, for so long as the pension remains payable to the disabled police officer and the required annual application is made, except that the annual

increases under this subsection shall cease if the disabled police officer earns income from gainful employment. Within 60 days after accepting an initial application under this subsection, the Fund shall pay to the disabled police officer, in a lump sum without interest, the amounts resulting from the annual increases that have accrued retroactively.

This subsection is not limited to persons in active service on or after its effective date, but it applies only to a pension that is payable under this Section to a disabled police officer (rather than a survivor). Upon the death of the disabled police officer, the annuity payable under this section to his or her survivors shall include any annual increases previously received, but no additional increases shall accrue under this subsection.

(Source: P.A. 85-941.)

(40 ILCS 5/3-114.2) (from Ch. 108 1/2, par. 3-114.2)

Sec. 3-114.2. Disability pension - Not on duty. A police officer who becomes disabled as a result of any cause other than the performance of an act of duty, and who is found to be physically or mentally disabled so as to render necessary his or her suspension or retirement from police service in the police department, shall be entitled to a disability pension of 50% of the salary attached to the officer's rank on the police force at the date of suspension of duty or retirement.

If a police officer on disability pension dies while still disabled, the disability pension shall continue to be paid to the officer's survivors in the sequence provided in Section 3-112.

From and after July 1, 1987, any pension payable under this Section shall be at least $400 per month, without regard to the fact that the disability or death of the police

officer occurred prior to that date. If the minimum pension established in Section 3-113.1 is greater than the minimum provided in this Section, the Section 3-113.1 minimum controls.

(Source: P.A. 85-941.)

(40 ILCS 5/3-114.3) (from Ch. 108 1/2, par. 3-114.3)

Sec. 3-114.3. Heart attack or stroke suffered in performance of duties. Any police officer who suffers a heart attack or stroke as a result of the performance and discharge of police duty shall be considered as having been injured in the performance of an act of duty and shall be eligible for the benefits provided under this Article for police officers injured in the performance of an act of duty or, if applicable, the benefits provided in Section 3-114.6.

(Source: P.A. 90-766, eff. 8-14-98.)

(40 ILCS 5/3-114.6)

Sec. 3-114.6. Occupational disease disability pension.

(a) This Section applies only to police officers who are employed by a municipality with a combined police and fire department and who have regular firefighting duties in addition to their law enforcement duties.

(b) The General Assembly finds that service in a police department that also has firefighting duties requires officers to perform unusual tasks in times of stress and danger; that officers are subject to exposure to extreme heat or extreme cold in certain seasons while performing their duties; that they are required to work in the midst of and are subject to heavy smoke fumes and carcinogenic, poisonous, toxic, or chemical gases from fires; and that these conditions exist and arise out of or in the course of employment.

(c) An active officer with 5 or more years of creditable

service who is found to be unable to perform his or her duties in the department by reason of heart disease, stroke, tuberculosis, or any disease of the lungs or respiratory tract, resulting from service as an officer, is entitled to an occupational disease disability pension during any period of such disability for which he or she has no right to receive salary.

An active officer who has completed 5 or more years of service and is unable to perform his or her duties in the department by reason of a disabling cancer, which develops or manifests itself during a period while the officer is in the service of the department, is entitled to receive an occupational disease disability benefit during any period of such disability for which he or she does not have a right to receive salary. In order to receive this occupational disease disability benefit, (i) the cancer must be of a type that may be caused by exposure to heat, radiation, or a known carcinogen as defined by the International Agency for Research on Cancer and (ii) the cancer must (and is rebuttably presumed to) arise as a result of service as an officer.

An officer who, after the effective date of this amendatory Act of 1998, enters the service of a combined police and fire department and has regular firefighting duties shall be examined by one or more practicing physicians appointed by the board. If the examination discloses impairment of the heart, lungs, or respiratory tract, or the existence of cancer, the officer shall not be entitled to an occupational disease disability pension under this Section unless and until a subsequent examination reveals no such impairment or cancer.

The occupational disease disability pension shall be equal to the greater of 65% of the salary attached to the rank held by the officer at the time of his or her removal

from the municipality's department payroll or (2) the retirement pension that the police officer would be eligible to receive if he or she retired (but not including any automatic annual increase in that retirement pension).

The occupational disease disability pension is payable to the officer during the period of the disability. If the disability ceases before the death of the officer, the disability pension payable under this Section shall also cease and the officer thereafter shall receive such pension benefits as are provided in accordance with other provisions of this Article.

If an officer dies while still disabled and receiving a disability pension under this Section, the disability pension shall continue to be paid to the officer's survivors in the sequence provided in Section 3-112.

(Source: P.A. 90-766, eff. 8-14-98.)

(40 ILCS 5/3-120) (from Ch. 108 1/2, par. 3-120)

Sec. 3-120. Marriage after retirement.

(a) If a police officer marries subsequent to retirement on any pension under this Article other than a pension established under Section 3-109.3, the surviving spouse and the children of such surviving spouse shall receive no pension on the death of the officer, except as provided in subsection (b).

(b) Notwithstanding Section 1-103.1 of this Code, this Section shall not be deemed to disqualify from receiving a survivor's pension the surviving spouse and children of any police officer who (i) retired from service in 1973, married the surviving spouse during 1974, and died in 1988, or (ii) retired on disability in October of 1982, married the surviving spouse during 1991, and died in 1992. In the case of a person who becomes eligible for a benefit under this subsection (b), the benefit shall begin to accrue on July 1,

1990 or July 1 of the year following the police officer's death, whichever is later.

(Source: P.A. 87-794; 87-1265.)

(40 ILCS 5/3-124.1) (from Ch. 108 1/2, par. 3-124.1)

Sec. 3-124.1. Re-entry into active service. If a police officer who is receiving pension payments other than as provided in Section 3-109.3 re-enters active service, pension payment shall be suspended while he or she is in service. When he or she again retires, pension payments shall be resumed. If the police officer remains in service after re-entry for a period of less than 5 years, the pension shall be the same as upon first retirement. If the officer's service after re-entry is at least 5 years and the officer makes the required contributions during the period of re-entry, his or her pension shall be recomputed by taking into account the additional period of service and salary.

(Source: P.A. 83-1440.)

(40 ILCS 5/3-125.1) (from Ch. 108 1/2, par. 3-125.1)

Sec. 3-125.1. Contributions by police officers. Each police officer shall contribute to the pension fund the following percentages of salary for the periods stated: Beginning July 1, 1909 and prior to July 23, 1943, 1% (except that prior to July 1, 1921 not more than one dollar per month shall be deducted, and except that beginning July 1, 1921 and prior to July 1, 1927 not more than $2 per month shall be deducted); beginning July 23, 1943 and prior to July 20, 1949, 3%; beginning July 20, 1949 and prior to July 17, 1959, 5%; beginning July 17, 1959 and prior to July 1, 1971, 7%; beginning July 1, 1971 and prior to July 1, 1975, 7 1/2%; beginning July 1, 1975 and prior to January 1, 1987, 8 1/2%; and beginning January 1, 1987 and prior to January 1, 2001, 9%; and beginning January 1, 2001, 9.91%. Such sums shall

be paid or deducted monthly. Contribution to the self-managed plan shall be no less than 10% of salary.

"Salary" means the annual salary, including longevity, attached to the police officer's rank, as established by the municipality's appropriation ordinance, including any compensation for overtime which is included in the salary so established, but excluding any "overtime pay", "holiday pay", "bonus pay", "merit pay", or any other cash benefit not included in the salary so established.

(Source: P.A. 84-1472.)

(40 ILCS 5/3-127) (from Ch. 108 1/2, par. 3-127)

Sec. 3-127. Reserves. The board shall establish and maintain a reserve to insure the payment of all obligations incurred under this Article excluding retirement annuities established under Section 3-109.3. The reserve to be accumulated shall be equal to the estimated total actuarial requirements of the fund.

If a pension fund has a reserve of less than the accrued liabilities of the fund, the board of the pension fund, in making its annual report to the city council or board of trustees of the municipality, shall designate the amount, calculated as a level percentage of payroll, needed annually to insure the accumulation of the reserve to the level of the fund's accrued liabilities over a period of 40 years from July 1, 1993 for pension funds then in operation, or from the date of establishment in the case of a fund created thereafter, so that the necessary reserves will be attained over such a period.

(Source: P.A. 87-1265.)

Section 90. The State Mandates Act is amended by adding Section 8.24 as follows:

(30 ILCS 805/8.24 new)

Sec. 8.24. 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 91st General Assembly.

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

President of the Senate

Michael J. Madigan
Speaker, House of Representatives

APPROVED

this 1st day of February, 20 01 A.D.,

George H. Ryan
GOVERNOR