



# Illinois Department of Financial and Professional Regulation

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## The Siren

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# AMENDMENT

TO

## Legislative Update Police Pension Funds

Update Update Update **Public Act 095-0530** Update Update Update  
Senate Bill 65 signed into Law August 28, 2007  
Law became effective August 28, 2007

### Additions to Illinois Law:

Transfer of Creditable Service from Article 7, IMRF, to Article 3 Police Pension Fund  
40 ILCS 5/3 - 110.9 (new)\* and 40 ILCS 5/7 - 139.11

### Transfer of Creditable Service from Article 7, IMRF, to Article 3 Police Pension Fund

(40 ILCS 5/3-110.9 new) \*

Sec. 3-110.9. Transfer from Article 7. Until January 1, 2008, a person may transfer to a fund established under this Article up to 8 years of creditable service accumulated under Article 7 of this Code upon payment to the fund of an amount to be determined by the board, equal to (i) the difference between the amount of employee and employer contributions transferred to the fund under Section 7-139.11 and the amounts that would have been contributed had such contributions been made at the rates applicable to an employee under this Article, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

(40 ILCS 5/7-139.11)

Sec. 7-139.11. Transfer to Article 3 pension fund.

(a) Until January 1, 2008, a person who has less than 8 years of creditable service under this Article and who has become an active participant in a police pension fund established under Article 3 of this Code may apply for transfer to that Article 3 fund of his or her creditable service accumulated under this Article. At the time of the transfer the Fund shall pay to the police pension fund an amount equal to:

- (1) the amounts accumulated to the credit of the applicant under this Article, including interest; and
- (2) the municipality credits based on that service, including interest; and
- (3) any interest paid by the applicant in order to reinstate that service.

Participation in this Fund with respect to the transferred credits shall terminate on the date of transfer.

(b) An active member of a pension fund established under Article 3 of this Code may reinstate creditable service under this Article that was terminated by receipt of a refund, by paying to the Fund the amount of the refund plus interest thereon at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.

### Synopsis:

Section 7-139.11 allows the transfer of creditable service time accumulated under the Article 7 fund, IMRF, to an Article 3 police pension fund. Until January 1, 2008, an individual who is an active participant in an Article 3 police pension fund and who has less than 8 years of creditable service under IMRF may apply to transfer his or her creditable service accumulated under IMRF to his or her Article 3 police pension fund. **The individual must make written application to both his or her Article 3 police pension fund board and IMRF on or before Monday, December 31, 2007, in order for the individual to be eligible for the transfer of his or her accumulated creditable service time.**

If the individual needs to reinstate service in IMRF, he or she must do so by paying to IMRF the amount of the refund with interest at the rate of 6% per year, compounded annually, from the date of refund to the date of payment. **Due to Article 7 of the IL Pension Code allowing partial reinstatements, it is the opinion of IMRF that individuals who previously forfeited more than 8 years of service may reinstate as much as 7 years and 11 months in order to be eligible for this transfer provision.**

IMRF is required to pay to the Article 3 police pension fund an amount equal to:

- 1) the amounts accumulated to the credit of the individual under Article 7, IMRF, including interest;
- 2) the municipality credits based on that service, including interest; and
- 3) any interest paid by the individual in order to reinstate service in IMRF.

With respect to the service credits to be transferred, participation in IMRF shall terminate on the date of transfer.

For further details and an explanation of the Article 7 responsibilities and procedures regarding the reinstatement of creditable service with IMRF and/or the calculation of the amount to be paid to the Article 3 police pension fund, please contact IMRF at 1-800-ASK-IMRF (1-800-275-4673) or visit their website at [www.imrf.org](http://www.imrf.org)

This is a time for time transfer. There is no reduction in the amount of time credited to the Article 3 police pension fund from the amount of time being transferred from IMRF.

REPLACE: (previous Siren language)

*“Section 3-110.9 (new)\* prescribes the amount an individual is required to pay to the Article 3 police pension fund as the difference between the amount transferred from IMRF and the amount the individual would have contributed as an officer in the Article 3 police pension fund, plus interest on the difference at the effective rate for each year, compounded annually, from the date of service to the date of payment. It is the Division’s recommendation that interest be computed at the effective rate of 6%.”*

WITH:

*“Section 3-110.9 (new)\* prescribes the amount an individual is required to pay to the Article 3 police pension fund as the difference between the amount transferred from IMRF and the amount **the employer and the employee** would have contributed to the Article 3 police pension fund applicable to the officer, plus interest on the difference at the effective rate for each year, compounded annually, from the date of service to the date of payment. It is the Division’s recommendation that interest be computed at the effective rate of 6%.”*

In order to compute the amount of the employer and employee contributions that would have been contributed and applicable to an officer in the Article 3 police pension fund, one needs to obtain: 1) the dates of service for the creditable service time being transferred; 2) the Article 3 police pension fund’s fiscal year end; 3) the individual’s annual salary for each fiscal year for which creditable service time is being transferred; and 4) the Article 3 police pension fund’s total normal cost as a percentage of payroll from the fund’s actuarial valuation or tax levy report for each fiscal year for which creditable service time is being transferred.

For those Article 3 police pension funds that obtain salary information on a monthly basis, the calculations explained later in this document should be computed on a monthly basis instead of a yearly basis for a more accurate determination of the amounts needed to determine the transfer cost to the police officer.

The total normal cost percentage can be found in the actuarial valuation report, or tax levy report, provided by the actuary. On the Department of Insurance or Department of Financial and Professional Regulation tax levy report, this percentage can be found on the second page, third line, which reads, “Percent of Total Normal Costs to Total Annual Salaries of \$ \*\*.\* is \*\*.\*\*\*%.” This percentage includes the police officer’s contribution percentage to the Article 3 police pension fund. The officer’s salary history for the creditable service time being transferred from IMRF needs to be obtained as of the fiscal year end dates of the Article 3 police pension fund. For the creditable service time being transferred, “the contributions that would have been paid” plus interest should equal the sum of each year’s total normal cost plus interest applicable to the officer. Each year’s total normal cost plus interest should equal: 1) the total normal cost percentage for a fiscal year for which creditable service time is being transferred multiplied by 2) the salary received at the end of the fiscal year plus 3) interest accumulated from the end of the fiscal year through the date of transfer.

The amount transferred to the Article 3 police pension fund from IMRF is subtracted from the sum of each year's total normal costs plus interest. The resulting amount is the amount the officer is required to pay the Article 3 police pension fund in order to complete the transfer of creditable service time.

The following Example should more clearly illustrate the computations:

**Example:**

Information Needed:

- 1) Dates for which officer is transferring creditable service time under IMRF to the Article 3 police pension fund: June 30, 1990 through September 30, 1995
- 2) Fiscal year end of Article 3 police pension fund. (See Table 1 below).
- 3) The officer's salary/pay as an IMRF employee at the end of the Article 3 police pension fund's fiscal year for which creditable service time is being transferred. (See Table 1 below). These amounts may need to be obtained from either the former IMRF employee or IMRF.
- 4) The total normal cost percentage for the Article 3 police pension fund corresponding to the fiscal year for which creditable service time is being transferred. (See Table 1 below).

**TABLE 1**

<u>Police Pension Fiscal Year End (FYE)</u>	<u>Salary as IMRF Employee (through FYE)</u>	<u>Total Normal Cost Percentage (Police Fund) (as of FYE)</u>
April 30, 1991	\$ 20,800.00	23.72%
April 30, 1992	\$ 26,600.00	23.57%
April 30, 1993	\$ 27,400.00	23.81%
April 30, 1994	\$ 28,200.00	23.94%
April 30, 1995	\$ 29,000.00	24.27%
Sept. 30, 1995	\$ 15,500.00	24.13%

Determination of the amount the officer will need to pay to the Article 3 police pension fund:

- 1) Determine the period of time between each fiscal year end for which creditable service time is being transferred and the date of payment. These periods will be used to determine the interest attributed to the contributions that would have been paid into the Article 3 police pension fund. The assumed date of payment is December 31, 2007. (See Table 2 below).

**TABLE 2**

<u>Police Pension Fiscal Year End (FYE)</u>	<u>Date of Payment</u>	<u>Interest Period</u>
April 30, 1991	Dec. 31, 2007	16.5833 years (16 yrs, 7 mos. or 16 7/12 yrs)
April 30, 1992	Dec. 31, 2007	15.5833 years
April 30, 1993	Dec. 31, 2007	14.5833 years
April 30, 1994	Dec. 31, 2007	13.5833 years
April 30, 1995	Dec. 31, 2007	12.5833 years
Sept. 30, 1995	Dec. 31, 2007	12.25 years (12 yrs, 3 mos. or 12 3/12 yrs)

2) Determine the employee and employer contributions that would have been contributed in a particular year by multiplying the salary paid in that year by the total normal cost percentage for the corresponding year. (See Table 3 below).

**TABLE 3**

<u>Police Pension Fiscal Year End (FYE)</u>	<u>Salary as IMRF Employee (through FYE)</u>		<u>Total Normal Cost Percentage (Police Fund) (as of FYE)</u>		<u>Employee and Employer Contribs. (would have been paid)</u>
April 30, 1991	\$ 20,800.00	X	.2372	=	\$ 4,933.76
April 30, 1992	\$ 26,600.00	X	.2357	=	\$ 6,269.62
April 30, 1993	\$ 27,400.00	X	.2381	=	\$ 6,523.94
April 30, 1994	\$ 28,200.00	X	.2394	=	\$ 6,751.08
April 30, 1995	\$ 29,000.00	X	.2427	=	\$ 7,038.30
Sept. 30, 1995	\$ 15,500.00	X	.2413	=	\$ 3,740.15

3) Determine the interest on the contribution amounts determined in Table 3. (See Table 4 below).

**TABLE 4**

<u>Police Pension Fiscal Year End (FYE)</u>	<u>Employee and Employer Contribs. (Contribution Amount)</u>	<u>Interest Period</u>	<u>Contribution Plus Interest = [(Contribution Amount) X {(1+.06)^(Interest Period)}]</u>
April 30, 1991	\$ 4,933.76	16.5833	\$ 12,966.80
April 30, 1992	\$ 6,269.62	15.5833	\$ 15,544.98
April 30, 1993	\$ 6,523.94	14.5833	\$ 15,259.95
April 30, 1994	\$ 6,751.08	13.5833	\$ 14,897.40
April 30, 1995	\$ 7,038.30	12.5833	\$ 14,652.07
Sept. 30, 1995	\$ 3,740.15	12.25	\$ 7,636.35

Total Contributions that would have been made to  
the Article 3 police pension fund plus interest: **\$ 80,957.55**

4) Determine the amount by which the contributions that would have been paid into the Article 3 police pension fund plus interest exceeds the amount transferred from IMRF. This difference is the amount the officer would need to pay the Article 3 police pension fund for the transfer of creditable service time.

Amount Officer Is Required To Pay Article 3 Police Pension Fund	=	Total Contributions Plus Interest	-	Amount Transferred From IMRF
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