



# Illinois Department of Financial and Professional Regulation

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## The Siren

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### Legislative Update Firefighter's Pension Funds

U p d a t e U p d a t e U p d a t e **Public Act 093-1090** U p d a t e U p d a t e U p d a t e

Governor signed HB0612 into law March 11, 2005

Law became effective March 11, 2005

#### Changes to Illinois Law:

Employee Creditable Service	40 ILCS 5/4 - 109.3
Notification of Intent to Receive Benefits	40 ILCS 5/4 - 109.3(h)
Additional Contribution for Past Service	40 ILCS 5/4 - 109.3(i)
Disability Pension – Line of Duty (Spouse)	40 ILCS 5/4 - 110
Occupational Disease Disability (Spouse)	40 ILCS 5/4 - 110.1
Disability Pension – Not in Duty (Spouse)	40 ILCS 5/4 - 111
Pension to Survivors	40 ILCS 5/4 - 114

#### Synopsis:

Creates a condition for being eligible for the combined creditable service retirement benefits created under 40 ILCS 5/4-109.3.

Changes the contribution percentage to 1% of the monthly salary required for combining past service to be used in the combined creditable service retirement benefit for those firefighters who have not begun to receive a retirement pension or occupational disease disability pension under section 4-109.3 as of March 11, 2005. Interest at the rate of 6% per annum, compounded annually, is also to be paid upon this 1% contribution.

Changes the surviving spouse pension of a firefighter, who died while receiving a retirement pension, while receiving a disability pension, while a deferred pensioner with at least 20 years of creditable service, or while in active service having at least 20 years of creditable service regardless of age, to be the greater of 54% of the monthly salary and 100% of the monthly pension earned by the deceased firefighter at the time of death.

Provides for surviving spouses eligible to receive the new benefit amount as of any time between July 1, 2004 and the date the pension was increased to be paid a lump sum equal to the difference between the new pension amount and the pension amount they were being paid.

## DETAILS

### Employee Creditable Service

40 ILCS 5/4 - 109.3 (new)

**Subsection (h).** “As a condition of being eligible for the benefits provided in this Section, a person who is hired to a position as a firefighter on or after July 1, 2004 must, within 21 months after being hired, notify the new employer, all of the firefighter’s previous employers under this Article, and the Public Pension Division of the Division of Insurance, of his or her intent to receive the benefits provided under this Section.”

Subsection (h) places a time limitation on a person hired into a firefighter’s position on or after July 1, 2004, in order for that firefighter to become eligible for the combined creditable service retirement option. The firefighter hired on or after July 1, 2004, must notify the new employer, all of the previous employers under Article 4 and the Public Pension Division of their intent to receive benefits provided under Section 4-109.3, within 21 months after being hired.

**Subsection (i).** “In order for a firefighter to receive a pension under this Section or an occupational disease disability pension for which he or she becomes eligible due to the application of subsection (m) of this Section, a firefighter must pay to each pension fund from which the firefighter has elected to receive a pension under this Section 4-109.3, a contribution equal to 1% of monthly salary for each month of service credit that the firefighter has in that fund (other than service credit for which the firefighter has already paid the additional contribution required under subsection (c) of Section 4-118.1), together with interest thereon at the rate of 6% per annum, compounded annually, from the firefighter’s first day of employment with that fund or the first day of the fiscal year of that fund that immediately precedes the firefighter’s first day of employment with that fund, whichever is earlier.

In order for a firefighter who, as of the effective date of this amendatory Act of the 93<sup>rd</sup> General Assembly (March 11, 2005), has not begun to receive a pension under this Section or an occupational disease disability pension under subsection (m) of this Section and who has contributed 1/12<sup>th</sup> of 1% of monthly salary for each month of service credit that the firefighter has in that fund (other than service credit for which the firefighter has already paid the additional contribution required under subsection (c) of Section 4-118.1), together with the required interest thereon, to receive a pension under this Section or an occupational disease disability pension for which he or she becomes eligible due to the application of subsection (m) of this Section, the firefighter must, within one year after the effective date of this amendatory Act of the 93<sup>rd</sup> General Assembly (March 11, 2005), make an additional contribution equal to 11/12ths of 1% of monthly salary for each month of service credit that the firefighter has in that fund (other than service credit for which the firefighter has already paid the additional contribution required under subsection (c) of Section 4-118.1), together with interest thereon at the rate of 6% per annum, compounded annually, from the firefighter’s first day of employment with that fund or the first day of the fiscal year of that fund that immediately precedes the firefighter’s first day of employment with the fund, whichever is earlier. A firefighter who, as of the effective date of this amendatory Act of the 93<sup>rd</sup> General Assembly (March 11, 2005), has not begun to receive a pension under this Section or an occupational disease disability pension under subsection (m) of this Section and who has contributed 1/12<sup>th</sup> of 1% of monthly salary for each month of service credit that the firefighter has in that fund (other than service credit for which the firefighter has already paid the

additional contribution required under subsection (c) of Section 4-118.1), together with the required interest thereon, in order to receive a pension under this Section or an occupational disease disability pension under subsection (m) of this Section, may elect, within one year after the effective date of this amendatory Act of the 93<sup>rd</sup> General Assembly (March 11, 2005) to forfeit the benefits provided under this Section and receive a refund of that contribution.”

Subsection (i) changes the percent contribution that a firefighter is required to pay to each fund from which he or she has elected to receive a pension under Section 4-109.3 and in which he or she has past creditable service in from 1/12 of 1% of the monthly salary to 1% of the monthly salary. Additionally, interest on this 1% additional contribution, is to be computed at the rate of 6% per annum, compounded annually, from the firefighter’s first day of employment with that fund or the first day of the fiscal year of that fund that immediately precedes the firefighter’s first day of employment with that fund, whichever is earlier.

**EXAMPLE:** Firefighter elects to receive a pension under Section 4-109.3.  
 Firefighter makes written application to all of the Article 4 pension funds that firefighter elects to receive a pension from on January 1, 2005.  
 Fiscal Year of the Pension Fund A runs January 1<sup>st</sup> through December 31<sup>st</sup>.  
 Firefighter’s first date of employment in Fund A is February 1, 1995.  
 Firefighter’s last date of employment in Fund A is June 1, 2000.  
 Fiscal Year of the Pension Fund B runs May 1<sup>st</sup> through April 30<sup>th</sup>.  
 Firefighter’s first date of employment in Fund B is June 1, 2000.  
 Firefighter’s date of payment to Funds A and B is April 1, 2005.

Amount required to be paid to Prior Fund A as additional 1% contribution plus interest:

Salary Earned In Fiscal Year(FY)	First Day of Fiscal Year	1% Contrib.	Time from start of FY to Payment Date	Formula	1% Contrib. + interest
\$20,000	1/1/1995	\$200	10 years, 3 months	$(\$200) \times (1.06^{(10.25)}) = \$363.43$	
\$25,000	1/1/1996	\$250	9 years, 3 months	$(\$250) \times (1.06^{(9.25)}) = \$428.57$	
\$27,000	1/1/1997	\$270	8 years, 3 months	$(\$270) \times (1.06^{(8.25)}) = \$436.65$	
\$29,000	1/1/1998	\$290	7 years, 3 months	$(\$290) \times (1.06^{(7.25)}) = \$442.45$	
\$33,000	1/1/1999	\$330	6 years, 3 months	$(\$330) \times (1.06^{(6.25)}) = \$474.98$	
\$35,000	1/1/2000	\$350	5 years, 3 months	$(\$350) \times (1.06^{(5.25)}) = \$475.25$	
\$38,000	1/1/2001	\$380	4 years, 3 months	$(\$380) \times (1.06^{(4.25)}) = \$486.78$	
TOTALS:		\$2070		Owed to Prior Fund A:	\$3,108.11

Amount required to be paid to Current Fund B as additional 1% contribution plus interest:

Salary Earned In Fiscal Year(FY)	First Day of Fiscal Year	1% Contrib.	Time from start of FY to Payment Date	Formula	1% Contrib. + interest
\$40,000	5/1/2000	\$400	4 years, 11 months	$(\$400) \times (1.06^{(4.91667)})$	= \$532.70
\$43,000	5/1/2001	\$430	3 years, 11 months	$(\$430) \times (1.06^{(3.91667)})$	= \$540.24
\$47,000	5/1/2002	\$470	2 years, 11 months	$(\$470) \times (1.06^{(2.91667)})$	= \$557.07
\$50,000	5/1/2003	\$500	1 years, 11 months	$(\$500) \times (1.06^{(1.91667)})$	= \$559.08
\$52,000	5/1/2004	\$520	0 years, 11 months	$(\$520) \times (1.06^{(0.91667)})$	= \$548.53
TOTALS:		\$2320		Owed to Current Fund B:	\$2,737.61

**These totals are to be calculated by the pension fund to which they are owed within a timely manner of 30 days.** It is recommended that the firefighter verify these calculations.

The decision to receive benefits under this Section 4-109.3 is solely at the discretion of the firefighter. The pension funds involved do not have the authority to deny the firefighter participation to receive these benefits.

It remains that in order to receive a pension under 4-109.3, the firefighter shall begin to contribute an additional 1% of salary to the Article 4 pension fund in the municipality in which the firefighter is currently in active service from the date of election forward. The firefighter's contribution rate will be 10.455%.

Subsection (i) also requires any firefighter who has not begun to receive a pension under Section 4-109.3 and who has contributed 1/12<sup>th</sup> of 1% of their monthly salary for past service time to make an additional contribution of 11/12<sup>th</sup> of 1% of the monthly salary plus interest for that same past service within one year of March 11, 2005, in order to be eligible for a pension under Section 4-109.3. A firefighter that falls into this situation may choose within one year of March 11, 2005, to forfeit the benefits provided under Section 109.3 and receive a refund of the previously paid 1/12<sup>th</sup> of 1% contribution plus interest thereon.

The calculation of the 11/12<sup>ths</sup> of 1% additional contribution plus interest would be computed in the same manner as shown in the preceding example for the 1% additional contribution plus interest by replacing the 1% contribution amount with the 11/12<sup>ths</sup> of 1% contribution amount.

### Pension to Survivors

**40 ILCS 5/4 – 114**

Statutory language was changed in Sections 4-110. Disability pension – Line of duty., 4-110.1. Occupational disease disability pension, 4-111. Disability pension – Not in duty., and 4-114. Pension to survivors. To expand the coverage of the continuation of the firefighter's benefit to the surviving spouses. This includes benefits to the surviving spouses, beginning July 1, 2004, of a firefighter who died:

- 1) while on any type of disability pension,
- 2) while a deferred pensioner with at least 20 years of creditable service, and
- 3) while in active service having at least 20 years of creditable service regardless of age.

The surviving spouses who qualify for a surviving spouse benefit in any of the above mentioned circumstances, shall receive the greater of 100% of the monthly retirement pension earned by the firefighter at the time of the firefighter's death, or the amount provided for in Section 4-114(a)(1), 54% of the monthly salary.

For the surviving spouses receiving a surviving spouse benefit on or after July 1, 2004, and prior to the pension fund's change of the amount per this new language, the surviving spouse is entitled to a lump sum equal to the difference of what was paid on or after July 1, 2004, and what is now required to have been paid on or after July 1, 2004.

**Section. 4-114.** "Pension to Survivors. If a firefighter who is not receiving a disability pension under Section 4-110 or 4-110.1 dies (1) as a result of any illness or accident, or (2) from any cause while in receipt of a disability pension under this Article, or (3) during retirement after 20 years service, or (4) while vested for or in receipt of a pension payable under subsection (b) of Section 4-109, or (5) while a deferred pensioner, having made all required contributions, a pension shall be paid to his or her survivors, based on the monthly salary attached to the firefighter's rank on the last day of service in the fire department, as follows:

(a)(1) To the surviving spouse, a monthly pension of 40% of the monthly salary, and to the guardian of any minor child or children including a child which has been conceived but not yet born, 12% of such monthly salary for each such child until attainment of age 18 or until the child's marriage, whichever occurs first. Beginning July 1, 1993, the monthly pension to the surviving spouse shall be 54% of the monthly salary for all persons receiving a surviving spouse pension under this Article, regardless of whether the deceased firefighter was in service on or after the effective date of this amendatory Act of 1993.

(2) Beginning July 1, 2004, unless the amount provided under paragraph (1) of this subsection (a) is greater, the total monthly pension payable under this paragraph (a), including any amount payable on account of children, to the surviving spouse of a firefighter who died (i) while receiving a retirement pension, (ii) while he or she was a deferred pensioner with at least 20 years of creditable service, or (iii) while he or she was in active service having at least 20 years of creditable service, regardless of age, including any amount payable on account of children, shall be no less than 100% of the monthly retirement pension earned by that the deceased firefighter at the time of death, regardless of whether death occurs before or after attainment of age 50, was receiving at the time of death, including any increases under Section 4-109.1. This minimum applies to all such surviving spouses who are eligible to receive a surviving spouse pension, regardless of whether the deceased firefighter was in service on or after the effective date of this amendatory Act of the 93rd General Assembly, and notwithstanding any limitation on maximum pension under paragraph (d) or any other provision of this Article.

(3) If the pension paid on and after July 1, 2004 to the surviving spouse of a firefighter who died on or after July 1, 2004 and before the effective date of this amendatory Act of the 93rd General Assembly was less than the minimum pension payable under paragraph (1) or (2) of this subsection (a), the fund shall pay a lump sum equal to the difference within 90 days after the effective date of this amendatory Act of the 93rd General Assembly."

## Social Security Information

Any questions relating to the information on social security passed along in the previous Siren should be directed toward the Social Security Administration.