



# Illinois Department of Financial and Professional Regulation

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## The Siren

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## Legislative Update Police Pension Funds

U p d a t e U p d a t e U p d a t e **Public Act 095-0530** U p d a t e U p d a t e U p d a t e

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 3 Police Pension Fund to Article 7, IMRF  
40 ILCS 5/3 - 110.8 and 40 ILCS 5/7 - 139.12 (new)

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 3 Police Pension Fund to Article 14, SERS  
40 ILCS 5/3 - 110.6 and 40 ILCS 5/14 – 110 (h)

Financing  
40 ILCS 5/3 - 125

NOTE: In recently passed legislation, two different sections are numbered 40 ILCS 5/3-110.9. In this Siren, for clarification purposes only, we will refer to the section regarding the transfer of creditable service from IMRF to an Article 3 police pension fund as Section 3-110.9 (new)\*. The section regarding the transfer of creditable service from an Article 3 police pension fund to the Article 9 pension fund will be referred to as Section 3-110.9 (new).

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

(40 ILCS 5/3-110.8)

Sec. 3-110.8. Transfer to IMRF.

(a) Until January 1, 2008, any active member of the Illinois Municipal Retirement Fund who has less than 8 years of creditable service in a police pension fund under this Article, may apply for transfer of his or her creditable service accumulated in that fund to the Illinois Municipal Retirement Fund. The creditable service shall be transferred upon payment by the police pension fund to the Illinois Municipal Retirement Fund of an amount equal to:

- (1) the amounts accumulated to the credit of the applicant on the books of the fund on the date of transfer; and
- (2) employer contributions in an amount equal to the amount determined under subparagraph (1); and
- (3) any interest paid by the applicant in order to reinstate service.

Participation in this Fund shall terminate on the date of transfer.

(b) Until January 1, 2008, any member under subsection (a) may reinstate service which was terminated by receipt of a refund, by payment to the police pension fund of the amount of the refund with interest thereon at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.

(40 ILCS 5/7-139.12 new)

Sec. 7-139.12. Transfer from Article 3. Until January 1, 2008, a person may transfer to the Illinois Municipal Retirement Systems up to 8 years of creditable service accumulated under Article 3 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 3-110.8 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.

### Synopsis:

Section 3-110.8 allows the transfer of creditable service time accumulated in an Article 3 police pension fund to the Article 7 pension fund, IMRF. The individual must be an active member of IMRF, the Illinois Municipal Retirement Fund, have accumulated less than 8 years of creditable service in an Article 3 police pension fund and make written application to both his or her former Article 3 police pension fund and IMRF. **The Article 3 police pension fund and IMRF must receive the application for this transfer on or before Monday, December 31, 2007.**

If the individual needs to reinstate service in the Article 3 police pension fund, he or she must do so by paying the Article 3 police pension fund the amount of the refund with interest, calculated at the rate of 6% per year, compounded annually, from the date of refund to the date of payment. **It is the Public Pension Division's opinion that all creditable service time terminated by the receipt of a refund must be reinstated.**

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

- 1) the individual's contributions accumulated to his or her credit in the Article 3 police pension fund on the date of transfer;
- 2) employer (municipality) contributions in an amount equal to the amount determined under 1); and
- 3) any interest paid by the individual in order to reinstate service in the Article 3 police pension fund.

Participation in the Article 3 police pension fund shall terminate on the date of transfer.

Section 7-139.12 prescribes the amount an individual is required to pay to IMRF as the difference between the amount transferred from the Article 3 police pension fund and the amount the individual would have contributed as a participant of IMRF, plus interest on the difference at the effective rate for each year, compounded annually, from the date of service to the date of payment. If the individual has 8 or more years of creditable service time in an Article 3 police pension fund, he or she is not eligible to transfer his or her creditable service time to IMRF.

For further details and an explanation of the Article 7 responsibilities and procedures, including the determination of the amount of creditable service time that will be credited in IMRF, in accordance with Section 7-139, paragraph 10, please contact IMRF at 1-800-ASK-IMRF (1-800-275-4673) or visit their website at [www.imrf.org](http://www.imrf.org).

### **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)

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%.**

### **Transfer of Creditable Service from Article 3 Police Pension Fund to Article 14, SERS**

(40 ILCS 5/3-110.6)

Sec. 3-110.6. Transfer to Article 14 System.

(a) Any active member of the State Employees' Retirement System who is a State policeman, an investigator for the Secretary of State, a conservation police officer, an investigator for the Office of the State's Attorneys Appellate Prosecutor, or a controlled substance inspector may apply for transfer of some or all of his or her creditable service accumulated in any police pension fund under this Article to the State Employees' Retirement System in accordance with Section 14-110. The creditable service shall be transferred only upon payment by the police pension fund to the State Employees' Retirement System of an amount equal to:

- (1) the amounts accumulated to the credit of the applicant for the service to be transferred on the books of the fund on the date of transfer; and
- (2) employer contributions in an amount equal to the amount determined under subparagraph (1); and
- (3) any interest paid by the applicant in order to reinstate service to be transferred.

Participation in the police pension fund with respect to the service to be transferred shall terminate on the date of transfer.

(b) Any person applying to transfer service under this Section may reinstate service that was terminated by receipt of a refund, by paying to the police pension fund the amount of the refund with interest thereon at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.

(40 ILCS 5/14-110)

Sec. 14-110. Alternative retirement annuity.

(h) Subject to the limitation in subsection (i), a State policeman, conservation police officer, or investigator for the Secretary of State may elect to establish eligible creditable service for up to 5 years of service as a police officer under Article 3, a policeman under Article 5, a sheriff's law enforcement employee under Article 7, a member of the county police department under Article 9, or a police officer under Article 15 by filing a written election with the Board and paying to the System an amount to be determined by the Board, equal to (i) the difference between the amount of employee and employer contributions transferred to the System under Section 3-110.6, 5-236, 7-139.8, 9-121.10, or 15-134.4 and the amounts that would have been contributed had such contributions been made at the rates applicable to State policemen, plus (ii) interest thereon at the effective rate for each year, compounded annually, from the date of service to the date of payment.

## **Synopsis:**

Section 3-110.6 allows the transfer of creditable service time accumulated in an Article 3 police pension fund to the State Employees' Retirement System, or SERS. An individual must be a qualified, active member of SERS in order to be eligible for this transfer provision.

The Article 3 police pension fund is required to pay to SERS an amount equal to:

- 1) the individual's contributions for the service to be transferred, accumulated to his or her credit in the Article 3 police pension fund on the date of transfer;
- 2) employer (municipality) contributions in an amount equal to the amount determined under 1); and
- 3) any interest paid by the individual in order to reinstate service to be transferred.

With respect to the service credits to be transferred, participation in the Article 3 police pension fund shall terminate on the date of transfer.

If the individual needs to reinstate service in the Article 3 police pension fund, he or she must do so by paying the Article 3 police pension fund the amount of the refund with interest, calculated at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.

Section 14-110 (h) prescribes the amount the individual is required to pay to SERS as the difference between the amount transferred from the Article 3 police pension fund and the amount the individual would have contributed as a participant in SERS, plus interest on the difference at the effective rate for each year, compounded annually, from the date of service to the date of payment. The participant may transfer some or all of his creditable service up to 5 years.

For further details and an explanation of the Article 14 responsibilities and procedures, including the determination of the amount of creditable service time that will be credited in SERS, in accordance with Section 14-110 (h), please contact Joe Maggio at 217-785-7157.

## **Financing**

(40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)

Sec. 3-125. Financing. The city council or the board of trustees of the municipality shall annually levy a tax upon all the taxable property of the municipality at the rate on the dollar which will produce an amount which, when added to the deductions from the salaries or wages of police officers, and revenues available from other sources, will equal a sum sufficient to meet the annual requirements of the police pension fund. The annual requirements to be provided by such tax levy are equal to (1) the normal cost of the pension fund for the year involved, plus (2) the amount necessary to amortize the fund's unfunded accrued liabilities as provided in Section 3-127. The tax shall be levied and collected in the same manner as the general taxes of the municipality, and in addition to all other taxes now or hereafter authorized to be levied upon all property within the municipality, and shall be in addition to the amount authorized to be levied for general purposes as provided by Section 8-3-1 of the Illinois Municipal Code, approved May 29, 1961, as amended. The tax shall be forwarded directly to the treasurer of the board within 30 business days after receipt by the county.

The police pension fund shall consist of the following moneys which shall be set apart by the treasurer of the municipality:

- (1) All moneys derived from the taxes levied hereunder;

- (2) Contributions by police officers under Section 3-125.1;
- (3) All moneys accumulated by the municipality under any previous legislation establishing a fund for the benefit of disabled or retired police officers;
- (4) Donations, gifts or other transfers authorized by this Article.

**Synopsis:**

Section 3-125 states that the county has no more than 30 days after its receipt of the tax levy money to forward the money directly to the treasurer of the Article 3 police pension fund.

U p d a t e U p d a t e U p d a t e    **Public Act 095-0504**    U p d a t e U p d a t e U p d a t e  
 Senate Bill 1380 signed into Law August 28, 2007  
 Law became effective August 28, 2007

**Additions to Illinois Law:**

Transfer of Creditable Service from Article 3 Police Pension Fund to Article 9, County Employees' and Officers' Annuity and Benefit Fund – Counties Over 500,000 Inhabitants  
 40 ILCS 5/3 - 110.9 (new) and 40 ILCS 5/9 – 121.17 (new)

**Transfer of Creditable Service from Article 3 Police Pension Fund to Article 9, County Employees' and Officers' Annuity and Benefit Fund – Counties Over 500,000 Inhabitants**

(40 ILCS 5/3-110.9 new)

Sec. 3-110.9. Transfer to Article 9.

(a) Until 6 months after the effective date of this amendatory Act of the 95th General Assembly, any active member of a pension fund established under Article 9 of this Code may apply for transfer of up to 6 years of his or her creditable service accumulated in any police pension fund under this Article to the Article 9 fund. Such creditable service shall be transferred only upon payment by such police pension fund to the Article 9 fund of an amount equal to:

(1) the amounts accumulated to the credit of the applicant on the books of the fund on the date of transfer; and

(2) employer contributions in an amount equal to the amount determined under subparagraph (1); and

(3) any interest paid by the applicant in order to reinstate service. Participation in the police pension fund shall terminate on the date of transfer.

(b) Until 6 months after the effective date of this amendatory Act of the 95th General Assembly, any active member of an Article 9 fund may reinstate service that was terminated by receipt of a refund, by payment to the police pension fund of the amount of the refund with interest thereon at the rate of 6% per year, compounded annually, from the date of refund to the date of payment.

(40 ILCS 5/9-121.17 new)

Sec. 9-121.17. Transfer from Article 3. Until 6 months after the effective date, an employee may transfer to this Fund up to 6 years of creditable service accumulated under Article 3 of this Code, upon payment to this Fund of (1) the amount by which the employee and employer contributions that would have been required if the employee had participated in this Fund during the period for which credit is being transferred, plus interest, exceeds the amounts actually transferred from the Article 3 fund to this Fund, plus (2) interest on the amount determined under item (1) at the rate of 6% per year, compounded annually, from the date of the transfer to the date of payment.

## Synopsis:

The only Article 9 pension fund established in Illinois at this time is the County Employees' and Officers' Annuity and Benefit Fund of Cook County. This synopsis refers only to that fund, although other Article 9 funds may be established in the future and will also be subject to this provision.

Section 3-110.9 (new) allows an active member of the County Employees' and Officers' Annuity and Benefit Fund of Cook County to transfer up to 6 years creditable service time accumulated in an Article 3 police pension fund to the County Employees' and Officers' Annuity and Benefit Fund of Cook County. The individual must make written application to both the former Article 3 police pension fund and the County Employees' and Officers' Annuity and Benefit Fund of Cook County. **The application must be received by both the Article 3 police pension fund and the County Employees' and Officers' Annuity and Benefit Fund of Cook County on or before Wednesday, February 27, 2008.**

If the individual needs to reinstate service in the Article 3 police pension fund, he or she must do so by paying the Article 3 police pension fund 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.

The Article 3 police pension fund is required to pay to the County Employees' and Officers' Annuity and Benefit Fund of Cook County an amount equal to:

- 1) the individual's contributions accumulated to his or her credit in the Article 3 police pension fund on the date of transfer;
- 2) employer (municipality) contributions in an amount equal to the amount determined under 1); and
- 3) any interest paid by the individual in order to reinstate service in the Article 3 police pension fund.

Participation in the Article 3 police pension fund shall terminate on the date of transfer.

For further details and an explanation of the Article 9 responsibilities and procedures, including the determination of the amount of creditable service time that will be credited in County Employees' and Officers' Annuity and Benefit Fund of Cook County, in accordance with Section 9-121.17, please contact County Employees' and Officers' Annuity and Benefit Fund of Cook County at 312-603-1200.