

1 AN ACT in relation to public employee benefits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Pension Code is amended by
5 adding Sections 4-105e and 4-109.3 and changing Sections
6 4-109 and 4-118 as follows:

7 (40 ILCS 5/4-105e new)

8 Sec. 4-105e. Deferred Retirement Option Plan. "Deferred
9 Retirement Option Plan" or "DROP plan" means the Deferred
10 Retirement Option Plan established under Section 4-109.3.

11 (40 ILCS 5/4-109) (from Ch. 108 1/2, par. 4-109)

12 Sec. 4-109. Pension.

13 (a) A firefighter age 50 or more with 20 or more years
14 of creditable service, who is no longer in service as a
15 firefighter, shall receive a monthly pension of 1/2 the
16 monthly salary attached to the rank held by him or her in the
17 fire service at the date of retirement. The monthly pension
18 shall be increased by 1/12 of 2.5% of such monthly salary for
19 each additional month over 20 years of service through 30
20 years of service, to a maximum of 75% of such monthly salary.

21 For a firefighter who retires at the conclusion of
22 participation in the DROP plan, calculation of the amount of
23 the retirement pension shall be based on the firefighter's
24 salary and accumulated service on the date he or she began
25 participation in the DROP plan, but the monthly retirement
26 pension shall not be less than the last monthly amount
27 payable to the DROP account under subdivision (h)(1) of
28 Section 4-109.3.

29 The changes made to this subsection (a) by this
30 amendatory Act of the 91st General Assembly apply to all

1 pensions that become payable under this subsection on or
 2 after January 1, 1999. All pensions payable under this
 3 subsection that began on or after January 1, 1999 and before
 4 the effective date of this amendatory Act shall be
 5 recalculated, and the amount of the increase accruing for
 6 that period shall be payable to the pensioner in a lump sum.

7 (b) A firefighter who retires or is separated from
 8 service having at least 10 but less than 20 years of
 9 creditable service, who is not entitled to receive a
 10 disability pension, and who did not apply for a refund of
 11 contributions at his or her last separation from service
 12 shall receive a monthly pension upon attainment of age 60
 13 based on the monthly salary attached to his or her rank in
 14 the fire service on the date of retirement or separation from
 15 service according to the following schedule:

- 16 For 10 years of service, 15% of salary;
- 17 For 11 years of service, 17.6% of salary;
- 18 For 12 years of service, 20.4% of salary;
- 19 For 13 years of service, 23.4% of salary;
- 20 For 14 years of service, 26.6% of salary;
- 21 For 15 years of service, 30% of salary;
- 22 For 16 years of service, 33.6% of salary;
- 23 For 17 years of service, 37.4% of salary;
- 24 For 18 years of service, 41.4% of salary;
- 25 For 19 years of service, 45.6% of salary.

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

27 (40 ILCS 5/4-109.3 new)

28 Sec. 4-109.3. Deferred Retirement Option Plan.

29 (a) The Deferred Retirement Option Plan created by this
 30 Section is available only if the corporate authorities of the
 31 employing municipality have adopted and filed with the board
 32 of the pension fund a resolution or ordinance approving the
 33 establishment of a DROP plan for eligible firefighters of the

1 pension fund. The approval resolution or ordinance must
2 specify whether the maximum period of a firefighter's
3 participation in the plan shall be 3 years, 4 years, or 5
4 years.

5 The corporate authorities of a municipality may rescind
6 its approval and discontinue the DROP plan by adopting and
7 filing with the board a resolution or ordinance discontinuing
8 the DROP plan. The discontinuation of a DROP plan means that
9 no additional firefighters may elect to participate in the
10 plan on or after the effective date of the discontinuation.
11 The discontinuation of a DROP plan does not affect
12 participation in the plan by any firefighter who began
13 participating in the DROP plan before the effective date of
14 the discontinuation.

15 Approval and discontinuation of a DROP plan by a
16 municipality, and the decision to consider, establish, or
17 discontinue a DROP plan, are within the sole discretion of
18 the corporate authorities of the municipality. Neither the
19 decision to establish or discontinue a DROP plan, nor the
20 impact of any such decision, is a mandatory subject of
21 bargaining under the Illinois Public Labor Relations Act.

22 (b) To be eligible to participate in the DROP plan, a
23 firefighter must (i) be in active service, (ii) have attained
24 age 50, and (iii) have at least 20 years of creditable
25 service in the Fund. A firefighter may participate in the
26 DROP plan only once.

27 (c) An election to participate in the DROP plan must be
28 made within 3 years after becoming eligible under subsection
29 (b) or within 3 years of approval of the DROP plan by the
30 employer, whichever is later. The election, once made, is
31 irrevocable.

32 The election to participate in the DROP plan shall be
33 made in writing on forms provided for that purpose by the
34 Board and shall be filed with the Board. The application

1 must indicate the date upon which participation in the DROP
2 plan is to begin, which shall be the first day of a calendar
3 month and not less than 30 days nor more than 90 days after
4 the date of filing the application.

5 As a part of the application, the firefighter must file
6 with the Board and with his or her employer an irrevocable
7 letter of resignation from employment, effective on the date
8 of termination of the firefighter's participation in the DROP
9 plan (unless that termination results from acceptance of a
10 disability benefit).

11 (d) A firefighter's participation in the DROP plan shall
12 commence on the date specified in the application and shall
13 end upon (i) termination of service, (ii) death of the
14 firefighter, (iii) disability for which the firefighter
15 receives a benefit under Section 4-110, 4-110.1, or 4-111, or
16 (iv) completion of the maximum period of participation in the
17 DROP plan that is permitted under the employer's approval
18 ordinance, whichever occurs first.

19 (e) A firefighter who is participating in the DROP plan
20 shall be considered an active firefighter for the purposes of
21 this Article, including Section 4-121, but shall be subject
22 to the special conditions of the DROP plan.

23 A firefighter shall continue to make the contributions
24 that are required for active firefighters during his or her
25 participation in the DROP plan. These contributions shall be
26 accumulated in the firefighter's DROP account and shall be
27 treated as being "picked up" within the meaning of Section
28 4-118.2 of this Code and Section 414(h)(2) of the Internal
29 Revenue Code of 1986, as amended.

30 A firefighter who is participating in the DROP plan shall
31 not receive service credit for the period of that
32 participation, and the salary earned during that period shall
33 be disregarded in calculating the firefighter's benefits
34 under this Article.

1 (f) A firefighter who participates in the DROP plan may
2 terminate service at any time during participation in the
3 DROP plan. A firefighter who participates in the DROP plan
4 must terminate service on the last day of participation in
5 the DROP plan, unless participation in the DROP plan is ended
6 due to acceptance of a disability benefit.

7 (g) A firefighter who is participating in the DROP plan
8 remains eligible to apply for a disability benefit under
9 Section 4-110, 4-110.1, or 4-111, but participation in the
10 DROP plan ceases upon acceptance of the disability benefit.
11 If participation in the DROP plan is ended due to acceptance
12 of a disability benefit, (1) the disabled firefighter shall
13 be credited with employee contributions and creditable
14 service for the period of participation in the DROP plan, (2)
15 the firefighter's letter of resignation from service that is
16 required to be filed at the time of application to
17 participate in the DROP plan is void, and (3) the amounts in
18 the disabled firefighter's DROP account are forfeited to the
19 Fund.

20 (h) The Fund shall maintain a separate DROP account for
21 the benefit of each firefighter who becomes a participant in
22 the DROP plan. The Fund shall pay into the firefighter's
23 DROP account:

24 (1) for each month of the firefighter's
25 participation in the DROP plan, an amount equal to the
26 monthly retirement pension that the firefighter would
27 have been eligible to receive if the firefighter had
28 terminated service and begun receiving a retirement
29 pension on the date his or her participation in the DROP
30 plan began, but calculating the amount of any increase
31 that would accrue under Section 4-109.1(d) to exclude the
32 period before attainment of age 55;

33 (2) the employee contributions paid by the
34 firefighter during the period of participation in the

1 DROP plan; and

2 (3) interest on the balance in the DROP account, at
3 the rate of 6% per annum, paid and compounded monthly,
4 throughout the period of participation in the DROP plan.
5 The DROP account shall cease earning interest when the
6 firefighter's participation in the DROP plan ends.

7 DROP accounts shall be treated as separate accounts for
8 accounting purposes, but the actual assets shall be
9 commingled with the other assets of the pension fund for
10 investment purposes, rather than kept in separate investment
11 accounts.

12 (i) In addition to the retirement pension under Section
13 4-109, a firefighter who terminates service and retires at
14 the conclusion of his or her participation in the DROP plan
15 shall receive, upon retirement, a DROP benefit equal to the
16 balance in the firefighter's DROP account at the time of
17 retirement.

18 At the time of application for a retirement pension, the
19 firefighter shall elect to receive the DROP benefit in the
20 form of either a lump sum or an actuarially equivalent
21 annuity for life. If a lump sum payment is elected, it may
22 be taken in the form of cash or a cash equivalent or be
23 rolled over into an individual retirement account (IRA) or a
24 qualified retirement plan. A DROP benefit payable in the
25 form of an annuity shall be in a fixed amount not subject to
26 annual or other increases; the amount of the annuity shall be
27 calculated in the manner prescribed by the Department of
28 Insurance. A DROP benefit shall be treated as a retirement
29 benefit for the purposes of Section 1-119 (QILDROs).

30 (j) If a firefighter receiving a DROP benefit in the
31 form of an annuity re-enters service, the DROP benefit
32 annuity payments shall be suspended until the firefighter's
33 subsequent retirement.

34 (k) If a firefighter dies while participating in the

1 DROP plan, the DROP benefit shall be paid as a lump sum to
2 the surviving spouse or other survivor of the firefighter
3 entitled to a pension under Section 4-114 or, if there is no
4 such survivor, then to the deceased firefighter's estate.

5 (1) If a retired firefighter dies while receiving a DROP
6 benefit in the form of an annuity, and the DROP account
7 balance at the time of retirement exceeds the total amount of
8 DROP benefit annuity payments received, the excess shall be
9 refunded to the surviving spouse or other survivor of the
10 firefighter entitled to a pension under Section 4-114 or, if
11 there is no such survivor, then to the deceased firefighter's
12 estate.

13 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)
14 Sec. 4-118. Financing.

15 (a) The city council or the board of trustees of the
16 municipality shall annually levy a tax upon all the taxable
17 property of the municipality at the rate on the dollar which
18 will produce an amount which, when added to the deductions
19 from the salaries or wages of firefighters and revenues
20 available from other sources, will equal a sum sufficient to
21 meet the annual actuarial requirements of the pension fund,
22 as determined by an enrolled actuary employed by the Illinois
23 Department of Insurance or by an enrolled actuary retained by
24 the pension fund or municipality. For the purposes of this
25 Section, the annual actuarial requirements of the pension
26 fund are equal to (1) the normal cost of the pension fund, or
27 17.5% of the salaries and wages to be paid to firefighters
28 for the year involved, whichever is greater (except that for
29 the 5 years following the year in which a municipality
30 approves a DROP plan, the municipality may direct that all or
31 a portion of the normal cost shall not be considered with
32 respect to that municipality), plus (2) the annual amount
33 necessary to amortize the fund's unfunded accrued liabilities

1 over a period of 40 years from July 1, 1993, as annually
2 updated and determined by an enrolled actuary employed by the
3 Illinois Department of Insurance or by an enrolled actuary
4 retained by the pension fund or the municipality. The amount
5 to be applied towards the amortization of the unfunded
6 accrued liability in any year shall not be less than the
7 annual amount required to amortize the unfunded accrued
8 liability, including interest, as a level percentage of
9 payroll over the number of years remaining in the 40 year
10 amortization period.

11 (b) The tax shall be levied and collected in the same
12 manner as the general taxes of the municipality, and shall be
13 in addition to all other taxes now or hereafter authorized to
14 be levied upon all property within the municipality, and in
15 addition to the amount authorized to be levied for general
16 purposes, under Section 8-3-1 of the Illinois Municipal Code
17 or under Section 14 of the Fire Protection District Act. The
18 tax shall be forwarded directly to the treasurer of the board
19 within 30 business days of receipt by the municipality (or,
20 in the case of amounts added to the tax levy under subsection
21 (f), used by the municipality to pay the employer
22 contributions required under subsection (b-1) of Section
23 15-155 of this Code).

24 (c) The board shall make available to the membership and
25 the general public for inspection and copying at reasonable
26 times the most recent Actuarial Valuation Balance Sheet and
27 Tax Levy Requirement issued to the fund by the Department of
28 Insurance.

29 (d) The firefighters' pension fund shall consist of the
30 following moneys which shall be set apart by the treasurer of
31 the municipality: (1) all moneys derived from the taxes
32 levied hereunder; (2) contributions by firefighters as
33 provided under Section 4-118.1; (3) all rewards in money,
34 fees, gifts, and emoluments that may be paid or given for or

1 on account of extraordinary service by the fire department or
2 any member thereof, except when allowed to be retained by
3 competitive awards; and (4) any money, real estate or
4 personal property received by the board.

5 (e) For the purposes of this Section, "enrolled actuary"
6 means an actuary: (1) who is a member of the Society of
7 Actuaries or the American Academy of Actuaries; and (2) who
8 is enrolled under Subtitle C of Title III of the Employee
9 Retirement Income Security Act of 1974, or who has been
10 engaged in providing actuarial services to one or more public
11 retirement systems for a period of at least 3 years as of
12 July 1, 1983.

13 (f) The corporate authorities of a municipality that
14 employs a person who is described in subdivision (d) of
15 Section 4-106 may add to the tax levy otherwise provided for
16 in this Section an amount equal to the projected cost of the
17 employer contributions required to be paid by the
18 municipality to the State Universities Retirement System
19 under subsection (b-1) of Section 15-155 of this Code.

20 (Source: P.A. 90-576, eff. 3-31-98.)

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