

DES PLAINES POLICE PENSION FUND

GUIDE TO YOUR RETIREMENT PLAN

Ladies and Gentlemen:

As a police officer of the Des Plaines Police Department, you are entitled to receive pension benefits through the Des Plaines Police Pension Fund. These benefits provide replacement of income that is lost due to retirement, disability or death. Your pension is funded by local taxes, officer's contributions and investment earnings. This *Guide to Your Retirement Plan* has been provided to you by the Board of Trustees of the Des Plaines Police Pension Fund (Board) to assist you in understanding this important part of your financial security.

Pension benefits for public employees in Illinois have been established by state legislators and are described in the Illinois Pension Code, Chapter 40, Act 5 of the Illinois Compiled Statutes. (40 ILCS 5). Each Article of the Pension Code describes benefits for a particular group of public employees. Police pension benefits are described in Article 3. (40 ILCS 5/3). Not every provision of the pension laws is reviewed in this *Guide*. You should refer to the pension statutes for additional and in depth information. The pension laws are available from the Board or public sources, including the Internet. At all times, the detailed information included in the statutes governs your benefits. Should any change in law or interpretation result in a conflict between this *Guide* and the actual statutes, the statutes will govern.

The information contained in this *Guide* is not intended as a substitute for legal advice nor is the information contained in this *Guide* a guarantee of a certain benefit. Be sure to check with your attorney or with your Pension Board of Trustees before taking action.

The Board of Trustees welcomes your questions and input on pension benefits.

OVERVIEW

Effective January 1, 2011, Illinois' legislators amended the Pension Code to create a two tier pension system. If you *first* became a police officer of the Des Plaines Police Department and *first* began contributing to the Pension Fund (or any other Article 3 fund) on or after January 1, 2011, you are considered a Tier 2 participant. If you were at any time a police officer contributing to an Article 3 fund prior to January 1, 2011, regardless of whether or not you took a refund, retired, or became disabled, you are considered a Tier 1 participant. Pension benefits are different for Tier 1 and Tier 2 participants, and those differences are noted in this *Guide*.

SERVICE RETIREMENT BENEFITS

Tier 1

An officer is eligible for retirement benefits at age 50, if he or she has earned 20 or more years of creditable service or retirement at age 60, if more than 8 years and less than 20 years of creditable service have been earned.

- Pension with 20 Years of Service. An officer age 50 or more with 20 years of creditable service is entitled to a pension equal to 50% of the salary attached to the rank on the police force at the time of retirement. For years of service over 20 years, the officer will receive an additional 2-1/2% of salary for each year over 20 years, to a maximum pension of 75% of salary. For example, an officer retiring after 26 years would receive a pension of 65% of salary at age 50.
- Pensions with Less than 20 Years of Service. An officer age 60 or older having at least 8 years but less than 20 years of service is entitled to a pension equal to 2-1/2% of salary for each year of service. An officer with only 1 year of service but less than 8 is also entitled to this benefit if he or she is receiving a retirement pension based on at least 8 years of service from another Illinois downstate police pension fund, excluding Chicago.
- Increases in Pensions After Retirement. An officer who retires before age 55 is entitled, upon attaining age 55, to an increase in pension equal to 3% for each year the officer has been receiving pension (or a prorated portion of 3% for partial years). Then, on each following January 1st, the officer will receive an additional increase of 3% in the pension then being received. For example, an officer retiring at age 52 will receive an increase of 9% at age 55, 3% for each year pension has been paid.

An officer who is already age 55 or older at the time of retirement will receive a 3% pension increase after one year of retirement and each January 1st thereafter.

Tier 2

An officer is eligible for retirement benefits at age 55, provided the officer has at least 10 years of creditable service. An early retirement option is available at age 50 with at least 10 years of creditable service, however the pension benefits are reduced by 6% for each year the officer is under the age 55.

- Pension at Age 55 with at least 10 years of Service. An officer age 55 or more with at least 10 years of creditable service is entitled to a pension calculated by multiplying 2.5% for each year of service (capped at 30 years) by the officer's "Final Average Salary." The Final Average Salary is based on the officer's average salary earned in the best 8 out of the last 10 years of service, capped at \$106,800. The salary cap is adjusted annually by the

Illinois Department of Insurance to reflect changes in the cost of living and consumer price index.

- Early Retirement Option. An officer who has attained age 50 or more, but is not yet 55 years old, and has at least 10 years of creditable service, may elect an early retirement option. The officer's pension will be calculated as described above, but the pension amount will be reduced by $\frac{1}{2}$ of 1% for each month the officer is under the age 55. This amounts to a 6% reduction for a full year.
- Increases in Pensions After Retirement. An officer who retires before age 60 is entitled to an increase in pension on the January 1 occurring either on or after the attainment of age 60 or the first anniversary of the pension start date, whichever is later. The increase shall be equal to the lesser of 3% or $\frac{1}{2}$ of the annual increase in the CPI-U (measuring the change in prices for goods/services purchased by urban consumers.)

DISABILITY PENSION BENEFITS

A pension will be paid to an officer, regardless of age, if the officer is physically or mentally disabled from service in the police department. The disability benefits are the same for both Tier 1 and Tier 2 participants, however different levels of benefits are paid depending upon whether or not the medical condition is the result of a line-of-duty disability.

- Line-of-Duty Pensions. An officer who becomes disabled as a result of sickness, accident or injury incurred in or resulting from the performance of an act of duty is entitled to either (1) a pension equal to 65% of salary or (2) the service retirement pension that the officer has earned by virtue of his or her years of service, whichever is higher. Examples: An officer with 10 years of service who is disabled in the line-of-duty would receive a pension of 65% of salary. An officer with 28 years of service similarly disabled would receive a pension of 70% of pay (the amount he would receive if he retired under normal circumstances). There is no age requirement for a disability pension.

The monthly pension of an officer who retires on a line-of-duty disability pension is also increased each January 1st of the year following his or her 60th birthday by 3% of the original pension.

- Disability Pension – Not in Line of Duty. An officer who becomes disabled as a result of a cause other than performance of duty is entitled to a pension of 50% of salary.

The monthly pension of an officer who retires on a non-line of duty disability pension is increased each January 1st of the year following his or her 60th birthday, by 3% of the original pension.

Qualifying For Disability Pension. An officer must be found to be disabled by the Board of Trustees upon examination by 3 physicians selected by the Board and the examination of other evidence of disability as determined to be necessary by the Trustees. The Board of Trustees will review the evidence of disability at a formal hearing with legal counsel to the Board present. An applicant is entitled to have legal counsel present also and may introduce any other relevant evidence of disability. Once retired on disability, the retiree must produce evidence of continuing disability each year, until attainment of age 50.

The applicant has the burden to prove that he or she is eligible for a disability pension.

NOTE: Under certain circumstances, line-of-duty disability pensions may be reduced if the officer receives certain benefits under the worker compensation laws of the State.

Benefits for Short-Term Disability. Benefits for disabling conditions which are not expected to result in permanent and total disability are payable under the City's sick leave policy. Questions on these benefits should be referred to the City Personnel Office.

PENSIONS PAID TO SURVIVORS

Pensions are payable to the surviving spouse of a retiree or active employee (or in some circumstances payable to children age 18 or less or legally dependent parents when there is no surviving spouse) as described below. Note that there is no minimum age requirement for a survivor pension.

Survivors of a Tier 1 Participant

- **Spouse Surviving a Service or Disability Pension Recipient.** When an officer who is receiving a pension dies, the surviving spouse is entitled to receive the pension that the officer was then receiving at the time of death. If the retired officer was not yet 50 years old at the time of death, the survivor is entitled to the pension that the officer would have received upon attaining age 50.
- **Spouse Surviving an Active Police Officer / Death Not in the Line-of-Duty.** Upon the death of an active officer who has earned at least 20 years of creditable service, the survivor will receive a pension equal to the amount that the officer had earned by virtue of his or her years of service. For example, the spouse of an officer who died after 22 years of service would receive a pension of 55% of salary.

Upon the death of an officer having at least 10 years but less than 20 years of service, a pension of 50% of salary is payable.

Upon the death of an officer having less than 10 years of service, no pension is payable. The estate of the officer is entitled to a refund of the officer's pension contributions to the Fund.

- Spouse Surviving an Active Police Officer / Line-of-Duty Death. Upon the death of an active officer who dies as a result of sickness, accident or injury incurred and resulting from the performance of an act of duty on or after January 1, 2002, who without having begun to receive either a retirement pension or disability pension, is entitled to 100% of salary attached to the rank held by the deceased police officer on the last date of service.
- Increases in Survivor Pensions. The law does not provide for an annual increase to the pension received by a survivor. However, from time to time, the Illinois General Assembly and Governor may approve legislation to increase the minimum pension paid to survivors.

Survivors of a Tier 2 Participant

- Survivor Pension. Survivors of a Tier 2 Participant are entitled to receive 66 2/3% of the police officer's earned pension at the date of death.
- Increase in Survivor Pensions. Survivor benefits shall be increased annually by the lesser of 3% or ½ of the annual increase in the CPI-U beginning the year after the survivor turns age 60.

EMPLOYEE CONTRIBUTIONS and TAXATION

The pension benefits are partially funded by contributions made by active officers. The current contribution rate is 9.91% of salary (excluding overtime). The City has adopted a so-called "employer pick-up" of contributions which allow the contributions to be made on a tax-deferred basis. (Note that contributions made prior to January 1, 1983 were made on a non-tax deferred basis, which will result in a very small tax reduction at the time of retirement for officers employed prior to that date, in accordance with IRS regulations). Taxation of pensions by state governments is governed by state law. Illinois does not currently tax pension payments.

An officer who does not receive a pension from the Pension Fund is entitled to a refund of contributions made. Such a refund is eligible for a tax-deferred "rollover" to an Individual Retirement Account or other qualified pension plan, which accepts such contributions.

CREDITABLE SERVICE

Generally, creditable service is time served as an officer in the Des Plaines Police Department. Furloughs and suspensions in excess of 30 days are not counted, but leaves of absence due to illness or injury are counted. If a disabled officer returns to active service, up to 3 years of the period during which a disability pension was

received are counted towards creditable service, with some restrictions. Creditable service also includes service in the military forces of the United States entered into while an officer is on active police duty. Such military service is limited to 5 years. Creditable service may also include time served as an officer in a police-related association. Under any circumstances, earning of creditable service requires that the officer pay to the Fund the contributions that would have been paid had he or she been in actual police service.

Re-Entry. The pension laws contain provisions under which retirees may re-enter police service and earn additional creditable service in the Des Plaines Police Pension Fund. Refer to the statutes for additional information or contact a member of the Board of Trustees.

PORTABILITY OF SERVICE FROM ANOTHER FUND

The pension laws also allows credited service for service in another Illinois police pension fund (excluding Chicago) under 40 ILCS 5/3-110-d. If an officer has at least two years of service in another department prior to transferring to the Des Plaines Police Department, the officer may arrange for that service to be transferred for credit in the Des Plaines Police Pension Fund. The pension fund from which the officer is transferring will make a payment to the Des Plaines Police Pension Fund in the amount of the officer's contributions made to the fund that he or she is leaving, 6% annual interest on those contributions, and a second amount that is also equal to the officer's contributions and interest (which is assumed to be the municipality's share). However, if the Des Plaines Police Pension Fund finds that the amount transferred is less than the true cost of the credited service being transferred, the officer must pay an additional amount from personal funds so that the true cost of the transferred service is received by the Des Plaines Police Pension Fund.

An officer wishing to transfer credit may defer his or her decision until such time as a determination is made as to whether or not the officer will have to pay money to the Pension Fund from personal funds. Note that a calculation of the amount due must be performed by a qualified actuary retained by the Fund. Because of the cost involved, the Des Plaines Police Pension Fund will only pay for such a calculation to be made if so requested by an active Des Plaines police officer. This calculation will not be performed on behalf of applicants to become Des Plaines police officers who are not yet Des Plaines police officers.

The Des Plaines Police Pension Fund will cooperate fully with any city, village or police pension fund from another Illinois jurisdiction should a former Des Plaines officer desire to transfer credit to another pension fund covered under the Illinois statutes related to portability.

Illinois law also includes various provisions for transfer of service from a police pension fund to another Illinois public employee fund. Please refer to the statute for additional information.

OTHER ISSUES

“Self-Managed Plans” Under the Illinois Pension Code. Officers who review the pension statutes will note references to an option to participate in a self-managed plan instead of the defined benefit pension plan described in this *Guide*. Note that such self-managed plans have not yet been established by the State of Illinois.

Member Data for Participation. To insure coverage and benefits under the Pension Fund, officers should apply for participation and complete an Application For Membership form within three months of being hired. This form is available from the Police Pension Board of Trustees.

Application for Pension. This form is available from the Police Pension Board of Trustees.

Governance. The Fund is governed by a Board of Trustees consisting of two officers elected from among the active officers; one member elected from among the current Fund Beneficiaries (i.e., retirees, surviving spouses and disabled officers), and two members appointed by the Mayor. The Trustees have a fiduciary responsibility to govern the Fund in a prudent manner within the requirements and limitations of Illinois law. Meetings are held on the second Tuesday of February, April, June, August, October, and December and are open to the public except when personnel matters are discussed, as allowed by Illinois law. Trustees may not be paid for service as Trustees to the Fund.

Administrative Review. Final administrative decisions of the Board of Trustees are subject to judicial review under the Illinois Administrative Review Law.

Role of the Illinois Department of Insurance. The Department of Insurance is authorized under the statutes to create rules governing pension administration, to regulate public pension funds, to audit public pension funds, and to report to the Legislature as to the valuation of these funds. They may be contacted at the Public Pension Division, Illinois Department of Insurance, 320 W. Washington St., Springfield, IL 62767 or <https://insurance.illinois.gov/applications/pension/>.

Role of the City of Des Plaines. By law, the Des Plaines Finance Director is the Treasurer of the Police Pension Fund and is responsible for the collecting of funds, and custodianship of invested funds. The Mayor and City Council levy local taxes to support police pensions. Although the Des Plaines Police Pension Fund is an autonomous entity, the Pension Board of Trustees by practice adopts City policies regarding accounting records, budgetary practices, training and expense reimbursement policies, and similar rules and regulations.

Role of Professional Consultants. To assist the Board of Trustees in carrying out their duties, the Fund retains a qualified actuary, certified public accountant, investment managers, an investment consultant and independent legal counsel.

Address for Service . Des Plaines Police Pension Fund, 1420 Miner St. Room 406
Des Plaines, IL 60016 (847) 827-4804.

Statute Website. The State of Illinois has made the police pension statutes
available at the following Website:

<http://www.ilga.gov/legislation/ilcs/ilcs4.asp?DocName=004000050HArt%2E+3&ActID=638&ChapterID=9&SeqStart=15700000&SeqEnd=24100000>

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