



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB5540

Introduced 2/13/2026, by Rep. Tom Weber

SYNOPSIS AS INTRODUCED:

40 ILCS 5/7-141.5 new
215 ILCS 5/367j
30 ILCS 805/8.50 new

from Ch. 73, par. 979j

Amends the Illinois Municipal Retirement Fund (IMRF) Article of the Illinois Pension Code. Provides that, if the payment of a retirement annuity is made to an annuitant more than one month after that retirement annuity payment became payable, then the Fund shall pay interest to the annuitant in an amount equal to 6% of that payment of the retirement annuity. Amends the Illinois Insurance Code. In provisions concerning the municipal employee's continuance privilege, provides that if an employee has elected to have the monthly premium deducted by the Illinois Municipal Retirement Fund from the employee's monthly pension payment, then the Illinois Municipal Retirement Fund shall promptly remit the premium payments to the insurance company, regardless of whether the employee's monthly pension payment has been paid to the employee. Amends the State Mandates Act to require implementation without reimbursement.

LRB104 20668 RPS 34166 b

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning 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 adding
5 Section 7-141.5 as follows:

6 (40 ILCS 5/7-141.5 new)

7 Sec. 7-141.5. Retirement annuity; interest payment. If the
8 payment of a retirement annuity is made to an annuitant more
9 than one month after that retirement annuity payment became
10 payable, then the Fund shall pay interest to the annuitant in
11 an amount equal to 6% of that payment of the retirement
12 annuity.

13 Section 10. The Illinois Insurance Code is amended by
14 changing Section 367j as follows:

15 (215 ILCS 5/367j) (from Ch. 73, par. 979j)

16 Sec. 367j. Municipal employee's continuance privilege.

17 (a) As used in this Section:

18 (1) The term "creditable service" shall have the
19 meaning ascribed to it by Section 7-113 of the Illinois
20 Pension Code.

21 (2) The term "municipality" means any municipality,

1 instrumentality, or participating instrumentality (as
2 those terms are defined in Sections 7-105, 7-107 and
3 7-108, respectively, of the Illinois Pension Code) that
4 participates in the Illinois Municipal Retirement Fund
5 pursuant to Section 7-132 of the Illinois Pension Code.

6 (3) The term "employee" shall mean an employee as
7 defined in Section 7-109 of the Illinois Pension Code, but
8 does not include any person who is a deputy as defined in
9 Section 367h of this Code.

10 (4) The "retirement or disability period" of an
11 employee means the period:

12 (A) which begins on the day the employee is
13 removed from the municipality payroll because of the
14 occurrence of either of the following events: (i) the
15 employee retires from active service as an employee
16 with an attained age and accumulated creditable
17 service which together qualify the employee for
18 immediate receipt of retirement pension benefits under
19 Article 7 of the Illinois Pension Code, or (ii) the
20 employee's disability is established under Article 7
21 of the Illinois Pension Code; and

22 (B) which ends on the first to occur of any of the
23 following events: (i) the employee's reinstatement or
24 reentry into active service as provided for under
25 Article 7 of the Illinois Pension Code, (ii) the
26 employee's exercise of any refund option or acceptance

1 of any separation benefit available under Article 7 of
2 the Illinois Pension Code, (iii) the employee's loss
3 pursuant to Section 7-219 of the Illinois Pension Code
4 of any benefits provided for in Article 7 of that Code,
5 or (iv) the employee's death or, if at the time of the
6 employee's death the employee is survived by a spouse
7 who, in that capacity, is entitled to receive a
8 surviving spouse's monthly pension pursuant to Article
9 7 of the Illinois Pension Code, the death or
10 remarriage of that spouse.

11 (b) No policy of group accident and health insurance under
12 which employees of a municipality are insured for their
13 individual benefit shall be issued or delivered in this State
14 to a municipality unless such group policy provides for the
15 election of continued group insurance coverage for the
16 retirement or disability period of each employee who is
17 insured under the provisions of the group policy on the day
18 immediately preceding the day on which the retirement or
19 disability period of such employee begins. So long as any
20 required premiums for continued group insurance coverage are
21 paid in accordance with the provisions of the group policy, an
22 election made pursuant to this Section shall provide continued
23 group insurance coverage for an employee throughout the
24 retirement or disability period of the employee and, unless
25 the employee otherwise elects and subject to any other
26 provisions of the group policy which relate either to the

1 provision or to the termination of dependents' coverage and
2 which are not inconsistent with this Section, for any
3 dependents of the employee who are insured under the group
4 policy on the day immediately preceding the day on which the
5 retirement or disability period of the employee begins;
6 provided, however, that when such continued group insurance
7 coverage is in effect with respect to an employee on the date
8 of the employee's death but the retirement or disability
9 period of the employee does not end with the employee's death,
10 then the deceased employee's surviving spouse upon whose death
11 or remarriage such retirement or disability period will end
12 shall be entitled, without further election and upon payment
13 of any required premiums in accordance with the provisions of
14 the group policy, to maintain such continued group insurance
15 coverage in effect until the end of the retirement or
16 disability period. Continued group insurance coverage shall be
17 provided in accordance with this Section at the same premium
18 rate from time to time charged for equivalent coverage
19 provided under the group policy with respect to covered
20 employees whose retirement or disability period has not begun,
21 and no distinction or discrimination in the amount or rate of
22 premiums or in any waiver of premium or other benefit
23 provision shall be made between continued group insurance
24 coverage elected pursuant to this Section and equivalent
25 coverage provided to employees under the group policy other
26 than pursuant to the provisions of this Section; provided that

1 no municipality shall be required by reason of any provision
2 of this Section to pay any group insurance premium other than
3 one that may be negotiated in a collective bargaining
4 agreement. If the group policy provides for a reduction in
5 benefits and premium for insureds who become eligible for
6 medicare, such provision shall apply to persons electing
7 continued coverage under this Section.

8 Within 15 days of the beginning of the retirement or
9 disability period of any employee entitled to elect continued
10 group insurance coverage under any group policy affected by
11 this Section, the municipality last employing such employee
12 shall give written notice of such beginning by certified mail,
13 return receipt requested, to the insurance company issuing
14 such policy. The notice shall include the employee's name and
15 last known place of residence and the beginning date of the
16 employee's retirement or disability period.

17 Within 15 days of the date of receipt of such notice from
18 the municipality, the insurance company by certified mail,
19 return receipt requested, shall give written notice to the
20 employee at the employee's last known place of residence that
21 coverage under the group policy may be continued for the
22 retirement or disability period of the employee as provided in
23 this Section. Such notice shall set forth: (i) a statement of
24 election to be filed by the employee if the employee wishes to
25 continue such group insurance coverage, (ii) the amount of
26 monthly premium, including a statement of the portion of such

1 monthly premium attributable to any dependents' coverage which
2 the employee may elect, and (iii) instructions as to the
3 return of the election form to the insurance company issuing
4 such policy. Election shall be made, if at all, by returning
5 the statement of election to the insurance company by
6 certified mail, return receipt requested, within 15 days after
7 having received it.

8 If the employee elects to continue coverage, it shall be
9 the obligation of the employee to pay the monthly premium
10 directly to the municipality which shall forward it to the
11 insurance company issuing the group insurance policy, or as
12 otherwise directed by the insurance company; provided,
13 however, that the employee shall be entitled to designate on
14 the statement of election required to be filed with the
15 insurance company that the total monthly premium, or such
16 portion thereof as is not contributed by a municipality, be
17 deducted by the Illinois Municipal Retirement Fund from the
18 monthly pension payment otherwise payable to or on behalf of
19 the employee pursuant to Article 7 of the Illinois Pension
20 Code, and be remitted by such Fund to the insurance company. If
21 the employee has elected to have the monthly premium deducted
22 by the Illinois Municipal Retirement Fund from the employee's
23 monthly pension payment, then the Illinois Municipal
24 Retirement Fund shall promptly remit the premium payments to
25 the insurance company, regardless of whether the employee's
26 monthly pension payment has been paid to the employee. The

1 portion, if any, of the monthly premium contributed by a
2 municipality for such continued group insurance coverage shall
3 be paid by the municipality directly to the insurance company
4 issuing the group insurance policy, or as directed by the
5 insurance company. Such continued group insurance coverage
6 shall relate back to the beginning of the employee's
7 retirement or disability period.

8 The amendment, renewal or extension of any group insurance
9 policy affected by this Section shall be deemed to be the
10 issuance of a new policy of insurance for purposes of this
11 Section.

12 (c) In the event that a municipality makes a program of
13 accident, health, hospital or medical benefits available to
14 its employees through self-insurance, or by participation in a
15 pool or reciprocal insurer, or by contract in a form other than
16 a policy of group insurance with one or more medical service
17 plans, health care service corporations, health maintenance
18 organizations, or any other professional corporations or plans
19 under which health care or reimbursement for the costs thereof
20 is provided, whether the cost of such benefits is borne by the
21 municipality or the employees or both, such employees and
22 their surviving spouses shall have the same right to elect
23 continued coverage under such program of benefits as they
24 would have if such benefits were provided by a policy of group
25 accident and health insurance. In such cases, the notice of
26 right to elect continued coverage shall be sent by the

1 municipality; the statement of election shall be sent to the
2 municipality; and references to the required premium shall
3 refer to that portion of the cost of such benefits which is not
4 borne by the municipality, either voluntarily or pursuant to
5 the provisions of a collective bargaining agreement. In the
6 case of a municipality providing such benefits through
7 self-insurance or participation in a pool or reciprocal
8 insurer, the right to elect continued coverage which is
9 provided by this paragraph shall be implemented and made
10 available to the employees of the municipality and qualifying
11 surviving spouses not later than July 1, 1991.

12 The amendment, renewal or extension of any such contract
13 in a form other than a policy of group insurance policy shall
14 be deemed the formation of a new contract for the purposes of
15 this Section.

16 (d) This Section shall not limit the exercise of any
17 conversion privileges available under Section 367e.

18 (Source: P.A. 86-1444; 87-435.)

19 Section 90. The State Mandates Act is amended by adding
20 Section 8.50 as follows:

21 (30 ILCS 805/8.50 new)

22 Sec. 8.50. Exempt mandate. Notwithstanding Sections 6 and
23 8 of this Act, no reimbursement by the State is required for
24 the implementation of any mandate created by this amendatory

1 Act of the 104th General Assembly.