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103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB3504

Introduced 2/17/2023, by Rep. Michael T. Marron

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5
5 ILCS 375/6.6

Amends the State Employees Group Insurance Act of 1971. Provides that, at least 120 days prior to making any changes to the health benefits for TRS benefit recipients, the Department of Central Management Services shall post those changes on its website and shall submit the planned changes to the Commission on Government Forecasting and Accountability. Provides that at least 120 days prior to making any changes to funding for the Teacher Health Insurance Security Fund, the Department shall post those changes on its website and shall submit the planned changes to the Commission on Government Forecasting and Accountability.

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A BILL FOR

AN ACT concerning State government.

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

Section 5. The State Employees Group Insurance Act of 1971 is amended by changing Sections 6.5 and 6.6 as follows:

(5 ILCS 375/6.5)

Sec. 6.5. Health benefits for TRS benefit recipients and TRS dependent beneficiaries.

(a) Purpose. It is the purpose of this amendatory Act of 1995 to transfer the administration of the program of health benefits established for benefit recipients and their dependent beneficiaries under Article 16 of the Illinois Pension Code to the Department of Central Management Services.

(b) Transition provisions. The Board of Trustees of the Teachers' Retirement System shall continue to administer the health benefit program established under Article 16 of the Illinois Pension Code through December 31, 1995. Beginning January 1, 1996, the Department of Central Management Services shall be responsible for administering a program of health benefits for TRS benefit recipients and TRS dependent beneficiaries under this Section. The Department of Central Management Services and the Teachers' Retirement System shall cooperate in this endeavor and shall coordinate their activities so as to ensure a smooth transition and uninterrupted health benefit coverage.

(c) Eligibility. All persons who were enrolled in the Article 16 program at the time of the transfer shall be eligible to participate in the program established under this Section without any interruption or delay in coverage or limitation as to pre-existing medical conditions. Eligibility to participate shall be determined by the Teachers' Retirement System. Eligibility information shall be communicated to the Department of Central Management Services in a format acceptable to the Department.

Eligible TRS benefit recipients may enroll or re-enroll in the program of health benefits established under this Section during any applicable annual open enrollment period and as otherwise permitted by the Department of Central Management Services. A TRS benefit recipient shall not be deemed ineligible to participate solely by reason of the TRS benefit recipient having made a previous election to disenroll or otherwise not participate in the program of health benefits.

A TRS dependent beneficiary who is a child age 19 or over and mentally or physically disabled does not become ineligible to participate by reason of (i) becoming ineligible to be claimed as a dependent for Illinois or federal income tax purposes or (ii) receiving earned income, so long as those earnings are insufficient for the child to be fully self-sufficient.

(d) Coverage. The level of health benefits provided under this Section shall be similar to the level of benefits provided by the program previously established under Article 16 of the Illinois Pension Code.

Group life insurance benefits are not included in the benefits to be provided to TRS benefit recipients and TRS dependent beneficiaries under this Act.

The program of health benefits under this Section may include any or all of the benefit limitations, including but not limited to a reduction in benefits based on eligibility for federal Medicare benefits, that are provided under subsection (a) of Section 6 of this Act for other health benefit programs under this Act.

(e) Insurance rates and premiums. The Director shall determine the insurance rates and premiums for TRS benefit recipients and TRS dependent beneficiaries, and shall present to the Teachers' Retirement System of the State of Illinois, by April 15 of each calendar year, the rate-setting methodology (including but not limited to utilization levels and costs) used to determine the amount of the health care premiums.

For Fiscal Year 1996, the premium shall be equal to the premium actually charged in Fiscal Year 1995; in subsequent years, the premium shall never be lower than the premium charged in Fiscal Year 1995.

For Fiscal Year 2003, the premium shall not exceed

110% of the premium actually charged in Fiscal Year 2002.

For Fiscal Year 2004, the premium shall not exceed 112% of the premium actually charged in Fiscal Year 2003.

For Fiscal Year 2005, the premium shall not exceed a weighted average of 106.6% of the premium actually charged in Fiscal Year 2004.

For Fiscal Year 2006, the premium shall not exceed a weighted average of 109.1% of the premium actually charged in Fiscal Year 2005.

For Fiscal Year 2007, the premium shall not exceed a weighted average of 103.9% of the premium actually charged in Fiscal Year 2006.

For Fiscal Year 2008 and thereafter, the premium in each fiscal year shall not exceed 105% of the premium actually charged in the previous fiscal year.

Rates and premiums may be based in part on age and eligibility for federal medicare coverage. However, the cost of participation for a TRS dependent beneficiary who is an unmarried child age 19 or over and mentally or physically disabled shall not exceed the cost for a TRS dependent beneficiary who is an unmarried child under age 19 and participates in the same major medical or managed care program.

The cost of health benefits under the program shall be paid as follows:

(1) For a TRS benefit recipient selecting a managed

care program, up to 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting a managed care program, 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund.

(2) For a TRS benefit recipient selecting the major medical coverage program, up to 50% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is accessible, as determined by the Teachers' Retirement System. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting the major medical coverage program, 50% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is accessible, as determined by the Department of Central Management Services.

(3) For a TRS benefit recipient selecting the major medical coverage program, up to 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is not accessible, as determined by the Teachers' Retirement System. Effective with Fiscal Year 2007 and thereafter, for a TRS benefit recipient selecting the major medical coverage program, 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a

managed care program is not accessible, as determined by the Department of Central Management Services.

(3.1) For a TRS dependent beneficiary who is Medicare primary and enrolled in a managed care plan, or the major medical coverage program if a managed care plan is not available, 25% of the total insurance rate shall be paid from the Teacher Health Security Fund as determined by the Department of Central Management Services. For the purpose of this item (3.1), the term "TRS dependent beneficiary who is Medicare primary" means a TRS dependent beneficiary who is participating in Medicare Parts A and B.

(4) Except as otherwise provided in item (3.1), the balance of the rate of insurance, including the entire premium of any coverage for TRS dependent beneficiaries that has been elected, shall be paid by deductions authorized by the TRS benefit recipient to be withheld from his or her monthly annuity or benefit payment from the Teachers' Retirement System; except that (i) if the balance of the cost of coverage exceeds the amount of the monthly annuity or benefit payment, the difference shall be paid directly to the Teachers' Retirement System by the TRS benefit recipient, and (ii) all or part of the balance of the cost of coverage may, at the school board's option, be paid to the Teachers' Retirement System by the school board of the school district from which the TRS benefit recipient retired, in accordance with Section 10-22.3b of

the School Code. The Teachers' Retirement System shall promptly deposit all moneys withheld by or paid to it under this subdivision (e)(4) into the Teacher Health Insurance Security Fund. These moneys shall not be considered assets of the Retirement System.

(5) If, for any month beginning on or after January 1, 2013, a TRS benefit recipient or TRS dependent beneficiary was enrolled in Medicare Parts A and B and such Medicare coverage was primary to coverage under this Section but payment for coverage under this Section was made at a rate greater than the Medicare primary rate published by the Department of Central Management Services, the TRS benefit recipient or TRS dependent beneficiary shall be eligible for a refund equal to the difference between the amount paid by the TRS benefit recipient or TRS dependent beneficiary and the published Medicare primary rate. To receive a refund pursuant to this subsection, the TRS benefit recipient or TRS dependent beneficiary must provide documentation to the Department of Central Management Services evidencing the TRS benefit recipient's or TRS dependent beneficiary's Medicare coverage and the amount paid by the TRS benefit recipient or TRS dependent beneficiary during the applicable time period.

(f) Financing. Beginning July 1, 1995, all revenues arising from the administration of the health benefit programs established under Article 16 of the Illinois Pension Code or this Section shall be deposited into the Teacher Health Insurance Security Fund, which is hereby created as a nonappropriated trust fund to be held outside the State Treasury, with the State Treasurer as custodian. Any interest earned on moneys in the Teacher Health Insurance Security Fund shall be deposited into the Fund.

Moneys in the Teacher Health Insurance Security Fund shall be used only to pay the costs of the health benefit program established under this Section, including associated administrative costs, and the costs associated with the health benefit program established under Article 16 of the Illinois Pension Code, as authorized in this Section. Beginning July 1, 1995, the Department of Central Management Services may make expenditures from the Teacher Health Insurance Security Fund for those costs.

After other funds authorized for the payment of the costs of the health benefit program established under Article 16 of the Illinois Pension Code are exhausted and until January 1, 1996 (or such later date as may be agreed upon by the Director of Central Management Services and the Secretary of the Teachers' Retirement System), the Secretary of the Teachers' Retirement System may make expenditures from the Teacher Health Insurance Security Fund as necessary to pay up to 75% of the cost of providing health coverage to eligible benefit recipients (as defined in Sections 16-153.1 and 16-153.3 of the Illinois Pension Code) who are enrolled in the Article 16 health benefit program and to facilitate the transfer of administration of the health benefit program to the Department of Central Management Services.

The Department of Central Management Services, or any successor agency designated to procure healthcare contracts pursuant to this Act, is authorized to establish funds, separate accounts provided by any bank or banks as defined by the Illinois Banking Act, or separate accounts provided by any savings and loan association or associations as defined by the Illinois Savings and Loan Act of 1985 to be held by the Director, outside the State treasury, for the purpose of receiving the transfer of moneys from the Teacher Health Insurance Security Fund. The Department may promulgate rules further defining the methodology for the transfers. Any interest earned by moneys in the funds or accounts shall inure to the Teacher Health Insurance Security Fund. The transferred moneys, and interest accrued thereon, shall be used exclusively for transfers to administrative service organizations or their financial institutions for payments of claims to claimants and providers under the self-insurance health plan. The transferred moneys, and interest accrued thereon, shall not be used for any other purpose including, but not limited to, reimbursement of administration fees due the administrative service organization pursuant to its contract or contracts with the Department.

(g) Contract for benefits. The Director shall by contract, self-insurance, or otherwise make available the program of health benefits for TRS benefit recipients and their TRS dependent beneficiaries that is provided for in this Section. The contract or other arrangement for the provision of these health benefits shall be on terms deemed by the Director to be in the best interest of the State of Illinois and the TRS benefit recipients based on, but not limited to, such criteria as administrative cost, service capabilities of the carrier or other contractor, and the costs of the benefits.

(g-5) Committee. A Teacher Retirement Insurance Program Committee shall be established, to consist of 10 persons appointed by the Governor.

The Committee shall convene at least 4 times each year, and shall consider and make recommendations on issues affecting the program of health benefits provided under this Section. Recommendations of the Committee shall be based on a consensus of the members of the Committee.

If the Teacher Health Insurance Security Fund experiences a deficit balance based upon the contribution and subsidy rates established in this Section and Section 6.6 for Fiscal Year 2008 or thereafter, the Committee shall make recommendations for adjustments to the funding sources established under these Sections.

In addition, the Committee shall identify proposed solutions to the funding shortfalls that are affecting the Teacher Health Insurance Security Fund, and it shall report those solutions to the Governor and the General Assembly within 6 months after August 15, 2011 (the effective date of Public Act 97-386).

(h) Continuation of program. It is the intention of the General Assembly that the program of health benefits provided under this Section be maintained on an ongoing, affordable basis.

The program of health benefits provided under this Section may be amended by the State and is not intended to be a pension or retirement benefit subject to protection under Article XIII, Section 5 of the Illinois Constitution.

(i) Repeal. (Blank).

(j) At least 120 days prior to making any changes to the benefits allowed under this Section the Department shall post those changes on its website and shall submit the planned changes to the Commission on Government Forecasting and Accountability.

(Source: P.A. 101-483, eff. 1-1-20; 102-210, eff. 7-30-21.)

(5 ILCS 375/6.6)

Sec. 6.6. Contributions to the Teacher Health Insurance Security Fund.

(a) Beginning July 1, 1995, all active contributors of the Teachers' Retirement System (established under Article 16 of the Illinois Pension Code) who are not employees of a department as defined in Section 3 of this Act shall make contributions toward the cost of annuitant and survivor health benefits. These contributions shall be at the following rates: until January 1, 2002, 0.5% of salary; beginning January 1, 2002, 0.65% of salary; beginning July 1, 2003, 0.75% of salary; beginning July 1, 2005, 0.80% of salary; beginning July 1, 2007, a percentage of salary to be determined by the Department of Central Management Services by rule, which in each fiscal year shall not exceed 105% of the percentage of salary actually required to be paid in the previous fiscal year.

These contributions shall be deducted by the employer and paid to the System as service agent for the Department of Central Management Services. The System may use the same processes for collecting the contributions required by this subsection that it uses to collect contributions received from school districts and other covered employers under Sections 16-154 and 16-155 of the Illinois Pension Code.

An employer may agree to pick up or pay the contributions required under this subsection on behalf of the teacher; such contributions shall be deemed to have to have been paid by the teacher. Beginning January 1, 2002, if the employer does not directly pay the required member contribution, then the employer shall reduce the member's salary by an amount equal to the required contribution and shall then pay the contribution on behalf of the member. This reduction shall not change the amounts reported as creditable earnings to the

Teachers' Retirement System.

A person who purchases optional service credit under Article 16 of the Illinois Pension Code for a period after June 30, 1995 must also make a contribution under this subsection for that optional credit, at the rate provided in subsection (a), based on the salary used in computing the optional service credit, plus interest on this employee contribution. This contribution shall be collected by the System as service agent for the Department of Central Management Services. The contribution required under this subsection for the optional service credit must be paid in full before any annuity based on that credit begins.

(a-5) Beginning January 1, 2002, every employer of a teacher (other than an employer that is a department as defined in Section 3 of this Act) shall pay an employer contribution toward the cost of annuitant and survivor health benefits. These contributions shall be computed as follows:

(1) Beginning January 1, 2002 through June 30, 2003, the employer contribution shall be equal to 0.4% of each teacher's salary.

(2) Beginning July 1, 2003, the employer contribution shall be equal to 0.5% of each teacher's salary.

(3) Beginning July 1, 2005, the employer contribution shall be equal to 0.6% of each teacher's salary.

(4) Beginning July 1, 2007, the employer contribution shall be a percentage of each teacher's salary to be

determined by the Department of Central Management Services by rule, which in each fiscal year shall not exceed 105% of the percentage of each teacher's salary actually required to be paid in the previous fiscal year.

These contributions shall be paid by the employer to the System as service agent for the Department of Central Management Services. The System may use the same processes for collecting the contributions required by this subsection that it uses to collect contributions received from school districts and other covered employers under the Illinois Pension Code.

The school district or other employing unit may pay these employer contributions out of any source of funding available for that purpose and shall forward the contributions to the System on the schedule established for the payment of member contributions.

(b) The Teachers' Retirement System shall promptly deposit all moneys collected under subsections (a) and (a-5) of this Section into the Teacher Health Insurance Security Fund created in Section 6.5 of this Act. The moneys collected under this Section shall be used only for the purposes authorized in Section 6.5 of this Act and shall not be considered to be assets of the Teachers' Retirement System. Contributions made under this Section are not transferable to other pension funds or retirement systems and are not refundable upon termination of service.

(c) On or before November 15 of each year, the Board of Trustees of the Teachers' Retirement System shall certify to the Governor, the Director of Central Management Services, and the State Comptroller its estimate of the total amount of contributions to be paid under subsection (a) of this Section 6.6 for the next fiscal year. The amount certified shall be decreased or increased each year by the amount that the actual active teacher contributions either fell short of or exceeded the estimate used by the Board in making the certification for the previous fiscal year. The certification shall include a detailed explanation of the methods and information that the Board relied upon in preparing its estimate. As soon as possible after the effective date of this amendatory Act of the 92nd General Assembly, the Board shall recalculate and recertify its certifications for fiscal years 2002 and 2003.

(d) Beginning in fiscal year 1996, on the first day of each month, or as soon thereafter as may be practical, the State Treasurer and the State Comptroller shall transfer from the General Revenue Fund to the Teacher Health Insurance Security Fund 1/12 of the annual amount appropriated for that fiscal year to the State Comptroller for deposit into the Teacher Health Insurance Security Fund under Section 1.3 of the State Pension Funds Continuing Appropriation Act.

(e) Except where otherwise specified in this Section, the definitions that apply to Article 16 of the Illinois Pension Code apply to this Section.

(f) (Blank).

<u>(g) At least 120 days prior to making any changes to the funding under this Section the Department shall make those changes available on its website and shall submit the planned changes to the Commission on Government Forecasting and Accountability.</u>

(Source: P.A. 92-505, eff. 12-20-01; 93-679, eff. 6-30-04.)