



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB4699

Introduced 2/6/2024, by Rep. Tim Ozinga

SYNOPSIS AS INTRODUCED:

5 ILCS 375/3	from Ch. 127, par. 523
5 ILCS 375/10	from Ch. 127, par. 530
40 ILCS 5/2-105.3	
40 ILCS 5/2-162	
40 ILCS 5/2-165.5 new	
40 ILCS 5/20-121	from Ch. 108 1/2, par. 20-121
40 ILCS 5/20-123	from Ch. 108 1/2, par. 20-123
40 ILCS 5/20-124	from Ch. 108 1/2, par. 20-124
40 ILCS 5/20-125	from Ch. 108 1/2, par. 20-125

Amends the General Assembly Article of the Illinois Pension Code. Requires the System to implement a Tier 3 plan by July 1, 2025 that aggregates State and employee contributions in individual participant accounts that are used for payouts after retirement. Provides that a person who becomes a participant of a System on or after July 1, 2025 shall participate in the Tier 3 plan instead of the defined benefit plan. Authorizes a Tier 1 or Tier 2 participant to elect to participate in the Tier 3 plan instead of the defined benefit plan and to also elect to terminate all participation in the defined benefit plan and to have a specified amount credited to his or her account. Makes related changes in the Retirement Systems Reciprocal Act (Article 20 of the Illinois Pension Code) and the State Employees Group Insurance Act of 1971. Effective immediately.

LRB103 38255 RPS 68390 b

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 State Employees Group Insurance Act of 1971
5 is amended by changing Sections 3 and 10 as follows:

6 (5 ILCS 375/3) (from Ch. 127, par. 523)

7 Sec. 3. Definitions. Unless the context otherwise
8 requires, the following words and phrases as used in this Act
9 shall have the following meanings. The Department may define
10 these and other words and phrases separately for the purpose
11 of implementing specific programs providing benefits under
12 this Act.

13 (a) "Administrative service organization" means any
14 person, firm or corporation experienced in the handling of
15 claims which is fully qualified, financially sound and capable
16 of meeting the service requirements of a contract of
17 administration executed with the Department.

18 (b) "Annuitant" means (1) an employee who retires, or has
19 retired, on or after January 1, 1966 on an immediate annuity
20 under the provisions of Article ~~Articles~~ 2 (including an
21 employee who, in lieu of receiving an annuity under that
22 Article, has retired under the Tier 3 plan established under
23 Section 2-165.5 of that Article), 14 (including an employee

1 who has elected to receive an alternative retirement
2 cancellation payment under Section 14-108.5 of the Illinois
3 Pension Code in lieu of an annuity or who meets the criteria
4 for retirement, but in lieu of receiving an annuity under that
5 Article has elected to receive an accelerated pension benefit
6 payment under Section 14-147.5 of that Article), 15 (including
7 an employee who has retired under the optional retirement
8 program established under Section 15-158.2 or who meets the
9 criteria for retirement but in lieu of receiving an annuity
10 under that Article has elected to receive an accelerated
11 pension benefit payment under Section 15-185.5 of the
12 Article), paragraph (2), (3), or (5) of Section 16-106
13 (including an employee who meets the criteria for retirement,
14 but in lieu of receiving an annuity under that Article has
15 elected to receive an accelerated pension benefit payment
16 under Section 16-190.5 of the Illinois Pension Code), or
17 Article 18 of the Illinois Pension Code; (2) any person who was
18 receiving group insurance coverage under this Act as of March
19 31, 1978 by reason of his status as an annuitant, even though
20 the annuity in relation to which such coverage was provided is
21 a proportional annuity based on less than the minimum period
22 of service required for a retirement annuity in the system
23 involved; (3) any person not otherwise covered by this Act who
24 has retired as a participating member under Article 2 of the
25 Illinois Pension Code but is ineligible for the retirement
26 annuity under Section 2-119 of the Illinois Pension Code; (4)

1 the spouse of any person who is receiving a retirement annuity
2 under Article 18 of the Illinois Pension Code and who is
3 covered under a group health insurance program sponsored by a
4 governmental employer other than the State of Illinois and who
5 has irrevocably elected to waive his or her coverage under
6 this Act and to have his or her spouse considered as the
7 "annuitant" under this Act and not as a "dependent"; or (5) an
8 employee who retires, or has retired, from a qualified
9 position, as determined according to rules promulgated by the
10 Director, under a qualified local government, a qualified
11 rehabilitation facility, a qualified domestic violence shelter
12 or service, or a qualified child advocacy center. (For
13 definition of "retired employee", see (p) post).

14 (b-5) (Blank).

15 (b-6) (Blank).

16 (b-7) (Blank).

17 (c) "Carrier" means (1) an insurance company, a
18 corporation organized under the Limited Health Service
19 Organization Act or the Voluntary Health Services Plans Act, a
20 partnership, or other nongovernmental organization, which is
21 authorized to do group life or group health insurance business
22 in Illinois, or (2) the State of Illinois as a self-insurer.

23 (d) "Compensation" means salary or wages payable on a
24 regular payroll by the State Treasurer on a warrant of the
25 State Comptroller out of any State, trust or federal fund, or
26 by the Governor of the State through a disbursing officer of

1 the State out of a trust or out of federal funds, or by any
2 Department out of State, trust, federal or other funds held by
3 the State Treasurer or the Department, to any person for
4 personal services currently performed, and ordinary or
5 accidental disability benefits under Articles 2, 14, or 15
6 (including ordinary or accidental disability benefits under
7 the optional retirement program established under Section
8 15-158.2), paragraph (2), (3), or (5) of Section 16-106, or
9 Article 18 of the Illinois Pension Code, for disability
10 incurred after January 1, 1966, or benefits payable under the
11 Workers' Compensation or Occupational Diseases Act or benefits
12 payable under a sick pay plan established in accordance with
13 Section 36 of the State Finance Act. "Compensation" also means
14 salary or wages paid to an employee of any qualified local
15 government, qualified rehabilitation facility, qualified
16 domestic violence shelter or service, or qualified child
17 advocacy center.

18 (e) "Commission" means the State Employees Group Insurance
19 Advisory Commission authorized by this Act. Commencing July 1,
20 1984, "Commission" as used in this Act means the Commission on
21 Government Forecasting and Accountability as established by
22 the Legislative Commission Reorganization Act of 1984.

23 (f) "Contributory", when referred to as contributory
24 coverage, shall mean optional coverages or benefits elected by
25 the member toward the cost of which such member makes
26 contribution, or which are funded in whole or in part through

1 the acceptance of a reduction in earnings or the foregoing of
2 an increase in earnings by an employee, as distinguished from
3 noncontributory coverage or benefits which are paid entirely
4 by the State of Illinois without reduction of the member's
5 salary.

6 (g) "Department" means any department, institution, board,
7 commission, officer, court or any agency of the State
8 government receiving appropriations and having power to
9 certify payrolls to the Comptroller authorizing payments of
10 salary and wages against such appropriations as are made by
11 the General Assembly from any State fund, or against trust
12 funds held by the State Treasurer and includes boards of
13 trustees of the retirement systems created by Articles 2, 14,
14 15, 16, and 18 of the Illinois Pension Code. "Department" also
15 includes the Illinois Comprehensive Health Insurance Board,
16 the Board of Examiners established under the Illinois Public
17 Accounting Act, and the Illinois Finance Authority.

18 (h) "Dependent", when the term is used in the context of
19 the health and life plan, means a member's spouse and any child
20 (1) from birth to age 26 including an adopted child, a child
21 who lives with the member from the time of the placement for
22 adoption until entry of an order of adoption, a stepchild or
23 adjudicated child, or a child who lives with the member if such
24 member is a court appointed guardian of the child or (2) age 19
25 or over who has a mental or physical disability from a cause
26 originating prior to the age of 19 (age 26 if enrolled as an

1 adult child dependent). For the health plan only, the term
2 "dependent" also includes (1) any person enrolled prior to the
3 effective date of this Section who is dependent upon the
4 member to the extent that the member may claim such person as a
5 dependent for income tax deduction purposes and (2) any person
6 who has received after June 30, 2000 an organ transplant and
7 who is financially dependent upon the member and eligible to
8 be claimed as a dependent for income tax purposes. A member
9 requesting to cover any dependent must provide documentation
10 as requested by the Department of Central Management Services
11 and file with the Department any and all forms required by the
12 Department.

13 (i) "Director" means the Director of the Illinois
14 Department of Central Management Services.

15 (j) "Eligibility period" means the period of time a member
16 has to elect enrollment in programs or to select benefits
17 without regard to age, sex or health.

18 (k) "Employee" means and includes each officer or employee
19 in the service of a department who (1) receives his
20 compensation for service rendered to the department on a
21 warrant issued pursuant to a payroll certified by a department
22 or on a warrant or check issued and drawn by a department upon
23 a trust, federal or other fund or on a warrant issued pursuant
24 to a payroll certified by an elected or duly appointed officer
25 of the State or who receives payment of the performance of
26 personal services on a warrant issued pursuant to a payroll

1 certified by a Department and drawn by the Comptroller upon
2 the State Treasurer against appropriations made by the General
3 Assembly from any fund or against trust funds held by the State
4 Treasurer, and (2) is employed full-time or part-time in a
5 position normally requiring actual performance of duty during
6 not less than 1/2 of a normal work period, as established by
7 the Director in cooperation with each department, except that
8 persons elected by popular vote will be considered employees
9 during the entire term for which they are elected regardless
10 of hours devoted to the service of the State, and (3) except
11 that "employee" does not include any person who is not
12 eligible by reason of such person's employment to participate
13 in one of the State retirement systems under Articles 2, 14, 15
14 (either the regular Article 15 system or the optional
15 retirement program established under Section 15-158.2), or 18,
16 or under paragraph (2), (3), or (5) of Section 16-106, of the
17 Illinois Pension Code, but such term does include persons who
18 are employed during the 6-month qualifying period under
19 Article 14 of the Illinois Pension Code. Such term also
20 includes any person who (1) after January 1, 1966, is
21 receiving ordinary or accidental disability benefits under
22 Articles 2, 14, 15 (including ordinary or accidental
23 disability benefits under the optional retirement program
24 established under Section 15-158.2), paragraph (2), (3), or
25 (5) of Section 16-106, or Article 18 of the Illinois Pension
26 Code, for disability incurred after January 1, 1966, (2)

1 receives total permanent or total temporary disability under
2 the Workers' Compensation Act or Occupational Disease Act as a
3 result of injuries sustained or illness contracted in the
4 course of employment with the State of Illinois, or (3) is not
5 otherwise covered under this Act and has retired as a
6 participating member under Article 2 of the Illinois Pension
7 Code but is ineligible for the retirement annuity under
8 Section 2-119 of the Illinois Pension Code. However, a person
9 who satisfies the criteria of the foregoing definition of
10 "employee" except that such person is made ineligible to
11 participate in the State Universities Retirement System by
12 clause (4) of subsection (a) of Section 15-107 of the Illinois
13 Pension Code is also an "employee" for the purposes of this
14 Act. "Employee" also includes any person receiving or eligible
15 for benefits under a sick pay plan established in accordance
16 with Section 36 of the State Finance Act. "Employee" also
17 includes (i) each officer or employee in the service of a
18 qualified local government, including persons appointed as
19 trustees of sanitary districts regardless of hours devoted to
20 the service of the sanitary district, (ii) each employee in
21 the service of a qualified rehabilitation facility, (iii) each
22 full-time employee in the service of a qualified domestic
23 violence shelter or service, and (iv) each full-time employee
24 in the service of a qualified child advocacy center, as
25 determined according to rules promulgated by the Director.

26 (1) "Member" means an employee, annuitant, retired

1 employee, or survivor. In the case of an annuitant or retired
2 employee who first becomes an annuitant or retired employee on
3 or after January 13, 2012 (the effective date of Public Act
4 97-668), the individual must meet the minimum vesting
5 requirements of the applicable retirement system in order to
6 be eligible for group insurance benefits under that system. In
7 the case of a survivor who is not entitled to occupational
8 death benefits pursuant to an applicable retirement system or
9 death benefits pursuant to the Illinois Workers' Compensation
10 Act, and who first becomes a survivor on or after January 13,
11 2012 (the effective date of Public Act 97-668), the deceased
12 employee, annuitant, or retired employee upon whom the annuity
13 is based must have been eligible to participate in the group
14 insurance system under the applicable retirement system in
15 order for the survivor to be eligible for group insurance
16 benefits under that system.

17 In the case of a survivor who is entitled to occupational
18 death benefits pursuant to the deceased employee's applicable
19 retirement system or death benefits pursuant to the Illinois
20 Workers' Compensation Act, and first becomes a survivor on or
21 after January 1, 2022, the survivor is eligible for group
22 health insurance benefits regardless of the deceased
23 employee's minimum vesting requirements under the applicable
24 retirement system, with a State contribution rate of 100%,
25 until an unmarried child dependent reaches the age of 18, or
26 the age of 22 if the dependent child is a full-time student, or

1 until the adult survivor becomes eligible for benefits under
2 the federal Medicare health insurance program (Title XVIII of
3 the Social Security Act, as added by Public Law 89-97). In the
4 case of a survivor currently receiving occupational death
5 benefits pursuant to the deceased employee's applicable
6 retirement system or has received death benefits pursuant to
7 the Illinois Workers' Compensation Act, who first became a
8 survivor prior to January 1, 2022, the survivor is eligible
9 for group health insurance benefits regardless of the deceased
10 employee's minimum vesting requirements under the applicable
11 retirement system, with a State contribution rate of 100%,
12 until an unmarried child dependent reaches the age of 18, or
13 the age of 22 if the dependent child is a full-time student, or
14 until the adult survivor becomes eligible for benefits under
15 the federal Medicare health insurance program (Title XVIII of
16 the Social Security Act, as added by Public Law 89-97). The
17 changes made by this amendatory Act of the 102nd General
18 Assembly with respect to survivors who first became survivors
19 prior to January 1, 2022 shall apply upon request of the
20 survivor on or after the effective date of this amendatory Act
21 of the 102nd General Assembly.

22 (m) "Optional coverages or benefits" means those coverages
23 or benefits available to the member on his or her voluntary
24 election, and at his or her own expense.

25 (n) "Program" means the group life insurance, health
26 benefits and other employee benefits designed and contracted

1 for by the Director under this Act.

2 (o) "Health plan" means a health benefits program offered
3 by the State of Illinois for persons eligible for the plan.

4 (p) "Retired employee" means any person who would be an
5 annuitant as that term is defined herein but for the fact that
6 such person retired prior to January 1, 1966. Such term also
7 includes any person formerly employed by the University of
8 Illinois in the Cooperative Extension Service who would be an
9 annuitant but for the fact that such person was made
10 ineligible to participate in the State Universities Retirement
11 System by clause (4) of subsection (a) of Section 15-107 of the
12 Illinois Pension Code.

13 (q) "Survivor" means a person receiving an annuity as a
14 survivor of an employee or of an annuitant. "Survivor" also
15 includes: (1) the surviving dependent of a person who
16 satisfies the definition of "employee" except that such person
17 is made ineligible to participate in the State Universities
18 Retirement System by clause (4) of subsection (a) of Section
19 15-107 of the Illinois Pension Code; (2) the surviving
20 dependent of any person formerly employed by the University of
21 Illinois in the Cooperative Extension Service who would be an
22 annuitant except for the fact that such person was made
23 ineligible to participate in the State Universities Retirement
24 System by clause (4) of subsection (a) of Section 15-107 of the
25 Illinois Pension Code; (3) the surviving dependent of a person
26 who was an annuitant under this Act by virtue of receiving an

1 alternative retirement cancellation payment under Section
2 14-108.5 of the Illinois Pension Code; and (4) a person who
3 would be receiving an annuity as a survivor of an annuitant
4 except that the annuitant elected on or after June 4, 2018 to
5 receive an accelerated pension benefit payment under Section
6 14-147.5, 15-185.5, or 16-190.5 of the Illinois Pension Code
7 in lieu of receiving an annuity.

8 (q-2) "SERS" means the State Employees' Retirement System
9 of Illinois, created under Article 14 of the Illinois Pension
10 Code.

11 (q-3) "SURS" means the State Universities Retirement
12 System, created under Article 15 of the Illinois Pension Code.

13 (q-4) "TRS" means the Teachers' Retirement System of the
14 State of Illinois, created under Article 16 of the Illinois
15 Pension Code.

16 (q-5) (Blank).

17 (q-6) (Blank).

18 (q-7) (Blank).

19 (r) "Medical services" means the services provided within
20 the scope of their licenses by practitioners in all categories
21 licensed under the Medical Practice Act of 1987.

22 (s) "Unit of local government" means any county,
23 municipality, township, school district (including a
24 combination of school districts under the Intergovernmental
25 Cooperation Act), special district or other unit, designated
26 as a unit of local government by law, which exercises limited

1 governmental powers or powers in respect to limited
2 governmental subjects, any not-for-profit association with a
3 membership that primarily includes townships and township
4 officials, that has duties that include provision of research
5 service, dissemination of information, and other acts for the
6 purpose of improving township government, and that is funded
7 wholly or partly in accordance with Section 85-15 of the
8 Township Code; any not-for-profit corporation or association,
9 with a membership consisting primarily of municipalities, that
10 operates its own utility system, and provides research,
11 training, dissemination of information, or other acts to
12 promote cooperation between and among municipalities that
13 provide utility services and for the advancement of the goals
14 and purposes of its membership; the Southern Illinois
15 Collegiate Common Market, which is a consortium of higher
16 education institutions in Southern Illinois; the Illinois
17 Association of Park Districts; and any hospital provider that
18 is owned by a county that has 100 or fewer hospital beds and
19 has not already joined the program. "Qualified local
20 government" means a unit of local government approved by the
21 Director and participating in a program created under
22 subsection (i) of Section 10 of this Act.

23 (t) "Qualified rehabilitation facility" means any
24 not-for-profit organization that is accredited by the
25 Commission on Accreditation of Rehabilitation Facilities or
26 certified by the Department of Human Services (as successor to

1 the Department of Mental Health and Developmental
2 Disabilities) to provide services to persons with disabilities
3 and which receives funds from the State of Illinois for
4 providing those services, approved by the Director and
5 participating in a program created under subsection (j) of
6 Section 10 of this Act.

7 (u) "Qualified domestic violence shelter or service" means
8 any Illinois domestic violence shelter or service and its
9 administrative offices funded by the Department of Human
10 Services (as successor to the Illinois Department of Public
11 Aid), approved by the Director and participating in a program
12 created under subsection (k) of Section 10.

13 (v) "TRS benefit recipient" means a person who:

14 (1) is not a "member" as defined in this Section; and

15 (2) is receiving a monthly benefit or retirement
16 annuity under Article 16 of the Illinois Pension Code or
17 would be receiving such monthly benefit or retirement
18 annuity except that the benefit recipient elected on or
19 after June 4, 2018 to receive an accelerated pension
20 benefit payment under Section 16-190.5 of the Illinois
21 Pension Code in lieu of receiving an annuity; and

22 (3) either (i) has at least 8 years of creditable
23 service under Article 16 of the Illinois Pension Code, or
24 (ii) was enrolled in the health insurance program offered
25 under that Article on January 1, 1996, or (iii) is the
26 survivor of a benefit recipient who had at least 8 years of

1 creditable service under Article 16 of the Illinois
2 Pension Code or was enrolled in the health insurance
3 program offered under that Article on June 21, 1995 (the
4 effective date of Public Act 89-25), or (iv) is a
5 recipient or survivor of a recipient of a disability
6 benefit under Article 16 of the Illinois Pension Code.

7 (w) "TRS dependent beneficiary" means a person who:

8 (1) is not a "member" or "dependent" as defined in
9 this Section; and

10 (2) is a TRS benefit recipient's: (A) spouse, (B)
11 dependent parent who is receiving at least half of his or
12 her support from the TRS benefit recipient, or (C)
13 natural, step, adjudicated, or adopted child who is (i)
14 under age 26, (ii) was, on January 1, 1996, participating
15 as a dependent beneficiary in the health insurance program
16 offered under Article 16 of the Illinois Pension Code, or
17 (iii) age 19 or over who has a mental or physical
18 disability from a cause originating prior to the age of 19
19 (age 26 if enrolled as an adult child).

20 "TRS dependent beneficiary" does not include, as indicated
21 under paragraph (2) of this subsection (w), a dependent of the
22 survivor of a TRS benefit recipient who first becomes a
23 dependent of a survivor of a TRS benefit recipient on or after
24 January 13, 2012 (the effective date of Public Act 97-668)
25 unless that dependent would have been eligible for coverage as
26 a dependent of the deceased TRS benefit recipient upon whom

1 the survivor benefit is based.

2 (x) "Military leave" refers to individuals in basic
3 training for reserves, special/advanced training, annual
4 training, emergency call up, activation by the President of
5 the United States, or any other training or duty in service to
6 the United States Armed Forces.

7 (y) (Blank).

8 (z) "Community college benefit recipient" means a person
9 who:

10 (1) is not a "member" as defined in this Section; and

11 (2) is receiving a monthly survivor's annuity or
12 retirement annuity under Article 15 of the Illinois
13 Pension Code or would be receiving such monthly survivor's
14 annuity or retirement annuity except that the benefit
15 recipient elected on or after June 4, 2018 to receive an
16 accelerated pension benefit payment under Section 15-185.5
17 of the Illinois Pension Code in lieu of receiving an
18 annuity; and

19 (3) either (i) was a full-time employee of a community
20 college district or an association of community college
21 boards created under the Public Community College Act
22 (other than an employee whose last employer under Article
23 15 of the Illinois Pension Code was a community college
24 district subject to Article VII of the Public Community
25 College Act) and was eligible to participate in a group
26 health benefit plan as an employee during the time of

1 employment with a community college district (other than a
2 community college district subject to Article VII of the
3 Public Community College Act) or an association of
4 community college boards, or (ii) is the survivor of a
5 person described in item (i).

6 (aa) "Community college dependent beneficiary" means a
7 person who:

8 (1) is not a "member" or "dependent" as defined in
9 this Section; and

10 (2) is a community college benefit recipient's: (A)
11 spouse, (B) dependent parent who is receiving at least
12 half of his or her support from the community college
13 benefit recipient, or (C) natural, step, adjudicated, or
14 adopted child who is (i) under age 26, or (ii) age 19 or
15 over and has a mental or physical disability from a cause
16 originating prior to the age of 19 (age 26 if enrolled as
17 an adult child).

18 "Community college dependent beneficiary" does not
19 include, as indicated under paragraph (2) of this subsection
20 (aa), a dependent of the survivor of a community college
21 benefit recipient who first becomes a dependent of a survivor
22 of a community college benefit recipient on or after January
23 13, 2012 (the effective date of Public Act 97-668) unless that
24 dependent would have been eligible for coverage as a dependent
25 of the deceased community college benefit recipient upon whom
26 the survivor annuity is based.

1 (bb) "Qualified child advocacy center" means any Illinois
2 child advocacy center and its administrative offices funded by
3 the Department of Children and Family Services, as defined by
4 the Children's Advocacy Center Act (55 ILCS 80/), approved by
5 the Director and participating in a program created under
6 subsection (n) of Section 10.

7 (cc) "Placement for adoption" means the assumption and
8 retention by a member of a legal obligation for total or
9 partial support of a child in anticipation of adoption of the
10 child. The child's placement with the member terminates upon
11 the termination of such legal obligation.

12 (Source: P.A. 101-242, eff. 8-9-19; 102-558, eff. 8-20-21;
13 102-714, eff. 4-29-22; 102-813, eff 5-13-22.)

14 (5 ILCS 375/10) (from Ch. 127, par. 530)

15 Sec. 10. Contributions by the State and members.

16 (a) The State shall pay the cost of basic non-contributory
17 group life insurance and, subject to member paid contributions
18 set by the Department or required by this Section and except as
19 provided in this Section, the basic program of group health
20 benefits on each eligible member, except a member, not
21 otherwise covered by this Act, who has retired as a
22 participating member under Article 2 of the Illinois Pension
23 Code but is ineligible for the retirement annuity under
24 Section 2-119 of the Illinois Pension Code, and part of each
25 eligible member's and retired member's premiums for health

1 insurance coverage for enrolled dependents as provided by
2 Section 9. The State shall pay the cost of the basic program of
3 group health benefits only after benefits are reduced by the
4 amount of benefits covered by Medicare for all members and
5 dependents who are eligible for benefits under Social Security
6 or the Railroad Retirement system or who had sufficient
7 Medicare-covered government employment, except that such
8 reduction in benefits shall apply only to those members and
9 dependents who (1) first become eligible for such Medicare
10 coverage on or after July 1, 1992; or (2) are
11 Medicare-eligible members or dependents of a local government
12 unit which began participation in the program on or after July
13 1, 1992; or (3) remain eligible for, but no longer receive
14 Medicare coverage which they had been receiving on or after
15 July 1, 1992. The Department may determine the aggregate level
16 of the State's contribution on the basis of actual cost of
17 medical services adjusted for age, sex or geographic or other
18 demographic characteristics which affect the costs of such
19 programs.

20 The cost of participation in the basic program of group
21 health benefits for the dependent or survivor of a living or
22 deceased retired employee who was formerly employed by the
23 University of Illinois in the Cooperative Extension Service
24 and would be an annuitant but for the fact that he or she was
25 made ineligible to participate in the State Universities
26 Retirement System by clause (4) of subsection (a) of Section

1 15-107 of the Illinois Pension Code shall not be greater than
2 the cost of participation that would otherwise apply to that
3 dependent or survivor if he or she were the dependent or
4 survivor of an annuitant under the State Universities
5 Retirement System.

6 (a-1) (Blank).

7 (a-2) (Blank).

8 (a-3) (Blank).

9 (a-4) (Blank).

10 (a-5) (Blank).

11 (a-6) (Blank).

12 (a-7) (Blank).

13 (a-8) Any annuitant, survivor, or retired employee may
14 waive or terminate coverage in the program of group health
15 benefits. Any such annuitant, survivor, or retired employee
16 who has waived or terminated coverage may enroll or re-enroll
17 in the program of group health benefits only during the annual
18 benefit choice period, as determined by the Director; except
19 that in the event of termination of coverage due to nonpayment
20 of premiums, the annuitant, survivor, or retired employee may
21 not re-enroll in the program.

22 (a-8.5) Beginning on the effective date of this amendatory
23 Act of the 97th General Assembly, the Director of Central
24 Management Services shall, on an annual basis, determine the
25 amount that the State shall contribute toward the basic
26 program of group health benefits on behalf of annuitants

1 (including individuals who (i) participated in the General
2 Assembly Retirement System, the State Employees' Retirement
3 System of Illinois, the State Universities Retirement System,
4 the Teachers' Retirement System of the State of Illinois, or
5 the Judges Retirement System of Illinois and (ii) qualify as
6 annuitants under subsection (b) of Section 3 of this Act),
7 survivors (including individuals who (i) receive an annuity as
8 a survivor of an individual who participated in the General
9 Assembly Retirement System, the State Employees' Retirement
10 System of Illinois, the State Universities Retirement System,
11 the Teachers' Retirement System of the State of Illinois, or
12 the Judges Retirement System of Illinois and (ii) qualify as
13 survivors under subsection (q) of Section 3 of this Act), and
14 retired employees (as defined in subsection (p) of Section 3
15 of this Act). The remainder of the cost of coverage for each
16 annuitant, survivor, or retired employee, as determined by the
17 Director of Central Management Services, shall be the
18 responsibility of that annuitant, survivor, or retired
19 employee.

20 Contributions required of annuitants, survivors, and
21 retired employees shall be the same for all retirement systems
22 and shall also be based on whether an individual has made an
23 election under Section 15-135.1 of the Illinois Pension Code.
24 Contributions may be based on annuitants', survivors', or
25 retired employees' Medicare eligibility, but may not be based
26 on Social Security eligibility.

1 (a-9) No later than May 1 of each calendar year, the
2 Director of Central Management Services shall certify in
3 writing to the Executive Secretary of the State Employees'
4 Retirement System of Illinois the amounts of the Medicare
5 supplement health care premiums and the amounts of the health
6 care premiums for all other retirees who are not Medicare
7 eligible.

8 A separate calculation of the premiums based upon the
9 actual cost of each health care plan shall be so certified.

10 The Director of Central Management Services shall provide
11 to the Executive Secretary of the State Employees' Retirement
12 System of Illinois such information, statistics, and other
13 data as he or she may require to review the premium amounts
14 certified by the Director of Central Management Services.

15 The Department of Central Management Services, or any
16 successor agency designated to procure healthcare contracts
17 pursuant to this Act, is authorized to establish funds,
18 separate accounts provided by any bank or banks as defined by
19 the Illinois Banking Act, or separate accounts provided by any
20 savings and loan association or associations as defined by the
21 Illinois Savings and Loan Act of 1985 to be held by the
22 Director, outside the State treasury, for the purpose of
23 receiving the transfer of moneys from the Local Government
24 Health Insurance Reserve Fund. The Department may promulgate
25 rules further defining the methodology for the transfers. Any
26 interest earned by moneys in the funds or accounts shall inure

1 to the Local Government Health Insurance Reserve Fund. The
2 transferred moneys, and interest accrued thereon, shall be
3 used exclusively for transfers to administrative service
4 organizations or their financial institutions for payments of
5 claims to claimants and providers under the self-insurance
6 health plan. The transferred moneys, and interest accrued
7 thereon, shall not be used for any other purpose including,
8 but not limited to, reimbursement of administration fees due
9 the administrative service organization pursuant to its
10 contract or contracts with the Department.

11 (a-10) To the extent that participation, benefits, or
12 premiums under this Act are based on a person's service credit
13 under an Article of the Illinois Pension Code, service credit
14 terminated in exchange for an accelerated pension benefit
15 payment under Section 14-147.5, 15-185.5, or 16-190.5 of that
16 Code shall be included in determining a person's service
17 credit for the purposes of this Act.

18 (a-15) For purposes of determining State contributions
19 under this Section, service established under a Tier 3 plan
20 under Article 2 of the Illinois Pension Code shall be included
21 in determining an employee's creditable service. Any credit
22 terminated as part of a transfer of contributions to a Tier 3
23 plan under Article 2 of the Illinois Pension Code shall also be
24 included in determining an employee's creditable service.

25 (b) State employees who become eligible for this program
26 on or after January 1, 1980 in positions normally requiring

1 actual performance of duty not less than 1/2 of a normal work
2 period but not equal to that of a normal work period, shall be
3 given the option of participating in the available program. If
4 the employee elects coverage, the State shall contribute on
5 behalf of such employee to the cost of the employee's benefit
6 and any applicable dependent supplement, that sum which bears
7 the same percentage as that percentage of time the employee
8 regularly works when compared to normal work period.

9 (c) The basic non-contributory coverage from the basic
10 program of group health benefits shall be continued for each
11 employee not in pay status or on active service by reason of
12 (1) leave of absence due to illness or injury, (2) authorized
13 educational leave of absence or sabbatical leave, or (3)
14 military leave. This coverage shall continue until expiration
15 of authorized leave and return to active service, but not to
16 exceed 24 months for leaves under item (1) or (2). This
17 24-month limitation and the requirement of returning to active
18 service shall not apply to persons receiving ordinary or
19 accidental disability benefits or retirement benefits through
20 the appropriate State retirement system or benefits under the
21 Workers' Compensation or Occupational Disease Act.

22 (d) The basic group life insurance coverage shall
23 continue, with full State contribution, where such person is
24 (1) absent from active service by reason of disability arising
25 from any cause other than self-inflicted, (2) on authorized
26 educational leave of absence or sabbatical leave, or (3) on

1 military leave.

2 (e) Where the person is in non-pay status for a period in
3 excess of 30 days or on leave of absence, other than by reason
4 of disability, educational or sabbatical leave, or military
5 leave, such person may continue coverage only by making
6 personal payment equal to the amount normally contributed by
7 the State on such person's behalf. Such payments and coverage
8 may be continued: (1) until such time as the person returns to
9 a status eligible for coverage at State expense, but not to
10 exceed 24 months or (2) until such person's employment or
11 annuitant status with the State is terminated (exclusive of
12 any additional service imposed pursuant to law).

13 (f) The Department shall establish by rule the extent to
14 which other employee benefits will continue for persons in
15 non-pay status or who are not in active service.

16 (g) The State shall not pay the cost of the basic
17 non-contributory group life insurance, program of health
18 benefits and other employee benefits for members who are
19 survivors as defined by paragraphs (1) and (2) of subsection
20 (q) of Section 3 of this Act. The costs of benefits for these
21 survivors shall be paid by the survivors or by the University
22 of Illinois Cooperative Extension Service, or any combination
23 thereof. However, the State shall pay the amount of the
24 reduction in the cost of participation, if any, resulting from
25 the amendment to subsection (a) made by this amendatory Act of
26 the 91st General Assembly.

1 (h) Those persons occupying positions with any department
2 as a result of emergency appointments pursuant to Section 8b.8
3 of the Personnel Code who are not considered employees under
4 this Act shall be given the option of participating in the
5 programs of group life insurance, health benefits and other
6 employee benefits. Such persons electing coverage may
7 participate only by making payment equal to the amount
8 normally contributed by the State for similarly situated
9 employees. Such amounts shall be determined by the Director.
10 Such payments and coverage may be continued until such time as
11 the person becomes an employee pursuant to this Act or such
12 person's appointment is terminated.

13 (i) Any unit of local government within the State of
14 Illinois may apply to the Director to have its employees,
15 annuitants, and their dependents provided group health
16 coverage under this Act on a non-insured basis. To
17 participate, a unit of local government must agree to enroll
18 all of its employees, who may select coverage under any group
19 health benefits plan made available by the Department under
20 the health benefits program established under this Section or
21 a health maintenance organization that has contracted with the
22 State to be available as a health care provider for employees
23 as defined in this Act. A unit of local government must remit
24 the entire cost of providing coverage under the health
25 benefits program established under this Section or, for
26 coverage under a health maintenance organization, an amount

1 determined by the Director based on an analysis of the sex,
2 age, geographic location, or other relevant demographic
3 variables for its employees, except that the unit of local
4 government shall not be required to enroll those of its
5 employees who are covered spouses or dependents under the
6 State group health benefits plan or another group policy or
7 plan providing health benefits as long as (1) an appropriate
8 official from the unit of local government attests that each
9 employee not enrolled is a covered spouse or dependent under
10 this plan or another group policy or plan, and (2) at least 50%
11 of the employees are enrolled and the unit of local government
12 remits the entire cost of providing coverage to those
13 employees, except that a participating school district must
14 have enrolled at least 50% of its full-time employees who have
15 not waived coverage under the district's group health plan by
16 participating in a component of the district's cafeteria plan.
17 A participating school district is not required to enroll a
18 full-time employee who has waived coverage under the
19 district's health plan, provided that an appropriate official
20 from the participating school district attests that the
21 full-time employee has waived coverage by participating in a
22 component of the district's cafeteria plan. For the purposes
23 of this subsection, "participating school district" includes a
24 unit of local government whose primary purpose is education as
25 defined by the Department's rules.

26 Employees of a participating unit of local government who

1 are not enrolled due to coverage under another group health
2 policy or plan may enroll in the event of a qualifying change
3 in status, special enrollment, special circumstance as defined
4 by the Director, or during the annual Benefit Choice Period. A
5 participating unit of local government may also elect to cover
6 its annuitants. Dependent coverage shall be offered on an
7 optional basis, with the costs paid by the unit of local
8 government, its employees, or some combination of the two as
9 determined by the unit of local government. The unit of local
10 government shall be responsible for timely collection and
11 transmission of dependent premiums.

12 The Director shall annually determine monthly rates of
13 payment, subject to the following constraints:

14 (1) In the first year of coverage, the rates shall be
15 equal to the amount normally charged to State employees
16 for elected optional coverages or for enrolled dependents
17 coverages or other contributory coverages, or contributed
18 by the State for basic insurance coverages on behalf of
19 its employees, adjusted for differences between State
20 employees and employees of the local government in age,
21 sex, geographic location or other relevant demographic
22 variables, plus an amount sufficient to pay for the
23 additional administrative costs of providing coverage to
24 employees of the unit of local government and their
25 dependents.

26 (2) In subsequent years, a further adjustment shall be

1 made to reflect the actual prior years' claims experience
2 of the employees of the unit of local government.

3 In the case of coverage of local government employees
4 under a health maintenance organization, the Director shall
5 annually determine for each participating unit of local
6 government the maximum monthly amount the unit may contribute
7 toward that coverage, based on an analysis of (i) the age, sex,
8 geographic location, and other relevant demographic variables
9 of the unit's employees and (ii) the cost to cover those
10 employees under the State group health benefits plan. The
11 Director may similarly determine the maximum monthly amount
12 each unit of local government may contribute toward coverage
13 of its employees' dependents under a health maintenance
14 organization.

15 Monthly payments by the unit of local government or its
16 employees for group health benefits plan or health maintenance
17 organization coverage shall be deposited in the Local
18 Government Health Insurance Reserve Fund.

19 The Local Government Health Insurance Reserve Fund is
20 hereby created as a nonappropriated trust fund to be held
21 outside the State Treasury, with the State Treasurer as
22 custodian. The Local Government Health Insurance Reserve Fund
23 shall be a continuing fund not subject to fiscal year
24 limitations. The Local Government Health Insurance Reserve
25 Fund is not subject to administrative charges or charge-backs,
26 including but not limited to those authorized under Section 8h

1 of the State Finance Act. All revenues arising from the
2 administration of the health benefits program established
3 under this Section shall be deposited into the Local
4 Government Health Insurance Reserve Fund. Any interest earned
5 on moneys in the Local Government Health Insurance Reserve
6 Fund shall be deposited into the Fund. All expenditures from
7 this Fund shall be used for payments for health care benefits
8 for local government and rehabilitation facility employees,
9 annuitants, and dependents, and to reimburse the Department or
10 its administrative service organization for all expenses
11 incurred in the administration of benefits. No other State
12 funds may be used for these purposes.

13 A local government employer's participation or desire to
14 participate in a program created under this subsection shall
15 not limit that employer's duty to bargain with the
16 representative of any collective bargaining unit of its
17 employees.

18 (j) Any rehabilitation facility within the State of
19 Illinois may apply to the Director to have its employees,
20 annuitants, and their eligible dependents provided group
21 health coverage under this Act on a non-insured basis. To
22 participate, a rehabilitation facility must agree to enroll
23 all of its employees and remit the entire cost of providing
24 such coverage for its employees, except that the
25 rehabilitation facility shall not be required to enroll those
26 of its employees who are covered spouses or dependents under

1 this plan or another group policy or plan providing health
2 benefits as long as (1) an appropriate official from the
3 rehabilitation facility attests that each employee not
4 enrolled is a covered spouse or dependent under this plan or
5 another group policy or plan, and (2) at least 50% of the
6 employees are enrolled and the rehabilitation facility remits
7 the entire cost of providing coverage to those employees.
8 Employees of a participating rehabilitation facility who are
9 not enrolled due to coverage under another group health policy
10 or plan may enroll in the event of a qualifying change in
11 status, special enrollment, special circumstance as defined by
12 the Director, or during the annual Benefit Choice Period. A
13 participating rehabilitation facility may also elect to cover
14 its annuitants. Dependent coverage shall be offered on an
15 optional basis, with the costs paid by the rehabilitation
16 facility, its employees, or some combination of the 2 as
17 determined by the rehabilitation facility. The rehabilitation
18 facility shall be responsible for timely collection and
19 transmission of dependent premiums.

20 The Director shall annually determine quarterly rates of
21 payment, subject to the following constraints:

22 (1) In the first year of coverage, the rates shall be
23 equal to the amount normally charged to State employees
24 for elected optional coverages or for enrolled dependents
25 coverages or other contributory coverages on behalf of its
26 employees, adjusted for differences between State

1 employees and employees of the rehabilitation facility in
2 age, sex, geographic location or other relevant
3 demographic variables, plus an amount sufficient to pay
4 for the additional administrative costs of providing
5 coverage to employees of the rehabilitation facility and
6 their dependents.

7 (2) In subsequent years, a further adjustment shall be
8 made to reflect the actual prior years' claims experience
9 of the employees of the rehabilitation facility.

10 Monthly payments by the rehabilitation facility or its
11 employees for group health benefits shall be deposited in the
12 Local Government Health Insurance Reserve Fund.

13 (k) Any domestic violence shelter or service within the
14 State of Illinois may apply to the Director to have its
15 employees, annuitants, and their dependents provided group
16 health coverage under this Act on a non-insured basis. To
17 participate, a domestic violence shelter or service must agree
18 to enroll all of its employees and pay the entire cost of
19 providing such coverage for its employees. The domestic
20 violence shelter shall not be required to enroll those of its
21 employees who are covered spouses or dependents under this
22 plan or another group policy or plan providing health benefits
23 as long as (1) an appropriate official from the domestic
24 violence shelter attests that each employee not enrolled is a
25 covered spouse or dependent under this plan or another group
26 policy or plan and (2) at least 50% of the employees are

1 enrolled and the domestic violence shelter remits the entire
2 cost of providing coverage to those employees. Employees of a
3 participating domestic violence shelter who are not enrolled
4 due to coverage under another group health policy or plan may
5 enroll in the event of a qualifying change in status, special
6 enrollment, or special circumstance as defined by the Director
7 or during the annual Benefit Choice Period. A participating
8 domestic violence shelter may also elect to cover its
9 annuitants. Dependent coverage shall be offered on an optional
10 basis, with employees, or some combination of the 2 as
11 determined by the domestic violence shelter or service. The
12 domestic violence shelter or service shall be responsible for
13 timely collection and transmission of dependent premiums.

14 The Director shall annually determine rates of payment,
15 subject to the following constraints:

16 (1) In the first year of coverage, the rates shall be
17 equal to the amount normally charged to State employees
18 for elected optional coverages or for enrolled dependents
19 coverages or other contributory coverages on behalf of its
20 employees, adjusted for differences between State
21 employees and employees of the domestic violence shelter
22 or service in age, sex, geographic location or other
23 relevant demographic variables, plus an amount sufficient
24 to pay for the additional administrative costs of
25 providing coverage to employees of the domestic violence
26 shelter or service and their dependents.

1 (2) In subsequent years, a further adjustment shall be
2 made to reflect the actual prior years' claims experience
3 of the employees of the domestic violence shelter or
4 service.

5 Monthly payments by the domestic violence shelter or
6 service or its employees for group health insurance shall be
7 deposited in the Local Government Health Insurance Reserve
8 Fund.

9 (1) A public community college or entity organized
10 pursuant to the Public Community College Act may apply to the
11 Director initially to have only annuitants not covered prior
12 to July 1, 1992 by the district's health plan provided health
13 coverage under this Act on a non-insured basis. The community
14 college must execute a 2-year contract to participate in the
15 Local Government Health Plan. Any annuitant may enroll in the
16 event of a qualifying change in status, special enrollment,
17 special circumstance as defined by the Director, or during the
18 annual Benefit Choice Period.

19 The Director shall annually determine monthly rates of
20 payment subject to the following constraints: for those
21 community colleges with annuitants only enrolled, first year
22 rates shall be equal to the average cost to cover claims for a
23 State member adjusted for demographics, Medicare
24 participation, and other factors; and in the second year, a
25 further adjustment of rates shall be made to reflect the
26 actual first year's claims experience of the covered

1 annuitants.

2 (l-5) The provisions of subsection (l) become inoperative
3 on July 1, 1999.

4 (m) The Director shall adopt any rules deemed necessary
5 for implementation of this amendatory Act of 1989 (Public Act
6 86-978).

7 (n) Any child advocacy center within the State of Illinois
8 may apply to the Director to have its employees, annuitants,
9 and their dependents provided group health coverage under this
10 Act on a non-insured basis. To participate, a child advocacy
11 center must agree to enroll all of its employees and pay the
12 entire cost of providing coverage for its employees. The child
13 advocacy center shall not be required to enroll those of its
14 employees who are covered spouses or dependents under this
15 plan or another group policy or plan providing health benefits
16 as long as (1) an appropriate official from the child advocacy
17 center attests that each employee not enrolled is a covered
18 spouse or dependent under this plan or another group policy or
19 plan and (2) at least 50% of the employees are enrolled and the
20 child advocacy center remits the entire cost of providing
21 coverage to those employees. Employees of a participating
22 child advocacy center who are not enrolled due to coverage
23 under another group health policy or plan may enroll in the
24 event of a qualifying change in status, special enrollment, or
25 special circumstance as defined by the Director or during the
26 annual Benefit Choice Period. A participating child advocacy

1 center may also elect to cover its annuitants. Dependent
2 coverage shall be offered on an optional basis, with the costs
3 paid by the child advocacy center, its employees, or some
4 combination of the 2 as determined by the child advocacy
5 center. The child advocacy center shall be responsible for
6 timely collection and transmission of dependent premiums.

7 The Director shall annually determine rates of payment,
8 subject to the following constraints:

9 (1) In the first year of coverage, the rates shall be
10 equal to the amount normally charged to State employees
11 for elected optional coverages or for enrolled dependents
12 coverages or other contributory coverages on behalf of its
13 employees, adjusted for differences between State
14 employees and employees of the child advocacy center in
15 age, sex, geographic location, or other relevant
16 demographic variables, plus an amount sufficient to pay
17 for the additional administrative costs of providing
18 coverage to employees of the child advocacy center and
19 their dependents.

20 (2) In subsequent years, a further adjustment shall be
21 made to reflect the actual prior years' claims experience
22 of the employees of the child advocacy center.

23 Monthly payments by the child advocacy center or its
24 employees for group health insurance shall be deposited into
25 the Local Government Health Insurance Reserve Fund.

26 (Source: P.A. 102-19, eff. 7-1-21.)

1 Section 10. The Illinois Pension Code is amended by
2 changing Sections 2-105.3, 2-162, 20-121, 20-123, 20-124, and
3 20-125 and by adding Section 2-165.5 as follows:

4 (40 ILCS 5/2-105.3)

5 Sec. 2-105.3. Tier 1 participant; Tier 2 participant; Tier
6 3 participant.

7 "Tier 1 participant": A participant who first became a
8 participant before January 1, 2011.

9 In the case of a Tier 1 participant who elects to
10 participate in the Tier 3 plan under Section 2-165.5 of this
11 Code, that participant shall be deemed a Tier 1 participant
12 only with respect to service performed or established before
13 the effective date of that election.

14 "Tier 2 participant": A participant who first became a
15 participant on or after January 1, 2011.

16 In the case of a Tier 2 participant who elects to
17 participate in the Tier 3 plan under Section 2-165.5 of this
18 Code, that Tier 2 participant shall be deemed a Tier 2
19 participant only with respect to service performed or
20 established before the effective date of that election.

21 "Tier 3 participant": A participant who first becomes a
22 participant on or after July 1, 2025 or a Tier 1 or Tier 2
23 participant who elects to participate in the Tier 3 plan under
24 Section 2-165.5 of this Code, but only with respect to service

1 performed on or after the effective date of that election.

2 (Source: P.A. 103-8, eff. 6-7-23.)

3 (40 ILCS 5/2-162)

4 Sec. 2-162. Application and expiration of new benefit
5 increases.

6 (a) As used in this Section, "new benefit increase" means
7 an increase in the amount of any benefit provided under this
8 Article, or an expansion of the conditions of eligibility for
9 any benefit under this Article, that results from an amendment
10 to this Code that takes effect after the effective date of this
11 amendatory Act of the 94th General Assembly. "New benefit
12 increase", however, does not include any benefit increase
13 resulting from the changes made to this Article by this
14 amendatory Act of the 103rd General Assembly.

15 (b) Notwithstanding any other provision of this Code or
16 any subsequent amendment to this Code, every new benefit
17 increase is subject to this Section and shall be deemed to be
18 granted only in conformance with and contingent upon
19 compliance with the provisions of this Section.

20 (c) The Public Act enacting a new benefit increase must
21 identify and provide for payment to the System of additional
22 funding at least sufficient to fund the resulting annual
23 increase in cost to the System as it accrues.

24 Every new benefit increase is contingent upon the General
25 Assembly providing the additional funding required under this

1 subsection. The Commission on Government Forecasting and
2 Accountability shall analyze whether adequate additional
3 funding has been provided for the new benefit increase and
4 shall report its analysis to the Public Pension Division of
5 the Department of Insurance. A new benefit increase created by
6 a Public Act that does not include the additional funding
7 required under this subsection is null and void. If the Public
8 Pension Division determines that the additional funding
9 provided for a new benefit increase under this subsection is
10 or has become inadequate, it may so certify to the Governor and
11 the State Comptroller and, in the absence of corrective action
12 by the General Assembly, the new benefit increase shall expire
13 at the end of the fiscal year in which the certification is
14 made.

15 (d) Every new benefit increase shall expire 5 years after
16 its effective date or on such earlier date as may be specified
17 in the language enacting the new benefit increase or provided
18 under subsection (c). This does not prevent the General
19 Assembly from extending or re-creating a new benefit increase
20 by law.

21 (e) Except as otherwise provided in the language creating
22 the new benefit increase, a new benefit increase that expires
23 under this Section continues to apply to persons who applied
24 and qualified for the affected benefit while the new benefit
25 increase was in effect and to the affected beneficiaries and
26 alternate payees of such persons, but does not apply to any

1 other person, including without limitation a person who
2 continues in service after the expiration date and did not
3 apply and qualify for the affected benefit while the new
4 benefit increase was in effect.

5 (Source: P.A. 103-426, eff. 8-4-23.)

6 (40 ILCS 5/2-165.5 new)

7 Sec. 2-165.5. Tier 3 plan.

8 (a) By July 1, 2025, the System shall prepare and
9 implement a Tier 3 plan. The Tier 3 plan developed under this
10 Section shall be a plan that aggregates State and employee
11 contributions in individual participant accounts that, after
12 meeting any other requirements, are used for payouts after
13 retirement in accordance with this Section and any other
14 applicable laws. In developing, preparing, and implementing
15 the Tier 3 plan and adopting rules concerning the Tier 3 plan,
16 the System shall utilize the framework of the self-managed
17 plan offered under Article 15 and shall endeavor to adapt the
18 benefits and structure of the self-managed plan. The System
19 shall consult with the State Universities Retirement System in
20 developing the Tier 3 plan.

21 As used in this Section, "defined benefit plan" means the
22 retirement plan available under this Article to Tier 1 or Tier
23 2 participants who have not made the election authorized under
24 this Section.

25 (1) All persons who begin to participate in this

1 System on or after July 1, 2025 shall participate in the
2 Tier 3 plan rather than the defined benefit plan.

3 (2) A participant in the Tier 3 plan shall pay
4 employee contributions at a rate of 8% of salary.

5 (3) State contributions shall be paid into the
6 accounts of all participants in the Tier 3 plan at a rate
7 of 7.6% of salary.

8 (4) The Tier 3 plan shall require 5 years of
9 participation in the Tier 3 plan before vesting in State
10 contributions. If the participant fails to vest in them,
11 the State contributions, and the earnings thereon, shall
12 be forfeited.

13 (5) The Tier 3 plan shall provide a variety of options
14 for investments. These options shall include investments
15 handled by the Illinois State Board of Investment as well
16 as private sector investment options.

17 (6) The Tier 3 plan shall provide a variety of options
18 for payouts to participants in the Tier 3 plan who are no
19 longer active in the System and their survivors.

20 (7) To the extent authorized under federal law and as
21 authorized by the System, the plan shall allow former
22 participants in the plan to transfer or roll over employee
23 and vested State contributions, and the earnings thereon,
24 from the Tier 3 plan into other qualified retirement
25 plans.

26 (8) The System shall reduce the employee contributions

1 credited to the participant's Tier 3 plan account by an
2 amount determined by the System to cover the cost of
3 offering these benefits and any applicable administrative
4 fees.

5 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2
6 participant of this System may elect, in writing, to cease
7 accruing benefits in the defined benefit plan and begin
8 accruing benefits for future service in the Tier 3 plan. The
9 election to participate in the Tier 3 plan is voluntary and
10 irrevocable.

11 (1) Service credit under the Tier 3 plan may be used
12 for determining retirement eligibility under the defined
13 benefit plan.

14 (2) The System shall make a good faith effort to
15 contact all active Tier 1 and Tier 2 participants who are
16 eligible to participate in the Tier 3 plan. The System
17 shall mail information describing the option to join the
18 Tier 3 plan to each of these employees to his or her last
19 known address on file with the System. If the employee is
20 not responsive to other means of contact, it is sufficient
21 for the System to publish the details of the option on its
22 website.

23 (3) Upon request for further information describing
24 the option, the System shall provide employees with
25 information from the System before exercising the option
26 to join the plan, including information on the impact to

1 their benefits and service. The individual consultation
2 shall include projections of the participant's defined
3 benefits at retirement or earlier termination of service
4 and the value of the participant's account at retirement
5 or earlier termination of service. The System shall not
6 provide advice or counseling with respect to whether the
7 employee should exercise the option. The System shall
8 inform Tier 1 and Tier 2 participants who are eligible to
9 participate in the Tier 3 plan that they may also wish to
10 obtain information and counsel relating to their option
11 from any other available source, including, but not
12 limited to, private counsel and financial advisors.

13 (b-5) A Tier 1 or Tier 2 participant who elects to
14 participate in the Tier 3 plan may irrevocably elect to
15 terminate all participation in the defined benefit plan. Upon
16 that election, the System shall transfer to the participant's
17 individual account an amount equal to the amount of
18 contribution refund that the participant would be eligible to
19 receive if the member terminated employment on that date and
20 elected a refund of contributions, including the prescribed
21 rate of interest for the respective years. The System shall
22 make the transfer as a tax-free transfer in accordance with
23 Internal Revenue Service guidelines, for purposes of funding
24 the amount credited to the participant's individual account.

25 (c) In no event shall the System, its staff, its
26 authorized representatives, or the Board be liable for any

1 information given to an employee under this Section. The
2 System may coordinate with the Illinois Department of Central
3 Management Services to provide information concerning the
4 impact of the Tier 3 plan set forth in this Section.

5 (c-5) The System shall solicit proposals to provide
6 administrative services and funding vehicles for the Tier 3
7 plan from insurance and annuity companies and mutual fund
8 companies, banks, trust companies, or other financial
9 institutions authorized to do business in this State. In
10 reviewing the proposals received and approving and contracting
11 with no fewer than 2 and no more than 7 companies, the Board of
12 Trustees of the System shall consider, among other things, the
13 following criteria:

14 (1) the nature and extent of the benefits that would
15 be provided to the participants;

16 (2) the reasonableness of the benefits in relation to
17 the premium charged;

18 (3) the suitability of the benefits to the needs and
19 interests of the participating employees and the employer;

20 (4) the ability of the company to provide benefits
21 under the contract and the financial stability of the
22 company; and

23 (5) the efficacy of the contract in the recruitment
24 and retention of employees.

25 The System shall periodically review each approved
26 company. A company may continue to provide administrative

1 services and funding vehicles for the Tier 3 plan only so long
2 as it continues to be an approved company under contract with
3 the Board.

4 (d) Notwithstanding any other provision of this Section,
5 no person shall begin participating in the Tier 3 plan until it
6 has attained qualified plan status and received all necessary
7 approvals from the U.S. Internal Revenue Service.

8 (e) The System shall report on its progress under this
9 Section, including the available details of the Tier 3 plan
10 and the System's plans for informing eligible Tier 1 and Tier 2
11 participants about the plan, to the Governor and the General
12 Assembly on or before January 15, 2025.

13 (f) The Illinois State Board of Investment shall be the
14 plan sponsor for the Tier 3 plan established under this
15 Section.

16 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

17 (Text of Section WITHOUT the changes made by P.A. 98-599,
18 which has been held unconstitutional)

19 Sec. 20-121. Calculation of proportional retirement
20 annuities.

21 (a) Upon retirement of the employee, a proportional
22 retirement annuity shall be computed by each participating
23 system in which pension credit has been established on the
24 basis of pension credits under each system. The computation
25 shall be in accordance with the formula or method prescribed

1 by each participating system which is in effect at the date of
2 the employee's latest withdrawal from service covered by any
3 of the systems in which he has pension credits which he elects
4 to have considered under this Article. However, the amount of
5 any retirement annuity payable under the self-managed plan
6 established under Section 15-158.2 of this Code depends solely
7 on the value of the participant's vested account balances and
8 is not subject to any proportional adjustment under this
9 Section.

10 (a-5) For persons who participate in a Tier 3 plan
11 established under Article 2 of this Code to whom the
12 provisions of this Article apply, the pension credits
13 established under the Tier 3 plan may be considered in
14 determining eligibility for or the amount of the defined
15 benefit retirement annuity that is payable by any other
16 participating system.

17 (b) Combined pension credit under all retirement systems
18 subject to this Article shall be considered in determining
19 whether the minimum qualification has been met and the formula
20 or method of computation which shall be applied, except as may
21 be otherwise provided with respect to vesting in State or
22 employer contributions in a Tier 3 plan. If a system has a
23 step-rate formula for calculation of the retirement annuity,
24 pension credits covering previous service which have been
25 established under another system shall be considered in
26 determining which range or ranges of the step-rate formula are

1 to be applicable to the employee.

2 (c) Interest on pension credit shall continue to
3 accumulate in accordance with the provisions of the law
4 governing the retirement system in which the same has been
5 established during the time an employee is in the service of
6 another employer, on the assumption such employee, for
7 interest purposes for pension credit, is continuing in the
8 service covered by such retirement system.

9 (Source: P.A. 91-887, eff. 7-6-00.)

10 (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

11 (Text of Section WITHOUT the changes made by P.A. 98-599,
12 which has been held unconstitutional)

13 Sec. 20-123. Survivor's annuity. The provisions governing
14 a retirement annuity shall be applicable to a survivor's
15 annuity. Appropriate credits shall be established for
16 survivor's annuity purposes in those participating systems
17 which provide survivor's annuities, according to the same
18 conditions and subject to the same limitations and
19 restrictions herein prescribed for a retirement annuity. If a
20 participating system has no survivor's annuity benefit, or if
21 the survivor's annuity benefit under that system is waived,
22 pension credit established in that system shall not be
23 considered in determining eligibility for or the amount of the
24 survivor's annuity which may be payable by any other
25 participating system.

1 For persons who participate in the self-managed plan
2 established under Section 15-158.2 or the portable benefit
3 package established under Section 15-136.4, pension credit
4 established under Article 15 may be considered in determining
5 eligibility for or the amount of the survivor's annuity that
6 is payable by any other participating system, but pension
7 credit established in any other system shall not result in any
8 right to a survivor's annuity under the Article 15 system.

9 For persons who participate in a Tier 3 plan established
10 under Article 2 of this Code to whom the provisions of this
11 Article apply, the pension credits established under the Tier
12 3 plan may be considered in determining eligibility for or the
13 amount of the defined benefit survivor's annuity that is
14 payable by any other participating system, but pension credits
15 established in any other system shall not result in any right
16 to or increase in the value of a survivor's annuity under the
17 Tier 3 plan, which depends solely on the options chosen and the
18 value of the participant's vested account balances and is not
19 subject to any proportional adjustment under this Section.

20 (Source: P.A. 91-887, eff. 7-6-00.)

21 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

22 (Text of Section WITHOUT the changes made by P.A. 98-599,
23 which has been held unconstitutional)

24 Sec. 20-124. Maximum benefits.

25 (a) In no event shall the combined retirement or survivors

1 annuities exceed the highest annuity which would have been
2 payable by any participating system in which the employee has
3 pension credits, if all of his pension credits had been
4 validated in that system.

5 If the combined annuities should exceed the highest
6 maximum as determined in accordance with this Section, the
7 respective annuities shall be reduced proportionately
8 according to the ratio which the amount of each proportional
9 annuity bears to the aggregate of all such annuities.

10 (b) In the case of a participant in the self-managed plan
11 established under Section 15-158.2 of this Code to whom the
12 provisions of this Article apply:

13 (i) For purposes of calculating the combined
14 retirement annuity and the proportionate reduction, if
15 any, in a retirement annuity other than one payable under
16 the self-managed plan, the amount of the Article 15
17 retirement annuity shall be deemed to be the highest
18 annuity to which the annuitant would have been entitled if
19 he or she had participated in the traditional benefit
20 package as defined in Section 15-103.1 rather than the
21 self-managed plan.

22 (ii) For purposes of calculating the combined
23 survivor's annuity and the proportionate reduction, if
24 any, in a survivor's annuity other than one payable under
25 the self-managed plan, the amount of the Article 15
26 survivor's annuity shall be deemed to be the highest

1 survivor's annuity to which the survivor would have been
2 entitled if the deceased employee had participated in the
3 traditional benefit package as defined in Section 15-103.1
4 rather than the self-managed plan.

5 (iii) Benefits payable under the self-managed plan are
6 not subject to proportionate reduction under this Section.

7 (c) In the case of a participant in a Tier 3 plan
8 established under Article 2 of this Code to whom the
9 provisions of this Article apply:

10 (i) For purposes of calculating the combined
11 retirement annuity and the proportionate reduction, if
12 any, in a defined benefit retirement annuity, any benefit
13 payable under the Tier 3 plan shall not be considered.

14 (ii) For purposes of calculating the combined
15 survivor's annuity and the proportionate reduction, if
16 any, in a defined benefit survivor's annuity, any benefit
17 payable under the Tier 3 plan shall not be considered.

18 (iii) Benefits payable under a Tier 3 plan established
19 under Article 2 of this Code are not subject to
20 proportionate reduction under this Section.

21 (Source: P.A. 91-887, eff. 7-6-00.)

22 (40 ILCS 5/20-125) (from Ch. 108 1/2, par. 20-125)

23 (Text of Section WITHOUT the changes made by P.A. 98-599,
24 which has been held unconstitutional)

25 Sec. 20-125. Return to employment; suspension ~~employment~~

1 ~~suspension~~ of benefits. If a retired employee returns to
2 employment which is covered by a system from which he is
3 receiving a proportional annuity under this Article, his
4 proportional annuity from all participating systems shall be
5 suspended during the period of re-employment, except that this
6 suspension does not apply to any distributions payable under
7 the self-managed plan established under Section 15-158.2 of
8 this Code or under a Tier 3 plan established under Article 2 of
9 this Code.

10 The provisions of the Article under which such employment
11 would be covered shall govern the determination of whether the
12 employee has returned to employment, and if applicable the
13 exemption of temporary employment or employment not exceeding
14 a specified duration or frequency, for all participating
15 systems from which the retired employee is receiving a
16 proportional annuity under this Article, notwithstanding any
17 contrary provisions in the other Articles governing such
18 systems.

19 (Source: P.A. 91-887, eff. 7-6-00.)

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