



93RD GENERAL ASSEMBLY
State of Illinois
2003 and 2004
HB4064

Introduced 1/15/2004, by Gary Hannig

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.2 from Ch. 127, par. 526.2
5 ILCS 375/6.5
5 ILCS 375/6.6
40 ILCS 15/1.3

Amends the State Employees Group Insurance Act of 1971. In the provisions concerning health benefits for benefit recipients under the Downstate Teachers Article of the Illinois Pension Code (TRIP); makes the following changes: Deletes the provisions that repeal the Sections concerning the TRIP provisions on July 1, 2004. Makes the benefits under the TRIP provisions equivalent to the benefits for State employees. Increases the contribution for active teachers and school districts. Increases the minimum coverage for retired teachers and their dependents. Requires the Economic and Fiscal Commission to deliver an annual report to the General Assembly concerning the liabilities and projected liabilities of the TRIP program. Amends the State Pension Funds Continuing Appropriation Act. Provides that, beginning July 1, 2004, an amount equal to the amount by which required employer and employee contributions were insufficient to pay for the costs of the benefits provided under the TRIP provisions in the preceding fiscal year shall be annually appropriated from the General Revenue Fund to the State Comptroller for deposit into the Teacher Health Insurance Security Fund. Effective immediately.

LRB093 15976 LRD 41599 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning public employee benefits.

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

4 Section 5. The State Employees Group Insurance Act of 1971
5 is amended by changing Sections 6.2, 6.5, and 6.6 as follows:

6 (5 ILCS 375/6.2) (from Ch. 127, par. 526.2)

7 Sec. 6.2. When the Director, with the advice and consent of
8 the Commission, determines that it would be in the best
9 interests of the State and its employees, the program of health
10 benefits under this Act may be administered with the State as a
11 self-insurer in whole or in part. The State assumes the risks
12 of the program. The State may provide the administrative
13 services in connection with the self-insurance health plan or
14 purchase administrative services from an administrative
15 service organization. A plan of self-insurance may combine
16 forms of re-insurance or stop-loss insurance which limits the
17 amount of State liability.

18 The program of health benefits shall provide a continuation
19 and conversion privilege for persons whose State employment or
20 employment under Article 16 of the Illinois Pension Code is
21 terminated and a continuation privilege for members' spouses
22 and dependent children and for TRS dependent beneficiaries who
23 are covered under the provisions of the program, consistent
24 with the requirements of federal law and Sections 367.2, 367e,
25 and 367e.1 of the Illinois Insurance Code.

26 (Source: P.A. 93-477, eff. 1-1-04.)

27 (5 ILCS 375/6.5)

28 (Section scheduled to be repealed on July 1, 2004)

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

31 (a) Purpose. It is the purpose of this amendatory Act of

1 1995 to transfer the administration of the program of health
2 benefits established for benefit recipients and their
3 dependent beneficiaries under Article 16 of the Illinois
4 Pension Code to the Department of Central Management Services.

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

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

26 A TRS dependent beneficiary who is an unmarried child age
27 19 or over and mentally or physically handicapped does not
28 become ineligible to participate by reason of (i) becoming
29 ineligible to be claimed as a dependent for Illinois or federal
30 income tax purposes or (ii) receiving earned income, so long as
31 those earnings are insufficient for the child to be fully
32 self-sufficient.

33 (d) Coverage. Until July 1, 2004, the level of health
34 benefits provided under this Section shall be similar to the
35 level of benefits provided by the program previously
36 established under Article 16 of the Illinois Pension Code.

1 Beginning July 1, 2004, the level of health benefits provided
2 under this Section shall be equivalent to the benefits provided
3 to members and dependents under this Act.

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

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

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

20 For Fiscal Year 1996, the premium shall be equal to the
21 premium actually charged in Fiscal Year 1995; in subsequent
22 years, the premium shall never be lower than the premium
23 charged in Fiscal Year 1995. For Fiscal Year 2003, the premium
24 shall not exceed 110% of the premium actually charged in Fiscal
25 Year 2002. For Fiscal Year 2004 and thereafter, the premium
26 shall not exceed 112% of the premium actually charged in Fiscal
27 Year 2003.

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

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

1 (1) Until July 1, 2004, for a TRS benefit recipient
2 selecting a managed care program, up to 75% of the total
3 insurance rate shall be paid from the Teacher Health
4 Insurance Security Fund.

5 (2) Until July 1, 2004, for a TRS benefit recipient
6 selecting the major medical coverage program, up to 50% of
7 the total insurance rate shall be paid from the Teacher
8 Health Insurance Security Fund if a managed care program is
9 accessible, as determined by the Teachers' Retirement
10 System.

11 (3) Until July 1, 2004, for a TRS benefit recipient
12 selecting the major medical coverage program, up to 75% of
13 the total insurance rate shall be paid from the Teacher
14 Health Insurance Security Fund if a managed care program is
15 not accessible, as determined by the Teachers' Retirement
16 System.

17 (3.1) Beginning July 1, 2004, for a TRS benefit
18 recipient selecting a managed care program or the major
19 medical coverage program, 75% of the total insurance rate
20 shall be paid from the Teacher Health Insurance Security
21 Fund.

22 (3.2) Beginning July 1, 2004, for a TRS dependent
23 beneficiary selecting a managed care program or the major
24 medical coverage program, 50% of the total insurance rate
25 shall be paid from the Teacher Health Insurance Security
26 Fund.

27 (4) The balance of the rate of insurance, including the
28 entire premium of any coverage for TRS dependent
29 beneficiaries that has been elected, shall be paid by
30 deductions authorized by the TRS benefit recipient to be
31 withheld from his or her monthly annuity or benefit payment
32 from the Teachers' Retirement System; except that (i) if
33 the balance of the cost of coverage exceeds the amount of
34 the monthly annuity or benefit payment, the difference
35 shall be paid directly to the Teachers' Retirement System
36 by the TRS benefit recipient, and (ii) all or part of the

1 balance of the cost of coverage may, at the school board's
2 option, be paid to the Teachers' Retirement System by the
3 school board of the school district from which the TRS
4 benefit recipient retired, in accordance with Section
5 10-22.3b of the School Code. The Teachers' Retirement
6 System shall promptly deposit all moneys withheld by or
7 paid to it under this subdivision (e)(4) into the Teacher
8 Health Insurance Security Fund. These moneys shall not be
9 considered assets of the Retirement System.

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

19 Moneys in the Teacher Health Insurance Security Fund shall
20 be used only to pay the costs of the health benefit program
21 established under this Section, including associated
22 administrative costs, and the costs associated with the health
23 benefit program established under Article 16 of the Illinois
24 Pension Code, as authorized in this Section. Beginning July 1,
25 1995, the Department of Central Management Services may make
26 expenditures from the Teacher Health Insurance Security Fund
27 for those costs.

28 After other funds authorized for the payment of the costs
29 of the health benefit program established under Article 16 of
30 the Illinois Pension Code are exhausted and until January 1,
31 1996 (or such later date as may be agreed upon by the Director
32 of Central Management Services and the Secretary of the
33 Teachers' Retirement System), the Secretary of the Teachers'
34 Retirement System may make expenditures from the Teacher Health
35 Insurance Security Fund as necessary to pay up to 75% of the
36 cost of providing health coverage to eligible benefit

1 recipients (as defined in Sections 16-153.1 and 16-153.3 of the
2 Illinois Pension Code) who are enrolled in the Article 16
3 health benefit program and to facilitate the transfer of
4 administration of the health benefit program to the Department
5 of Central Management Services.

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

16 (g-5) The Economic and Fiscal Commission shall prepare an
17 annual report outlining the liabilities and projected
18 liabilities of the health benefit program under this Section
19 and deliver that report to the General Assembly on or before
20 July 30 of each year.

21 (h) Continuation and termination of program. It is the
22 intention of the General Assembly that the program of health
23 benefits provided under this Section be maintained on an
24 ongoing, affordable basis ~~through June 30, 2004. The program of~~
25 ~~health benefits provided under this Section is terminated on~~
26 ~~July 1, 2004.~~

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

31 (i) (Blank). ~~Repeal. This Section is repealed on July 1,~~
32 ~~2004.~~

33 (Source: P.A. 92-505, eff. 12-20-01; 92-862, eff. 1-3-03;
34 revised 1-10-03.)

1 (Section scheduled to be repealed on July 1, 2004)

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

4 (a) Beginning July 1, 1995, all active contributors of the
5 Teachers' Retirement System (established under Article 16 of
6 the Illinois Pension Code) who are not employees of a
7 department as defined in Section 3 of this Act shall make
8 contributions toward the cost of annuitant and survivor health
9 benefits. These contributions shall be at the following rates:
10 until January 1, 2002, 0.5% of salary; beginning January 1,
11 2002, 0.65% of salary; beginning July 1, 2003, 0.75% of salary;
12 beginning July 1, 2004, an amount set by the Director, which
13 shall be at least 0.75% of salary, but no more than 1% of
14 salary.

15 These contributions shall be deducted by the employer and
16 paid to the System as service agent for the Department of
17 Central Management Services. The System may use the same
18 processes for collecting the contributions required by this
19 subsection that it uses to collect contributions received from
20 school districts and other covered employers under Sections
21 16-154 and 16-155 of the Illinois Pension Code.

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

32 A person who purchases optional service credit under
33 Article 16 of the Illinois Pension Code for a period after June
34 30, 1995 must also make a contribution under this subsection
35 for that optional credit, at the rate provided in subsection
36 (a), based on the salary used in computing the optional service

1 credit, plus interest on this employee contribution. This
2 contribution shall be collected by the System as service agent
3 for the Department of Central Management Services. The
4 contribution required under this subsection for the optional
5 service credit must be paid in full before any annuity based on
6 that credit begins.

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

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

15 (2) Beginning July 1, 2003 through June 30, 2004, the
16 employer contribution shall be equal to 0.5% of each
17 teacher's salary.

18 (3) Beginning July 1, 2004, the employer contribution
19 shall be equal to an amount set by the Director, which
20 shall be equal to at least 0.5% but no more than 1% of each
21 teacher's salary.

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

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

33 (b) The Teachers' Retirement System shall promptly deposit
34 all moneys collected under subsections (a) and (a-5) of this
35 Section into the Teacher Health Insurance Security Fund created
36 in Section 6.5 of this Act. The moneys collected under this

1 Section shall be used only for the purposes authorized in
2 Section 6.5 of this Act and shall not be considered to be
3 assets of the Teachers' Retirement System. Contributions made
4 under this Section are not transferable to other pension funds
5 or retirement systems and are not refundable upon termination
6 of service.

7 (c) On or before November 15 of each year, the Board of
8 Trustees of the Teachers' Retirement System shall certify to
9 the Governor, the Director of Central Management Services, and
10 the State Comptroller its estimate of the total amount of
11 contributions to be paid under subsection (a) of this Section
12 6.6 for the next fiscal year. The amount certified shall be
13 decreased or increased each year by the amount that the actual
14 active teacher contributions either fell short of or exceeded
15 the estimate used by the Board in making the certification for
16 the previous fiscal year. The certification shall include a
17 detailed explanation of the methods and information that the
18 Board relied upon in preparing its estimate. As soon as
19 possible after the effective date of this amendatory Act of the
20 92nd General Assembly, the Board shall recalculate and
21 recertify its certifications for fiscal years 2002 and 2003.

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

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

33 (f) (Blank). ~~This Section is repealed on July 1, 2004.~~

34 (Source: P.A. 92-505, eff. 12-20-01.)

35 Section 10. The State Pension Funds Continuing

1 Appropriation Act is amended by changing Section 1.3 as
2 follows:

3 (40 ILCS 15/1.3)

4 Sec. 1.3. Appropriations for the Teacher Health Insurance
5 Security Fund.

6 (a) Beginning in State fiscal year 1996, there is hereby
7 appropriated, on a continuing annual basis, from the General
8 Revenue Fund to the State Comptroller for deposit into the
9 Teacher Health Insurance Security Fund, an amount equal to the
10 amount certified by the Board of Trustees of the Teachers'
11 Retirement System of Illinois under subsection (c) of Section
12 6.6 of the State Employees Group Insurance Act of 1971 as the
13 estimated total amount of contributions to be paid under
14 subsection (a) of that Section 6.6 in that fiscal year.

15 (b) Beginning in State fiscal year 2005, there is hereby
16 appropriated, on a continuing annual basis, from the General
17 Revenue Fund to the State Comptroller for deposit into the
18 Teacher Health Insurance Security Fund, an amount equal to the
19 amount by which the contributions paid under subsections (a)
20 and (a-5) of Section 6.6 of the State Employees Group Insurance
21 Act of 1971 were insufficient to pay for the costs of the
22 benefits provided under Section 6.5 of the State Employees
23 Group Insurance Act of 1971 during the preceding fiscal year.

24 (c) The moneys appropriated under this Section 1.3 shall be
25 deposited into the Teacher Health Insurance Security Fund and
26 used only for the purposes authorized in Section 6.5 of the
27 State Employees Group Insurance Act of 1971.

28 (Source: P.A. 89-25, eff. 6-21-95.)

29 Section 99. Effective date. This Act takes effect upon
30 becoming law.