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93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

HB4842

Introduced 2/4/2004, by Gary Hannig

SYNOPSIS AS INTRODUCED:

5 ILCS 375/6.5
5 ILCS 375/6.6
5 ILCS 375/6.6a new
30 ILCS 805/8.28 new

Amends the State Employees Group Insurance Act of 1971. In the provisions concerning the program of health insurance benefits for retired teachers, provides that the health insurance benefits shall be paid for by a deduction from the benefit recipient's annuity. Provides that a teacher who retires before reaching age 60 must make monthly contributions to the Teacher Health Insurance Security Fund until he or she attains age 60. Requires benefit recipients who are eligible for Medicare Part A to enroll in Medicare Part A. Provides that benefit recipients shall be reimbursed for the cost of the Medicare Part A premium from the Teacher Health Insurance Security Fund. Makes changes concerning required contributions by employers and employees. Requires the Department of Central Management Services to submit an annual report to the Economic and Fiscal Commission concerning the assets and liabilities of the program of retired teachers' health insurance benefits and a recommendation of whether the program should be continued. Removes the July 1, 2004 repeal of the provisions governing the transfer of retired teachers' health insurance benefits from the pension system to the Department of Central Management Services and the provisions concerning contributions to the Teacher Health Insurance Security Fund. Makes other changes. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

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FISCAL NOTE ACT
MAY APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

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

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

(5 ILCS 375/6.5)

(Section scheduled to be repealed on July 1, 2004)

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

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

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

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

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

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

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

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

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

For Fiscal Year 1996, the premium shall be equal to the premium actually charged in Fiscal Year 1995; in subsequent years, the premium shall never be lower than the premium charged in Fiscal Year 1995. For Fiscal Year 2003, the premium shall not exceed 110% of the premium actually charged in Fiscal Year 2002. For Fiscal Year 2004, the premium shall not exceed 112% of the premium actually charged in Fiscal Year 2003.

Rates and premiums may be based in part on age and eligibility for federal medicare coverage and may be indexed by category based on the amount of the benefit recipient's annuity and number of years of service. However, the cost of participation for a TRS dependent beneficiary who is an unmarried child age 19 or over and mentally or physically handicapped shall not exceed the cost for a TRS dependent beneficiary who is an unmarried child under age 19 and participates in the same major medical or managed care program.

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

(1) For a TRS benefit recipient selecting a managed care program, up to 75% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund.

(2) For a TRS benefit recipient selecting the major medical coverage program, up to 50% of the total insurance rate shall be paid from the Teacher Health Insurance Security Fund if a managed care program is accessible, as determined by the Teachers' Retirement System.

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

(4) The balance of the rate of insurance, including the entire premium of any coverage for TRS dependent beneficiaries that has been elected, shall be paid by deductions authorized by the TRS benefit recipient to be withheld from his or her monthly annuity or benefit payment from the Teachers' Retirement System; except that (i) if the balance of the cost of coverage exceeds the amount of the monthly annuity or benefit payment, the difference

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

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

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

After other funds authorized for the payment of the costs of the health benefit program established under Article 16 of the Illinois Pension Code are exhausted and until January 1, 1996 (or such later date as may be agreed upon by the Director of Central Management Services and the Secretary of the Teachers' Retirement System), the Secretary of the Teachers'

Retirement System may make expenditures from the Teacher Health Insurance Security Fund as necessary to pay up to 75% of the cost of providing health coverage to eligible benefit recipients (as defined in Sections 16-153.1 and 16-153.3 of the Illinois Pension Code) who are enrolled in the Article 16 health benefit program and to facilitate the transfer of administration of the health benefit program to the Department of Central Management Services.

(g) Contract for benefits. The Director shall by contract, self-insurance, or otherwise make available the program of health benefits for TRS benefit recipients and their TRS dependent beneficiaries that is provided for in this Section. The contract or other arrangement for the provision of these health benefits shall be on terms deemed by the Director to be in the best interest of the State of Illinois and the TRS benefit recipients based on, but not limited to, such criteria as administrative cost, service capabilities of the carrier or other contractor, and the costs of the benefits. The contract shall require that each benefit recipient who is eligible must enroll in Medicare Part A and that each benefit recipient who enrolls in Medicare Part A shall be reimbursed for the cost of the premiums from the Teacher Health Insurance Security Fund.

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

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

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

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

(5 ILCS 375/6.6)

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

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

(a) Beginning July 1, 1995, all active contributors of the Teachers' Retirement System (established under Article 16 of the Illinois Pension Code) who are not employees of a department as defined in Section 3 of this Act shall make contributions toward the cost of annuitant and survivor health benefits. These contributions shall be at the following rates: until January 1, 2002, 0.5% of salary; beginning January 1, 2002, 0.65% of salary; beginning July 1, 2003, 0.75% of salary.

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

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

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

(a-3) Beginning July 1, 2004, in addition to the payments required under subsection (a), each active contributor of the Teachers' Retirement System who is not an employee as defined in Section 3 and who is not making contributions for Medicare must pay an amount equal to 1.45% of his or her salary into the Teacher Health Insurance Security Fund.

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

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

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

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

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

(a-7) Beginning July 1, 2004, in addition to the payments required under subsection (a-5), each employer of a person who is an active contributor of the Teachers' Retirement System, who is not an employee as defined in Section 3, and who is not making contributions for Medicare must pay an amount equal to 1.45% of that person's salary into the Teacher Health Insurance Security Fund.

(a-10) Beginning July 1, 2004, a person who retires under Article 16 of the Illinois Pension Code before attaining age 60 shall make monthly payments toward the cost of annuitant and survivor health benefits. The amount of the payments shall be equal to 0.5% of his or her average monthly salary during his or her final year of employment. Upon attaining age 60, a person shall no longer be required to make payments under this subsection (a-10).

(b) The Teachers' Retirement System shall promptly deposit all moneys collected under subsections (a), (a-3), ~~and~~ (a-5), (a-7), and (a-10) of this Section into the Teacher Health Insurance Security Fund created in Section 6.5 of this Act. The moneys collected under this Section shall be used only for the purposes authorized in Section 6.5 of this Act and shall not be considered to be assets of the Teachers' Retirement System. Contributions made under this Section are not transferable to other pension funds or retirement systems and are not refundable upon termination of service.

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

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

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

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

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

(5 ILCS 375/6.6a new)

Sec. 6.6a. Annual report. On or before September 1, 2004, and annually thereafter, the Department of Central Management Services shall file a report with the Economic and Fiscal Commission stating the assets and liabilities of the program of retired teachers' health insurance benefits provided under Sections 6.5 and 6.6. As a part of the annual report required under this Section, the Department of Central Management Services shall include its recommendation of whether the program should be continued beyond the end of the fiscal year in which the report is delivered.

Section 90. The State Mandates Act is amended by adding Section 8.28 as follows:

(30 ILCS 805/8.28 new)

Sec. 8.28. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 93rd General Assembly.

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