



## 93RD GENERAL ASSEMBLY

### State of Illinois

2003 and 2004

SB2677

Introduced 2/4/2004, by M. Maggie Crotty

#### 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.

LRB093 19014 LRD 44749 b

FISCAL NOTE ACT  
MAY APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 6.5 and 6.6 and adding Section  
6 6.6a as follows:

7 (5 ILCS 375/6.5)

8 (Section scheduled to be repealed on July 1, 2004)

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

11 (a) Purpose. It is the purpose of this amendatory Act of  
12 1995 to transfer the administration of the program of health  
13 benefits established for benefit recipients and their  
14 dependent beneficiaries under Article 16 of the Illinois  
15 Pension Code to the Department of Central Management Services.

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

28 (c) Eligibility. All persons who were enrolled in the  
29 Article 16 program at the time of the transfer shall be  
30 eligible to participate in the program established under this  
31 Section without any interruption or delay in coverage or  
32 limitation as to pre-existing medical conditions. Eligibility

1 to participate shall be determined by the Teachers' Retirement  
2 System. Eligibility information shall be communicated to the  
3 Department of Central Management Services in a format  
4 acceptable to the Department.

5 A TRS dependent beneficiary who is an unmarried child age  
6 19 or over and mentally or physically handicapped does not  
7 become ineligible to participate by reason of (i) becoming  
8 ineligible to be claimed as a dependent for Illinois or federal  
9 income tax purposes or (ii) receiving earned income, so long as  
10 those earnings are insufficient for the child to be fully  
11 self-sufficient.

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

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

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

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

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

1 charged in Fiscal Year 1995. For Fiscal Year 2003, the premium  
2 shall not exceed 110% of the premium actually charged in Fiscal  
3 Year 2002. For Fiscal Year 2004, the premium shall not exceed  
4 112% of the premium actually charged in Fiscal Year 2003.

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

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

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

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

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

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

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

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

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

31 After other funds authorized for the payment of the costs  
32 of the health benefit program established under Article 16 of  
33 the Illinois Pension Code are exhausted and until January 1,  
34 1996 (or such later date as may be agreed upon by the Director  
35 of Central Management Services and the Secretary of the  
36 Teachers' Retirement System), the Secretary of the Teachers'

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

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

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

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

33 (i) (Blank). ~~Repeal. This Section is repealed on July 1,~~  
34 ~~2004.~~

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

1 (5 ILCS 375/6.6)

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

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

5 (a) Beginning July 1, 1995, all active contributors of the  
6 Teachers' Retirement System (established under Article 16 of  
7 the Illinois Pension Code) who are not employees of a  
8 department as defined in Section 3 of this Act shall make  
9 contributions toward the cost of annuitant and survivor health  
10 benefits. These contributions shall be at the following rates:  
11 until January 1, 2002, 0.5% of salary; beginning January 1,  
12 2002, 0.65% of salary; beginning July 1, 2003, 0.75% of salary.

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

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

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

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

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

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

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

20 (2) Beginning July 1, 2003, the employer contribution  
21 shall be equal to 0.5% of each 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 (a-7) Beginning July 1, 2004, in addition to the payments  
34 required under subsection (a-5), each employer of a person who  
35 is an active contributor of the Teachers' Retirement System,  
36 who is not an employee as defined in Section 3, and who is not



1 making contributions for Medicare must pay an amount equal to  
2 1.45% of that person's salary into the Teacher Health Insurance  
3 Security Fund.

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

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

22 (c) On or before November 15 of each year, the Board of  
23 Trustees of the Teachers' Retirement System shall certify to  
24 the Governor, the Director of Central Management Services, and  
25 the State Comptroller its estimate of the total amount of  
26 contributions to be paid under subsection (a) of this Section  
27 6.6 for the next fiscal year. The amount certified shall be  
28 decreased or increased each year by the amount that the actual  
29 active teacher contributions either fell short of or exceeded  
30 the estimate used by the Board in making the certification for  
31 the previous fiscal year. The certification shall include a  
32 detailed explanation of the methods and information that the  
33 Board relied upon in preparing its estimate. As soon as  
34 possible after the effective date of this amendatory Act of the  
35 92nd General Assembly, the Board shall recalculate and  
36 recertify its certifications for fiscal years 2002 and 2003.

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

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

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

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

14 (5 ILCS 375/6.6a new)

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

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

27 (30 ILCS 805/8.28 new)

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

32 Section 99. Effective date. This Act takes effect upon

1 becoming law.