



96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB1635

Introduced 2/19/2009, by Sen. Donne E. Trotter

SYNOPSIS AS INTRODUCED:

40 ILCS 5/22-101B
30 ILCS 805/8.33 new

Amends provisions concerning health care benefits for the Chicago Transit Authority in the Illinois Pension Code. Provides that the Retiree Health Care Trust shall be solely responsible for providing health care benefits to eligible retirees and their dependents and survivors upon the exhaustion of the account established by the Retirement Plan for Chicago Transit Authority Employees pursuant to Section 401(h) of the Internal Revenue Code, but no earlier than January 1, 2009 and no later than July 1, 2009 (rather than by no later than July 1, 2009, but no earlier than January 1, 2009). Provides health care coverage through a health maintenance organization may be provided at 100% (while certain health care benefit programs established by the Board of Trustees are limited to 90% coverage for in-network services or 70% coverage for out-of-network services). Makes changes concerning the annual assessment of the funding levels of the Retiree Health Care Trust. Provides that any retiree hired on or before September 5, 2001 who retires with 25 years or more of continuous service, shall be eligible for retiree health care benefits upon retirement in accordance with any rules or regulations adopted by the Board of Trustees. Provides that the Board of Trustees may adopt rules and regulations providing for the refund of the total contributions made by employees who are not eligible for retiree health care benefits or who elect to waive retiree health care benefits. Makes other changes. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB096 08452 AMC 18569 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

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 Illinois Pension Code is amended by changing
5 Section 22-101B as follows:

6 (40 ILCS 5/22-101B)

7 Sec. 22-101B. Health Care Benefits.

8 (a) The Chicago Transit Authority (hereinafter referred to
9 in this Section as the "Authority") shall take all actions
10 lawfully available to it to separate the funding of health care
11 benefits for retirees and their dependents and survivors from
12 the funding for its retirement system. The Authority shall
13 endeavor to achieve this separation as soon as possible, and in
14 any event no later than July 1, 2009.

15 (b) Effective 90 days after the effective date of this
16 amendatory Act of the 95th General Assembly, a Retiree Health
17 Care Trust is established for the purpose of providing health
18 care benefits to eligible retirees and their dependents and
19 survivors in accordance with the terms and conditions set forth
20 in this Section 22-101B. The Retiree Health Care Trust shall be
21 solely responsible for providing health care benefits to
22 eligible retirees and their dependents and survivors upon the
23 exhaustion of the account established by the Retirement Plan

1 for Chicago Transit Authority Employees pursuant to Section
2 401(h) of the Internal Revenue Code, but no earlier than
3 January 1, 2009 and no later than July 1, 2009 ~~by no later than~~
4 ~~July 1, 2009, but no earlier than January 1, 2009.~~

5 (1) The Board of Trustees shall consist of 7 members
6 appointed as follows: (i) 3 trustees shall be appointed by
7 the Chicago Transit Board; (ii) one trustee shall be
8 appointed by an organization representing the highest
9 number of Chicago Transit Authority participants; (iii)
10 one trustee shall be appointed by an organization
11 representing the second-highest number of Chicago Transit
12 Authority participants; (iv) one trustee shall be
13 appointed by the recognized coalition representatives of
14 participants who are not represented by an organization
15 with the highest or second-highest number of Chicago
16 Transit Authority participants; and (v) one trustee shall
17 be selected by the Regional Transportation Authority Board
18 of Directors, and the trustee shall be a professional
19 fiduciary who has experience in the area of collectively
20 bargained retiree health plans. Trustees shall serve until
21 a successor has been appointed and qualified, or until
22 resignation, death, incapacity, or disqualification.

23 Any person appointed as a trustee of the board shall
24 qualify by taking an oath of office that he or she will
25 diligently and honestly administer the affairs of the
26 system, and will not knowingly violate or willfully permit

1 the violation of any of the provisions of law applicable to
2 the Plan, including Sections 1-109, 1-109.1, 1-109.2,
3 1-110, 1-111, 1-114, and 1-115 of Article 1 of the Illinois
4 Pension Code.

5 Each trustee shall cast individual votes, and a
6 majority vote shall be final and binding upon all
7 interested parties, provided that the Board of Trustees may
8 require a supermajority vote with respect to the investment
9 of the assets of the Retiree Health Care Trust, and may set
10 forth that requirement in the trust agreement or by-laws of
11 the Board of Trustees. Each trustee shall have the rights,
12 privileges, authority and obligations as are usual and
13 customary for such fiduciaries.

14 (2) The Board of Trustees shall establish and
15 administer a health care benefit program for eligible
16 retirees and their dependents and survivors. ~~Any~~ ~~The~~ health
17 care benefit program established by the Board of Trustees
18 for eligible retirees and their dependents and survivors
19 effective on or after July 1, 2009 shall not contain any
20 plan which provides for more than 90% coverage for
21 in-network services or 70% coverage for out-of-network
22 services after any deductible has been paid, except that
23 coverage through a health maintenance organization ("HMO")
24 may be provided at 100%.

25 (3) The Retiree Health Care Trust shall be administered
26 by the Board of Trustees according to the following

1 requirements:

2 (i) The Board of Trustees may cause amounts on
3 deposit in the Retiree Health Care Trust to be invested
4 in those investments that are permitted investments
5 for the investment of moneys held under any one or more
6 of the pension or retirement systems of the State, any
7 unit of local government or school district, or any
8 agency or instrumentality thereof. The Board, by a vote
9 of at least two-thirds of the trustees, may transfer
10 investment management to the Illinois State Board of
11 Investment, which is hereby authorized to manage these
12 investments when so requested by the Board of Trustees.

13 (ii) The Board of Trustees shall establish and
14 maintain an appropriate funding reserve level which
15 shall not be less than the amount of incurred and
16 unreported claims plus 12 months of expected claims and
17 administrative expenses.

18 (iii) The Board of Trustees shall make an annual
19 assessment of the funding levels of the Retiree Health
20 Care Trust and shall submit a report to the Auditor
21 General at least 90 days prior to the end of the fiscal
22 year. The report shall provide the following:

23 (A) the actuarial present value of projected
24 benefits expected to be paid to current and future
25 retirees and their dependents and survivors;

26 (B) the actuarial present value of projected

1 contributions and trust income plus assets;

2 (C) the reserve required by subsection
3 (b) (3) (ii); and

4 (D) an assessment of whether the actuarial
5 present value of projected benefits expected to be
6 paid to current and future retirees and their
7 dependents and survivors exceeds or is less than
8 the actuarial present value of projected
9 contributions and trust income plus assets ~~in~~
10 ~~excess of the reserve required by subsection~~
11 ~~(b) (3) (ii).~~

12 If the actuarial present value of projected
13 benefits expected to be paid to current and future
14 retirees and their dependents and survivors exceeds
15 the actuarial present value of projected contributions
16 and trust income plus assets ~~in excess of the reserve~~
17 ~~required by subsection (b) (3) (ii),~~ then the report
18 shall provide a plan, to be implemented over a period
19 of not more than 10 years from each valuation date,
20 which would make the actuarial present value of
21 projected contributions and trust income plus assets
22 equal to or exceed the actuarial present value of
23 projected benefits expected to be paid to current and
24 future retirees and their dependents and survivors.
25 The plan may consist of increases in employee, retiree,
26 dependent, or survivor contribution levels, decreases

1 in benefit levels, or other plan changes or any
2 combination thereof ~~both, which is projected to cure~~
3 ~~the shortfall over a period of not more than 10 years.~~

4 If the actuarial present value of projected benefits
5 expected to be paid to current and future retirees and
6 their dependents and survivors is less than the
7 actuarial present value of projected contributions and
8 trust income plus assets ~~in excess of the reserve~~
9 ~~required by subsection (b) (3) (ii)~~, then the report may
10 provide a plan of decreases in employee, retiree,
11 dependent, or survivor contribution levels, increases
12 in benefit levels, or other plan changes, or any
13 combination thereof ~~both~~, to the extent of the surplus.

14 (iv) The Auditor General shall review the report
15 and plan provided in subsection (b) (3) (iii) and issue a
16 determination within 90 days after receiving the
17 report and plan, with a copy of such determination
18 provided to the General Assembly and the Regional
19 Transportation Authority, as follows:

20 (A) In the event of a projected shortfall, if
21 the Auditor General determines that the
22 assumptions stated in the report are not
23 unreasonable in the aggregate and that the plan of
24 increases in employee, retiree, dependent, or
25 survivor contribution levels, decreases in benefit
26 levels, or other plan changes, or any combination

1 thereof, to be implemented over a period of not
2 more than 10 years from each valuation date both,
3 is reasonably projected to make the actuarial
4 present value of projected contributions and trust
5 income plus assets equal to or in excess of the
6 actuarial present value of projected benefits
7 expected to be paid to current and future retirees
8 and their dependents and survivors ~~cure the~~
9 ~~shortfall over a period of not more than 10 years,~~
10 then the Board of Trustees shall implement the
11 plan. If the Auditor General determines that the
12 assumptions stated in the report are unreasonable
13 in the aggregate, or that the plan of increases in
14 employee, retiree, dependent, or survivor
15 contribution levels, decreases in benefit levels,
16 or other plan changes to be implemented over a
17 period of not more than 10 years from each
18 valuation date both, is not reasonably projected
19 to make the actuarial present value of projected
20 contributions and trust income plus assets equal
21 to or in excess of the actuarial present value of
22 projected benefits expected to be paid to current
23 and future retirees and their dependents and
24 survivors ~~cure the shortfall over a period of not~~
25 ~~more than 10 years,~~ then the Board of Trustees
26 shall not implement the plan, the Auditor General

1 shall explain the basis for such determination to
2 the Board of Trustees, and the Auditor General may
3 make recommendations as to an alternative report
4 and plan.

5 (B) In the event of a projected surplus, if the
6 Auditor General determines that the assumptions
7 stated in the report are not unreasonable in the
8 aggregate and that the plan of decreases in
9 employee, retiree, dependent, or survivor
10 contribution levels, increases in benefit levels,
11 or both, is not unreasonable in the aggregate, then
12 the Board of Trustees shall implement the plan. If
13 the Auditor General determines that the
14 assumptions stated in the report are unreasonable
15 in the aggregate, or that the plan of decreases in
16 employee, retiree, dependent, or survivor
17 contribution levels, increases in benefit levels,
18 or both, is unreasonable in the aggregate, then the
19 Board of Trustees shall not implement the plan, the
20 Auditor General shall explain the basis for such
21 determination to the Board of Trustees, and the
22 Auditor General may make recommendations as to an
23 alternative report and plan.

24 (C) The Board of Trustees shall submit an
25 alternative report and plan within 45 days after
26 receiving a rejection determination by the Auditor

1 General. A determination by the Auditor General on
2 any alternative report and plan submitted by the
3 Board of Trustees shall be made within 90 days
4 after receiving the alternative report and plan,
5 and shall be accepted or rejected according to the
6 requirements of this subsection (b)(3)(iv). The
7 Board of Trustees shall continue to submit
8 alternative reports and plans to the Auditor
9 General, as necessary, until a favorable
10 determination is made by the Auditor General.

11 (4) For any retiree who first retires effective on or
12 after January 18, 2008, to be eligible for retiree health
13 care benefits upon retirement, the retiree must be at least
14 55 years of age, retire with 10 or more years of continuous
15 service and satisfy the preconditions established by
16 Public Act 95-708 in addition to any rules or regulations
17 promulgated by the Board of Trustees. Notwithstanding the
18 foregoing, any retiree hired on or before September 5, 2001
19 who ~~retires~~ retired prior to the effective date of this
20 amendatory Act with 25 years or more of continuous service,
21 or who ~~retires~~ within 90 days after the effective date of
22 this amendatory Act or by January 1, 2009, whichever is
23 later, with 25 years or more of continuous service, shall
24 be eligible for retiree health care benefits upon
25 retirement in accordance with any rules or regulations
26 adopted by the Board of Trustees. This paragraph (4) shall

1 not apply to a disability allowance.

2 (5) Effective January 1, 2009, the aggregate amount of
3 retiree, dependent and survivor contributions to the cost
4 of their health care benefits shall not exceed more than
5 45% of the total cost of such benefits. The Board of
6 Trustees shall have the discretion to provide different
7 contribution levels for retirees, dependents and survivors
8 based on their years of service, level of coverage or
9 Medicare eligibility, provided that the total contribution
10 from all retirees, dependents, and survivors shall be not
11 more than 45% of the total cost of such benefits. The term
12 "total cost of such benefits" for purposes of this
13 subsection shall be the total amount expended by the
14 retiree health benefit program in the prior plan year, as
15 calculated and certified in writing by the Retiree Health
16 Care Trust's enrolled actuary to be appointed and paid for
17 by the Board of Trustees.

18 (6) Effective January 18, 2008, all employees of the
19 Authority shall contribute to the Retiree Health Care Trust
20 in an amount not less than 3% of compensation. The Board of
21 Trustees may adopt rules and regulations providing for the
22 refund of the total contributions made by employees who are
23 not eligible for retiree health care benefits or who elect
24 to waive retiree health care benefits.

25 (7) No earlier than January 1, 2009 and no later than
26 July 1, 2009 as the Retiree Health Care Trust becomes

1 solely responsible for providing health care benefits to
2 eligible retirees and their dependents and survivors in
3 accordance with subsection (b) of this Section 22-101B, the
4 Authority shall not have any obligation to provide health
5 care to current or future retirees and their dependents or
6 survivors. Employees, retirees, dependents, and survivors
7 who are required to make contributions to the Retiree
8 Health Care Trust shall make contributions at the level set
9 by the Board of Trustees pursuant to the requirements of
10 this Section 22-101B.

11 (Source: P.A. 95-708, eff. 1-18-08; 95-906, eff. 8-26-08.)

12 Section 90. The State Mandates Act is amended by adding
13 Section 8.33 as follows:

14 (30 ILCS 805/8.33 new)

15 Sec. 8.33. Exempt mandate. Notwithstanding Sections 6 and 8
16 of this Act, no reimbursement by the State is required for the
17 implementation of any mandate created by this amendatory Act of
18 the 96th General Assembly.

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