



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

HB5779

by Rep. Randy Frese

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the General Assembly Article of the Illinois Pension Code. Requires the System to prepare and implement a Tier 3 plan by July 1, 2017 that aggregates State and employee contributions in individual participant accounts which are used for payouts after retirement. Provides that a person who becomes a participant on or after July 1, 2017 shall participate in the Tier 3 plan. Provides that a Tier 1 or Tier 2 participant may irrevocably elect to participate in the Tier 3 plan instead of the defined benefit plan; makes conforming changes. Authorizes a Tier 1 or Tier 2 participant who elects to participate in the Tier 3 plan to elect to terminate all participation in the defined benefit plan and to have a specified amount credited to his or her account under the Tier 3 plan. Requires the System to report on its progress in establishing the Tier 3 plan to the Governor and the General Assembly by January 15, 2017. Excludes the amendatory Act from the new benefit increase restrictions. Repeals certain provisions concerning a defined contribution plan added by Public Act 98-599. Authorizes a participant to terminate his or her participation in the System. Makes related changes in the Retirement Systems Reciprocal Act (Article 20 of the Code) and the State Employees Group Insurance Act of 1971. Effective immediately.

LRB099 17785 RPS 42147 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

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 of  
11 implementing specific programs providing benefits under this  
12 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 who

1 has elected to receive an alternative retirement cancellation  
2 payment under Section 14-108.5 of the Illinois Pension Code in  
3 lieu of an annuity), 15 (including an employee who has retired  
4 under the optional retirement program established under  
5 Section 15-158.2), paragraphs (2), (3), or (5) of Section  
6 16-106, or Article 18 of the Illinois Pension Code; (2) any  
7 person who was receiving group insurance coverage under this  
8 Act as of March 31, 1978 by reason of his status as an  
9 annuitant, even though the annuity in relation to which such  
10 coverage was provided is a proportional annuity based on less  
11 than the minimum period of service required for a retirement  
12 annuity in the system involved; (3) any person not otherwise  
13 covered by this Act who has retired as a participating member  
14 under Article 2 of the Illinois Pension Code but is ineligible  
15 for the retirement annuity under Section 2-119 of the Illinois  
16 Pension Code; (4) the spouse of any person who is receiving a  
17 retirement annuity under Article 18 of the Illinois Pension  
18 Code and who is covered under a group health insurance program  
19 sponsored by a governmental employer other than the State of  
20 Illinois and who has irrevocably elected to waive his or her  
21 coverage under this Act and to have his or her spouse  
22 considered as the "annuitant" under this Act and not as a  
23 "dependent"; or (5) an employee who retires, or has retired,  
24 from a qualified position, as determined according to rules  
25 promulgated by the Director, under a qualified local  
26 government, a qualified rehabilitation facility, a qualified

1 domestic violence shelter or service, or a qualified child  
2 advocacy center. (For definition of "retired employee", see (p)  
3 post).

4 (b-5) (Blank).

5 (b-6) (Blank).

6 (b-7) (Blank).

7 (c) "Carrier" means (1) an insurance company, a corporation  
8 organized under the Limited Health Service Organization Act or  
9 the Voluntary Health Services Plan Act, a partnership, or other  
10 nongovernmental organization, which is authorized to do group  
11 life or group health insurance business in Illinois, or (2) the  
12 State of Illinois as a self-insurer.

13 (d) "Compensation" means salary or wages payable on a  
14 regular payroll by the State Treasurer on a warrant of the  
15 State Comptroller out of any State, trust or federal fund, or  
16 by the Governor of the State through a disbursing officer of  
17 the State out of a trust or out of federal funds, or by any  
18 Department out of State, trust, federal or other funds held by  
19 the State Treasurer or the Department, to any person for  
20 personal services currently performed, and ordinary or  
21 accidental disability benefits under Articles 2, 14, 15  
22 (including ordinary or accidental disability benefits under  
23 the optional retirement program established under Section  
24 15-158.2), paragraphs (2), (3), or (5) of Section 16-106, or  
25 Article 18 of the Illinois Pension Code, for disability  
26 incurred after January 1, 1966, or benefits payable under the

1 Workers' Compensation or Occupational Diseases Act or benefits  
2 payable under a sick pay plan established in accordance with  
3 Section 36 of the State Finance Act. "Compensation" also means  
4 salary or wages paid to an employee of any qualified local  
5 government, qualified rehabilitation facility, qualified  
6 domestic violence shelter or service, or qualified child  
7 advocacy center.

8 (e) "Commission" means the State Employees Group Insurance  
9 Advisory Commission authorized by this Act. Commencing July 1,  
10 1984, "Commission" as used in this Act means the Commission on  
11 Government Forecasting and Accountability as established by  
12 the Legislative Commission Reorganization Act of 1984.

13 (f) "Contributory", when referred to as contributory  
14 coverage, shall mean optional coverages or benefits elected by  
15 the member toward the cost of which such member makes  
16 contribution, or which are funded in whole or in part through  
17 the acceptance of a reduction in earnings or the foregoing of  
18 an increase in earnings by an employee, as distinguished from  
19 noncontributory coverage or benefits which are paid entirely by  
20 the State of Illinois without reduction of the member's salary.

21 (g) "Department" means any department, institution, board,  
22 commission, officer, court or any agency of the State  
23 government receiving appropriations and having power to  
24 certify payrolls to the Comptroller authorizing payments of  
25 salary and wages against such appropriations as are made by the  
26 General Assembly from any State fund, or against trust funds

1 held by the State Treasurer and includes boards of trustees of  
2 the retirement systems created by Articles 2, 14, 15, 16 and 18  
3 of the Illinois Pension Code. "Department" also includes the  
4 Illinois Comprehensive Health Insurance Board, the Board of  
5 Examiners established under the Illinois Public Accounting  
6 Act, and the Illinois Finance Authority.

7 (h) "Dependent", when the term is used in the context of  
8 the health and life plan, means a member's spouse and any child  
9 (1) from birth to age 26 including an adopted child, a child  
10 who lives with the member from the time of the filing of a  
11 petition for adoption until entry of an order of adoption, a  
12 stepchild or adjudicated child, or a child who lives with the  
13 member if such member is a court appointed guardian of the  
14 child or (2) age 19 or over who has a mental or physical  
15 disability from a cause originating prior to the age of 19 (age  
16 26 if enrolled as an adult child dependent). For the health  
17 plan only, the term "dependent" also includes (1) any person  
18 enrolled prior to the effective date of this Section who is  
19 dependent upon the member to the extent that the member may  
20 claim such person as a dependent for income tax deduction  
21 purposes and (2) any person who has received after June 30,  
22 2000 an organ transplant and who is financially dependent upon  
23 the member and eligible to be claimed as a dependent for income  
24 tax purposes. A member requesting to cover any dependent must  
25 provide documentation as requested by the Department of Central  
26 Management Services and file with the Department any and all

1 forms required by the Department.

2 (i) "Director" means the Director of the Illinois  
3 Department of Central Management Services.

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

7 (k) "Employee" means and includes each officer or employee  
8 in the service of a department who (1) receives his  
9 compensation for service rendered to the department on a  
10 warrant issued pursuant to a payroll certified by a department  
11 or on a warrant or check issued and drawn by a department upon  
12 a trust, federal or other fund or on a warrant issued pursuant  
13 to a payroll certified by an elected or duly appointed officer  
14 of the State or who receives payment of the performance of  
15 personal services on a warrant issued pursuant to a payroll  
16 certified by a Department and drawn by the Comptroller upon the  
17 State Treasurer against appropriations made by the General  
18 Assembly from any fund or against trust funds held by the State  
19 Treasurer, and (2) is employed full-time or part-time in a  
20 position normally requiring actual performance of duty during  
21 not less than 1/2 of a normal work period, as established by  
22 the Director in cooperation with each department, except that  
23 persons elected by popular vote will be considered employees  
24 during the entire term for which they are elected regardless of  
25 hours devoted to the service of the State, and (3) except that  
26 "employee" does not include any person who is not eligible by

1 reason of such person's employment to participate in one of the  
2 State retirement systems under Articles 2, 14, 15 (either the  
3 regular Article 15 system or the optional retirement program  
4 established under Section 15-158.2) or 18, or under paragraph  
5 (2), (3), or (5) of Section 16-106, of the Illinois Pension  
6 Code, but such term does include persons who are employed  
7 during the 6 month qualifying period under Article 14 of the  
8 Illinois Pension Code. Such term also includes any person who  
9 (1) after January 1, 1966, is receiving ordinary or accidental  
10 disability benefits under Articles 2, 14, 15 (including  
11 ordinary or accidental disability benefits under the optional  
12 retirement program established under Section 15-158.2),  
13 paragraphs (2), (3), or (5) of Section 16-106, or Article 18 of  
14 the Illinois Pension Code, for disability incurred after  
15 January 1, 1966, (2) receives total permanent or total  
16 temporary disability under the Workers' Compensation Act or  
17 Occupational Disease Act as a result of injuries sustained or  
18 illness contracted in the course of employment with the State  
19 of Illinois, or (3) is not otherwise covered under this Act and  
20 has retired as a participating member under Article 2 of the  
21 Illinois Pension Code but is ineligible for the retirement  
22 annuity under Section 2-119 of the Illinois Pension Code.  
23 However, a person who satisfies the criteria of the foregoing  
24 definition of "employee" except that such person is made  
25 ineligible to participate in the State Universities Retirement  
26 System by clause (4) of subsection (a) of Section 15-107 of the



1 Illinois Pension Code is also an "employee" for the purposes of  
2 this Act. "Employee" also includes any person receiving or  
3 eligible for benefits under a sick pay plan established in  
4 accordance with Section 36 of the State Finance Act. "Employee"  
5 also includes (i) each officer or employee in the service of a  
6 qualified local government, including persons appointed as  
7 trustees of sanitary districts regardless of hours devoted to  
8 the service of the sanitary district, (ii) each employee in the  
9 service of a qualified rehabilitation facility, (iii) each  
10 full-time employee in the service of a qualified domestic  
11 violence shelter or service, and (iv) each full-time employee  
12 in the service of a qualified child advocacy center, as  
13 determined according to rules promulgated by the Director.

14 (1) "Member" means an employee, annuitant, retired  
15 employee or survivor. In the case of an annuitant or retired  
16 employee who first becomes an annuitant or retired employee on  
17 or after the effective date of this amendatory Act of the 97th  
18 General Assembly, the individual must meet the minimum vesting  
19 requirements of the applicable retirement system in order to be  
20 eligible for group insurance benefits under that system. In the  
21 case of a survivor who first becomes a survivor on or after the  
22 effective date of this amendatory Act of the 97th General  
23 Assembly, the deceased employee, annuitant, or retired  
24 employee upon whom the annuity is based must have been eligible  
25 to participate in the group insurance system under the  
26 applicable retirement system in order for the survivor to be

1 eligible for group insurance benefits under that system.

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

5 (n) "Program" means the group life insurance, health  
6 benefits and other employee benefits designed and contracted  
7 for by the Director under this Act.

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

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

19 (q) "Survivor" means a person receiving an annuity as a  
20 survivor of an employee or of an annuitant. "Survivor" also  
21 includes: (1) the surviving dependent of a person who satisfies  
22 the definition of "employee" except that such person is 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; (2) the surviving dependent of any  
26 person formerly employed by the University of Illinois in the

1 Cooperative Extension Service who would be an annuitant except  
2 for the fact that such person was made ineligible to  
3 participate in the State Universities Retirement System by  
4 clause (4) of subsection (a) of Section 15-107 of the Illinois  
5 Pension Code; and (3) the surviving dependent of a person who  
6 was an annuitant under this Act by virtue of receiving an  
7 alternative retirement cancellation payment under Section  
8 14-108.5 of the Illinois Pension Code.

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

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

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

17 (q-5) (Blank).

18 (q-6) (Blank).

19 (q-7) (Blank).

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

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

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

24 (t) "Qualified rehabilitation facility" means any  
25 not-for-profit organization that is accredited by the  
26 Commission on Accreditation of Rehabilitation Facilities or

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

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

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

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

16 (2) is receiving a monthly benefit or retirement  
17 annuity under Article 16 of the Illinois Pension Code; and

18 (3) either (i) has at least 8 years of creditable  
19 service under Article 16 of the Illinois Pension Code, or  
20 (ii) was enrolled in the health insurance program offered  
21 under that Article on January 1, 1996, or (iii) is the  
22 survivor of a benefit recipient who had at least 8 years of  
23 creditable service under Article 16 of the Illinois Pension  
24 Code or was enrolled in the health insurance program  
25 offered under that Article on the effective date of this  
26 amendatory Act of 1995, or (iv) is a recipient or survivor

1 of a recipient of a disability benefit under Article 16 of  
2 the Illinois Pension Code.

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

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

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

16 "TRS dependent beneficiary" does not include, as indicated  
17 under paragraph (2) of this subsection (w), a dependent of the  
18 survivor of a TRS benefit recipient who first becomes a  
19 dependent of a survivor of a TRS benefit recipient on or after  
20 the effective date of this amendatory Act of the 97th General  
21 Assembly unless that dependent would have been eligible for  
22 coverage as a dependent of the deceased TRS benefit recipient  
23 upon whom the survivor benefit is based.

24 (x) "Military leave" refers to individuals in basic  
25 training for reserves, special/advanced training, annual  
26 training, emergency call up, activation by the President of the

1 United States, or any other training or duty in service to the  
2 United States Armed Forces.

3 (y) (Blank).

4 (z) "Community college benefit recipient" means a person  
5 who:

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

7 (2) is receiving a monthly survivor's annuity or  
8 retirement annuity under Article 15 of the Illinois Pension  
9 Code; and

10 (3) either (i) was a full-time employee of a community  
11 college district or an association of community college  
12 boards created under the Public Community College Act  
13 (other than an employee whose last employer under Article  
14 15 of the Illinois Pension Code was a community college  
15 district subject to Article VII of the Public Community  
16 College Act) and was eligible to participate in a group  
17 health benefit plan as an employee during the time of  
18 employment with a community college district (other than a  
19 community college district subject to Article VII of the  
20 Public Community College Act) or an association of  
21 community college boards, or (ii) is the survivor of a  
22 person described in item (i).

23 (aa) "Community college dependent beneficiary" means a  
24 person who:

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

1           (2) is a community college benefit recipient's: (A)  
2 spouse, (B) dependent parent who is receiving at least half  
3 of his or her support from the community college benefit  
4 recipient, or (C) natural, step, adjudicated, or adopted  
5 child who is (i) under age 26, or (ii) age 19 or over and  
6 has a mental or physical disability from a cause  
7 originating prior to the age of 19 (age 26 if enrolled as  
8 an adult child).

9           "Community college dependent beneficiary" does not  
10 include, as indicated under paragraph (2) of this subsection  
11 (aa), a dependent of the survivor of a community college  
12 benefit recipient who first becomes a dependent of a survivor  
13 of a community college benefit recipient on or after the  
14 effective date of this amendatory Act of the 97th General  
15 Assembly unless that dependent would have been eligible for  
16 coverage as a dependent of the deceased community college  
17 benefit recipient upon whom the survivor annuity is based.

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

24           (Source: P.A. 98-488, eff. 8-16-13; 99-143, eff. 7-27-15.)

25           (5 ILCS 375/10) (from Ch. 127, par. 530)



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

2           (a) The State shall pay the cost of basic non-contributory  
3 group life insurance and, subject to member paid contributions  
4 set by the Department or required by this Section and except as  
5 provided in this Section, the basic program of group health  
6 benefits on each eligible member, except a member, not  
7 otherwise covered by this Act, who has retired as a  
8 participating member under Article 2 of the Illinois Pension  
9 Code but is ineligible for the retirement annuity under Section  
10 2-119 of the Illinois Pension Code, and part of each eligible  
11 member's and retired member's premiums for health insurance  
12 coverage for enrolled dependents as provided by Section 9. The  
13 State shall pay the cost of the basic program of group health  
14 benefits only after benefits are reduced by the amount of  
15 benefits covered by Medicare for all members and dependents who  
16 are eligible for benefits under Social Security or the Railroad  
17 Retirement system or who had sufficient Medicare-covered  
18 government employment, except that such reduction in benefits  
19 shall apply only to those members and dependents who (1) first  
20 become eligible for such Medicare coverage on or after July 1,  
21 1992; or (2) are Medicare-eligible members or dependents of a  
22 local government unit which began participation in the program  
23 on or after July 1, 1992; or (3) remain eligible for, but no  
24 longer receive Medicare coverage which they had been receiving  
25 on or after July 1, 1992. The Department may determine the  
26 aggregate level of the State's contribution on the basis of

1 actual cost of medical services adjusted for age, sex or  
2 geographic or other demographic characteristics which affect  
3 the costs of such programs.

4 The cost of participation in the basic program of group  
5 health benefits for the dependent or survivor of a living or  
6 deceased retired employee who was formerly employed by the  
7 University of Illinois in the Cooperative Extension Service and  
8 would be an annuitant but for the fact that he or she was made  
9 ineligible to participate in the State Universities Retirement  
10 System by clause (4) of subsection (a) of Section 15-107 of the  
11 Illinois Pension Code shall not be greater than the cost of  
12 participation that would otherwise apply to that dependent or  
13 survivor if he or she were the dependent or survivor of an  
14 annuitant under the State Universities Retirement System.

15 (a-1) (Blank).

16 (a-2) (Blank).

17 (a-3) (Blank).

18 (a-4) (Blank).

19 (a-5) (Blank).

20 (a-6) (Blank).

21 (a-7) (Blank).

22 (a-8) Any annuitant, survivor, or retired employee may  
23 waive or terminate coverage in the program of group health  
24 benefits. Any such annuitant, survivor, or retired employee who  
25 has waived or terminated coverage may enroll or re-enroll in  
26 the program of group health benefits only during the annual

1 benefit choice period, as determined by the Director; except  
2 that in the event of termination of coverage due to nonpayment  
3 of premiums, the annuitant, survivor, or retired employee may  
4 not re-enroll in the program.

5 (a-8.5) Beginning on the effective date of this amendatory  
6 Act of the 97th General Assembly, the Director of Central  
7 Management Services shall, on an annual basis, determine the  
8 amount that the State shall contribute toward the basic program  
9 of group health benefits on behalf of annuitants (including  
10 individuals who (i) participated in the General Assembly  
11 Retirement System, the State Employees' Retirement System of  
12 Illinois, the State Universities Retirement System, the  
13 Teachers' Retirement System of the State of Illinois, or the  
14 Judges Retirement System of Illinois and (ii) qualify as  
15 annuitants under subsection (b) of Section 3 of this Act),  
16 survivors (including individuals who (i) receive an annuity as  
17 a survivor of an individual who participated in the General  
18 Assembly Retirement System, the State Employees' Retirement  
19 System of Illinois, the State Universities Retirement System,  
20 the Teachers' Retirement System of the State of Illinois, or  
21 the Judges Retirement System of Illinois and (ii) qualify as  
22 survivors under subsection (q) of Section 3 of this Act), and  
23 retired employees (as defined in subsection (p) of Section 3 of  
24 this Act). The remainder of the cost of coverage for each  
25 annuitant, survivor, or retired employee, as determined by the  
26 Director of Central Management Services, shall be the

1 responsibility of that annuitant, survivor, or retired  
2 employee.

3 Contributions required of annuitants, survivors, and  
4 retired employees shall be the same for all retirement systems  
5 and shall also be based on whether an individual has made an  
6 election under Section 15-135.1 of the Illinois Pension Code.  
7 Contributions may be based on annuitants', survivors', or  
8 retired employees' Medicare eligibility, but may not be based  
9 on Social Security eligibility.

10 (a-9) No later than May 1 of each calendar year, the  
11 Director of Central Management Services shall certify in  
12 writing to the Executive Secretary of the State Employees'  
13 Retirement System of Illinois the amounts of the Medicare  
14 supplement health care premiums and the amounts of the health  
15 care premiums for all other retirees who are not Medicare  
16 eligible.

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

19 The Director of Central Management Services shall provide  
20 to the Executive Secretary of the State Employees' Retirement  
21 System of Illinois such information, statistics, and other data  
22 as he or she may require to review the premium amounts  
23 certified by the Director of Central Management Services.

24 The Department of Central Management Services, or any  
25 successor agency designated to procure healthcare contracts  
26 pursuant to this Act, is authorized to establish funds,

1 separate accounts provided by any bank or banks as defined by  
2 the Illinois Banking Act, or separate accounts provided by any  
3 savings and loan association or associations as defined by the  
4 Illinois Savings and Loan Act of 1985 to be held by the  
5 Director, outside the State treasury, for the purpose of  
6 receiving the transfer of moneys from the Local Government  
7 Health Insurance Reserve Fund. The Department may promulgate  
8 rules further defining the methodology for the transfers. Any  
9 interest earned by moneys in the funds or accounts shall inure  
10 to the Local Government Health Insurance Reserve Fund. The  
11 transferred moneys, and interest accrued thereon, shall be used  
12 exclusively for transfers to administrative service  
13 organizations or their financial institutions for payments of  
14 claims to claimants and providers under the self-insurance  
15 health plan. The transferred moneys, and interest accrued  
16 thereon, shall not be used for any other purpose including, but  
17 not limited to, reimbursement of administration fees due the  
18 administrative service organization pursuant to its contract  
19 or contracts with the Department.

20 (a-10) For purposes of determining State contributions  
21 under this Section, service established under a Tier 3 plan  
22 under Article 2 of the Illinois Pension Code shall be included  
23 in determining an employee's creditable service. Any credit  
24 terminated as part of a transfer of contributions to a Tier 3  
25 plan under Article 2 of the Illinois Pension Code shall also be  
26 included in determining an employee's creditable service.

1           (b) State employees who become eligible for this program on  
2 or after January 1, 1980 in positions normally requiring actual  
3 performance of duty not less than 1/2 of a normal work period  
4 but not equal to that of a normal work period, shall be given  
5 the option of participating in the available program. If the  
6 employee elects coverage, the State shall contribute on behalf  
7 of such employee to the cost of the employee's benefit and any  
8 applicable dependent supplement, that sum which bears the same  
9 percentage as that percentage of time the employee regularly  
10 works when compared to normal work period.

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

24           (d) The basic group life insurance coverage shall continue,  
25 with full State contribution, where such person is (1) absent  
26 from active service by reason of disability arising from any

1 cause other than self-inflicted, (2) on authorized educational  
2 leave of absence or sabbatical leave, or (3) on military leave.

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

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

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

1 the 91st General Assembly.

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

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



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

24 Employees of a participating unit of local government who  
25 are not enrolled due to coverage under another group health  
26 policy or plan may enroll in the event of a qualifying change

1 in status, special enrollment, special circumstance as defined  
2 by the Director, or during the annual Benefit Choice Period. A  
3 participating unit of local government may also elect to cover  
4 its annuitants. Dependent coverage shall be offered on an  
5 optional basis, with the costs paid by the unit of local  
6 government, its employees, or some combination of the two as  
7 determined by the unit of local government. The unit of local  
8 government shall be responsible for timely collection and  
9 transmission of dependent premiums.

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

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

24 (2) In subsequent years, a further adjustment shall be  
25 made to reflect the actual prior years' claims experience  
26 of the employees of the unit of local government.

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

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

16           The Local Government Health Insurance Reserve Fund is  
17 hereby created as a nonappropriated trust fund to be held  
18 outside the State Treasury, with the State Treasurer as  
19 custodian. The Local Government Health Insurance Reserve Fund  
20 shall be a continuing fund not subject to fiscal year  
21 limitations. The Local Government Health Insurance Reserve  
22 Fund is not subject to administrative charges or charge-backs,  
23 including but not limited to those authorized under Section 8h  
24 of the State Finance Act. All revenues arising from the  
25 administration of the health benefits program established  
26 under this Section shall be deposited into the Local Government

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

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

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

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

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

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

1 to employees of the rehabilitation facility and their  
2 dependents.

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

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

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

1 event of a qualifying change in status, special enrollment, or  
2 special circumstance as defined by the Director or during the  
3 annual Benefit Choice Period. A participating domestic  
4 violence shelter may also elect to cover its annuitants.  
5 Dependent coverage shall be offered on an optional basis, with  
6 employees, or some combination of the 2 as determined by the  
7 domestic violence shelter or service. The domestic violence  
8 shelter or service shall be responsible for timely collection  
9 and transmission of dependent premiums.

10 The Director shall annually determine rates of payment,  
11 subject to the following constraints:

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

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

1 Monthly payments by the domestic violence shelter or  
2 service or its employees for group health insurance shall be  
3 deposited in the Local Government Health Insurance Reserve  
4 Fund.

5 (1) A public community college or entity organized pursuant  
6 to the Public Community College Act may apply to the Director  
7 initially to have only annuitants not covered prior to July 1,  
8 1992 by the district's health plan provided health coverage  
9 under this Act on a non-insured basis. The community college  
10 must execute a 2-year contract to participate in the Local  
11 Government Health Plan. Any annuitant may enroll in the event  
12 of a qualifying change in status, special enrollment, special  
13 circumstance as defined by the Director, or during the annual  
14 Benefit Choice Period.

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

23 (1-5) The provisions of subsection (1) become inoperative  
24 on July 1, 1999.

25 (m) The Director shall adopt any rules deemed necessary for  
26 implementation of this amendatory Act of 1989 (Public Act



1 86-978).

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

1 transmission of dependent premiums.

2 The Director shall annually determine rates of payment,  
3 subject to the following constraints:

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

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

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

21 (Source: P.A. 97-695, eff. 7-1-12; 98-488, eff. 8-16-13.)

22 Section 10. The Illinois Pension Code is amended by  
23 changing Sections 2-105.1, 2-117, 2-162, 20-121, 20-123,  
24 20-124, and 20-125 and by adding Sections 2-105.3 and 2-165.5  
25 as follows:

1 (40 ILCS 5/2-105.3 new)

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

4 "Tier 1 participant": A participant who first became a  
5 participant before January 1, 2011.

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

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

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

18 "Tier 3 participant": A participant who becomes a  
19 participant on or after July 1, 2017; or A Tier 1 or Tier 2  
20 participant who elects to participate in the Tier 3 plan under  
21 Section 2-165.5 of this Code, but only with respect to service  
22 performed on or after the effective date of that election.

23 (40 ILCS 5/2-117) (from Ch. 108 1/2, par. 2-117)

24 Sec. 2-117. Participants - Election not to participate.

1           (a) Except as provided in subsection (c), every ~~Every~~  
2 person who was a member on November 1, 1947, or in military  
3 service on such date, is subject to the provisions of this  
4 system beginning upon such date, unless prior to such date he  
5 or she filed with the board a written notice of election not to  
6 participate.

7           Every person who becomes a member after November 1, 1947,  
8 and who is then not a participant becomes a participant  
9 beginning upon the date of becoming a member unless, within 24  
10 months from that date, he or she has filed with the board a  
11 written notice of election not to participate.

12           (b) A member who has filed notice of an election not to  
13 participate (and a former member who has not yet begun to  
14 receive a retirement annuity under this Article) may become a  
15 participant with respect to the period for which the member  
16 elected not to participate upon filing with the board, before  
17 April 1, 1993, a written rescission of the election not to  
18 participate. Upon contributing an amount equal to the  
19 contributions he or she would have made as a participant from  
20 November 1, 1947, or the date of becoming a member, whichever  
21 is later, to the date of becoming a participant, with interest  
22 at the rate of 4% per annum until the contributions are paid,  
23 the participant shall receive credit for service as a member  
24 prior to the date of the rescission, both before and after  
25 November 1, 1947. The required contributions shall be made  
26 before commencement of the retirement annuity; otherwise no

1 credit for service prior to the date of participation shall be  
2 granted.

3 (c) Notwithstanding any other provision of this Article, an  
4 active participant may terminate his or her participation in  
5 this System (including active participation in the Tier 3 plan,  
6 if applicable) by notifying the System in writing. An active  
7 participant terminating participation in this System under  
8 this subsection shall be entitled to a refund of his or her  
9 contributions (other than contributions to the Tier 3 plan  
10 under Section 2-165.5) minus the benefits received prior to the  
11 termination of participation.

12 (Source: P.A. 86-273; 87-1265.)

13 (40 ILCS 5/2-162)

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

16 Sec. 2-162. Application and expiration of new benefit  
17 increases.

18 (a) As used in this Section, "new benefit increase" means  
19 an increase in the amount of any benefit provided under this  
20 Article, or an expansion of the conditions of eligibility for  
21 any benefit under this Article, that results from an amendment  
22 to this Code that takes effect after the effective date of this  
23 amendatory Act of the 94th General Assembly. "New benefit  
24 increase", however, does not include any benefit increase  
25 resulting from the changes made to this Article by this

1 amendatory Act of the 99th General Assembly.

2 (b) Notwithstanding any other provision of this Code or any  
3 subsequent amendment to this Code, every new benefit increase  
4 is subject to this Section and shall be deemed to be granted  
5 only in conformance with and contingent upon compliance with  
6 the provisions of this Section.

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

11 Every new benefit increase is contingent upon the General  
12 Assembly providing the additional funding required under this  
13 subsection. The Commission on Government Forecasting and  
14 Accountability shall analyze whether adequate additional  
15 funding has been provided for the new benefit increase and  
16 shall report its analysis to the Public Pension Division of the  
17 Department of Financial and Professional Regulation. A new  
18 benefit increase created by a Public Act that does not include  
19 the additional funding required under this subsection is null  
20 and void. If the Public Pension Division determines that the  
21 additional funding provided for a new benefit increase under  
22 this subsection is or has become inadequate, it may so certify  
23 to the Governor and the State Comptroller and, in the absence  
24 of corrective action by the General Assembly, the new benefit  
25 increase shall expire at the end of the fiscal year in which  
26 the certification is made.

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

7 (e) Except as otherwise provided in the language creating  
8 the new benefit increase, a new benefit increase that expires  
9 under this Section continues to apply to persons who applied  
10 and qualified for the affected benefit while the new benefit  
11 increase was in effect and to the affected beneficiaries and  
12 alternate payees of such persons, but does not apply to any  
13 other person, including without limitation a person who  
14 continues in service after the expiration date and did not  
15 apply and qualify for the affected benefit while the new  
16 benefit increase was in effect.

17 (Source: P.A. 94-4, eff. 6-1-05.)

18 (40 ILCS 5/2-165.5 new)

19 Sec. 2-165.5. Tier 3 plan.

20 (a) By July 1, 2017, the System shall prepare and implement  
21 a Tier 3 plan. The Tier 3 plan developed under this Section  
22 shall be a plan that aggregates State and employee  
23 contributions in individual participant accounts which, after  
24 meeting any other requirements, are used for payouts after  
25 retirement in accordance with this Section and any other

1 applicable laws.

2 As used in this Section, "defined benefit plan" means the  
3 retirement plan available under this Article to Tier 1 or Tier  
4 2 participants who have not made the election authorized under  
5 this Section.

6 (1) All persons who begin to participate in this System  
7 on or after July 1, 2017 shall participate in the Tier 3  
8 plan rather than the defined benefit plan.

9 (2) A participant in the Tier 3 plan shall pay  
10 participant contributions at a rate determined by the  
11 participant, but not less than 3% of salary and not more  
12 than a percentage of salary determined by the Board in  
13 accordance with the requirements of State and federal law.

14 (3) State contributions shall be paid into the accounts  
15 of all participants in the Tier 3 plan at a uniform rate,  
16 expressed as a percentage of salary and determined for each  
17 year. This rate shall be no higher than 7.6% of salary and  
18 shall be no lower than 3% of salary. The State shall adjust  
19 this rate annually.

20 (4) The Tier 3 plan shall require 5 years of  
21 participation in the Tier 3 plan before vesting in State  
22 contributions. If the participant fails to vest in them,  
23 the State contributions, and the earnings thereon, shall be  
24 forfeited.

25 (5) The Tier 3 plan shall provide a variety of options  
26 for investments. These options shall include investments



1 handled by the Illinois State Board of Investment as well  
2 as private sector investment options.

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

6 (7) To the extent authorized under federal law and as  
7 authorized by the System, the plan shall allow former  
8 participants in the plan to transfer or roll over  
9 participant and vested State contributions, and the  
10 earnings thereon, from the Tier 3 plan into other qualified  
11 retirement plans.

12 (8) The System shall reduce the participant  
13 contributions credited to the participant's Tier 3 plan  
14 account by an amount determined by the System to cover the  
15 cost of offering these benefits and any applicable  
16 administrative fees.

17 (b) Under the Tier 3 plan, an active Tier 1 or Tier 2  
18 participant of this System may elect, in writing, to cease  
19 accruing benefits in the defined benefit plan and begin  
20 accruing benefits for future service in the Tier 3 plan. The  
21 election to participate in the Tier 3 plan is voluntary and  
22 irrevocable.

23 (1) Service credit under the Tier 3 plan may be used  
24 for determining retirement eligibility under the defined  
25 benefit plan.

26 (2) The System shall make a good faith effort to

1 contact all active Tier 1 and Tier 2 participants who are  
2 eligible to participate in the Tier 3 plan. The System  
3 shall mail information describing the option to join the  
4 Tier 3 plan to each of these participants to his or her  
5 last known address on file with the System. If the  
6 participant is not responsive to other means of contact, it  
7 is sufficient for the System to publish the details of the  
8 option on its website.

9 (3) Upon request for further information describing  
10 the option, the System shall provide participants with  
11 information from the System before exercising the option to  
12 join the plan, including information on the impact to their  
13 benefits and service. The individual consultation shall  
14 include projections of the participant's defined benefits  
15 at retirement or earlier termination of service and the  
16 value of the participant's account at retirement or earlier  
17 termination of service. The System shall not provide advice  
18 or counseling with respect to whether the participant  
19 should exercise the option. The System shall inform Tier 1  
20 and Tier 2 participants who are eligible to participate in  
21 the Tier 3 plan that they may also wish to obtain  
22 information and counsel relating to their option from any  
23 other available source, including but not limited to  
24 private counsel and financial advisors.

25 (b-5) A Tier 1 or Tier 2 participant who elects to  
26 participate in the Tier 3 plan may irrevocably elect to

1 terminate all participation in the defined benefit plan. Upon  
2 that election, the System shall transfer to the participant's  
3 individual account an amount equal to the amount of  
4 contribution refund that the participant would be eligible to  
5 receive if the member terminated employment on that date and  
6 elected a refund of contributions, including the prescribed  
7 rate of interest for the respective years. The System shall  
8 make the transfer as a tax free transfer in accordance with  
9 Internal Revenue Service guidelines, for purposes of funding  
10 the amount credited to the participant's individual account.

11 (c) In no event shall the System, its staff, its authorized  
12 representatives, or the Board be liable for any information  
13 given to a participant under this Section. The System may  
14 coordinate with the Illinois Department of Central Management  
15 Services and other retirement systems administering a Tier 3  
16 plan in accordance with this amendatory Act of the 99th General  
17 Assembly to provide information concerning the impact of the  
18 Tier 3 plan set forth in this Section.

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

23 (e) The System shall report on its progress under this  
24 Section, including the available details of the Tier 3 plan and  
25 the System's plans for informing eligible Tier 1 and Tier 2  
26 participants about the plan, to the Governor and the General

1 Assembly on or before January 15, 2017.

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

5 (g) The intent of this amendatory Act of the 99th General  
6 Assembly is to ensure that the State's normal cost of  
7 participation in the Tier 3 plan is similar, and if possible  
8 equal, to the State's normal cost of participation in the  
9 defined benefit plan, unless a lower State's normal cost is  
10 necessary to ensure cost neutrality.

11 (40 ILCS 5/20-121) (from Ch. 108 1/2, par. 20-121)

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

14 Sec. 20-121. Calculation of proportional retirement  
15 annuities.

16 (a) Upon retirement of the employee, a proportional  
17 retirement annuity shall be computed by each participating  
18 system in which pension credit has been established on the  
19 basis of pension credits under each system. The computation  
20 shall be in accordance with the formula or method prescribed by  
21 each participating system which is in effect at the date of the  
22 employee's latest withdrawal from service covered by any of the  
23 systems in which he has pension credits which he elects to have  
24 considered under this Article. However, the amount of any  
25 retirement annuity payable under the self-managed plan

1 established under Section 15-158.2 of this Code depends solely  
2 on the value of the participant's vested account balances and  
3 is not subject to any proportional adjustment under this  
4 Section.

5 (a-5) For persons who participate in a Tier 3 plan  
6 established under Article 2 of this Code to whom the provisions  
7 of this Article apply, the pension credits established under  
8 the Tier 3 plan may be considered in determining eligibility  
9 for or the amount of the defined benefit retirement annuity  
10 that is payable by any other participating system, but pension  
11 credits established in any other system shall not result in any  
12 right to or increase in the value of a retirement annuity under  
13 the Tier 3 plan, which depends solely on the options chosen and  
14 the value of the participant's vested account balances and is  
15 not subject to any proportional adjustment under this Section.

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

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

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

9        (40 ILCS 5/20-123) (from Ch. 108 1/2, par. 20-123)

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

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

24       For persons who participate in the self-managed plan  
25       established under Section 15-158.2 or the portable benefit

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

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

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

19 (40 ILCS 5/20-124) (from Ch. 108 1/2, par. 20-124)

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

22 Sec. 20-124. Maximum benefits.

23 (a) In no event shall the combined retirement or survivors  
24 annuities exceed the highest annuity which would have been  
25 payable by any participating system in which the employee has

1 pension credits, if all of his pension credits had been  
2 validated in that system.

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

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

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

20 (ii) For purposes of calculating the combined  
21 survivor's annuity and the proportionate reduction, if  
22 any, in a survivor's annuity other than one payable under  
23 the self-managed plan, the amount of the Article 15  
24 survivor's annuity shall be deemed to be the highest  
25 survivor's annuity to which the survivor would have been  
26 entitled if the deceased employee had participated in the



1 traditional benefit package as defined in Section 15-103.1  
2 rather than the self-managed plan.

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

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

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

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

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

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

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

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

23 Sec. 20-125. Return to employment - suspension of benefits.  
24 If a retired employee returns to employment which is covered by  
25 a system from which he is receiving a proportional annuity

1 under this Article, his proportional annuity from all  
2 participating systems shall be suspended during the period of  
3 re-employment, except that this suspension does not apply to  
4 any distributions payable under the self-managed plan  
5 established under Section 15-158.2 of this Code or under a Tier  
6 3 plan established under Article 2 of this Code.

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

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

16 (40 ILCS 5/2-165 rep.)

17 (40 ILCS 5/2-166 rep.)

18 Section 15. The Illinois Pension Code is amended by  
19 repealing Sections 2-165 and 2-166.

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

1 INDEX  
2 Statutes amended in order of appearance

- 3 5 ILCS 375/3 from Ch. 127, par. 523
- 4 5 ILCS 375/10 from Ch. 127, par. 530
- 5 40 ILCS 5/2-105.3 new
- 6 40 ILCS 5/2-117 from Ch. 108 1/2, par. 2-117
- 7 40 ILCS 5/2-162
- 8 40 ILCS 5/2-165.5 new
- 9 40 ILCS 5/20-121 from Ch. 108 1/2, par. 20-121
- 10 40 ILCS 5/20-123 from Ch. 108 1/2, par. 20-123
- 11 40 ILCS 5/20-124 from Ch. 108 1/2, par. 20-124
- 12 40 ILCS 5/20-125 from Ch. 108 1/2, par. 20-125
- 13 40 ILCS 5/2-165 rep.
- 14 40 ILCS 5/2-166 rep.