

1 AN ACT in relation to public employee benefits.

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

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

6 (5 ILCS 375/6.5)

7 (Section scheduled to be repealed on July 1, 2004)

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

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

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

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

1 System. Eligibility information shall be communicated to the
2 Department of Central Management Services in a format
3 acceptable to the Department.

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

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

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

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

24 (e) Insurance rates and premiums. The Director shall
25 determine the insurance rates and premiums for TRS benefit
26 recipients and TRS dependent beneficiaries, and shall present
27 to the Teachers' Retirement System of the State of Illinois, by
28 April 15 of each calendar year, the rate-setting methodology
29 (including but not limited to utilization levels and costs)
30 used to determine the amount of the health care premiums.

31 For Fiscal Year 1996, the premium shall be equal to the
32 premium actually charged in Fiscal Year 1995; in subsequent
33 years, the premium shall never be lower than the premium
34 charged in Fiscal Year 1995.

35 For Fiscal Year 2003, the premium shall not exceed 110%
36 of the premium actually charged in Fiscal Year 2002.

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

3 For Fiscal Year 2005, the premium shall not exceed a
4 weighted average of 106.6% of the premium actually charged
5 in Fiscal Year 2004.

6 For Fiscal Year 2006, the premium shall not exceed a
7 weighted average of 109.1% of the premium actually charged
8 in Fiscal Year 2005.

9 For Fiscal Year 2007, the premium shall not exceed a
10 weighted average of 103.9% of the premium actually charged
11 in Fiscal Year 2006.

12 For Fiscal Year 2008 and thereafter, the premium in
13 each fiscal year shall not exceed 105% of the premium
14 actually charged in the previous fiscal year.

15 Rates and premiums may be based in part on age and
16 eligibility for federal medicare coverage. However, the cost of
17 participation for a TRS dependent beneficiary who is an
18 unmarried child age 19 or over and mentally or physically
19 disabled ~~handicapped~~ shall not exceed the cost for a TRS
20 dependent beneficiary who is an unmarried child under age 19
21 and participates in the same major medical or managed care
22 program.

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

25 (1) For a TRS benefit recipient selecting a managed
26 care program, up to 75% of the total insurance rate shall
27 be paid from the Teacher Health Insurance Security Fund.
28 Effective with Fiscal Year 2007 and thereafter, for a TRS
29 benefit recipient selecting a managed care program, 75% of
30 the total insurance rate shall be paid from the Teacher
31 Health Insurance Security Fund.

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

1 with Fiscal Year 2007 and thereafter, for a TRS benefit
2 recipient selecting the major medical coverage program,
3 50% of the total insurance rate shall be paid from the
4 Teacher Health Insurance Security Fund if a managed care
5 program is accessible, as determined by the Department of
6 Central Management Services.

7 (3) For a TRS benefit recipient selecting the major
8 medical coverage program, up to 75% of the total insurance
9 rate shall be paid from the Teacher Health Insurance
10 Security Fund if a managed care program is not accessible,
11 as determined by the Teachers' Retirement System.
12 Effective with Fiscal Year 2007 and thereafter, for a TRS
13 benefit recipient selecting the major medical coverage
14 program, 75% of the total insurance rate shall be paid from
15 the Teacher Health Insurance Security Fund if a managed
16 care program is not accessible, as determined by the
17 Department of Central Management Services.

18 (3.1) For a TRS dependent beneficiary who is Medicare
19 primary and enrolled in a managed care plan, or the major
20 medical coverage program if a managed care plan is not
21 available, 25% of the total insurance rate shall be paid
22 from the Teacher Health Security Fund as determined by the
23 Department of Central Management Services. For the purpose
24 of this item (3.1), the term "TRS dependent beneficiary who
25 is Medicare primary" means a TRS dependent beneficiary who
26 is retired or does not have current employment status and
27 is participating in Medicare Parts A and B.

28 (4) Except as otherwise provided in item (3.1), the ~~The~~
29 balance of the rate of insurance, including the entire
30 premium of any coverage for TRS dependent beneficiaries
31 that has been elected, shall be paid by deductions
32 authorized by the TRS benefit recipient to be withheld from
33 his or her monthly annuity or benefit payment from the
34 Teachers' Retirement System; except that (i) if the balance
35 of the cost of coverage exceeds the amount of the monthly
36 annuity or benefit payment, the difference shall be paid

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

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

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

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

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

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

18 (g-5) Committee. A Teacher Retirement Insurance Program
19 Committee shall be established, to consist of 10 persons
20 appointed by the Governor.

21 The Committee shall convene at least 4 times each year, and
22 shall consider and make recommendations on issues affecting the
23 program of health benefits provided under this Section.
24 Recommendations of the Committee shall be based on a consensus
25 of the members of the Committee.

26 If the Teacher Health Insurance Security Fund experiences a
27 deficit balance based upon the contribution and subsidy rates
28 established in this Section and Section 6.6 for Fiscal Year
29 2008 or thereafter, the Committee shall make recommendations
30 for adjustments to the funding sources established under these
31 Sections.

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

1 ~~July 1, 2004.~~

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

6 (i) Repeal. (Blank). ~~This Section is repealed on July 1,~~
7 ~~2004.~~

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

10 (5 ILCS 375/6.6)

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

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

14 (a) Beginning July 1, 1995, all active contributors of the
15 Teachers' Retirement System (established under Article 16 of
16 the Illinois Pension Code) who are not employees of a
17 department as defined in Section 3 of this Act shall make
18 contributions toward the cost of annuitant and survivor health
19 benefits. These contributions shall be at the following rates:
20 until January 1, 2002, 0.5% of salary; beginning January 1,
21 2002, 0.65% of salary; beginning July 1, 2003, 0.75% of salary;
22 beginning July 1, 2005, 0.80% of salary; beginning July 1,
23 2007, a percentage of salary to be determined by the Department
24 of Central Management Services by rule, which in each fiscal
25 year shall not exceed 105% of the percentage of salary actually
26 required to be paid in the previous fiscal year.

27 These contributions shall be deducted by the employer and
28 paid to the System as service agent for the Department of
29 Central Management Services. The System may use the same
30 processes for collecting the contributions required by this
31 subsection that it uses to collect contributions received from
32 school districts and other covered employers under Sections
33 16-154 and 16-155 of the Illinois Pension Code.

34 An employer may agree to pick up or pay the contributions
35 required under this subsection on behalf of the teacher; such

1 contributions shall be deemed to have to have been paid by the
2 teacher. Beginning January 1, 2002, if the employer does not
3 directly pay the required member contribution, then the
4 employer shall reduce the member's salary by an amount equal to
5 the required contribution and shall then pay the contribution
6 on behalf of the member. This reduction shall not change the
7 amounts reported as creditable earnings to the Teachers'
8 Retirement System.

9 A person who purchases optional service credit under
10 Article 16 of the Illinois Pension Code for a period after June
11 30, 1995 must also make a contribution under this subsection
12 for that optional credit, at the rate provided in subsection
13 (a), based on the salary used in computing the optional service
14 credit, plus interest on this employee contribution. This
15 contribution shall be collected by the System as service agent
16 for the Department of Central Management Services. The
17 contribution required under this subsection for the optional
18 service credit must be paid in full before any annuity based on
19 that credit begins.

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

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

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

30 (3) Beginning July 1, 2005, the employer contribution
31 shall be equal to 0.6% of each teacher's salary.

32 (4) Beginning July 1, 2007, the employer contribution
33 shall be a percentage of each teacher's salary to be
34 determined by the Department of Central Management
35 Services by rule, which in each fiscal year shall not
36 exceed 105% of the percentage of each teacher's salary

1 actually required to be paid in the previous fiscal year.

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

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

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

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

1 recertify its certifications for fiscal years 2002 and 2003.

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

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

13 (f) (Blank). ~~This Section is repealed on July 1, 2004.~~
14 (Source: P.A. 92-505, eff. 12-20-01.)

15 Section 15. The State Pension Funds Continuing
16 Appropriation Act is amended by changing Section 1.3 as
17 follows:

18 (40 ILCS 15/1.3)

19 Sec. 1.3. Appropriations for the Teacher Health Insurance
20 Security Fund. Beginning in State fiscal year 1996, there is
21 hereby appropriated, on a continuing annual basis, from the
22 General Revenue Fund to the State Comptroller for deposit into
23 the Teacher Health Insurance Security Fund, an amount equal to
24 the amount certified by the Board of Trustees of the Teachers'
25 Retirement System of Illinois under subsection (c) of Section
26 6.6 of the State Employees Group Insurance Act of 1971 as the
27 estimated total amount of contributions to be paid under
28 subsection (a) of that Section 6.6 in that fiscal year.

29 In addition to any other amounts that may be appropriated
30 for this purpose, in State fiscal years 2005 through 2007,
31 there is hereby appropriated, on a continuing annual basis,
32 from the General Revenue Fund to the State Comptroller for
33 deposit into the Teacher Health Insurance Security Fund, an
34 amount equal to \$13,000,000 in each fiscal year.

1 The moneys appropriated under this Section 1.3 shall be
2 deposited into the Teacher Health Insurance Security Fund and
3 used only for the purposes authorized in Section 6.5 of the
4 State Employees Group Insurance Act of 1971.

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

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

8 (30 ILCS 805/8.28 new)

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

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