



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB1977

by Rep. Kevin A. McCarthy

SYNOPSIS AS INTRODUCED:

See Index

Amends the State Employees Group Insurance Act of 1971. Provides that eligibility to participate in the program of health benefits for community college benefit recipients and community college dependent beneficiaries shall be determined by the appropriate community college and the determination will be provided to the State Universities Retirement System (was, determined by the State Universities Retirement System). Provides that nothing in provisions concerning the program of health benefits for community college benefit recipients and community college dependent beneficiaries and contribution to the Community College Health Insurance Security Fund establishes a duty on the part of the State Universities Retirement System to certify, verify, audit, or otherwise ensure the appropriateness or adequacy of the information received from the community colleges. Amends the Illinois Pension Code. Specifies that provisions concerning approval of travel or educational missions do not apply to expenses necessarily incurred in the State of Illinois for attending board or board committee meetings, ethics training, or fiduciary training. Makes changes concerning an annual report to the Governor identifying economic opportunity investments made by pension funds. Makes changes concerning the appointment and election of trustees of the Board of Trustees of the State Universities Retirement System. Effective immediately.

LRB097 09208 JDS 49343 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 6.9 and 6.10 as follows:

6 (5 ILCS 375/6.9)

7 Sec. 6.9. Health benefits for community college benefit
8 recipients and community college dependent beneficiaries.

9 (a) Purpose. It is the purpose of this amendatory Act of
10 1997 to establish a uniform program of health benefits for
11 community college benefit recipients and their dependent
12 beneficiaries under the administration of the Department of
13 Central Management Services.

14 (b) Creation of program. Beginning July 1, 1999, the
15 Department of Central Management Services shall be responsible
16 for administering a program of health benefits for community
17 college benefit recipients and community college dependent
18 beneficiaries under this Section. The State Universities
19 Retirement System and the boards of trustees of the various
20 community college districts shall cooperate with the
21 Department in this endeavor.

22 (c) Eligibility. All community college benefit recipients
23 and community college dependent beneficiaries shall be

1 eligible to participate in the program established under this
2 Section, without any interruption or delay in coverage or
3 limitation as to pre-existing medical conditions. Eligibility
4 to participate shall be determined by the appropriate community
5 college and the determination will be provided to the State
6 Universities Retirement System. The State Universities
7 Retirement System may rely on this information in making
8 deductions from annuity payments for premiums. Eligibility
9 information shall be communicated to the Department of Central
10 Management Services in a format acceptable to the Department.

11 (d) Coverage. The health benefit coverage provided under
12 this Section shall be a program of health, dental, and vision
13 benefits.

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

20 (e) Insurance rates and premiums. The Director shall
21 determine the insurance rates and premiums for community
22 college benefit recipients and community college dependent
23 beneficiaries. Rates and premiums may be based in part on age
24 and eligibility for federal Medicare coverage. The Director
25 shall also determine premiums that will allow for the
26 establishment of an actuarially sound reserve for this program.

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

3 (1) For a community college benefit recipient, up to
4 75% of the total insurance rate shall be paid from the
5 Community College Health Insurance Security Fund.

6 (2) The balance of the rate of insurance, including the
7 entire premium for any coverage for community college
8 dependent beneficiaries that has been elected, shall be
9 paid by deductions authorized by the community college
10 benefit recipient to be withheld from his or her monthly
11 annuity or benefit payment from the State Universities
12 Retirement System; except that (i) if the balance of the
13 cost of coverage exceeds the amount of the monthly annuity
14 or benefit payment, the difference shall be paid directly
15 to the State Universities Retirement System by the
16 community college benefit recipient, and (ii) all or part
17 of the balance of the cost of coverage may, at the option
18 of the board of trustees of the community college district,
19 be paid to the State Universities Retirement System by the
20 board of the community college district from which the
21 community college benefit recipient retired. The State
22 Universities Retirement System shall promptly deposit all
23 moneys withheld by or paid to it under this subdivision
24 (e)(2) into the Community College Health Insurance
25 Security Fund. These moneys shall not be considered assets
26 of the State Universities Retirement System.

1 (f) Financing. All revenues arising from the
2 administration of the health benefit program established under
3 this Section shall be deposited into the Community College
4 Health Insurance Security Fund, which is hereby created as a
5 nonappropriated trust fund to be held outside the State
6 Treasury, with the State Treasurer as custodian. Any interest
7 earned on moneys in the Community College Health Insurance
8 Security Fund shall be deposited into the Fund.

9 Moneys in the Community College Health Insurance Security
10 Fund shall be used only to pay the costs of the health benefit
11 program established under this Section, including associated
12 administrative costs and the establishment of a program
13 reserve. Beginning January 1, 1999, the Department of Central
14 Management Services may make expenditures from the Community
15 College Health Insurance Security Fund for those costs.

16 (g) Contract for benefits. The Director shall by contract,
17 self-insurance, or otherwise make available the program of
18 health benefits for community college benefit recipients and
19 their community college dependent beneficiaries that is
20 provided for in this Section. The contract or other arrangement
21 for the provision of these health benefits shall be on terms
22 deemed by the Director to be in the best interest of the State
23 of Illinois and the community college benefit recipients based
24 on, but not limited to, such criteria as administrative cost,
25 service capabilities of the carrier or other contractor, and
26 the costs of the benefits.

1 (h) Continuation of program. It is the intention of the
2 General Assembly that the program of health benefits provided
3 under this Section be maintained on an ongoing, affordable
4 basis. The program of health benefits provided under this
5 Section may be amended by the State and is not intended to be a
6 pension or retirement benefit subject to protection under
7 Article XIII, Section 5 of the Illinois Constitution.

8 (i) Other health benefit plans. A health benefit plan
9 provided by a community college district (other than a
10 community college district subject to Article VII of the Public
11 Community College Act) under the terms of a collective
12 bargaining agreement in effect on or prior to the effective
13 date of this amendatory Act of 1997 shall continue in force
14 according to the terms of that agreement, unless otherwise
15 mutually agreed by the parties to that agreement and the
16 affected retiree. A community college benefit recipient or
17 community college dependent beneficiary whose coverage under
18 such a plan expires shall be eligible to begin participating in
19 the program established under this Section without any
20 interruption or delay in coverage or limitation as to
21 pre-existing medical conditions.

22 This Act does not prohibit any community college district
23 from offering additional health benefits for its retirees or
24 their dependents or survivors.

25 (j) Nothing in this Section establishes a duty on the part
26 of the State Universities Retirement System to certify, verify,

1 audit, or otherwise ensure the appropriateness or adequacy of
2 the information received from the community colleges.

3 (Source: P.A. 90-497, eff. 8-18-97; 90-655, eff. 7-30-98.)

4 (5 ILCS 375/6.10)

5 Sec. 6.10. Contributions to the Community College Health
6 Insurance Security Fund.

7 (a) Beginning January 1, 1999, every active contributor of
8 the State Universities Retirement System (established under
9 Article 15 of the Illinois Pension Code) who (1) is a full-time
10 employee of a community college district (other than a
11 community college district subject to Article VII of the Public
12 Community College Act) or an association of community college
13 boards and (2) is not an employee as defined in Section 3 of
14 this Act shall make contributions toward the cost of community
15 college annuitant and survivor health benefits at the rate of
16 0.50% of salary.

17 These contributions shall be deducted by the employer and
18 paid to the State Universities Retirement System as service
19 agent for the Department of Central Management Services. The
20 System may use the same processes for collecting the
21 contributions required by this subsection that it uses to
22 collect the contributions received from those employees under
23 Section 15-157 of the Illinois Pension Code. An employer may
24 agree to pick up or pay the contributions required under this
25 subsection on behalf of the employee; such contributions shall

1 be deemed to have been paid by the employee.

2 The State Universities Retirement System shall promptly
3 deposit all moneys collected under this subsection (a) into the
4 Community College Health Insurance Security Fund created in
5 Section 6.9 of this Act. The moneys collected under this
6 Section shall be used only for the purposes authorized in
7 Section 6.9 of this Act and shall not be considered to be
8 assets of the State Universities Retirement System.
9 Contributions made under this Section are not transferable to
10 other pension funds or retirement systems and are not
11 refundable upon termination of service.

12 (b) Beginning January 1, 1999, every community college
13 district (other than a community college district subject to
14 Article VII of the Public Community College Act) or association
15 of community college boards that is an employer under the State
16 Universities Retirement System shall contribute toward the
17 cost of the community college health benefits provided under
18 Section 6.9 of this Act an amount equal to 0.50% of the salary
19 paid to its full-time employees who participate in the State
20 Universities Retirement System and are not members as defined
21 in Section 3 of this Act.

22 These contributions shall be paid by the employer to the
23 State Universities Retirement System as service agent for the
24 Department of Central Management Services. The System may use
25 the same processes for collecting the contributions required by
26 this subsection that it uses to collect the contributions

1 received from those employers under Section 15-155 of the
2 Illinois Pension Code.

3 The State Universities Retirement System shall promptly
4 deposit all moneys collected under this subsection (b) into the
5 Community College Health Insurance Security Fund created in
6 Section 6.9 of this Act. The moneys collected under this
7 Section shall be used only for the purposes authorized in
8 Section 6.9 of this Act and shall not be considered to be
9 assets of the State Universities Retirement System.
10 Contributions made under this Section are not transferable to
11 other pension funds or retirement systems and are not
12 refundable upon termination of service.

13 The Department of Healthcare and Family Services, or any
14 successor agency designated to procure healthcare contracts
15 pursuant to this Act, is authorized to establish funds,
16 separate accounts provided by any bank or banks as defined by
17 the Illinois Banking Act, or separate accounts provided by any
18 savings and loan association or associations as defined by the
19 Illinois Savings and Loan Act of 1985 to be held by the
20 Director, outside the State treasury, for the purpose of
21 receiving the transfer of moneys from the Community College
22 Health Insurance Security Fund. The Department may promulgate
23 rules further defining the methodology for the transfers. Any
24 interest earned by moneys in the funds or accounts shall inure
25 to the Community College Health Insurance Security Fund. The
26 transferred moneys, and interest accrued thereon, shall be used

1 exclusively for transfers to administrative service
2 organizations or their financial institutions for payments of
3 claims to claimants and providers under the self-insurance
4 health plan. The transferred moneys, and interest accrued
5 thereon, shall not be used for any other purpose including, but
6 not limited to, reimbursement of administration fees due the
7 administrative service organization pursuant to its contract
8 or contracts with the Department.

9 (c) On or before November 15 of each year, the Board of
10 Trustees of the State Universities Retirement System shall
11 certify to the Governor, the Director of Central Management
12 Services, and the State Comptroller its estimate of the total
13 amount of contributions to be paid under subsection (a) of this
14 Section for the next fiscal year. Beginning in fiscal year
15 2008, the amount certified shall be decreased or increased each
16 year by the amount that the actual active employee
17 contributions either fell short of or exceeded the estimate
18 used by the Board in making the certification for the previous
19 fiscal year. The State Universities Retirement System shall
20 calculate the amount of actual active employee contributions in
21 fiscal years 1999 through 2005. Based upon this calculation,
22 the fiscal year 2008 certification shall include an amount
23 equal to the cumulative amount that the actual active employee
24 contributions either fell short of or exceeded the estimate
25 used by the Board in making the certification for those fiscal
26 years. The certification shall include a detailed explanation

1 of the methods and information that the Board relied upon in
2 preparing its estimate. As soon as possible after the effective
3 date of this Section, the Board shall submit its estimate for
4 fiscal year 1999.

5 (d) Beginning in fiscal year 1999, on the first day of each
6 month, or as soon thereafter as may be practical, the State
7 Treasurer and the State Comptroller shall transfer from the
8 General Revenue Fund to the Community College Health Insurance
9 Security Fund 1/12 of the annual amount appropriated for that
10 fiscal year to the State Comptroller for deposit into the
11 Community College Health Insurance Security Fund under Section
12 1.4 of the State Pension Funds Continuing Appropriation Act.

13 (e) Except where otherwise specified in this Section, the
14 definitions that apply to Article 15 of the Illinois Pension
15 Code apply to this Section.

16 (f) Nothing in this Section establishes a duty on the part
17 of the State Universities Retirement System to certify, verify,
18 audit, or otherwise ensure the appropriateness or adequacy of
19 the contributions made by or information received from the
20 community colleges.

21 (Source: P.A. 94-839, eff. 6-6-06; 95-632, eff. 9-25-07.)

22 Section 10. The Illinois Pension Code is amended by
23 changing Sections 1-150, 1A-108.5, and 15-159 as follows:

24 (40 ILCS 5/1-150)

1 Sec. 1-150. Approval of travel or educational mission. The
2 expenses for travel or educational missions of a board member
3 of a retirement system, pension fund, or investment board
4 created under this Code, except those whose investments are
5 restricted by Section 1-113.2 of this Code, must be approved by
6 a majority of the board prior to the travel or educational
7 mission. This Section does not apply to expenses necessarily
8 incurred in the State of Illinois for attending board meetings,
9 board committee meetings, ethics training, or fiduciary
10 training as a trustee of the retirement system, pension fund,
11 or investment board.

12 (Source: P.A. 96-6, eff. 4-3-09.)

13 (40 ILCS 5/1A-108.5)

14 Sec. 1A-108.5. Economic opportunity investments.

15 (a) For the purposes of this Section:

16 "Economic opportunity investment" means a qualified
17 investment, managed passively or actively by the pension fund,
18 that promotes economic development within the State of Illinois
19 by providing financially prudent investment opportunities in
20 or through the use of (a) Illinois businesses or (b)
21 Illinois-based projects that promote the economy of the State
22 or a region of the State, including without limitation
23 promotion of venture capital programs, coal and other natural
24 resource development, tourism development, infrastructure
25 development, real estate development, and job development

1 within the State of Illinois, while producing a competitive
2 rate of return commensurate with the risk of investment.

3 "Illinois business" means a business, including an
4 investment adviser, that is headquartered in Illinois.

5 "Illinois-based project" means an individual project of a
6 business, including the provision of products and investment
7 and other services to the pension fund, that will result in the
8 conduct of business within the State, the employment of
9 individuals within the State, or the acquisition of real
10 property located within the State.

11 (b) It is the public policy of the State of Illinois to
12 encourage the pension funds, and any State entity investing
13 funds on behalf of pension funds, to promote the economy of
14 Illinois through the use of economic opportunity investments to
15 the greatest extent feasible within the bounds of financial and
16 fiduciary prudence.

17 (c) Each pension fund, except pension funds created under
18 Articles 3 and 4 of this Code, shall submit a report to the
19 Governor and the General Assembly by September 1 of each year,
20 beginning in 2009, that identifies the economic opportunity
21 investments made by the fund, the primary location of the
22 business or project, the percentage of the fund's assets in
23 economic opportunity investments, and the actions that the fund
24 has undertaken to increase the use of economic opportunity
25 investments to the greatest extent feasible within the bounds
26 of financial and fiduciary prudence.

1 (d) Pension funds created under Articles 2, 14, 15, 16, and
2 18 of this Act, and any State agency investing funds on behalf
3 of those pension funds, must make reasonable efforts to invest
4 in economic opportunity investments.

5 (e) In making economic opportunity investments, trustees
6 and fiduciaries must comply with the relevant requirements and
7 restrictions set forth in Sections 1-109, 1-109.1, 1-109.2,
8 1-110, and 1-111 of this Code. Economic opportunity investments
9 that otherwise comply with this Code shall not be deemed
10 imprudent solely because they are investments in an Illinois
11 business or Illinois-based project.

12 (Source: P.A. 96-753, eff. 8-25-09.)

13 (40 ILCS 5/15-159) (from Ch. 108 1/2, par. 15-159)

14 Sec. 15-159. Board created.

15 (a) A board of trustees constituted as provided in this
16 Section shall administer this System. The board shall be known
17 as the Board of Trustees of the State Universities Retirement
18 System.

19 (b) Until July 1, 1995, the Board of Trustees shall be
20 constituted as follows:

21 Two trustees shall be members of the Board of Trustees of
22 the University of Illinois, one shall be a member of the Board
23 of Trustees of Southern Illinois University, one shall be a
24 member of the Board of Trustees of Chicago State University,
25 one shall be a member of the Board of Trustees of Eastern

1 Illinois University, one shall be a member of the Board of
2 Trustees of Governors State University, one shall be a member
3 of the Board of Trustees of Illinois State University, one
4 shall be a member of the Board of Trustees of Northeastern
5 Illinois University, one shall be a member of the Board of
6 Trustees of Northern Illinois University, one shall be a member
7 of the Board of Trustees of Western Illinois University, and
8 one shall be a member of the Illinois Community College Board,
9 selected in each case by their respective boards, and 2 shall
10 be participants of the system appointed by the Governor for a 6
11 year term with the first appointment made pursuant to this
12 amendatory Act of 1984 to be effective September 1, 1985, and
13 one shall be a participant appointed by the Illinois Community
14 College Board for a 6 year term, and one shall be a participant
15 appointed by the Board of Trustees of the University of
16 Illinois for a 6 year term, and one shall be a participant or
17 annuitant of the system who is a senior citizen age 60 or older
18 appointed by the Governor for a 6 year term with the first
19 appointment to be effective September 1, 1985.

20 The terms of all trustees holding office under this
21 subsection (b) on June 30, 1995 shall terminate at the end of
22 that day and the Board shall thereafter be constituted as
23 provided in subsection (c).

24 (c) Beginning July 1, 1995, the Board of Trustees shall be
25 constituted as follows:

26 The Board shall consist of 9 trustees appointed by the

1 Governor. Two of the trustees, designated at the time of
2 appointment, shall be participants of the System. Two of the
3 trustees, designated at the time of appointment, shall be
4 annuitants of the System who are receiving retirement annuities
5 under this Article. The 5 remaining trustees may, but need not,
6 be participants or annuitants of the System.

7 The term of office of trustees appointed under this
8 subsection (c) shall be 6 years, beginning on July 1. However,
9 of the initial trustees appointed under this subsection (c), 3
10 shall be appointed for terms of 2 years, 3 shall be appointed
11 for terms of 4 years, and 3 shall be appointed for terms of 6
12 years, to be designated by the Governor at the time of
13 appointment.

14 The terms of all trustees holding office under this
15 subsection (c) on the effective date of this amendatory Act of
16 the 96th General Assembly shall terminate on that effective
17 date. The Governor shall make nominations for appointment under
18 this Section within 60 days after the effective date of this
19 amendatory Act of the 96th General Assembly. A trustee sitting
20 on the board on the effective date of this amendatory Act of
21 the 96th General Assembly may not hold over in office for more
22 than 90 days after the effective date of this amendatory Act of
23 the 96th General Assembly. Nothing in this Section shall
24 prevent the Governor from making a temporary appointment or
25 nominating a trustee holding office on the day before the
26 effective date of this amendatory Act of the 96th General

1 Assembly.

2 (d) Beginning on the 90th day after the effective date of
3 this amendatory Act of the 96th General Assembly, the Board of
4 Trustees shall be constituted as follows:

5 (1) The Chairperson of the Board of Higher Education,
6 who shall act as president ~~chairperson~~ of this Board.

7 (2) Four trustees appointed by the Governor with the
8 advice and consent of the Senate who may not be members of
9 the system or hold an elective State office and who shall
10 serve for a term of 6 years, except that the terms of the
11 initial appointees under this subsection (d) shall be as
12 follows: 2 for a term of 3 years, expiring on June 30, 2012
13 and 2 for a term of 6 years, expiring on June 30, 2015.

14 (3) Four active participants of the system to be
15 elected from the contributing membership of the system by
16 the contributing members, no more than 2 of which may be
17 from any of the University of Illinois campuses, who shall
18 serve for a term of 6 years, except that the terms of the
19 initial electees shall be as follows: 2 for a term of 3
20 years and 2 for a term of 6 years.

21 (4) Two annuitants of the system who have been
22 annuitants for at least one full year, to be elected from
23 and by the annuitants of the system, no more than one of
24 which may be from any of the University of Illinois
25 campuses, who shall serve for a term of 6 years, except
26 that the terms of the initial electees shall be as follows:

1 one for a term of 3 years and one for a term of 6 years.

2 For the purposes of this Section, the Governor may make a
3 nomination and the Senate may confirm the nominee in advance of
4 the commencement of the nominee's term of office.

5 (e) The 6 elected trustees shall be elected within 90 days
6 after the effective date of this amendatory Act of the 96th
7 General Assembly for a term beginning on the 90th day after the
8 effective date of this amendatory Act. Trustees shall be
9 elected thereafter as terms expire for a 6-year term beginning
10 July 1 ~~15~~ next following their election, and such election
11 shall be concluded ~~held~~ on May 1, or on May 2 when May 1 falls
12 on a Sunday. The board may establish rules for the election of
13 trustees to implement the provisions of this amendatory Act of
14 the 96th General Assembly and for future elections. Candidates
15 for the participating trustee shall be nominated by petitions
16 in writing, signed by not less than 400 participants with their
17 addresses shown opposite their names. Candidates for the
18 annuitant trustee shall be nominated by petitions in writing,
19 signed by not less than 100 annuitants with their addresses
20 shown opposite their names. If there is more than one qualified
21 nominee for each elected trustee position, then the board shall
22 conduct a secret ballot election ~~by mail~~ for that trustee, in
23 accordance with rules as established by the board. If there is
24 only one qualified person nominated by petition for each
25 elected trustee position, then the election as required by this
26 Section shall not be conducted for that trustee and the board

1 shall declare such nominee duly elected. A vacancy occurring in
2 the elective membership of the board shall be filled with a
3 qualified person for the remainder of the unexpired term by the
4 elected trustees serving on the board ~~for the remainder of the~~
5 ~~term.~~

6 (f) A vacancy occurring in the appointed membership of ~~on~~
7 the board of trustees caused by resignation, death, expiration
8 of term of office, or other reason shall be filled by a
9 qualified person appointed by the Governor for the remainder of
10 the unexpired term.

11 (g) Trustees (other than the trustees incumbent on June 30,
12 1995 or as provided in subsection (c) of this Section) shall
13 continue in office until their respective successors are
14 appointed and have qualified, except that a trustee appointed
15 to one of the participant positions shall be disqualified
16 immediately upon the termination of his or her status as a
17 participant and a trustee appointed to one of the annuitant
18 positions shall be disqualified immediately upon the
19 termination of his or her status as an annuitant receiving a
20 retirement annuity.

21 (h) Each trustee must take an oath of office before a
22 notary public of this State and shall qualify as a trustee upon
23 the presentation to the board of a certified copy of the oath.
24 The oath must state that the person will diligently and
25 honestly administer the affairs of the retirement system, and
26 will not knowingly violate or wilfully permit to be violated

1 any provisions of this Article.

2 Each trustee shall serve without compensation but shall be
3 reimbursed for expenses necessarily incurred in attending
4 board meetings and carrying out his or her duties as a trustee
5 or officer of the system.

6 (i) This amendatory Act of 1995 is intended to supersede
7 the changes made to this Section by Public Act 89-4.

8 (Source: P.A. 96-6, eff. 4-3-09; 96-1000, eff. 7-2-10.)

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

1 INDEX

2 Statutes amended in order of appearance

3 5 ILCS 375/6.9

4 5 ILCS 375/6.10

5 40 ILCS 5/1-150

6 40 ILCS 5/1A-108.5

7 40 ILCS 5/15-159 from Ch. 108 1/2, par. 15-159