

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 Illinois Pension Code is amended by
5 changing Sections 7-171 and 7-173.2 and adding Sections
6 7-199.4 and 7-199.5 as follows:

7 (40 ILCS 5/7-171) (from Ch. 108 1/2, par. 7-171)
8 Sec. 7-171. Finance; taxes.

9 (a) Each municipality other than a school district shall
10 appropriate an amount sufficient to provide for the current
11 municipality contributions required by Section 7-172 and
12 Section 7-199.4 of this Article, for the fiscal year for
13 which the appropriation is made and all amounts due for
14 municipal contributions for previous years. Those
15 municipalities which have been assessed an annual amount to
16 amortize its unfunded obligation, as provided in subparagraph
17 5 of paragraph (a) of Section 7-172 of this Article, shall
18 include in the appropriation an amount sufficient to pay the
19 amount assessed. The appropriation shall be based upon an
20 estimate of assets available for municipality contributions
21 and liabilities therefor for the fiscal year for which
22 appropriations are to be made, including funds available from
23 levies for this purpose in prior years.

24 (b) For the purpose of providing monies for municipality
25 contributions, beginning for the year in which a municipality
26 is included in this fund:

27 (1) A municipality other than a school district may
28 levy a tax which shall not exceed the amount appropriated
29 for municipality contributions.

30 (2) A school district may levy a tax in an amount
31 reasonably calculated at the time of the levy to provide

1 for the municipality contributions required under Section
2 7-172 and Section 7-199.4 of this Article for the fiscal
3 years for which revenues from the levy will be received
4 and all amounts due for municipal contributions for
5 previous years. Any levy adopted before the effective
6 date of this amendatory Act of 1995 by a school district
7 shall be considered valid and authorized to the extent
8 that the amount was reasonably calculated at the time of
9 the levy to provide for the municipality contributions
10 required under Section 7-172 for the fiscal years for
11 which revenues from the levy will be received and all
12 amounts due for municipal contributions for previous
13 years. In no event shall a budget adopted by a school
14 district limit a levy of that school district adopted
15 under this Section.

16 (c) Any county which is served by a regional office of
17 education that serves 2 or more counties may include in its
18 appropriation an amount sufficient to provide its
19 proportionate share of the municipality contributions for
20 that regional office of education. The tax levy authorized
21 by this Section may include an amount necessary to provide
22 monies for this contribution.

23 (d) Any county that is a part of a multiple-county
24 health department or consolidated health department which is
25 formed under "An Act in relation to the establishment and
26 maintenance of county and multiple-county public health
27 departments", approved July 9, 1943, as amended, and which is
28 a participating instrumentality may include in the county's
29 appropriation an amount sufficient to provide its
30 proportionate share of municipality contributions of the
31 department. The tax levy authorized by this Section may
32 include the amount necessary to provide monies for this
33 contribution.

34 (d-5) A school district participating in a special

1 education joint agreement created under Section 10-22.31 of
2 the School Code that is a participating instrumentality may
3 include in the school district's tax levy under this Section
4 an amount sufficient to provide its proportionate share of
5 the municipality contributions for current and prior service
6 by employees of the participating instrumentality created
7 under the joint agreement.

8 (e) Such tax shall be levied and collected in like
9 manner, with the general taxes of the municipality and shall
10 be in addition to all other taxes which the municipality is
11 now or may hereafter be authorized to levy upon all taxable
12 property therein, and shall be exclusive of and in addition
13 to the amount of tax levied for general purposes under
14 Section 8-3-1 of the "Illinois Municipal Code", approved May
15 29, 1961, as amended, or under any other law or laws which
16 may limit the amount of tax which the municipality may levy
17 for general purposes. The tax may be levied by the governing
18 body of the municipality without being authorized as being
19 additional to all other taxes by a vote of the people of the
20 municipality.

21 (f) The county clerk of the county in which any such
22 municipality is located, in reducing tax levies shall not
23 consider any such tax as a part of the general tax levy for
24 municipality purposes, and shall not include the same in the
25 limitation of any other tax rate which may be extended.

26 (g) The amount of the tax to be levied in any year
27 shall, within the limits herein prescribed, be determined by
28 the governing body of the respective municipality.

29 (h) The revenue derived from any such tax levy shall be
30 used only for the purposes specified in this Article and, as
31 collected, shall be paid to the treasurer of the municipality
32 levying the tax. Monies received by a county treasurer for
33 use in making contributions to a regional office of education
34 for its municipality contributions shall be held by him for

1 that purpose and paid to the regional office of education in
2 the same manner as other monies appropriated for the expense
3 of the regional office.

4 (Source: P.A. 89-329, eff. 8-17-95; 90-448, eff. 8-16-97;
5 90-511, eff. 8-22-97; 90-655, eff. 7-30-98.)

6 (40 ILCS 5/7-173.2) (from Ch. 108 1/2, par. 7-173.2)

7 Sec. 7-173.2. Pickup of employee contributions.

8 (a) Until July 1, 1984, each participating municipality
9 and each participating instrumentality may elect, for all of
10 its employees, to pick up the employee contributions required
11 by subparagraphs 1 and 3 of subsection (a) of Section 7-173
12 and, in the case of sheriff's law enforcement employees,
13 required by Section 7-173.1. The pick up may be for employee
14 contributions on earnings received by employees after
15 December 31, 1981 and shall be applicable to the
16 contributions on total earnings paid in any month. The
17 decision to pick up contributions shall be made by the
18 governing body.

19 Beginning July 1, 1984, the pick up of employee
20 contributions shall cease to be optional. Each participating
21 municipality and participating instrumentality shall pick up
22 the employee contributions required by subparagraphs 1 and 3
23 of subsection (a) of Section 7-173 and, in the case of
24 sheriff's law enforcement employees, contributions required
25 by Section 7-173.1, for all compensation earned after such
26 date. Beginning April 1, 2002, each participating
27 municipality and participating instrumentality shall pick up
28 the employee contributions required by subsection (d) of
29 Section 7-199.4, for all compensation earned on or after that
30 date.

31 (b) Contributions that are picked up shall be treated as
32 employer contributions in determining tax treatment under the
33 United States Internal Revenue Code. The employee

1 contribution shall be paid from the same source of funds as
2 is used in payment of earnings to the employee and may not be
3 paid from funds raised by the tax levy authorized by Section
4 7-171. The contributions shall be picked up by a reduction
5 in earnings payment to employees. Employee contributions
6 that are picked up shall be considered as earnings under
7 Section 7-114. If a participating municipality or
8 participating instrumentality fails to report participating
9 employee earnings which should have been reported to the fund
10 and pays the employee the full amount of earnings including
11 employee contributions which should have been picked up and
12 forwarded to the fund, then the employee shall make payment
13 of the employee contributions to the fund on behalf of
14 employer and such contributions shall be considered as picked
15 up contributions if paid in the year the earnings were
16 received, or by January 31st of the following year, and are
17 reflected as picked up on reports to the Internal Revenue
18 Service. If they cannot be so reflected, or if received
19 after that date, they shall not be treated as picked up
20 contributions. Picked up employee contributions shall be
21 considered as employee contributions in computing benefits
22 paid under this Article 7.

23 (c) Subject to the requirements of federal law, an
24 employee may elect to have the employer pick up optional
25 contributions that the employee has elected to pay to the
26 Fund, and the contributions so picked up shall be treated as
27 employer contributions for the purposes of determining
28 federal tax treatment. The employer shall pick up the
29 contributions by a reduction in the cash salary of the
30 employee and shall pay the contributions from the same source
31 of funds that is used to pay earnings to the employee. The
32 employee's election to have the optional contributions picked
33 up is irrevocable and the optional contributions may not
34 thereafter be prepaid, by direct payment or otherwise.

1 (Source: P.A. 90-766, eff. 8-14-98.)

2 (40 ILCS 5/7-199.4 new)

3 Sec. 7-199.4. To administer a program of group health
4 benefits. To administer a program of group health benefits
5 for retired employees and their dependents and survivors and
6 to provide subsidies for those retired employees who elect to
7 continue to participate in their former IMRF employer's group
8 health plan under the continuation privilege.

9 (a) For the purposes of this Section:

10 "Active employee" means an employee of an IMRF employer
11 who is participating in IMRF per Section 7-137.

12 "Continuation privilege" means the right of a former
13 employee to continue participation in the former employer's
14 health plan, as established under the Illinois Insurance Code
15 and applicable federal law.

16 "IMRF employer" means a participating municipality or
17 participating instrumentality.

18 "IMRF group health plan" means the plan (either
19 self-funded or a policy of group accident and health
20 insurance) selected by the IMRF Board of Trustees to provide
21 health insurance benefits to retired employees, their
22 dependents and survivors.

23 "Retired employee" means a person who is receiving a
24 retirement annuity from the Fund.

25 "Surviving spouse" means a person who is receiving a
26 surviving spouse annuity under Section 7-154.

27 "Eligible retired employee" means a retired employee who
28 had at least 8 years of IMRF service credit and who made the
29 contributions required under subsection (d) for at least one
30 month.

31 "Eligible surviving spouse" means a surviving spouse
32 whose deceased spouse had at least 8 years of IMRF service
33 credit and made the contributions required under subsection

1 (d) for at least one month.

2 "Transitional subsidy program" means the health insurance
3 premium subsidy provided under this Section for retired
4 employees, age 65 and over, who left service as active
5 employees prior to the effective date of this amendatory Act
6 of the 92nd General Assembly or did not make any
7 contributions required under subsection (d), and for
8 surviving spouses who began receiving the surviving spouse
9 annuity prior to the effective date of this amendatory Act or
10 whose deceased spouse did not make any contributions required
11 under subsection (d).

12 "Dependent" means a person or persons to be covered with
13 the retired employee or surviving spouse as allowed under the
14 terms of the IMRF group health plan or the former IMRF
15 employer's group health plan.

16 (b) The Board shall establish and administer a program
17 of group health benefits providing medical care benefits as
18 defined in Section 213 of the Internal Revenue Code of 1986
19 for retired employees and their dependents and surviving
20 spouses, which benefits are intended to qualify for federal
21 income tax exclusion. This program may be self-funded or
22 operated under a policy of group accident and health
23 insurance. As part of this program, the Board shall also
24 establish and administer a program of subsidies to offset the
25 cost of participation for those retired employees who elect
26 to continue to participate in their former IMRF employer's
27 group health plan under the continuation privilege. The
28 Board may adopt any structures and rules that may be
29 necessary or convenient relating to the establishment and
30 administration of the program or to the conditions and terms
31 of participation in the program. The Board rules may require
32 use of the continuation privilege by retired employees who
33 are eligible to use that privilege but are not eligible for
34 Medicare.

1 This program shall be entirely independent of the other
2 functions and assets of the Fund, and the assets and
3 liabilities arising out of the operation of this program
4 shall remain separate from the other assets and liabilities
5 of the Fund, with this program being intended to constitute
6 an accident and health program within the meaning of the
7 Internal Revenue Code of 1986. Moneys received by the Board
8 relating to the program established under this Section shall
9 not be deemed contributions to or assets of the Fund. All
10 such moneys shall be held by the Board in separate accounts
11 and used only for the purposes of the program established
12 under this Section.

13 (c) Beginning on January 1, 2003, from the separate
14 account established for this purpose, the Fund shall pay a
15 portion of the cost of participation for each eligible
16 retired employee or eligible surviving spouse who elects to
17 participate in either the former IMRF employer's group health
18 plan or the IMRF group health plan. The portion of the cost
19 paid shall not exceed 5% of the cost of the eligible
20 employee's participation (not including any dependent or
21 optional coverages) for each year he or she was an active
22 employee, up to a maximum of 20 years. The portion of the
23 cost paid on behalf of an eligible surviving spouse shall not
24 exceed 5% of the cost of the surviving spouse's participation
25 (not including any dependent or optional coverages) for each
26 year the deceased member was an active employee, up to a
27 maximum of 20 years. The portion of the cost paid on behalf
28 of an eligible retired employee or eligible surviving spouse
29 who elects to participate in the former IMRF employer's plan
30 shall not exceed the amount the program would pay if he or
31 she was in the IMRF group health plan.

32 The balance of the cost of participation in the program
33 for an eligible retired employee or eligible surviving spouse
34 who elects to participate, together with the entire cost of

1 any optional coverage or coverage for dependents, shall be
2 paid by deductions authorized by the participant to be
3 withheld from his or her monthly annuity payment, except that
4 any amount by which the monthly premium balance exceeds the
5 net amount of the monthly annuity payment shall be paid
6 directly to the Fund or its designee (or to the employer in
7 the case of utilization of the continuation privilege) by the
8 participant. All amounts so withheld or paid to the Fund
9 shall be held in trust for the purposes of paying the costs
10 of the eligible retired employee's or eligible surviving
11 spouse's participation in the group health plan. If a
12 participant fails to pay premiums, then participation in the
13 program shall be terminated.

14 (d) Beginning on April 1, 2002, all active employees
15 shall contribute 1% of earnings toward the cost of the
16 program established under subsection (b). These
17 contributions shall be deducted by the employer and paid to
18 the Fund for deposit into the separate account established
19 under subsection (c). The Fund may use the same processes
20 for collecting the contributions required by this subsection
21 that it uses to collect contributions from employees under
22 Section 7-173. An IMRF employer may agree to pay the
23 contributions required under this subsection on behalf of the
24 employee. Contributions made under this subsection are not
25 transferable to other pension funds or retirement systems and
26 are not refundable upon termination of service.

27 (e) Beginning on April 1, 2002, every IMRF employer
28 shall contribute toward the cost of the program established
29 under subsection (b) an amount equal to 1% of the earnings of
30 its active employees. These contributions shall be paid by
31 the employer to the Fund for deposit into the separate
32 account established under subsection (c). The Fund may use
33 the same processes for collecting the contributions required
34 by this subsection that it uses to collect contributions from

1 employers under Sections 7-172 and 7-172.1. If the Board
2 determines that the separate account established under
3 subsection (c) is at a level that would jeopardize the tax
4 qualification of the Fund, the board may lower or suspend the
5 contributions required under this subsection (e).
6 Contributions for the program established under this Section
7 are separate from the contributions to the Fund required
8 under Section 7-172 and shall not be included in the
9 calculation of the contribution rate under that Section.

10 (f) The Board shall establish and administer a
11 transitional subsidy program under this subsection (f) for
12 retired employees who left service as active employees prior
13 to the effective date of this amendatory Act of the 92nd
14 General Assembly or who did not make any contributions
15 required under subsection (d), and for surviving spouses who
16 began receiving the surviving spouse annuity prior to the
17 effective date of this amendatory Act or whose deceased
18 spouse did not make any contributions required under
19 subsection (d).

20 Beginning on April 1, 2002 and ending upon termination of
21 the transitional subsidy program as determined by the Board,
22 in addition to the contributions required under subsection
23 (e), every IMRF employer shall contribute toward the cost of
24 the transitional subsidy program established under this
25 subsection (f) an amount equal to 0.25% of the earnings of
26 its active employees. These contributions shall be paid by
27 the employer to the Fund for deposit into a separate account
28 established under this subsection for the transitional
29 subsidy program. The Fund may use the same processes for
30 collecting the contributions required by this subsection that
31 it uses to collect contributions from employers under
32 Sections 7-172 and 7-172.1. Contributions for the
33 transitional subsidy program established under this
34 subsection are separate from the contributions to the Fund

1 required under subsection (e) and Section 7-172 and shall not
2 be included in the calculation of the contribution rate under
3 that Section.

4 Beginning on January 1, 2003, the Fund shall pay from the
5 separate account established under this subsection a portion
6 of the cost of participation for each retired employee and
7 surviving spouse who elects to participate in the IMRF group
8 health plan and who (1) is not eligible for the subsidy under
9 subsection (c), (2) had (or whose deceased spouse had) at
10 least 8 years of IMRF service credit, and (3) is at least age
11 65. The amount of the subsidy under this subsection shall be
12 determined annually by the Fund, but shall not exceed 5% of
13 the cost of the IMRF group health plan (not including any
14 dependent or optional coverages) for each year the member or
15 deceased member was an active employee, up to a maximum of 20
16 years.

17 The balance of the cost of participation in the IMRF
18 group health plan for a retired employee or surviving spouse
19 who elects to participate, together with the entire cost of
20 any optional coverage or coverage for dependents, shall be
21 paid by deductions authorized by the annuitant to be withheld
22 from his or her monthly annuity payment, except that any
23 amount by which the monthly premium balance exceeds the net
24 amount of the monthly annuity payment shall be paid directly
25 to the Fund or its designee by the participant. If a
26 participant fails to pay premiums, participation in the
27 program shall be terminated. All amounts so withheld or paid
28 to the Fund shall be held in trust for the purposes of paying
29 the costs of participation in the IMRF group health plan.

30 As the number of retired employees and surviving spouses
31 eligible to participate in the program is reduced,
32 contributions required under this subsection for the
33 transitional subsidy program shall be proportionately
34 transferred to the separate account established under

1 subsection (c), as determined by the Board. At the time the
 2 Board determines the contributions are no longer required,
 3 any excess contributions in the separate account for the
 4 transitional subsidy program shall be transferred to the
 5 separate account established under subsection (c). The
 6 subsidy established under this subsection shall be payable
 7 notwithstanding Section 1-103.1 of this Code.

8 (g) The Board shall submit an annual report of its
 9 activities under this Section to each IMRF employer.

10 (h) The group health benefit and subsidy programs
 11 established under this Section are not intended to be and
 12 shall not be construed to be pension or retirement benefits
 13 for purposes of Section 5 of Article XIII of the Illinois
 14 Constitution.

15 (40 ILCS 5/7-199.5 new)

16 Sec. 7-199.5. Reserves for program of group health
 17 benefits. Appropriate reserves shall be created for payment
 18 of the benefits in the program authorized under Section
 19 7-199.4, as follows:

20 (1) A reserve shall be created for the payment of
 21 benefits under subsection (c) of Section 7-199.4. The
 22 employee and employer contributions required under
 23 subsections (d) and (e) of Section 7-199.4 shall be credited
 24 to this reserve.

25 (2) A separate reserve shall be created for the
 26 transitional subsidy program created under subsection (f) of
 27 Section 7-199.4. The transitional subsidy benefits shall be
 28 paid from this reserve and the employer contributions
 29 required by subsection (f) of Section 7-199.4 shall be
 30 credited to this reserve.

31 Section 90. The State Mandates Act is amended by adding
 32 Section 8.25 as follows:

1 (30 ILCS 805/8.25 new)

2 Sec. 8.25. Exempt mandate. Notwithstanding Sections 6
3 and 8 of this Act, no reimbursement by the State is required
4 for the implementation of any mandate created by this
5 amendatory Act of the 92nd General Assembly.

6 Section 99. Effective date. This Act takes effect upon
7 becoming law.