

## **Agenda for JJCAA Insurance Committee Meeting**

**February 11, 2013 – 12:30pm, JJC Main Campus, T-1000 Conference Room.**

Committee Members: John Peterson, Chair; John Corradetti, Curt Hieggelke, Sandra Hopper, Chuck Kramer, Jerry Lewis, Maureen Peterson, Pat Neff, Mary Ann Oetter, Mel Oetter, Walter Zaida, Jerry Zeborowski

**1. Sandy's minutes from our meeting on October 22, 2012 – Pages 531-532.**

**2. Future insurance committee meetings**

- **April 22, 12:30pm – JJC Main Campus T-1000,**
- **June 27, 9:30am – JJCAA Annual Meeting – JJC Main Campus T-1000.**

**3. SB 1673 of the 97<sup>th</sup> General Assembly – Page 511**

- **Either take (a) CIP and a reduced COLA {lesser of 3% simple interest or ½ of CPI – Consumer Price Index at simple interest} or (b) a 3% COLA compounded and no CIP.**
- **See CIP vs. COLA spreadsheet. Pages 525-527**
- **To use the spreadsheet on MVCCAA web page, you need Excel software on your computer: <http://mvccaa.morainevalley.edu/cola-worksheet/>.**
- **Present employees will pay 1.25% of their gross pay to CIP. There is a yearly 1.08% escalator if needed – SB1673**
- **The CC District and retirees will match the employees' contributions so that each group contributes 1/3.**
- **CIP is not covered under the pension clause.**

**4. HB 6258 of the 97<sup>th</sup> General Assembly – Nekritz and Cross**

- **The existing 3% compounded COLA would be replaced with a COLA of no more than \$600 or \$750, depending if one receives Social Security. No one would receive a COLA until after January 1, 2017.**
- **Employees would contribute an additional 2% of salary to SURS.**
- **Pensions would be based on salaries below Social Security's wage base (currently \$113,000).**

**5. Lawsuits over retiree health premiums headed for court – Pages 533-535.**

**6. SB 1 of the 98<sup>th</sup> General Assembly (401 pages) Cullerton – Pages 535-536**

- **Part A – HB 6258 of the 97<sup>th</sup> General Assembly**
- **Part B – SB 1673 of the 97<sup>th</sup> General Assembly**

**7. SUAA Survey – Page 537**

**8. Old and New Business**

**9. Adjournment**

**JJCAA Insurance Committee Meeting by Sandy Hopper  
October 22, 2012**

**Members Present:** Pat Neff, John Peterson, Curt Hieggelke, Maureen Peterson, Sandy Hopper, and Jerry Zeborowski

**Call to Order:** Chairman John Peterson called the meeting to order at approximately 12:35 p.m.

**Approval of Minutes:** A motion to approve the minutes of the August 13<sup>th</sup> meeting was made by Pat Neff and seconded by Mo Peterson. The motion passed.

**Meeting Cancellation:** John announced that the scheduled December 10<sup>th</sup> meeting would be cancelled in that no action is expected until the legislature is back in session in January.

**SB 1673:**

- John reviewed the provisions of SB 1673—a choice of—(a) taking CIP and a reduced COLA (lesser of 3% simple interest or ½ of the CPI at simple interest or (b) taking a 3% compounded COLA and no CIP. See CIP vs. COLA spreadsheet on pages 525-527.
- John reviewed the Excel spreadsheet prepared by MVCCAA to assist annuitant's in calculating the benefits of the 3% compounded COLA in real number examples. Annuitants may plug in their individualized situation at the following web site:  
<http://mvccaa.morainevalley.edu/cola-worksheet/>.
- In order to use the web site, you must have Excel software.
- In making a decision on (a) or (b) above, annuitants should also check out their insurance costs options including dental, vision, and drug coverage.
- Curt indicated that if the constitutional amendment passes, our COLA could be declared nonexistent, so we wouldn't have a choice as outlined in SB 1673.

**HJRCA 49:**

- SUAA generated post-card urging a "No" vote—(a) CA 49 does nothing to aid pension debt or the normal cost of pension funding (b) Passage of CA 49 will require a 3/5 vote for pension decisions affecting all 7,000 units of local government and (c) Passage of CA 49 will likely increase the volume of litigation, and this means higher costs for all involved.
- CA 49 has nothing to do with correcting pension abuses that currently exist. These abuses can be corrected without a constitutional amendment.
- Curt indicated that the constitutional amendment should affect anyone working under a multiple-year contract. He questioned where current employees stand on the issue. Mike Maier responded that he hadn't heard the issue being addressed around campus even though he has 3 clerical and 2 support staff employees in his area.
- Achieving a 60% agreement on pension increases from school boards will probably be difficult to achieve.

**Update on SUAA Fall Meeting:**

- Pat Neff and Jerry Lewis represented JJCAA at the meeting that was attended by 110 participants from 34 colleges/universities.
- Need for increased membership continues to be a priority
- Proposed dues increase of \$5
- JJCAA newsletter was praised

**Old/New Business:**

- John suggested that the legislative committee meet with union representatives, including contacting Dick Manley, as he heads the second largest AFT group in the state.
- Pat Neff reported that she has contacted candidates Natalie Manley and Jennifer Bertino-Tarrant in an effort to arrange legislative visits.

**Adjournment:**

Motion to adjourn was made by Curt Hieggelke and seconded by Mo Peterson. The meeting adjourned at approximately 1:22 p.m.

## Lawsuits over retiree health premiums headed for court

By DOUG FINKE

GateHouse News Service

Posted Jan 25, 2013 @ 10:49 PM

SPRINGFIELD -- The battle over whether retired public employees should be required to pay health insurance premiums may finally be headed to a Springfield courtroom.

Four lawsuits challenging the legality of such premiums are scheduled for a hearing Feb. 20 before Judge Steven Nardulli. All four have been consolidated into one case.

A central issue to all of the lawsuits is whether retiree health insurance has the same constitutional protections as a pension check. The **state Constitution says** "membership in any pension or retirement system of the state, any unit of local government or school district, or any agency or instrumentally thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished."

Attorneys for the state argue the lawsuits should be dismissed because retiree health insurance benefits do not fall into the same category as a pension annuity.

"One of the fundamental legal issues is the scope of the application of the pension clause in the Constitution," said Don Craven, co-counsel on one of the lawsuits.

### Protected benefit?

The General Assembly last year passed Senate Bill 1313, which called for retired state and university workers, judges and lawmakers to begin paying premiums for their health insurance. Downstate teachers have a separate health insurance plan for retirees, which do charge premiums.

State employees with 20 or more years on the job can retire and continue to be covered by state health insurance without paying premiums for it. Retirees must still pay deductibles and other out-of-pocket expenses.

State officials said last summer that 80,000 retirees had premium-free state health insurance. The benefit cost the state \$800 million annually, they said.

The bill gave the Department of Central Management Services the power to set premiums for retiree insurance. CMS was instructed to consider things like the size of a person's pension, their years of service and their age at retirement in coming up with a schedule of premiums. Generally, those with large pensions would pay more.

All of the lawsuits argue that retiree health insurance is a protected pension benefit, just like a retirement check. The lawsuit filed by Craven and Springfield attorney John Myers also contends that workers who took advantage of the state's early

retirement incentive a decade ago are a special class because they relied on the promise of premium-free health insurance in deciding whether to retire early.

They also contend the law illegally delegates too much authority to CMS to determine premiums.

### **Never implemented**

As for the premiums themselves, they've never been implemented.

The premiums are the subject of contract negotiations between the state and the American Federation of State, County and Municipal Employees that have dragged on for more than a year. The next bargaining session is scheduled for Feb. 6.

Neither CMS nor Gov. Pat Quinn's office responded last week to questions about the premiums. The administration had been counting on saving money in the current budget by having the retiree health insurance premiums in place.

Craven and AFSCME said they have no indication the state is moving ahead with setting premiums at the moment. Moreover, Craven said, the state has assured Nardulli that if it decides to proceed with the premiums, it will notify the court in time to give lawyers opposing the premiums time to attempt to stop them.

*Doug Finke can be reached at (217) 88-1527.*

### **Retiree Health Premiums Headed for Court**

- Hearing on 2/20/13 for 4 lawsuits challenging the premiums.
- A central issue is whether retiree health insurance has the same constitutional protections as a pension check.
- The state argues that retiree health insurance does not fall into the same category as a pension annuity.

### **Pension Clause: Article XIII, Section 5 of the Illinois Constitution**

“Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumental thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.”

*Senator John J. Cullerton, Illinois Senate President*

*Presentation at the City Club Chicago on January 28, 2013*

### **Pension Clause: Article XIII, Section 5 of the Illinois Constitution**

- The pension clause makes a public employee’s pension an enforceable contractual relationship which cannot be unilaterally changed by the legislature.
- Therefore, pension benefits are contractual and can be modified through contract principles of offer, consideration, and acceptance.

*Senator John J. Cullerton, Illinois Senate President*

*Presentation at the City Club Chicago on January 28, 2013*

### **SB 0001 of the 98<sup>th</sup> General Assembly-Part A**

- Part A of the bill is the pension proposal (HB6258) offered by House Leader Tom Cross and Rep. Elaine Nekritz in early January 2013 of the 97<sup>th</sup> General Assembly, and

### **SB 0001 of the 98<sup>th</sup> General Assembly-Part A**

- The proposal would unilaterally reduce the pension benefits of current employees and retirees.
- Specifically, the existing 3% compounded COLA would be replaced with a COLA of no more than \$600 or \$750, depending on whether the person receives Social Security, and

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### **SB 0001 of the 98<sup>th</sup> General Assembly-Part A**

- Also, no one would receive a COLA until after January 1, 2017.
- Employees would need to contribute an additional 2% of salary to the pension system.
- Finally, pensions could only be based on salaries below Social Security’s wage base (currently \$113,000).

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**SB 0001 of the 98<sup>th</sup> General Assembly-Part B**

- Part B is the proposal negotiated by the Governor and four caucuses last spring, and uses a contract approach to change pension benefits.
- The Senate passed a version of this proposal for two of the state's five pension systems (SERS and GARS) twice last year.

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**SB 0001 of the 98<sup>th</sup> General Assembly-Part B**

Part B asks employees and retirees to make one of two choices:

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**SB 0001 of the 98<sup>th</sup> General Assembly-Part B: Choice 1**

- Agree to a lower 3% simple COLA, delayed five years, instead of the current 3% current compounded COLA.
- Receive access to the state's retiree healthcare program.
- See future salary increases counted for pension purposes.

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**SB 0001 of the 98<sup>th</sup> General Assembly-Part B: Choice 2**

- Reject the offer and keep the current 3% compounded COLA.
- Lose access to the state's retiree healthcare program.
- Any future salary increases will not be counted for pension purposes.

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**SB 0001 of the 98<sup>th</sup> General Assembly-Part B: Savings**

- Reduce the \$309 billion the state is estimated to contribute to the pension system over the next 30 years by \$66 billion to \$88 billion.
- Reduce current unfunded liabilities by up to \$17 billion immediately.

**SUAA Pension Reform Survey 2013****As part of a compromise, if necessary, I could support:**

1. Establishing a pensionable salary limit similar to Social Security wage base (currently \$113,700 for FY13) or current salary, whichever is higher.
2. Increasing the age of retirement for current employees.
3. Increasing the minimum number of years of service for retirement.
4. Increasing the monthly pension contribution for current employees by 2% over a two-year period.
5. Changing the Cost of Living Allocation (COLA) formula by: (check one or more)
  - delaying COLA until age 67
  - implementing a simple interest (non-compounded) COLA
  - reducing COLA (currently 3% compounded)
  - Tying COLA to the Social Security program's COLA or the chained CPI
  - None of the above
6. Limiting the COLA to: (check one)
  - \$25,000 of the pension
  - the average pension (currently about \$35,000 for SURS)
  - \$50,000 of the pension
  - \$75,000 of the pension
  - No limit on COLA
7. Implementing a temporary COLA freeze for: (check one)
  - 1-2 years
  - 3 years
  - 4-5 years
  - 6 years
  - No COLA freeze
8. SURS Pension System Status
  - Currently Working
  - Retired