



Retiree Health Care Benefits Commission

November 2, 2012

Task of the RHBC

- The RHBC is tasked with the responsibility to make decisions based upon recommendations from the City concerning any modifications to Settlement Healthcare Plans and to make recommendations to the City concerning any continued health care benefits provided to annuitants after the expiration of the agreement on June 30, 2012.
- The RHBC must take into account industry trends and market conditions existing at the time of its recommendations.
- Before July 1, 2013 the RHBC must make recommendations concerning the state of retiree healthcare benefits, their related cost trends, and issues affecting the offering of any retiree benefits after this date.

Assessing the Cost

Non-Medicare

	Annuitants	Spouses	Children	Total
Number	7495	3470	877	11842
City Support Monthly	\$476	\$476	\$140	\$1,092
City Support Yearly	\$5,715	\$5,715	\$1,679	\$13,109
Annual City Expense	\$42,835,454	\$19,831,758	\$1,472,229	\$64,139,441

Medicare

	Annuitants	Spouses	Total
Number	16754	5284	22,038
City Support Monthly	\$169	\$169	\$338
City Support Yearly	\$2,025	\$2,025	\$4,050
Annual City Expense	\$33,933,686	\$10,702,002	\$44,635,688

Totals

Annuitants	Spouses	Children	People	Total Spending
\$76,769,140	\$30,533,760	\$1,472,229	33,880	\$108,775,128

Expiration of the Korshak Agreement

- At the expiration of Korshak the City has three options:
 - ✓ Maintain current coverage.
 - ✓ Provide support at some level by changing coverage to ultimately decrease costs.
 - ✓ Eliminate all funding for retiree healthcare.
- Should the City decide to maintain some level of coverage for retiree healthcare we believe that costs can be lowered by altering three variables:
 - ✓ Benefit Levels: Make benefit levels less generous for annuitants.
 - ✓ City Contribution Rates: Decrease city contribution rates.
 - ✓ Census Data: Eliminate dependents.

Spending Spectrum

**Current Spending
\$108**

**Minimum Spending
\$12.5**

\$90.5

\$86.4

\$80

\$60

\$40

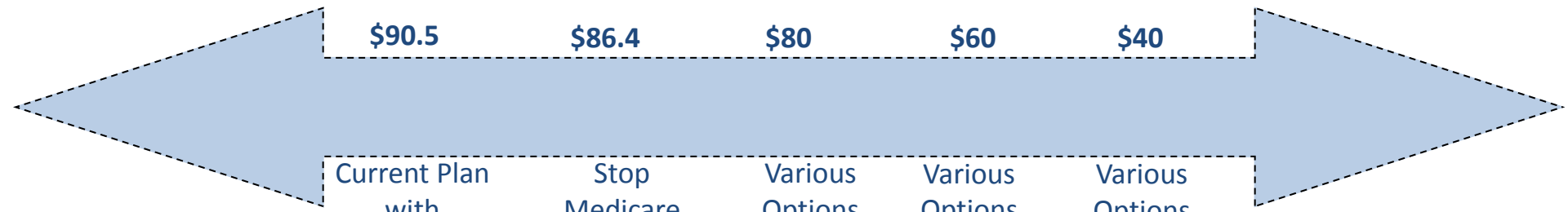
Current Plan
with
"Market"
Adjustment

Stop
Medicare
eligible on
6/30/13
Stop non-
Medicare
eligible on
12/31/13.

Various
Options

Various
Options

Various
Options



Decrease Spending to \$80 Million

- ✓ City Cost: \$80 Million
- ✓ Savings Required: Approximately \$29 Million

Options	Method to Achieve Savings
Reduce support across the board to 40%.	Reduce Benefit
Leave settlement class at 55%; reduce other to 38%.	Reduce Benefit
Eliminate support for dependents; increase support for annuitant to 57%.	Change Census
Leave settlement class at 55% with dependents; eliminate dependents for all others with annuitant support at 55% for all other.	Change Census
Leave settlement class at 55% of reduced plan value with dependents; all other (with dependents) support at 47% of reduced plan value. Non-Medicare plan cost reduced by 20%; Medicare plan reduce by 10%.	Reduce Benefit & Change Census
Increase Annuitant premiums to amount paid by Chicago Teachers for Non-Medicare (\$496 per person) and amount paid by Cook County Medicare eligible annuitants (\$172). Spending \$84M, 5% above target.	Reduce Benefit

Decrease Spending to \$60 Million

- ✓ City Cost: \$60 Million
- ✓ Savings Required: Approximately \$49 Million

Options	Method to Achieve Savings
Reduce support level across the board to 30%	Reduce Benefit
Leave Settlement Class at 55%; reduce others to 27%	Reduce Benefit
Eliminate Support for Dependents; decrease support level for Annuitants to 43%	Change Census
Leave Settlement class at 55% with dependents; Eliminate dependent support for all others; Annuitant only support for all others at 38%	Reduce Benefit & Change Census
Leave Settlement class at 55% of reduced plan values with dependents; all others (with dependents) supported at 34% Non-Medicare plan cost reduced by 20%; Medicare plan reduced by 10%	Reduce Benefit

Decrease Spending to \$40 Million

- ✓ City Cost: \$40 Million
- ✓ Savings Required: Approximately \$69 Million

Options	Method to Achieve Savings
Reduce support level across the board to 20%	Reduce Benefit
Leave Settlement Class at 55%; reduce all others to 16%	Reduce Benefit
Eliminate Support for Dependents; decrease support level for Annuitants to 28%	Reduce Benefit & Change Census
Leave Settlement class at 55% with dependents; Eliminate dependent support for all others; Annuitant only support for all others at 22%	Reduce Benefit & Change Census
Leave Settlement class at 55% of reduced plan values with dependents; All others (with dependents) supported at 20% Non-med plan cost reduced by 20%;Med plan reduced by 10%	Reduce Benefit
Leave Settlement class at 55% of reduced plan values with dependents; Eliminate Medicare coverage for all others; All other non-Medicare supported at 38%. (Park District does not support Medicare eligible persons.)	Reduce Benefit

Minimal Coverage

- ✓ Objective: Eliminate all coverage other than statutorily required coverage.

Options	Method to Achieve Savings
End coverage for Medicare eligible persons at 6-30-2013. Arrange for transition to insurers in Medicare market. End coverage for non-Medicare eligible persons at 12-31-2013 when exchanges under Affordable Care Act are available. Keep coverage for public safety workers as required by law.	Reduce City Contribution
End coverage as above for all but Settlement Class. Reduce plan values for Settlement Class and continue to offer coverage until group is completed. Keep coverage for public safety workers as required by law. Current spending on Settlement Class is \$12.5M	Reduce City Contribution.

City Contributions				
	Annuitants	Dependents	Total	Total Cost
Current Spend on Korshak/Jacobson Class	\$9,421,595	\$3,080,799	\$12,502,394	\$22,731,625
Current Spend on Other Retirees	\$67,686,836	\$27,607,133	\$96,766,198	\$175,938,543
Total Current Spend	\$77,108,431	\$30,687,932	\$109,268,592	\$198,670,167

Maintenance of Current Support Levels

- ✓ Objective: Maintain current level of support.

Options	Method to Achieve Savings
Reduce plan value for non-Medicare by 20%; Medicare eligible by 10% Savings would be \$17.5 M	Reduce Benefit
Reduce plan values as above; close enrollment into plan at 6/30/2013. Under current support levels would expect additional retirements of 900 to 1500, mostly non-Medicare eligible persons. Additional costs based on current plan costs would be \$4M to \$6.8M. Retirements occurring after 6/30/13 would not receive support.	No Savings