



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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10/15/2015	1	Committee of the Whole	Recommended	Pass

TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 15, 2015

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. David St. Pierre, Executive Director

Authority to amend health care benefits for pre-65 and Medicare-eligible retirees to be consistent with active employees

Dear Sir:

The Board of Commissioners approved several changes to the active employee plan design as part of a multi-year benefits strategy at the Board meeting on December 18, 2014. These changes included a decrease in the co-insurance under the PPO plan, an increase in the deductible for the PPO plan and the creation of a fourth tier for specialty drugs under the prescription drug coverage, and were consistent with the changes negotiated in the collective bargaining agreements. Authorization is requested to implement the same changes for retiree benefits to provide consistency between the benefits for active employees and retirees.

The first change is related to the co-insurance for in-network services under the PPO plan. The co-insurance for the active employees was changed to 85% effective January 1, 2015. The current co-insurance for retirees enrolled in the PPO plan is 90%. Beginning January 1, 2016, the co-insurance for retirees would be changed to 85% for retirees (pre-65 and Medicare-eligible) enrolled in the PPO plan. This change in co-insurance would result in a cost savings to the plan of approximately \$106,000.00 per year. It would also reduce the calculated value of the health care benefits for purposes of the excise tax under the Affordable Care Act.

The deductibles under the PPO plan would also be changed to be consistent with the active employee benefits. The current deductibles for the active employee and retiree PPO plans are \$300.00 for individual coverage, \$600.00 for employee-plus-one coverage and \$900.00 for family coverage. Effective January 1, 2016, the deductibles for active employees will be increased to \$350.00 for individual coverage, \$700.00 for employee-plus-one coverage and \$1,050.00 for family coverage in accordance with collective bargaining

agreements and the non-represented employee benefits strategy approved by the Board of Commissioners on December 18, 2014. The deductibles for retirees (pre-65 and Medicare-eligible) enrolled in the PPO plan would be set at this level as well effective January 1, 2016. This change in co-insurance would result in a cost savings to the plan of approximately \$55,500.00 per year. It would also further reduce the calculated value of the health benefits for purposes of the excise tax under the Affordable Care Act.

Finally, the prescription drug co-payment structure would be changed to include a fourth tier related to specialty drugs. Specialty drugs are high-cost, highly complex pharmaceuticals, often developed through biotech research, that are used to treat serious medical conditions including cancer, multiple sclerosis, rheumatoid arthritis and other diseases. This fourth tier was added to the active employee plan effective January 1, 2015 with a co-payment of \$100.00. The prescription drug plan for retirees (pre-65 and Medicare-eligible) would be revised to include this fourth tier effective January 1, 2016.

In summary, these plan design changes would provide consistency between the benefits offered to active employees and those offered to retirees. The changes would also help reduce the District's exposure to the excise tax for the retiree population.

Authorization is requested to implement plan design changes for retirees in accordance with the description above.

Requested, Denice E. Korcal, Director of Human Resources

Respectfully Submitted, Mariyana T. Spyropoulos, Chairman, Committee on Pension, Human Resources & Civil Service

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for October 15, 2015