



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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TRANSMITTAL LETTER FOR BOARD MEETING OF OCTOBER 7, 2010

COMMITTEE ON PENSION, HUMAN RESOURCES AND CIVIL SERVICE

Mr. Richard Lanyon, Executive Director

Requesting Approval to Change Health Care Benefits for Non-Represented Employees and Retirees

Dear Sir:

Following discussion at the August 12, 2010 study session and suggestions received from employees, several changes are recommended to the health care benefits received by non-represented employees and retirees. We are bringing this matter to you at this time because of the advance notice required by Blue Cross/Blue Shield to effect the changes and the time needed to notify employees and retirees of the changes. The changes would be effective January 1, 2011. Total annual savings represented by these recommendations is approximately \$2,511,472.

1. Retiree Contributions: It is recommended that the District subsidy for retiree health care be reduced to 65%. The estimated annual savings is \$1,512,909.

In 1985, the Board of Commissioners adopted a policy of paying 75% of the cost of retiree health insurance premiums, while retirees contributed the balance of 25%. This subsidy level has not changed since 1985. After so many years, it is appropriate to consider whether or not the 75% subsidy should be modified.

Attached are exhibits which illustrate the effects of the change in the subsidy level.

Exhibit A details the savings to the District resulting from decreasing the subsidy from the current 75% to 65%.

Exhibit B compares current monthly retiree contributions, based on the 75% subsidy level, to what retirees would be paying in the current benefit year had the subsidy been 65%.

Exhibits C1, C2 and C3 compare the District's policy with the policies of the City of Chicago, Cook County, and the State of Illinois.

The District submitted an application to participate in the federal government's Early Retiree Reinsurance Program, which is part of the new health care reform law. Under this program, the District will be reimbursed for a portion of the cost of providing health coverage to non-Medicare eligible retirees. The reimbursement funds must be used to reduce health care costs for retirees, and may be used to lower retiree contributions. While this is a temporary program with limited funding, it would mitigate the effect of a subsidy change in the short term.

Approval is requested to implement a policy of a 65% retiree health insurance subsidy, effective January 1, 2011. The actual monthly retiree contributions taking effect on January 1, 2011 will be calculated based on actual claims experience for the twelve-month period ending June 30, 2010.

2. Employee Contributions: It is recommended that non-represented employee contributions for health care be increased to 15%. Estimated annual savings to the District would be \$448,197.

Exhibit D illustrates the history of employee contributions for health care.

Exhibit E compares the District's employee contribution levels with the contribution levels of employees of the City of Chicago, Cook County and the State of Illinois.

The Bureau of Labor Statistics (BLS) reported in December 2009 that its surveys reveal that state and local government employers charge employees an average of 10% for single health care coverage and an average of 27% for family health care coverage. BLS also reported that private employers in the U.S. charge an average of 20% for single health care coverage and 30% for family health care coverage. Similar employee contribution information has been reported by the Kaiser Family Foundation and Segal Consultants.

Approval is requested to implement a policy of a 15% contribution for health care coverage for non-represented employees, effective January 1, 2011. The actual monthly employee contributions taking effect on January 1, 2011 will be calculated based on actual claims experience for the twelve-month period ending June 30, 2010.

3. Blue Cross/Blue Shield PPO Deductible: It is recommended that the Blue Cross/Blue Shield PPO deductible for non-represented employees and retirees be increased to \$400 single/\$800 couple/\$1,200 family. Estimated annual savings to the District would be \$550,366.

No change in the out-of-pocket annual maximum is recommended.

Exhibit F illustrates the history of deductibles and out-of-pocket maximums for Blue Cross/Blue Shield PPO.

Exhibit G is a comparison of deductibles and out-of-pocket maximums for the District, City of Chicago, Cook County and the State of Illinois.

To encourage preventive care, effective January 1, 2009, wellness benefits were added to the Blue Cross/Blue Shield PPO. Wellness benefits include routine annual physicals and immunizations, well baby care, mammograms and other preventive care benefits. Wellness benefits are not subject to deductibles. Since no change to wellness benefits is recommended, increased deductibles are not expected to impact employee access to preventive health care.

Approval is requested to implement a policy of a \$400 single/\$800 couple/\$1,200 family deductible for non-represented employees and retirees, effective January 1, 2011.

Requested, Denice E. Korcal, Director of Human Resources

Respectfully Submitted, Gloria Alitto Majewski, Chairman Committee on Pension, Human Resources and Civil Service

Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for October 7, 2010

Attachments