Over the years, AFSCME has been able to negotiate health care benefits that provided quality, affordable coverage for SERS and SURS retirees.
Unfortunately, with the state deep in debt, retiree health care benefits have become a political “hot button” issue. Legislators of both parties railed against “free” health care for retirees, and last year—despite vigorous opposition from AFSCME—the General Assembly passed SB1313, which requires that retirees contribute toward the cost of their health care premiums. **The new law directs the Illinois Department of Central Management Services (which is under the direction of Governor Quinn) to establish premium contributions that must be paid by all SERS and SURS retirees.**
AFSCME took the position that any changes to health benefits made in implementing the new law must first be negotiated with the union. **If the union didn’t insist on such negotiations, the Administration could have already have imposed draconian new health care costs on SERS and SURS retirees effective July, 1, 2012.**
For the past 15 months, AFSCME has been engaged in a pitched battled with the Quinn Administration over the terms of a new state employee contract. The Administration was demanding massive hikes in health care costs for both active employees and retirees.
I wanted to let you know that this week those negotiations were concluded, with the AFSCME Bargaining Committee successfully beating back the harshest cuts to retiree health care benefits that the Administration was demanding.
Contrary to some erroneous media reports, the AFSCME Bargaining Committee did not “agree” that retirees would contribute toward their premium costs. The law passed by the General Assembly *requires* retirees to make premium contributions. **What the Bargaining Committee has done is to *dramatically* reduce the amount that retirees otherwise would have to pay.**

The proposals that CMS wanted to impose and that the Administration had on the bargaining table would have required retirees to pay as much as 20% of their pension toward their health insurance.

<u>Under management’s proposal:</u>

- Retiree premiums would have been set at $625 per month—more than $7,500 per year –for retirees with a covered spouse and a pension in the range of $35,000.
- Retirees in that range on Medicare would have had to pay $403 per month toward their state health care premium.
- Individual coverage for a retiree in that pension range would have been set at $228/month for those under 65 and $100/month for those on Medicare.

Management’s proposal was on a sliding scale, so those with higher pensions would pay more; those with lower pensions, less. But much worse, management’s proposal was based on retirees paying a percentage of the state’s total health care costs. So each year, retiree premium costs would have risen dramatically as the state’s costs increased.
Management was also pushing for massive increases in co-pays and deductibles, including for prescription drugs. All told, management’s proposal would have pushed health care costs for many SERS and SURS retirees, pre-65 with a pension in the mid-range, up to $11,500 per year. For retirees in that range on Medicare, that total could still have been more than $8,000.

For more than 15 months of bargaining, the union fiercely resisted such draconian increases, and this week, the AFSCME Bargaining Committee succeeded in drastically reducing those potential costs. The tentative agreement that was reached with the Quinn Administration locks in much lower premiums for retirees than those the Administration wanted to impose.

Under the terms of the AFSCME tentative agreement, retiree premium costs would be limited as follows:

- Non-Medicare Individual Premium:
  - 2% of pension annuity, effective 7/1/13
  - An additional 2% of pension annuity effective 7/1/14
- Medicare-Eligible Retiree Individual Premium
  - 1% of pension annuity, effective 7/1/13
  - An additional 1% of pension annuity, effective 7/1/14
- Non-Medicare Retiree Dependent Premium
  - Managed Care Premium (blended rate)/ One Dependent --$113/month (effective 7/1/13)
  - Quality Care Premium/ One Dependent -- $249/month (effective 7/1/13)
- Medicare-Eligible Retiree Dependent Premium – No increase over current cost
- In addition, if a non-Medicare retiree wishes to opt out of the state plan and join another health care plan (e.g. a spouse's plan), the state will provide that individual with a subsidy of $500 each month.

Under these provisions, a non-Medicare retiree with a pension annuity of $35,000 would pay $58/month toward premiums beginning on 7/1/13, then $117/month beginning 7/1/14.

A Medicare-eligible retiree in that pension range would pay $29/month in the first year and $58/month in the second year of the contract.

The premium for a Medicare eligible dependent would be $89/month in Managed Care and $142/month in QCHP, the same amount paid today.

The new AFSCME contract also includes increases in co-pays and deductibles for both active employees and retirees at well below the level that the Quinn Administration was seeking. We are preparing a chart to indicate all of these changes in plan design and will send it to you as soon as it is available.

AFSCME continues to believe that the new retiree health care law is unconstitutional and will continue to advance the legal challenge to the law filed on behalf of AFSCME retiree plaintiffs. However, it may take several years for that case to make its way through the judicial system.

I know very well that any increase in health care costs will be burdensome to retirees living on fixed incomes, especially those with smaller pensions. That's why the union fought so hard against efforts to drastically increase retiree health care costs. And thanks to the long, tough battle waged by the AFSCME Bargaining Committee, those costs will now be dramatically lower than the amounts that the state was planning to impose.

Sincerely,
Henry Bayer
Executive Director
AFSCME Council 31