

# State Universities Annuity Association



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## **SUAA Mini Briefing**

May 22, 2013

Eight days left to make decisions on pensions, cost shifting, fracking, Medicaid expansion and, of course, appropriations. Unlike the rest, concealed carry has a June 9th deadline. The most likely issue to move the fastest is cost shifting. With the universities and community colleges on-board the school districts will have a hard time disagreeing, especially if unfunded mandates can be reasonably addressed. Plenty of time, even to enjoy a bit of the holiday too!

The newspapers picked up on the savings calculations for Senate President Cullerton's SB 2404 which were quite a bit under previous predictions. House Speaker Madigan's SB 1 is now undergoing the same type of actuarial study.

How will pension reform actually be decided? Dick Lockhart has perused his historical intellect to suggest that there could be an alternate path taken to reach consensus. While it might be the will of some to pass pension reform, most people around the Capitol have observed, including Dick, that there seems to be a "pension impasse" that is not likely to be resolved by the intervention of non-legislative interest groups. Nor do we think pension reform will be resolved by one chamber backing down from the long-held positions of the Speaker and the Senate President. In fact, we could go as far to say that from further observations and comments heard around the rail there does not actually seem to be an appetite to pass pension legislation. Most likely if retirees could be left out of the reform, there would be movement.

Be it may, the rules of the House and Senate provide an alternative route to resolving differences. It is done by using a Conference Committee. (This was actually mentioned in a cost shifting meeting where Dick was not in attendance.) Although the Conference Committee hasn't been used in years it works this way –

A Conference Committee exists to resolve disagreements between the House and Senate. Essentially five members from each chamber are appointed, which means there would be six Democrats and four Republicans. Their Report must be signed by at least six legislators and be limited to the specific area of disagreement. It would be voted on as any other piece of legislation.

We need to make it clear that we do not actually know, as a fact, that this route will be used to resolve the differing pension positions of the House and Senate, but it is sanctioned by the current rules of both chambers which state that this procedure can be involved on issues of an

“emergency nature of substantial importance to the operation of government, or in the best interest of Illinois.”

We feel that cost shifting will definitely be a consideration that could change the conversation/debate while trying to resolve pension reform.

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Another significant issue has been catching a lot of interest and generating a lot of confusion - Medicare Advantage; the name has now changed to a State sponsored Medicare healthcare program.

This is not a plan or a program that affects those enrolled in the Community College Insurance Program (CIP) or the Teachers Retirement Insurance Program (TRIP). At least not this year.

As the health insurance open enrollment period winds down (May 31st) for Fiscal Year 2014 beginning July 1, 2013 those who depend on the State Health Insurance Plans will see a difference. Not only will there be higher co-pays and deductibles, enrolled Medicare eligible participants will be charged 1% of their annual gross pension divided by 12 (determines monthly premium). In Fiscal Year 2015 they will be charged 2% of their annual gross pension divided by 12. As an example: Gross yearly pension is \$50,000 x 1% = \$500 ÷ 12 months = \$41.67 per month. FY 2015 would be \$50,000 x 2% = \$1,000 ÷ 12 months = \$83.34 per month.

Those who are non-Medicare eligible will be charged 2% beginning July 1, 2013 and 4% beginning July 1, 2014.

Testimony from SUAA was provided this past Monday to the Commission on Government Forecasting and Accountability (COGFA) asking that Central Management Services (CMS) provide a choice beginning January 1, 2014 between Medicare with a State-sponsored supplement (just as is done currently) or the State-sponsored Medicare product plan. CMS stated that while the department was following the AFSCME negotiated health insurance contract there was nothing that prohibited CMS from continuing the supplement that is now offered to Medicare eligible retirees. We are hoping that the change will be made. Again, this only pertains to those enrolled in the State Health Insurance Program; not CIP or TRIP.

More information will be unfolding about retirees health insurance options. We are working on those under PA 91-0395, the health insurance "Irrevocable Election".

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The SUAA Annual Meeting will provide a session about health insurance presented by Central Management Services (CMS) and an additional session about health insurance supplements.

Annual Meeting dates are Tuesday, June 18 and Wednesday, June 19. Check the SUAA website for more information including hotel accommodations! Hotel deadline has been shortened!