REPORT TO TRUSTEES BY SPECIAL CONSULTANTS ON HEALTH INSURANCE PREMIUMS

As reported in notices to members in July 1987 and December 1987, the rising costs of health insurance for Chicago teacher-pensioners have occupied the special concern of the Board of Trustees over the last few years and particularly since the last increase in premiums dating September 1, 1987.

After the September 1, 1987 increase in rates, the trustees retained separate outside consultants, the Martin E. Segal Co., actuaries and consultants, to specialize in employee benefits and group health insurance plans. They were charged with reviewing the pensioner claims experience and procedures used by the Board of Education and Blue Cross/Blue Shield to arrive at health insurance rates. Their final report of progress was presented at the regular trustee meeting April 21, 1988 by Mr. John Connolly of the Segal firm. He reported that the paid claims of Chicago teacher-pensioners did in fact exceed the premiums they paid in the recent years under study.

The Board of Trustees concluded, with corroboration of their special consultant, that the pensioners should continue their group membership in the Board of Education Plan with Blue Cross/Blue Shield. Although the pensioners are on a cost-plus billing basis with Blue Cross/Blue Shield, the fact that the Board of Education accepts the ultimate risk establishes that agency as the insurer of the pensioners Blue Cross/Blue Shield benefits. Moreover, the Board of Education has established rates below the level which would be charged by other insurance carriers for similar benefits.

The Board of Trustees indicated their intentions to continue to monitor the claims and premium experience for the pensioners groups to see that the best possible premium rate structure is continued in the future. This is in accordance with such responsibility as charged to the trustees by Article 17-151 of the Illinois Pension Code, which states "The board is hereby authorized to modify after all the details involved in establishing and maintaining membership in health or hospital plans for the benefit of the annuitants, but it shall not be obligated to do so or to continue doing so, if in its judgment such continuance is not desirable."

A TAX REMINDER FOR PENSIONERS

Annuitants who would like to change the amount of federal income tax withheld from their monthly pension checks should write to the Pension Office to request a Tax Withholding Preference Certificate. Remember, if you do not have enough federal income tax withheld from your pension payment, or if you elect not to have taxes withheld from your pension check, you may be required to pay estimated income taxes. Under IRS regulation, you may incur penalties if your withholding and/or estimated tax payments do not meet federal requirements.

1987/88 HEALTH INSURANCE PREMIUM REBATE

As of December 1987, Section 17-142.1 reads "To defray health insurance costs. To provide for the partial reimbursement of health insurance costs on the first day of September of each year, beginning in 1988, the board may, by separate warrant, pay to each recipient of a service retirement or survivor's pension an amount to be determined by the board, which shall represent partial reimbursement for the cost of the recipient's health insurance coverage. Total payments under this Section may not exceed $8,000,000 in any year."

Article 17-145 requires the Board of Trustees "To adopt such by-laws and rules for the administration of the fund as it deems advisable."

After discussion and deliberation at their meetings of December 1987, February 1988 and April 1988, the trustees approved the following rules on how H.B. 2715 (17-142.1) will be implemented.

Each recipient of a service retirement, disability retirement, or survivor pension who has health insurance shall be eligible for a rebate of a portion of the premiums they pay for their own health insurance. This rebate will be paid to recipients in the current deduction group (currently Blue Cross/Blue Shield only) and to recipients who have their own individual health insurance coverage (HMOs, etc.).

For those in the current deduction groups the amount of health insurance paid will be based on the "Eligible Insurance Premiums Paid" defined as a total of monthly premiums deducted as of September 1, 1987 through August 1, 1988. Excluded is the portion of the deductions from pension checks for spousal and dependent coverage.

For insured pensioners not in the current deduction groups, the "Eligible Insurance Premiums Paid" shall be that for which the pensioner submits evidence of premiums paid from September 1, 1987, through August 31, 1988 or evidence of insurance premiums paid for any portion of that period. If the evidence of premiums paid is for family coverage, and the individual costs are not defined, 60% of the total premium will be used for computing the "Eligible Insurance Premiums Paid". The "Eligible Insurance Premiums Paid" will be subject to maximums equal to those paid by pensioners in the regular deduction groups and shall not include costs paid by some other entity or plan. Those with Medicare part A coverage will be limited to the amount deducted from Medicare eligible pensioners (currently $61.67). Those without Medicare part A coverage will be limited to the amount deducted from Medicare ineligible pensioners (currently $218.93). Application forms will be mailed to these pensioners.

The total "Eligible Insurance Premiums Paid" shall be added and become the denominator of a fraction. The numerator shall be a number decided by further trustee action after collection and summation of such total subject to reserve for errors and omissions and statutory limits.

This final fraction defined here and approved by the Board of Trustees will comprise the percentage of the "Eligible Insurance Premiums Paid" to be paid to each eligible pensioner retired as of September 1, 1988.

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May 1, 1988

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PENSION NEWS