RETIREE NOTES

Rauner's sorry record on nursing home safety

Candidate for Governor Bruce Rauner has made many excuses to cover up his shameful history of profiting from nursing home residents' misery.

Under Rauner's chairmanship, his firm, GTCR, was found liable in the wrongful deaths of multiple nursing home residents, with juries awarding almost $2 billion in damages.

Rauner has continually denied that his firm was involved in day-to-day operations of the nursing homes. However, a federal judge in one of the nursing home abuse cases found that "the GTCR Group was also instrumental in [the nursing home corporation's] day-to-day management and administration."

In an effort to dodge paying the families of his victims, Rauner's firm allegedly participated in a scheme to fraudulently transfer assets for the purpose of hiding them from successful plaintiffs and other creditors. Rauner continually claims that his firm got out of the nursing home business prior to the events that led to several deaths. However, the federal court ruling on the case detailed the timeline which proves Rauner's claims to be false.

The truth is that Rauner did not "get out of the nursing home business" – rather, Rauner's firm set up a shell company, transferred liability for the nursing home cases to the shell company, then claimed that the shell company was bankrupt, all in order to avoid paying the families of his victims.

Catastrophic coverage added to Medicare Advantage

State and university retirees on the new Medicare Advantage plan will have federal prescription coverage protection added to their health plan.

The new Medicare Advantage plans are known as "Medicare Advantage- Part D" plans, meaning that federal Medicare Part D funds are used to pay part of the costs for prescription drugs.

For most Part D users, there is a coverage gap or "donut hole" for prescription costs in excess $2,850 a year, at which point co-pays greatly increase until costs reach $4,550 a year. That's when "catastrophic coverage" kicks in, greatly reducing co-pays.

It was initially unclear whether the state's Medicare Advantage plans would include catastrophic coverage. In May, however, the state announced it would be included.

Legislation would add additional Medicare Advantage vendors

In November, State Sen. Mike Frerichs (D-Champaign) filed an amendment seeking to provide state and university retirees with more options for Medicare Advantage vendors.

Currently, retirees in 48 counties only have one insurance plan to select for their state Medicare Advantage coverage, a PPO provided by United Healthcare. Frerichs' amendment would re-open the bidding process for Medicare Advantage plans, specifically to add more HMO options for retirees during open-enrollment periods for the plans. The bill also seeks to alter some of the grading criteria for the bids, as some elected officials thought that the current criteria were arbitrary and unnecessarily restrictive.

In May, the Illinois Senate Executive Committee recommended adoption of the bill, but it did not come up for a vote before the spring session was adjourned. The bill is expected to be revisited when the General Assembly reconvenes this fall.

City of Chicago pension cuts would hurt retirees

The recent passage of City of Chicago pension cuts could leave many retirees in dire straits. SB 1922 would replace the compounded 3 percent COLA that City of Chicago retirees currently receive with a simple COLA that would be the lesser of 3 percent or one-half the rate of inflation. Retirees would also have to go through a COLA "freeze," which means that in the years 2017, 2019, and 2025, there would be no COLA increase at all.

In total, the average City of Chicago retiree would lose approximately $250,000 in retirement benefits over a 20 year period. Under this law, city retirees would not even get the same inflation protection that a Social Security recipient receives.

Making matters worse, City of Chicago retirees are having their health care coverage phased out by Mayor Rahm Emanuel's administration. This is especially damaging since most city retirees do not receive Social Security and many do not have Medicare coverage either. By 2017, health care coverage will be completely phased out and the average married retiree couple will pay up to $1,000 per month in health care premiums - money they would have to pay out of a reduced pension annuity if SB 1922 is upheld.

"This is an unfair, unconstitutional, and vicious attack on City of Chicago retirees," said Mary Jones, president of AFSCME Retirees Subchapter 60 in Chicago. "Retirees made every pension contribution while they were working, and now because the city politicians mismanaged their finances, they want to take away what we already earned and sacrificed for."

The new law also makes significant reductions to the pensions of active City of Chicago employees.

A federal lawsuit now pending challenges the phase-out of health care for City of Chicago retirees, and AFSCME, along with its allies in the We Are One Chicago coalition, has announced it will file a lawsuit challenging the pension bill as well.

Despite hoopla, 401(k)s fall flat

A chorus of right-wing groups in Illinois, including the Illinois Policy Institute, ALEC, Reboot Illinois and Bruce Rauner's campaign, continue to champion 401(k) style pension plans as a "fix" to the Illinois pension system, even as mounting evidence shows that 401(k) plans do not work as advertised.

The benefits of converting government retiree pensions to 401(k)s have been vastly overstated. A report from the National Public Pension Coalition found that "when states have adopted pension overhaul legislation, they have found that it came at a significant cost. Alaska and Michigan went down that road and saw their pension debts increase. West Virginia adopted a 401(k)-like plan for public employees in 1991, but reversed course in 2006 after it found that public employees had such low incomes in retirement that they were eligible for means-tested public assistance programs, driving up costs to the state."

Pension opponents also hope that Americans will forget the devastating toll that the 2008 recession took on the retirement accounts of people who relied on a 401(k) plan for their retirement savings. A study by the Employee Benefit Research Institute found that as a result of the 2008 market crash, people enrolled in 401(k) plans lost 25-30 percent of their retirement income in a matter of days.

Why then, if the plans leave retirees in dire financial straits and state budgets no better off, would the Illinois Policy Institute and Rauner be pushing these plans so hard?

So-called reform in Rhode Island – a state held up as an example by ALEC – may offer an explanation. Fees the state paid to Wall Street money managers drove up costs so much that Forbes magazine called it "just blatant Wall Street gorging."

Rauner himself made a fortune off of investing public funds and would've been able to collect even more in fees and costs if state pension systems were converted to 401(k) plans.

Another common claim these groups make in Illinois is that "state and local pensions are too lavish, and we can't afford them." However, one pension system in Illinois, the Illinois Municipal Retirement Fund (IMRF) is funded at 98 percent, making it one of the best funded pension systems in the nation.

Why is IMRF doing so well when other systems are so bad off? Unlike the other systems where the state routinely failed to make their employer contributions, IMRF followed the law and kept its plan funding at required levels. The result? A model public pension system, and a big rebuttal to those that claim that "state pensions are unaffordable." The major reason public pension systems are at risk is that politicians failed to keep up their end of the bargain.