

REPORT OF THE FINANCE SUBCOMMITTEE ON PENSION

March 1, 2012

The Honorable,
The Board of Commissioners of Cook County

ATTENDANCE

Present: Chairman Gainer, Vice Chairman Goslin, Commissioners Murphy, Schneider, Steele, Suffredin and Tobolski (7)

Absent: None (0)

Also Present: Brian Tenner, Extend Health; Robert Kissell, TIAA-CREF; Skip Schrayner – Chairman of the Board of Directors, Jewish Federation of Metropolitan Chicago

Ladies and Gentlemen:

Your Finance Subcommittee on Pension of the Board of Commissioners of Cook County met pursuant to notice on Thursday, March 1, 2012 at the hour of 9:00 A.M. in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Your Committee has considered the following items and, upon adoption of this report, the recommendations are as follows:

314553 ALTERNATIVE REVENUE AND BENEFIT STRUCTURES FOR THE COOK COUNTY PENSION FUND (PROPOSED RESOLUTION). Submitting a Proposed Resolution sponsored by Bridget Gainer, Timothy O. Schneider, Gregg Goslin, Joan Patricia Murphy, William M. Beavers and Jeffrey R. Tobolski, County Commissioners.

PROPOSED RESOLUTION

DISCUSSION OF ALTERNATIVE REVENUE AND BENEFIT STRUCTURES FOR THE COOK COUNTY PENSION FUND

WHEREAS, there have been recent studies and surveys done by the PEW Charitable Trust and the Manhattan Institute, as well as other public and private entities at the Local, State and National levels concerning pension benefit structures; and

WHEREAS, when the General Assembly convenes for Veto Session they may take up Senate Bill 512; and

WHEREAS, the members of the Illinois General Assembly have called upon the County to devise a recommended path forward to mitigate its pension shortfall; and

WHEREAS, members of the Cook County Subcommittee on Pension have called for more discussion on alternatives revenue and benefit structures for the Cook County Pension Fund.

NOW, THEREFORE, BE IT RESOLVED, that the Cook County Subcommittee on Pension meet to explore the health benefit structure as a possible alternative revenue source for the pension fund.

***Referred to the Finance Subcommittee on Pension on 09-20-11.**

Commissioner Murphy, seconded by Vice Chairman Goslin, moved to Receive and File Communication No. 314553. The motion carried.

315461 URGING THE COOK COUNTY ANNUITY AND BENEFIT FUND TO DIVEST FROM IRAN (PROPOSED RESOLUTION). Submitting a Proposed Resolution sponsored by Bridget Gainer, County Commissioner.

PROPOSED RESOLUTION

**URGING THE COOK COUNTY ANNUITY
AND BENEFIT FUND TO DIVEST FROM IRAN**

WHEREAS, on July 1, 2010, President Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA.) The Act amends the Iran Sanctions Act of 1996 (ISA) which requires sanctions be imposed or waived for companies that are determined to have made certain investments in Iran's energy sector; and

WHEREAS, The Iran Threat Reduction Act (H.R. 1905) and the Iran, North Korea, and Syria Sanctions Consolidation Act of 2011 (S. 1048) would enshrine into law for the first time that it is U.S. policy to prevent Iran from obtaining nuclear weapons. The House bill, introduced by House Foreign Affairs Committee Chairwoman Ileana Ros-Lehtinen (R-FL) and Ranking Member Howard Berman (D-CA), was approved by the committee by voice vote on November 2. The Senate bill was introduced by Sens. Robert Menendez (D-NJ), Joseph Lieberman (I-CT), Jon Kyl (R-AZ), Robert Casey (D-PA), Kirsten Gillibrand (D-NY), Susan Collins (R-ME) and Mark Kirk (R-IL); and

WHEREAS, the United States Congress and President Obama support an effort to increase pressure on Iran to return constructively to diplomatic negotiations to address the international community's concerns about Iran's non-compliance with its international obligations; and

WHEREAS, CISADA gives legal permission for state and local governments to divest from companies that do business with Iran's energy sector, insofar as, that such efforts do not violate the Employment Retirement Income Security Act; and

WHEREAS, 23 states have already enacted divestment legislation or policies, including the State of Illinois through Public Act 095-616, which applied only to the five state pension systems; and

WHEREAS, the Cook County Annuity and Benefit Fund has determined that its exposure to Iran is minimal at .16% as of September 27, 2011.

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NOW, THEREFORE, BE IT RESOLVED, the Cook County Board of Commissioners calls upon the Cook County Annuity and Benefit fund to fully divest from the companies within the Fund who have exposure to Iran and block the future purchase of any further shares in the companies that would create exposure to Iran.

***Referred to the Finance Subcommittee on Pension on 11-15-11.**

Chairman Gainer asked the Secretary to the Board to call upon the registered public speaker, in accordance with Cook County Code, Sec. 2-107(dd):

1. George Blakemore – Concerned Citizen

Commissioner Murphy, seconded by Vice Chairman Goslin, moved to Approve Communication No. 315461. The motion carried.

Chairman Gainer called the meeting to order so that the meeting could be adjourned.

Commissioner Suffredin moved to adjourn, seconded by Commissioner Steele. The motion carried and the meeting was adjourned.

**YOUR COMMITTEE RECOMMENDS THE FOLLOWING ACTIONS
WITH REGARD TO THE MATTER NAMED HEREIN:**

Communication Number 314553
Communication Number 315461

Receive and File
Approve

Respectfully submitted,
Finance Subcommittee on Pension


Bridget Gainer, Chairman

Attest:


Matthew B. DeLeon, Secretary

*An audio recording of this meeting is available in the Office of the Secretary to the Board, 118 North Clark Street, Room 567, Chicago, IL 60602.

PATHS TO SOLVENCY II

HEALTHCARE SPEND & PENSION SOLVENCY

Presented to the Finance Sub-Committee on Pensions

March 1, 2012

Commissioner Bridget Gainer, Chair



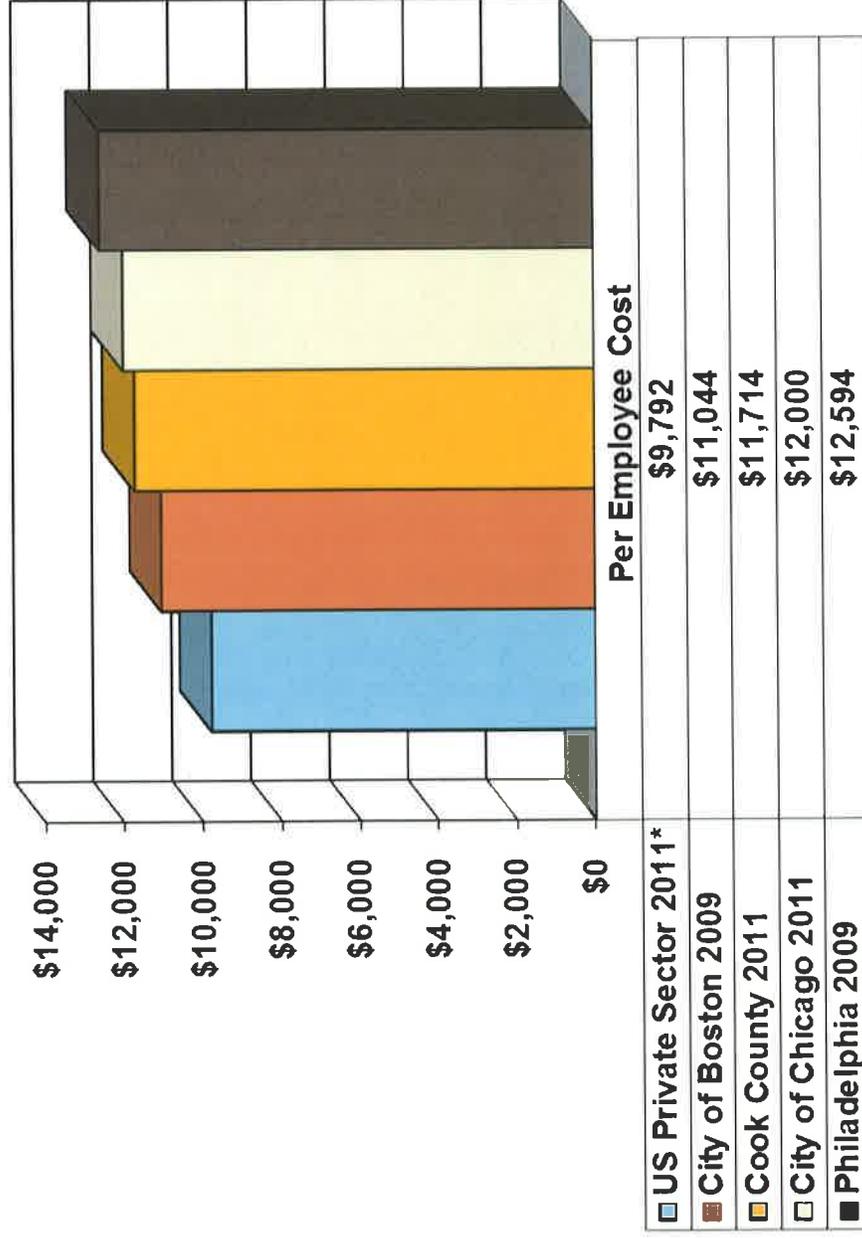
Cook County Healthcare Spend

- The annual cost to Cook County for employee healthcare is \$11,714 per employee.
- There are 22,960 County employees and 32,454 dependents receiving healthcare for a total cost to the County of \$270MM.
- The average County employee contributes \$706.00 annually, or 6.21% of the total cost of their healthcare.

■ 2011 Cook County Healthcare Spend
■ 2011 Employee Contribution

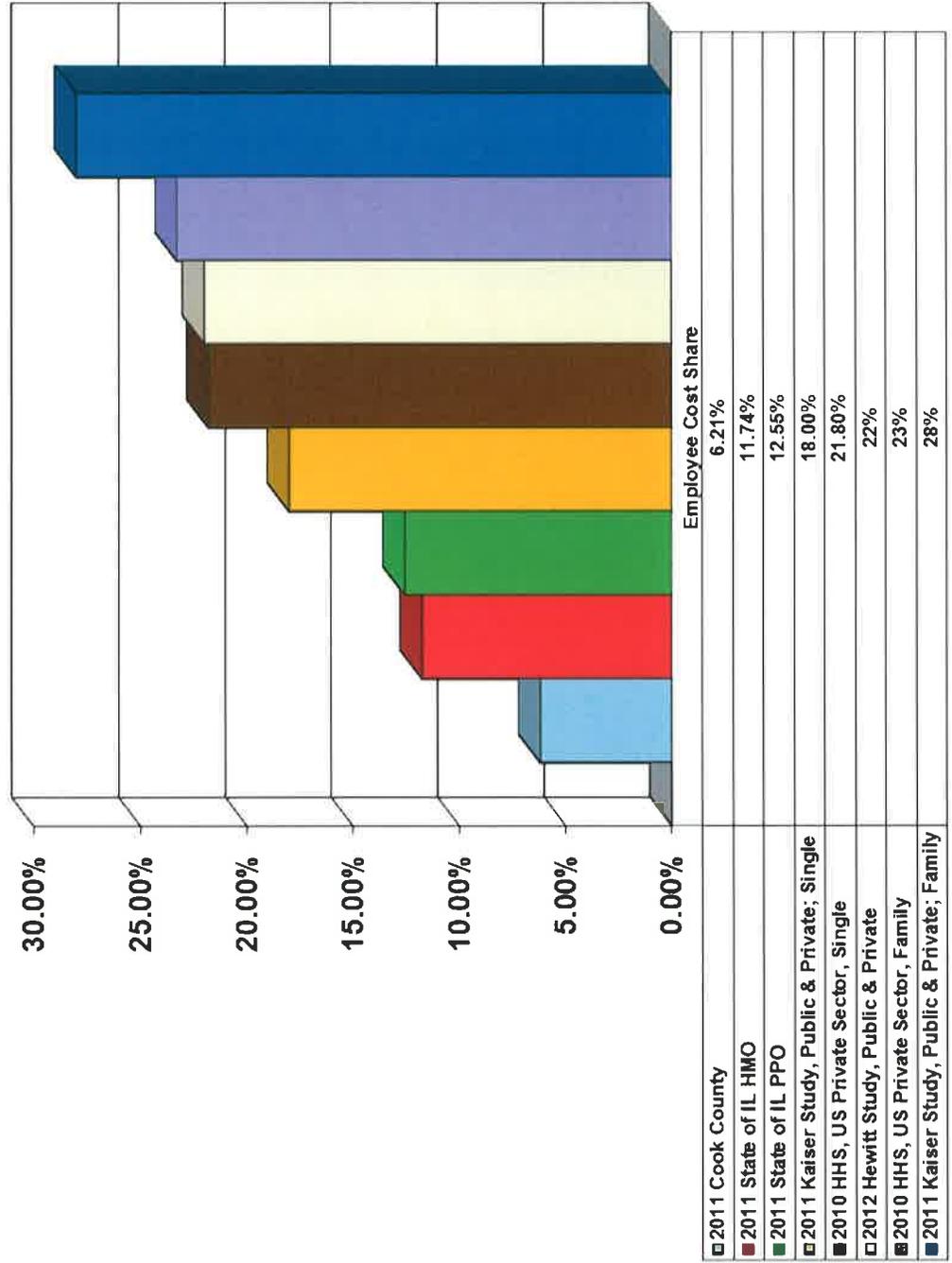


Per Employee Healthcare Spend: Public Sectors



*National Study, October 2011

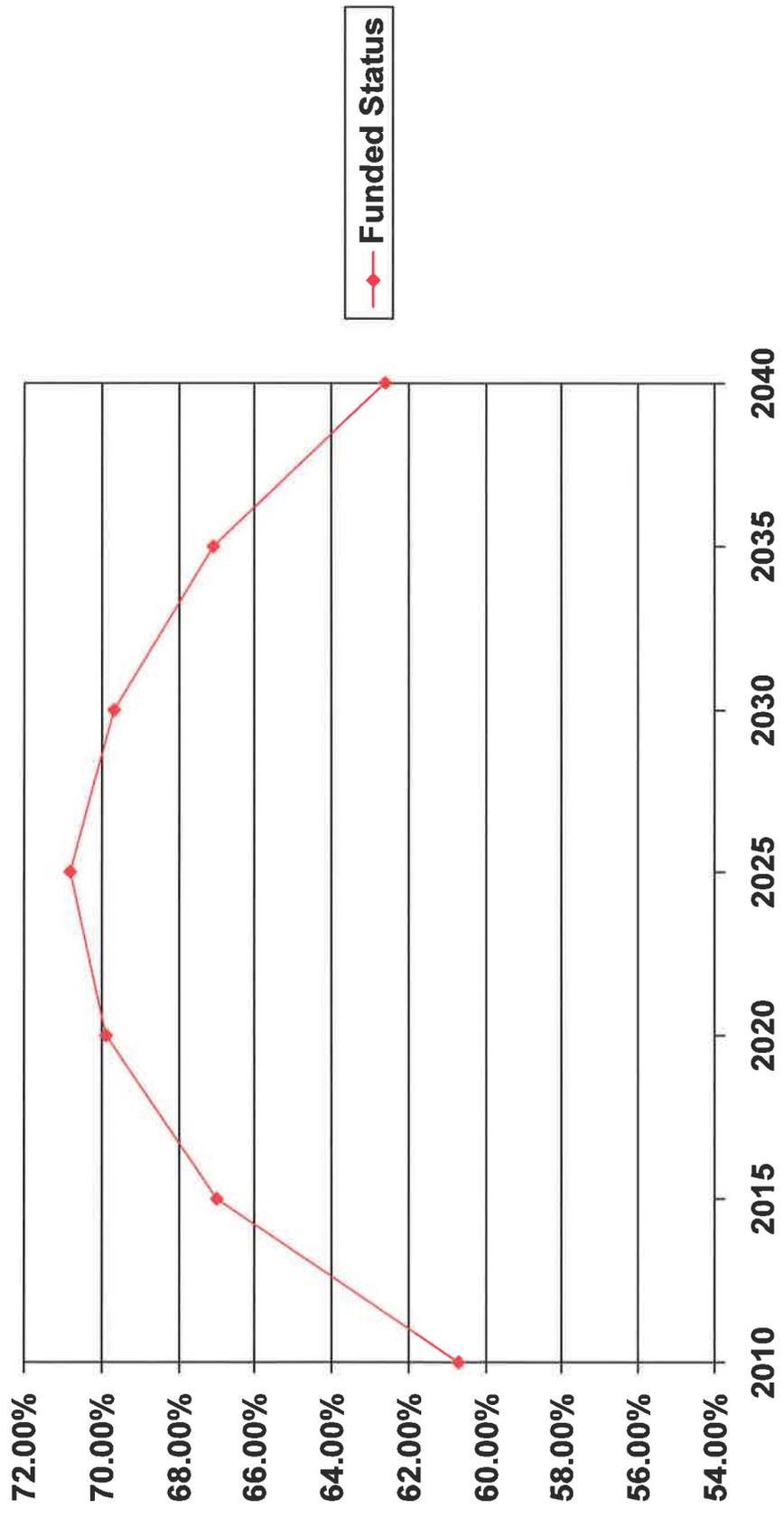
Employee Contributions Towards Healthcare Spend: Private & Public Sectors



Total Benefit Spend & Paths to Pension Solvency

- Cook County spends \$270MM on healthcare benefits and \$190 million in retirement benefits annually.
- Of the \$460MM in total employee benefits, 60% go towards healthcare, 40% to retirement.
- The reduction in cost has the potential to create additional contributable revenue to the Cook County Pension Fund.
 - A reduction in cost of \$1,090 per employee would equal a **\$25,000,000** contribution to the pension fund.
 - A reduction in cost of \$2,180 per employee would equal a **\$50,000,000** contribution to the pension fund. .
- These additional contributions combined with a basket of benefit reductions that maintain the defined benefit structure result in funded status that rises above current funded status and remains above current funded status past 2040. At which point Tier II participants comprise the majority of active employees and a growing portion of retirees.

Funded Status: Employer Contribution at 1.54 Levy + \$50 Million Annually and Employee Basket of Changes



Basket of Changes: Increase Retirement age by five years; final average salary based on last 8 years, multiplier Reduced from 2.4% to 2.2%, COLA reduced to half of CPI or 3% simple, Employee Contribution increased by 1%

Sources

- Annual Healthcare Contract as approved by the Cook County Board on September 7, 2011. Additional Healthcare information provided by Lisa Walk, Director of Cook County Risk Management.
- Pew Center on the States, “Quiet No More: Philadelphia Confronts the Cost of Employee Benefits. June 2009 http://www.pewtrusts.org/uploadedFiles/wwwpewtrusts.org/Reports/Philadelphia-area_grantmaking/PewBenefits_June2909.pdf
- Hewitt, “Average Cost of U.S. Health Coverage per Employee”. October 2011 http://ir.aon.com/phoenix.zhtml?c=105697&p=RssLanding_pf&cat=news&id=1612590
- Commission on Government Forecasting & Accountability, “Liabilities of the State Employees’ Group Health Insurance Program Fiscal Year 2012.” March 2011 <http://www.ilga.gov/commission/cgfa2006/Upload/StateEmployeesInsuranceFY2012.PDF>
- Hewitt Health Value Initiative database
- HHS; Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. “Table II.C.3(2010) Percent of total premiums contributed by employees enrolled in single coverage at private-sector establishments that offer health insurance by firm size and State: United States, 2010” http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2010/tiic3.pdf
- HHS; Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. “Table II.D.3(2010) Percent of total premiums contributed by employees enrolled in family coverage at private-sector establishments that offer health insurance by firm size and State: United States, 2010” http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/state/series_2/2010/tiid3.pdf