

Michigan State Employee Retirees Association Council's

Presentation to the

House Retiree Health Care Reforms Committee

Thank you, Mr. Chairman and Members of the Committee. My name is Alvin Whitfield and I am representing the Michigan State Employee Retirees Association Council, commonly known as the SERA Council. With me is Mr. Duane Marlan, a member of our organization, who as an active employee was in charge of the Employee Benefits Division in the Department of Civil Service. I would dare say that there is no one who has more depth of knowledge and historical understanding of state retiree benefits than Duane.

First, please permit me to tell you about SERA. It is an organization composed of some 14,000 retirees and/or spouses dedicated to advocating for and protecting the pensions and benefits of retired state employees. We have 21 chapters throughout the state extending from Lapeer to Muskegon and from Adrian to Marquette. Our membership is very diverse in terms of political orientation and occupational talents. Our membership ranges from retired doctors, lawyers and secretaries to janitors, power plant operators and automotive mechanics, just to name a few. The commonality of our group lies in the fact that we are proud retirees of the state of Michigan seeking to maintain and maximize the purchasing power of our pensions and not have them eroded through increases in our health care costs.

SERA opposes HB 5545 for several reasons. I will briefly outline the reasons based on our current understanding of the bill.

It is our understanding that the bill would transfer administration of the state retirees' other post employment benefits from the Civil Service Commission staff to the staff of the Office of Retirement Systems. For many years, state retirees have had their OPEBs directly linked to the health care benefits package applicable to active employees. This is based on statutory authority providing authorization, under the State Employees Retirement Act, by the Civil Service Commission and the Department of Management and Budget, to jointly approve group health, vision, and dental plans for state retirees. In Recent years, this has meant increases in costs to retirees based on health plan cost containment change affecting active state employees and which were passed on to retired state employees as well. Retiree premium sharing is also covered by statute and is based on the proportion paid by the state for active state classified employees. This long standing practice provides the continuity that exists in health care coverage as an employee moves from active status to retiree status. It is a fulfillment of the promise made in recognition of the dedicated years of state service provided by state retirees who are now dependent on fixed pension payments subject to small partial COLA adjustments. It would appear that if HB 5545 were to pass, state retirees could find themselves in a completely new program subject to benefit changes, including benefit reductions, based on a determination by a single entity, "The Retirement System." It is our position the current system is working well which causes us to question why a "fix" is needed for something that is not broken.

The bill does not indicate what entity within the Office of Retirement Systems would make health care benefit decisions for state retirees. Presumably, it could be the State Employee Retirement Board. This would constitute a dramatic change in the role of that Board which has never been involved in such a function. The Michigan School Employees Retirement Board determines benefit levels for a broad spectrum of public school retirees coming from very different retirement and benefit programs. One of our major

concerns is that a “one size fits all” concept would eventually emerge and state retirees identity would disappear and their concerns would not be heard.

We strongly believe that program design is important. As mentioned before, the state retiree health plan design has for decades been tied to the health plan in effect for active state employees. Even so, SERA’s input is sought and considered prior to a final health care plan for retirees being authorized by DMB and the Civil Service Commission. We, as an organization, have an on-going dialogue with Civil Service and the Office of the State Employer regarding any issues or concerns. While our opinions and concerns may not always be accepted, we know that they are seriously considered and we are given an explanation of how and why final decisions were made. This interaction permits us to better inform our members and gain their acceptance of changes in plan design and cost impacts. Examples include the implementation of the prescription drug Medicare Part D subsidy which we urged the state to adopt rather than forcing retirees into a Medicare drug plan. The subsidy is reducing state costs by an estimated \$22 million annually. We have provided input and worked closely with Civil Service to communicate and explain to state retirees the new Medicare Advantage plan which becomes effective January 1, 2008.

We do not understand the significance of the July 1 date contained in the bill. Intuitively, one would think that such a change would be made on October 1, at the beginning of the fiscal year, or on January 1, at the beginning of the calendar year when all health care deductibles begin. We certainly would hope that there would be no changes in coverage for the calendar year we are entering.

Change is generally difficult for people to accept. It is especially difficult for many senior citizens, which constitute a large number of our members, to accept change. Anecdotally, I could recount many instances when we have gone to extraordinary efforts to get our most senior members to understand and accept change *which is in their best interest*. Whether intended or not, this bill appears to introduce a high level of uncertainty regarding post employment benefits. We also are sure that the move of the administrative component of the health care benefit program from the Civil Service Commission to the Office of Retirement Systems will cause great concern. This concern is magnified by the experiences of our members which cause lack of confidence in the responsiveness of the Office of Retirement Services. Again, I can anecdotally recite many instances of our members not receiving forms requested from ORS in a timely manner or having to wait an inordinately long time on the telephone to speak to an ORS staff member when they attempt to contact ORS. I understand that the current wait time to get a telephone call through is inordinately long. I mention this not as a criticism of ORS, but merely point out how the changes in HB 5545 will be looked upon by our members and the anxiety it will cause based on their experiences.

Based on the foregoing points, SERA has enough reservations about HB 5545 which cause us to not support the bill. We do not believe it is in the best interest of our membership.

We would be glad to answer any questions the Committee may have.