PRESS RELEASE

We Are One Illinois Releases Studies on Pension Benefit Cuts and Recommendations for a Way Forward; Calls for Pension Summit with Lawmakers in January

Leaders of the We Are One Illinois coalition released studies today to shed light on the devastating, unfair, and unconstitutional pension cuts in the “Quinn plan” (embodied in HB 1447) and to detail the group’s recommendations to address Illinois’ fiscal dilemma. Leaders also called for a summit with lawmakers in January to renew efforts to work toward a negotiated solution to the state's pension funding problem that includes the unions representing affected employees.

Dan Montgomery, president of the Illinois Federation of Teachers, said, “Our union coalition is certain that working together with legislators we can do better than what has been proposed so far – certainly illegal schemes that wreak economic havoc. Let's get to work now on sensible solutions that both save workers' retirements and right Illinois’s fiscal ship.”

Among the key findings of the coalition’s analysis on pension benefit cuts:

- Employees who “choose” the diminished cost-of-living adjustment (COLA) under the Quinn plan would forfeit one-third of their inflation-adjusted purchasing power over the first twenty years of their retirement.
- Because, by design, the diminished COLA is sure to lag inflation, income replacement rates in retirement would fall to 40% to 60% of final pay after twenty years of retirement under the Quinn plan. (Experts recommend income replacement rates of 85% to maintain living standards.)
- When compared to Social Security’s fully inflation-indexed system, the Quinn plan’s COLA would leave retirees with a monthly check that is 25% less than an annuity adjusted according to Social Security.

These cuts are particularly troubling considering that retirees are more susceptible to inflation because of the services they tend to consume, such as health care. Moreover, a recent Teachers' Retirement System study found that around 80% of its retirees remain in Illinois, annually contributing $3.1 billion in economic activity to the state and supporting over 32,000 jobs.

Montgomery said, “Our study proves that Gov. Quinn's proposal is a devastating assault on the life-savings of the state's dedicated public servants, which will have disastrous economic effects, including the loss of jobs. We can and must do better by our teachers and police and all Illinoisans.”

Although the latest pension proposal, HB 6258, takes positive steps toward guaranteeing state funding for pension systems and promising revenue to pay off Illinois' pension debt, its negative impact on the purchasing power of COLAs is similar to that of the Quinn plan. Questions about HB 6258’s constitutionality, feasibility, and actuarial impact still remain.
The second study presents the coalition’s way forward to address the state’s fiscal issues, which includes shared sacrifice from public employees. The framework recommendations would:

- codify an ironclad guarantee that compels the state to make actuarially-sound pension payments
- with a guarantee in place, ask employees to gradually pay 2% more of their salaries into their pensions
- close approximately $2 billion in corporate tax loopholes to provide revenue to support critical services and operations, so that the state stops borrowing from its pension systems to pay its operating expenses

“The workers in Illinois want a real pension solution and we invite the state's political leaders to work with us in finding real solutions that can be enacted soon. There is no doubt that a long-term pension solution is a long-term fiscal solution and that must involve truly shared sacrifice,” Montgomery said.

In this spirit, the coalition called for a January summit with lawmakers. “Our coalition has said repeatedly it stands ready to come to the table, and we are reaffirming that pledge today,” said Michael Carrigan, president of the Illinois AFL-CIO. “We hope to work constructively with legislators at a January summit.”

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