

SB 1673

Amendments 10 & 11

(Nekritz, D - Northbrook/Cross, R - Oswego)

Reduces Benefits for Current Workers and Retirees in All State Retirement Systems (TRS, SURS, SERS, GARS) Except Judges

- **Freezes (pauses) ALL COLAs for current or future retirees for almost seven years** (from the immediate effective date of the bill until January 1, 2020).

Once the COLA freeze is over, no COLA until age 67, and then a 3% compounded COLA only on the first \$25,000 in benefits for those without Social Security (teachers, university staff, legislators and some state employees) or the first \$20,000 for those with Social Security (some state employees). No minimum on years of service. Once the benefit has reached \$25,000 the maximum COLA payable would become a simple \$750.

- **Raises employee contributions by 2% of salary**, phased in over two years. Does not allow the contribution increase to be used for the Money Purchase Benefit.
- Caps benefits at final average salary (“pensionable” salary) at the higher of (1) current salary for past 365 days or per union contract or (2) the indexed Social Security wage cap (currently \$113,700).
- Prohibits the use of sick leave to be used for service credit for new hires in these retirement systems.
- **Strengthens funding formula to reach 100% funded in 30 years.**
- **Adds a PERMISSABLE funding guarantee:** Allows systems to sue the state to enforce annual payment of normal cost plus payments on the unfunded liability over a “reasonable” period of time according to “accepted actuarial standards.” Tries to make this guarantee a constitutionally protected contract obligation. Additionally, the language provides for pension payment deviations if there is a hardship situation.
- **Requires the state to contribute an extra \$1 billion a year to the systems beginning in FY20 when FY11 pension bonds are paid off.** This extra payment continues through FY45 or until the systems are 100% funded.