SB 1 (Madigan-D/Cullerton-D)
House Amendment 1
OPPOSE
Unilaterally Reduces Pension Benefits for Current Workers and Retirees in All State Retirement Systems (TRS, SURS, SERS, GARS) Except Judges

Increases the retirement age for employees under 45 years old: The proposal raises the retirement age, on a graduated scale, for current Tier I members who are under 45 years old (no change for those 45 years of age or older). The retirement age is increased by the following schedule:

- Age 40 to 44 – additional 1 year added to the applicable system's minimum retirement age:
- Age 35 to 39 – additional 3 years added; and
- Below 35 – additional 5 years added.

Cuts COLA: The proposal would allow for a COLA that would be the lesser of 3% of the total annuity payable or 3% of a member's years of service times $1,000. As an example, an individual retiring with 30 years of service will have a COLA of 3% of $30,000 or $900, which accumulates annually. If a person's initial annuity is under this threshold, that person will continue receiving a 3% compounded adjustment based on their initial annuity until they reach the cap. Currently, members in TRS and SURS receive a 3% compounded annuity on the full amount of their annuity.

Delays COLA: Additionally, current and future retirees would have the first or next year in which they can receive their COLA delayed. Retirees who are age 67 and older would be unaffected by this delay. Those under age 67 would have their COLA paused until either they reach age 67 or until the 5th anniversary of their retirement, whichever comes first.

Increases employee contributions by 2% of salary: Beginning July 1, 2013, employees will be required to contribute an additional 1%, and this is increased to 2% on July 1, 2014.

Caps pensionable salary for Tier I employees: The legislation applies the Tier II salary cap to Tier I employees. For 2013, the salary cap was $109,971. The cap will increase annually by ½ the consumer price index for urban consumers. There is a grandfather clause for those employees with salaries that currently exceeds the cap or will exceed the cap based on raises due to the person under a current collective bargaining agreement. Under the proposal, a person whose salary exceeds the salary cap is only eligible for an annuity based on the salary cap.

Eliminates the subject of pensions for collective bargaining: Bargaining units and employers with participants in the State systems would be prohibited from negotiating changes related to pensions.

Changes the effective rate of interest for SURS: The proposal directs the Comptroller adopt a more conservative number for what is known as the "effective rate of interest" (ERI). Under current law, the ERI determines benefits for university and community college employees hired before 2005.

Supplemental contributions beginning in FY 20: The State currently makes payments on pension obligation notes from 2010 and 2011, and in 2019, the State will make a final payment of $952 million. Once those payments end, the State commits to annually contribute $1 billion *in addition to* the State's scheduled contributions to the state-funded systems. The additional contributions will continue until all systems reach their funding goal.

Fails to provide for a solid contractual guarantee for the funding of the pension systems: Grants the pension funds the ability to seek legal action against the state to fully fund the annual pension payment. Additionally the legislation enacts a new funding plan starting in FY 2015-FY 2045. The language has a loophole that would allow the State the ability to change the required pension payment on an annual basis.

Our position: The IEA, along with the We are One Illinois labor coalition, believe that these unilateral pension cuts are not constitutional since they diminish pension benefits that Tier 1 participants would have been entitled to receive. Article XIII, Section 5 of the Illinois Constitution clearly states pension benefits cannot be "diminished or impaired" for current participants in the retirement systems.