SB 1 (Madigan-D/Cullerton-D)
Conference Committee Report
Public Act 098-0599

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 46 Years Old

The proposal raises the retirement age, on a graduated scale, for current Tier I members who are under 46 years old (no change for those 46 years of age or older) for both the reduced and unreduced annuities.

The retirement age is increased by the following schedule:

- Adding 4 months to retirement age eligibility for every year that an active Tier I member is under the age of 46 on June 1, 2014. Tier I members age 31 or younger on June 1, 2014, would be required to wait another 5 years until they reach age eligible retirement.

COLA Cap

The COLA cap applies to all active and retired members in the affected retirement systems. For those in TRS and SURS, the 3 percent COLA will apply to the amount of an annuity equal to the lesser of a member's current annuity amount or $1,000 multiplied by the years of service credit. This $1,000 amount will increase every year by the CPI. For example, a member with a $50,000 annuity and 30 years of service would have a $30,000 cap on the amount of their annuity that would receive a 3 percent COLA. As a result, the member's COLA would be $900 for a total annuity of $50,900 in the first year. The next year, assuming a 2 percent CPI, the cap would be $30,600, resulting in a COLA of $918 and a total annuity of $51,818.

COLA Skip (Applicable to those that retire after June 30, 2014)

For those members that do not retire prior to July 1, 2014, the COLA skips will be based upon your age at the time of the bill becoming law (June 1, 2014). Once these periods have expired, the COLA will be increased as described under "COLA Cap."

50 and over	one year skip over period of two years
47-49	three year staggered skip over a period of six years
44-46	four year staggered skip over a period of eight years
43 and younger	five year staggered skip over a period of ten years

Employee Contributions
Member contributions are decreased by 1 percent. This will result in an 8.4 percent contribution rate for TRS and a 7 percent contribution rate for SURS.

Pensionable Salary Cap for Tier I Members
The legislation would cap a member's pensionable salary at the Tier II salary cap (currently set at $110,631). Under existing state law, the salary cap rises annually. The increase is equal to one-half of the annual rate of inflation.

However, for any member covered by an individual contract or collective bargaining agreement, the cap will be the member's annualized salary (if it is higher than the Tier II cap) on the day the current contract expires. A contract cannot be amended or extended to increase the level of the cap.

For any member not under contract but with a current salary that exceeds the cap, that member's salary cap would be set at their salary (if it is higher than the Tier II cap) on the bill's effective date.

Changes the Effective Rate of Interest for TRS and SURS
The proposal directs the Comptroller to adopt a more conservative number for what is known as the "effective rate of interest" (ERI). Under current law, the ERI determines benefits for TRS and SURS participants hired before 2005.

Supplemental Contributions Beginning in FY 2020
The State currently makes payments on pension obligation notes from 2010 and 2011. Beginning in FY 2020, the state would 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 2044. The language has a loophole that would allow the General Assembly the flexibility to change the required pension payment on an annual basis.

Creation of a Defined Contribution Plan
The legislation creates a defined contribution plan that allows up to 5% of participants in any pension plan to participate on an annual basis.

Collective Bargaining Exclusion
Prohibits all pension matters from being collectively bargained with the exception of the pension contribution pick-ups.

Sick Leave and Vacation Accruals for Future Participants
Prohibits the use of sick leave and vacation in the calculation of FUTURE TRS and SURS members' annuities. This would apply only to future Tier II participants.