

State Universities Annuitants Association



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SUAA Mini Briefing

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And the 98th General Assembly is Off . . .

Included with this Mini Briefing is our Action Track Report showing the bills that SUAA is tracking. While notes have not been included yet, you will begin to see additional comments as we move forward.

The number one focus is SB1 which was actually two bills in the past General Assembly that have now been joined together in Part A and Part B. If Part A fails the courts, then it is believed that Part B can prevail. Here is a short synopsis of the bill as taken from Senate President Cullerton's presentation at the City Club of Chicago:

- **Part A** of the bill is the pension proposal offered by House Leader Tom Cross and Rep. Elaine Nekritz in early January, 2013
- The proposal would unilaterally reduce the pension benefits of current employees and retirees
- Specifically, the existing 3% compounded COLA would be replaced with a COLA of no more than \$600 or \$750, depending on whether the person receives Social Security (the \$600 amount applicable to SERS employees only)
- Also, no one would receive a COLA until after January 1, 2017
- Employees would need to contribute an additional 2% of salary to the pension system
- Finally, pensions could only be based on salaries below Social Security's wage base (currently \$113,700)
- **Part B** is the proposal negotiated by the Governor and four caucuses last spring and uses a contract approach to change pension benefits
- The Senate passed a version of this proposal for two of the state's five pension systems (SERS and GARS) twice last year
- **Part B** asks employees and retirees to make one of the two choices:

Part B: Choice 1

- Agree to a lower 3% simple COLA, delayed five years, instead of the current 3% compounded COLA
- Receive access to the state's retiree healthcare program
- See future salary increases counted for pension purposes

Part B: Choice 2

- Reject the offer and keep the current 3% compounded COLA
- Lose access to the state's retiree healthcare program
- Any future salary increases will not be counted for pension purposes

Part B: Savings

- Reduce the \$309 billion the state is estimated to contribute to the pension system over the next 30 years by \$66 billion to \$88 billion
- Reduce current unfunded liabilities by up to \$17 billion immediately

One item that is not clarified in this pension bill Part B, Choice 1 is that those who have never paid into the College Insurance Program Health Insurance program cannot be mandated to make this selection. This would encompass those from Chicago City Colleges. At this time, Chicago City Colleges have not elected to pay into the College Insurance Program. And, their retirees nor their currently employed have never paid into the program either. Therefore, the only choice at this time is the COLA Part B, Choice 2. The cost for Chicago City Colleges to buy into the College Insurance Program is approximately \$13M. There are other parts of the bill that will also need better clarification.

At this time, SUAA is opposed to this bill. If you are opposed to this bill, it is time for you to call the members of the [Senate Executive Committee](#) to let them know you oppose SB1.

Joint Committee on Administrative Rules reported in its February 1, 2013 *The Flinn Report Illinois Regulation* - the STATE UNIVERSITIES RETIREMENT SYSTEM (SURS) adopted amendment to "Universities Retirement" (80III. Adm Code 1600; 36 III. Reg. 13568) effective 1/15/13, to implement qualification requirements under Sections 401(a) and 414(d) of the Internal Revenue Code, which outline minimum elements required to establish a qualified trust for a qualified governmental pension plan. The rulemaking has a statement of the Exclusive Benefit Rule, whereby no part of the corpus or income of the SURS shall be used for or diverted to purposes other than for the exclusive benefit of the System's participants or their beneficiaries. The rights of each participant to benefits accrued to the date of termination of the System or discontinuance of contributions to the System are nonforfeitable.

Various effective dates (required by federal law) for aspects of the program are outlined in the rule: veterans' rights (12/12/94); required minimum distribution provisions (1/1/87); federal required contribution and benefit limitations (1/1/76); mortality tables and interest rates adopted by the SURS Board in accordance with Sections 15-124 and 15-125 of the Illinois Pension Code (7/1/63); and various provision concerning direct transfer of eligible rollover distributions (1/1/93). If a person becomes entitled to a rollover distribution, the person may elect to have the distribution or a portion thereof paid directly to an eligible retirement plan (e.g., Roth IRA, regular IRA, deferred compensation plan, an annuity, etc., all described in applicable Internal Revenue Code provisions in the rulemaking). If benefits are payable to a Qualified Illinois Domestic Relations Order (QILDRO), then SURS shall follow applicable provisions of federal law.

SUAA was involved in new general assembly receptions this week. There are 38 new members that we are trying to meet either in their offices, in the Capitol or at the various activities.

It is important to remember that as of January 1, 2013 the Districts changed, most likely many of your legislators did too. Please check out the SUAA website often as items are changed daily.

If you have not exhausted yourself by now and need further reading - try these items of interest:

[Department of Revenue: Monthly Report \(1/30/2013\)](#)

[Commission on Government Forecasting & Accountability: Monthly Briefing](#)

Institute on Taxation & Economic Policy: ["Who Pays? A Distributional Analysis of the Tax Systems in All 50 States"](#); January, 2013.

Coming soon are the results of the SUAA on-line survey, more information on the new members of the 98th General Assembly and, of course, more information on the proposed legislative bills.

The Senate is scheduled to be in on Wednesday, February 13, 2013

The House is scheduled not scheduled to be in until Tuesday, February 19, 2013

Remember - it is always Member get a Member month! Reach out!

Enjoy Mardi Gras! Happy Birthday President Lincoln and Happy Valentines' Day! Busy week coming!