

State Universities Annuity Association



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Testimony
provided to the
Conference Committee to Senate Bill 1
Bilandic Building - C600
Chicago, Illinois
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11:00 a.m.

Good morning. I am Linda Brookhart, the Executive Director of the State Universities Annuity Association. I truly appreciate the opportunity to address the Conference Committee.

Our membership is 16,000 strong. SUAA advocates on behalf of all individuals who are participants and especially those who are beneficiaries of the State Universities Retirement System. Both state supported universities and community colleges are part of this retirement system none of which participate in Social Security while working for the State or a local unit of government. Upon retirement, many fall into the Federal Pension Offset or Windfall provision of the Federal Government if they have considerable time in the Social Security System.

It is important I relay to you that SUAA supports responsible pension reform and the important work before this Conference Committee. Our association is based upon preserving and protecting a strong public pension system, healthcare benefits, and the general well-being of all SURS participants and beneficiaries.

As a representative of SUAA, I would like this committee during the next 11 days to consider the following five items:

First, to the extent possible, the SUAA Executive Committee on behalf of the membership would like this Committee to reach out to us and other stakeholders in order to draft the best legislation possible.

Second, we believe that any legislation should apply the debt service for existing State bond and note issues to the payment of the unfunded pension liability as these loans are repaid.

Additionally, we respectfully ask you to consider revising the terms of the amortization of the current pension ramp schedule, to a percentage that is less than 100% funding. For several years, we have heard experts discuss an acceptable range of what constitutes a well funded pension system. We believe a number less than 100%, perhaps an 85% level of funding, is achievable, given the State's current fiscal condition.

Third, a survey of the SUAA membership did provide support for the Cost of Living Allocation or more rightfully defined as the Automatic Annual Increases be based on the Social Security formula. However, we believe that further discussion is warranted. Reports need to be made public; the reports that actually show significant savings for the State as well as those that show how the retirees will be significantly affected. In other words, we would ask for transparency and how the numbers were actually determined.

Fourth, retirees receiving less than \$25,000/year should be exempt from any legislation modifying the current COLA/AAI. Remember, these people are most likely not eligible for Social Security. Accordingly, this committee should protect their standard of living. If they are not protected, other problems could be created that would cost the State additional money through other hardship support and services that would need to be provided to them.

Fifth, while SUAA is in agreement that those who are working should contribute an additional 2% to their pensions, we would caution against having those in Tier II to contribute additional money. Tier II's benefits are, at this time, below those they could receive from Social Security. In addition, their benefits are not vested until year 10. There could be even more pension earnings lost for them.

Finally, SUAA is here today in an effort to help resolve Illinois' pension concerns. The public pensions must be protected for future generations. How this is done must be carefully crafted so current problems do not continue to spiral.

Thank you for allowing me to address you today.