



Senate Bill 1 House Amendment 1

passes the House with 62 Yeas and 51 Nays and 2 Present

Please keep this information for a reference going forward!

First and most importantly the above referenced bill now needs to go back to the Senate floor for passage; under concurrence. It will need 30 YEA votes for concurrence or passage. Most likely the votes to pass are already counted in the Senate. Look for SB 1 to be on the Senate Calendar upon the Senate's return to Springfield on Monday.

Secondly the bill does affect both those currently working and retired. The pension systems included are State Universities Retirement System (SURS), State Employees Retirement System (SERS), Teachers Retirement System (TRS) and General Assembly Retirement System (GARS). The Judges Retirement System is not included.

Thirdly, the Senate did not vote Thursday, May 2nd; only the House.

Fourth important notation is that the bill has an immediate effective date if passed in the Senate. The legislature will have 30 days after passage to send the bill to the Governor. The Governor then has up to 60 days to sign the bill for Enactment.

Fifth detail is Tier I is defined as those who were hired on or before December 31, 2010. Tier II is defined as those who were hired on or after January 1, 2011.

The Senate will return on Monday, May 6th; the House will return on Tuesday, May 7th.

Please find out who your Senator is for purpose of contacting them in reference to Senate Bill 1. The vote could be taken quite early this next week.

All information will be posted on the SUAA website. We ask that you refer to the website often. Past *Mini Briefings*, news articles, alerts, and other items of interest are always available.

The possible changes to Tier I currently employed and retirees are divided starting on the next page. It is important that you become knowledgeable about your current benefits and how the proposed changes could affect you. Only benefit changes are addressed in this issue of the *Mini Briefing*. There are no changes to Tier II employees.

For **retirees** the Automatic Annual Increase (AAI) - (previously referred to as a COLA) - will be 3% of the number of years worked known as service credits multiplied by \$1,000 (for SERS retirees use \$800). The matrix below is an example of how the AAI (COLA) will be administered going forward. Thank you to the House Republican's Blog for providing the following information.

AAI Examples with the Same Starting Annuity but Varying Years of Service

Years of Service	10	15	20	25	30
Year 1 Annuity	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
3% AAI Based On (Years of Service x \$1,000)	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000
Annual AAI Increase	\$300	\$450	\$600	\$750	\$900
Year 2 Annuity	\$50,300	\$50,450	\$50,600	\$50,750	\$50,900
Year 3 Annuity	\$50,600	\$50,900	\$51,200	\$51,500	\$51,800

The AAI is not compounded. The determined fixed amount will be the same every year going forward. All AAI increases received prior to the effective date are protected and not diminished.

This change is for all Tier I retirees; there are no Tier II retirees at this time.

Pension system members shall not be eligible for an AAI until the January 1st following attainment of age 67 or the January 1st following the 5th anniversary of the annuity start date.

An example would be someone who retired at age 55 and is now 57. The retiree would have to wait until age 60 to receive an Automatic Annual Increase because this person is under the required five years of retirement and not age 67.

Currently employed would be affected in the following ways:

Pensionable earnings of a Tier 1 participant are capped at the applicable Social Security Wage Base - however the legislation reads \$109,971 which is the Tier II salary cap, not the current Social Security Wage Base of \$113,700.

Participants currently receiving salary in excess of the Social Security Wage Base shall have their pensionable earnings limited to their salary received 365 days prior to the effective date.

Tier I participants' normal retirement age is changed for those retiring after July 1, 2013:

- Members age 45 or older on the effective date shall not be subject to any delay in retirement eligibility;
- Members age 40-45 on the effective date shall be subject to a 1 year delay in retirement eligibility;
- Members age 35-40 on the effective date shall be subject to a 3 year delay in retirement eligibility; and
- Members younger than age 35 on the effective date shall be subject to a 5 year delay in retirement eligibility.

Tier 1 employees will be required to contribute an additional 1% of payroll in Fiscal Year 2014, plus and additional 1% in Fiscal Year 2015. This is a total of 2% of over a two year period.

The employee contribution increases are exempt from Money Purchase Plan calculations.

SB 1 requires the Comptroller to determine all **effective rates of interest** (ERI); currently the Comptroller only determines the effective rate of interest as it applies to Money Purchase Formula calculations.

The bill directs the Comptroller to provide special consideration to the rates of return achieved by long term U.S. Treasury Bonds.

The change is an attempt to influence the Comptroller into lowering the effective rate of interest to devalue the Money Purchase Formula. The rate is currently set by the SURS Board of Trustees.

SB 1 grandfathers in those employees of non-public employers. New employees will be excluded from enrolling in SURS.

SB 1 prohibits bargaining units and employers with participants in the State systems from negotiating changes related to pensions.

At this time there are **Benefit Fairs** being held around the State to address the changes in the health insurance. Eastern Illinois University, Illinois State University and Southern Illinois University have already held their Fairs.

May 6, Western Illinois University, Union Building - Grand Ballroom from 10 a.m. - 2 p.m.

May 10, SIU-Edwardsville, Morris University Center from 10 a.m. - 2 p.m.

May 14, UIUC, Illini Union Building, 1401 West Green Street, Rooms A - C from 10 a.m. - 2 p.m.

May 15, Governor State University, Hall of Governors, 1 University Park, from 10 a.m. - 2 p.m.

May 16, UI College of Medicine, 1 Illini Drive, Peoria, from 10 a.m. - 2 p.m.

May 21, NEIU - Chicago, Alumni Hall, 5500 N. St. Louis Ave. from 10 a.m. - 2 p.m.

Changes to Medicare are not scheduled to take effect until January 1, 2014. Enrollment is not scheduled until the month of October 2013. This will be addressed in the next edition of the *Mini Briefing*.