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SUAA Mini Briefing

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Remember the big hype about Lame Duck session? The Senate and the House were going to meet from Wednesday, January 2nd through Wednesday at noon, January 9th, and yes, even through this weekend. Accordingly there were a number of issues that needed to be wrapped up before the new General Assembly would take office. At least the onlookers thought that there was much work to be done.

Now here it is Friday and the only activity was the We Are One Rally which was quite low-key as the Senate went home last evening and the House will not arrive until Sunday. The ralliers for today must have been greatly disappointed just as many were yesterday. Speaking of yesterday's rally, pictures can be found on the SUAA Facebook page.

The Senate did pass HB 5210 (Amendments 1 and 2) Wednesday which is a trailer bill to HB 1447 previously passed in the Senate as the Spring Session came to an end. However while there seems to be a lot of talk regarding this pension fix for two of the pension systems - Illinois General Assembly (GARS) and State Employees Retirement System (SERS) - the House did not take any action on HB1447. It was referred to the House Rules Committee (not on order of concurrence) at the end of Spring Session where it remains according to the bill's activity.

When the House returns on Sunday will an amendment be added to HB 1447 which will then need to be sent back to the Senate for passage or will the amendments added to HB 5210 suffice? Confused? Need a refresher? Read on! Remember these bills DO NOT affect the State Universities Retirement System (SURS) or the Teachers Retirement System (TRS) or the Judges Retirement System (JRS). In addition, these two pieces of legislation together could be considered a test case for pension changes going forward.

HB 1447 - Senate President Cullerton's sponsored legislation "provides that Tier I employees and Tier I retirees must make an irrevocable election either: (1) to accept changes in eligibility for, and the amount of, automatic annual increases in retirement annuity or (2) to avoid those changes. Provides that a person who elects the first choice may have any future increases in income included as compensation and is entitled to certain healthcare benefits. Provides that a person who elects the second choice forgoes those benefits. Includes an in-severability provision." This legislation is much like the content provided in SB1673 for all pension systems, again, except GARS.

HB 5210 - Amendments 1 and 2 contains relatively minor technical changes to the Illinois Pension Code. The amendments include 'severability' clauses that will become law if the Illinois Supreme Court rules part of 2013 pension reform is illegal. The amendments also change the timeframe for implementing parts of another bill (SB 1447) currently in the House Rules Committee that reforms the

State Employees Retirement System (SERS) and the General Assembly Retirement System (GARS). These amendments in HB 5210 only become law if the Illinois House of Representatives passes HB 1447 next week. In that case, the Illinois Pension Code will be amended to require (i) the election period established in House Bill 1447 of the 97th General Assembly to run from July 1, 2013 to November 30, 2013 (rather than from January 1, 2013 to May 31, 2013), (ii) those elections to take effect January 1, 2014 (rather than July 1, 2013), and (iii) to postpone the implementation of the new schedule of State contributions established in that bill.

Severability clauses are also commonly found in legislation, where they state that if some provisions of the law, or certain applications of those provisions, are found to be unconstitutional, the remaining provisions, or the remaining applications of those provisions, will, nonetheless, continue in force as law.

The purpose of HB 5210 is to ensure if the Supreme Court rules the irrevocable election process forced on SERS and GARS members is unconstitutional, other aspects of pension reform will nonetheless remain legal.

What can we anticipate for Sunday when the House returns? No one is predicting as there continues to be quite a number of issues up in the air. Has Speaker Madigan really been working the Governor to pass some type of pension reform? Or will it be decided to go with HB 6258?

Interestingly several civic groups came out in support of HB 6258 - Nekritz/Biss pension reform. [Chicago Tonight](#), January 3, provides a complete interview on the pros and cons. Those groups that are supportive are: Metropolitan Planning Council, The Civic Federation, Chicagoland Chamber of Commerce, better Government Association, Illinois Chamber of Commerce and Chicago Urban League.

HB 6258 is possibly not constitutional and it does not provide a revenue fix but leaving these aside the pluses are: would reduce the State's unfunded pension liability by an estimated \$28 billion, or 29%, from \$95 billion to \$67 billion; would reduce the State's required General Funds pension contributions in FY2014 by approximately \$1.8 billion, or 29%, from \$6.2 billion under the current funding plan to \$4.4 billion. (This does not include \$1.6 billion of required debt service payments on pension bonds.); the State's General Funds pension contributions in FY2014 would represent an estimated 14% of State-source General Funds revenues, down from 20% under current law; the State's General Funds pension contributions would peak at approximately \$10.8 billion in FY2043, down from roughly \$15.5 billion under current law. The share of State-source General Funds revenue consumed by pension contributions would be approximately 23%, down from 33% under current law; would gradually shift normal pension costs for the Teachers' and Universities Retirement Systems at a rate of 0.5% of payroll per year to the employers that are responsible for salary decisions: school districts, public universities and community colleges; and would achieve 100% funding by 2043 and would create a legally enforceable right to compel the State and other employers to make required contributions.

Another report will come at either during or the end of Lame Duck Session - the [Tribune](#) had an article on the front page this morning relating to the pension "fix". It is well worth reading. . . Happy weekend!