



## SUAA Mini Briefing

March 22, 2013

### **Adjournment - a most peaceful sounding word!**

While most people are able to read the news from the Capitol in their local newspapers or follow on their computers, it is dually noted that not everyone keeps up or can keep up with the constant changes that occur on any given legislative day. Much of this week's focus has been the passage (or non-passage) of pension bills for four of the five state-funded pension systems. Both the Senate and the House of Representatives were determined to have some type of pension reform pass. The days turned into a compelling week of endurance.

Starting with the Senate . . .

SB 1 changed considerably by surprisingly adding Amendment 3 which eliminates SURS, SERS and GARS\*. The language would only affect members of the Teachers Retirement System (TRS); the legislation **does not affect** those who are **currently retired**. Tier 1 currently working would be required to make an irrevocable election between two options:

Option 1 - **employees** and **retirees** elect a reduced, non-compounded COLA on their future annuity. The COLA is equal to the lesser of 3% or one-half the urban Consumer Prices Index (CPI) on the amount of their original annuity (Tier 2 COLA). Employees and retirees electing Option 1 will receive a delayed COLA that will begin the January 1<sup>st</sup> following the earliest of age 67 or the 5<sup>th</sup> anniversary of the annuity start date. **Retirees** who elect Option 1 receive the same COLA reduction and delay; however, previous increases received remain unchanged.

**A Tier 1 employee or Tier 1 retiree who elects Option 1 is eligible to participate in their applicable retiree healthcare plan.**

**Increases in pay to Tier 1 employees and Tier 1 retirees (who return to active service) will increase the Tier 1 employees' and Tier 1 retirees' pensionable earnings.**

Option 2 - **employees** and **retirees** elect to not reduce their 3% compounded COLA and to avoid a delay in receiving their COLA. Current law allows a retiree to receive their COLA on the January 1<sup>st</sup> following the first anniversary of the annuity start date.

**Tier 1 retirees and Tier 1 employees who elect Option 2 are NOT eligible to participate in applicable retiree healthcare plans.**

**Increases in pay to Tier 1 employees and Tier 1 retirees (who return to active service) will NOT increase the Tier 1 employees' and Tier 1 retirees' pensionable earnings.**

**Tier 1 retirees who made an election under Section 135.1 and chose a reduced pension for premium free retiree healthcare shall not lose access to retiree healthcare if they choose Option 2.**

SB 1 Amendment 3 passed under postponed consideration: 30 yeas 22 nays 3 present (record shows 2 but Senator Clayborne asked that his "not voting" be changed to "present". All Republicans voted "nay" (Bivins was absent) along with Democrat Senators Frerichs, Holmes, Manar and Sullivan. Senator Koehler changed his "yea" vote to "nay" to reach passage.

**SB 35** (Biss) (companion HB 98) became irrelevant as it was defeated first on Wednesday, March 20.

Four did not vote due to absence. There were 12 Republicans who voted "yea" and 6 Republicans who voted "nay". No votes were: Barickman, Luechtefeld, McCann, McCarter, Righter and Rose.

**SB 1544** Amendment 3 came to the forefront quite quickly to pick up the three systems left out of SB 1. The content of SB 1544 consists of Part A and B just as SB 1 did. The application is to SURS, SERS and GARS. Part A is basically the content of HB 98 (SB 35 companion) and Part B which Senate President Cullerton believes is Constitutional.

However, on Thursday when the Senate adjourned, SB 1544 was left on the Senate Floor for Third Reading. **SB 2404** remained in Senate Executive Committee and SB 1 Amendment 3 has been referred the House Rules Committee.

On to the House . . .

The House continued to bring forth floor amendments which are being used as predictors of what legislation might pass for the creation of yet another bill to provide pension reform. Thursday's offering was **HB 1165 Floor Amendment 6** which holds the COLA to \$750 which applies to only the first \$25,000 of each person's pension annuity. **HB 1154 Floor Amendment 10** provides that pensionable earnings shall not exceed the Social Security Wage Base which is \$113,700 for 2013. **HB 1166 Floor Amendment 6** increased the normal retirement age for Tier 1 active employees. Each of the three Floor Amendments have now reached the Senate. The Cross/Nekritz pension reform bill, **HB 3411** remains thus far on the House Floor for second reading; at least another dozen remain in House Pensions and Personnel Committee.

More combinations of pension reform language will undoubtedly unfold as the end of May (end of the first half of the 98th General Assembly's Legislative Session) draws nearer. Spring legislative break will allow even more tinkering as creative minds work to bring a complete pension reform package to the legislative body for concurrence. Education entities and personnel will no doubt continue to be targeted in the process.

The Legislature has adjourned for Spring Break. The House is due to convene on April 8; the Senate on April 10.

For more information please continue to check the SUAA website. News articles and other postings relative to pensions, health insurance and higher education are always available.

At this time, please remember, **no legislation has passed through both the House and Senate that changes pensions for currently working or retirees.**