

What You Can Do To Protect Your Retirement Benefits
UIC Retirement Planning Conference
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Goal: To persuade attendees to join UIC United – SUAA UIC.

Why should you become a member? SUAA is our main defense against the state's reducing our benefits. In these difficult economic times, our benefits have been threatened. SUAA, now 15,000 retired and current faculty and staff in Illinois, cooperate with other organizations to advocate with the legislature for all faculty and staff of Illinois public colleges and universities and their survivors.

The current situation: As anyone who even glances at the newspaper or TV knows, the State of Illinois is in dire straits. In recent years, when the state has needed more money to balance the budget, it has reneged on its payments to the public pension system. As a result, Illinois is now the least well-funded pension system in the nation. We currently have an unfunded liability of almost \$55 billion.

Now there is a need to cast blame --- to find the culprit responsible for the state's repeated budget deficits. Fingers are being pointed at our pensions. To fight back, SUAA has targeted Illinois legislators across the state --- hopefully succeeding in persuading them not to cut our benefits.

We should all be aware of and help communicate to legislators what the Illinois Center for Tax and Budget Accountability calls the myths involving Illinois' unfunded pension liability.

1. Myth: The main cause of Illinois' \$54.4 billion unfunded pension liability is a bloated public sector headcount receiving overgenerous benefits.

Reality: Historically, the Illinois state fiscal system has failed to generate the revenue needed to cover both the inflationary increase in the cost of maintaining public services from year to year and the full employer contribution required to fund pensions. So, rather than cut services, the state usually chose to underfund its employer contribution. Over time, this chronic failure to make the full employer contribution is the primary reason for Illinois state government's predicament today, facing the worst unfunded pension liability in the country.

2. Myth: Illinois has too many public employees.

Reality: Illinois actually ranks 49th among the states, next to last in the nation, in number of state employees per capita. Historically, Illinois has not been a high public employee head count state. Instead, Illinois is mostly a grant making state – that is, rather than hire state employees to provide services; Illinois disburses

grants to independent providers such as Lutheran Social Services or Catholic Charities, which in turn deliver the service to the public.

3. Myth: Public employee benefits are too generous.

Reality: For most Illinois public employees, their pension is all they receive upon retirement – fully 78% are not covered by and do not receive Social Security. This is unlike workers in the private sector, who receive both Social Security and private retirement benefits.

4. Myth: Illinois' current defined benefit system is too expensive.

Reality: The 'normal cost' of a pension system is the contribution required from an employer to fund the plan's benefits. The weighted average 'normal cost' across all five Illinois pension systems, as a percentage of active members' payroll averages 9.13 percent. The national average for

[NOTE: Who are the people who participate in SURS?

- The average annual salary of a SURS participant is \$43,460.

Who is the typical SURS retiree?

- A typical SURS retiree is 62 years old and has served an Illinois University or community college for 20 years.

What sort of benefits do SURS retirees receive?

- The typical SURS retiree receives a monthly benefit of \$2,609.83. \$31,000 per year – so much for overly generous public employee pensions!

SURS participants do not receive social security. SURS is the sole source of retirement income for 78% of the participants.]

Threats to pensions raised in the 96th General Assembly:

- Pension holidays --- the state would simply not contribute its share during certain months
- Restructuring of the current pension system:
 - Benefit formula: 2% of final average salary for each year of service with a maximum of 70% of final average salary
 - Pension based on highest 8 years --- 96 mos – the national average is 3 years
 - Eligibility for unreduced pension: Age 67 – there are probably some faculty, some plant workers, some police officers who for reasons of health and safety should not be working until age 67.

- Eligibility for reduced pension: Age 62
- Reduced COLA: 50% of change in CPI or 3%, whichever is lower – affects all SURS employees, working and retired – The 2008 OCLA was 1/10 OF 1%
- Creation of a two-tiered system – drastic cuts in all state pension systems for people hired after July 1, 2009.
- Increase employee contribution by 2%, increasing payment to our own pensions, this in a system in which the employer does not match pension payments
- Increased health insurance premiums for all SURS members, retired and working - this of course especially affects the elderly. For most retirees, coverage went down in 2008 and co-pays have gone up.

IN SUM ---. The base pension for current and retired SURS members is guaranteed by the Illinois State Constitution. *[Readers will recall that there was a movement afoot in 2008 to convene a Constitutional Convention.]* However, health benefits and cost of living adjustments are not guaranteed. It seems likely that future pensions and other benefits are going to be drastically changed. These changes have the potential for jeopardizing the university's ability to hire qualified faculty and staff.

The old days of retiring and knowing our benefits will always be there are sadly behind us. You can join the effort to protect pension benefits: Stay current on pension legislation. Write or visit your local house or senate rep's office to express your concerns. Better yet, join SUAA -- \$30 well spent.

Join UIC-SUAA with a simple monthly deduction from your SURS annuity check or by an annual check for \$30. For an online membership application -- <http://www.uic.edu/orgs/suaa/applicat.html> or call the UIC SUAA office (312) 996-5834 and we'll mail an application to your home.