

## STATE SENATOR DISCUSSES PENSIONS, SPRINGFIELD MINDSET



At the October 8 fall meeting of the SUAA UIC United chapter, State Senator Kwame Raoul, Chair of the Senate Committee on Pensions and Investments and a member of the Pension Modernization Task Force (established by his legislative initiative), discussed issues relevant to

pension funding before an audience of about fifty members of the UIC SUAA chapter. Because he represents Illinois' 13th Senate district, home to more than 100 UIC SUAA (UIC UNITED) members, Mr. Raoul is a key legislator on issues of concern to our membership.

Describing three problems in Springfield as "regionalism," "partisanship," and "the politics of self-preservation" on the part of fellow legislators, Raoul gave his audience an insider's look at how these attitudes have helped to stall serious action on the state budget crisis. He saw progress in the recently-passed pension ethics bill, an attempt to deal with the politicization of pension boards that prevailed under the previous administration.

From Raoul's point of view, the chief value of the deliberations of the Pension Modernization Task Force is that it has dramatized the case for revenue enhancement and "debunked notions that certain steps would solve the problem." Movement to a two-tier pension system, for example, which would alter the conditions of participation in SURS for incoming employees of the State Universities

Retirement System (SURS), would "do nothing much to [alter] our [financial] circumstances in the near future." He also noted that the Task Force's researchers have established the fact that contrary to widespread reports in the press, retirement benefits for public employees in Illinois are not too rich compared with other states.

The downturn in the financial markets, of course, has much to do with our present situation, but Raoul made it clear that this was a secondary factor compared to the state's failure to make pension payments and its dangerous tendency to borrow money for that purpose.

Raoul has for some time been a proponent of a progressive (graduated) Illinois state income tax as opposed to the present flat tax. A bill to move in that direction gathered 19 votes the first time he introduced it; support has now grown to 31, which is at least a moderate improvement. The bill would merely remove language in the state constitution that prohibits a graduated tax, not prescribe a particular formula for it.

Addressing questions from the audience, Raoul stated that any mandate for new programs should be accompanied by a clear statement as to how Illinois would pay for them. He declined to speculate on the future of the present 3% annual cost of living increase for retirees, but said that "legislatively we can do anything."

*Elsewhere in this issue, Dick Johnson offers his own perspective on the work of the Pension Modernization Task Force, whose meetings he has been attending regularly.*

## PRESIDENT'S PERSPECTIVE

### *A letter from UIC-United's President*



As if things weren't bad enough for the Illinois public pension systems, now the news media is making it worse. The Chicago Sun Times published a September 11, 2009 article entitled "Public pensions, fat retirements"

([www.suntimes.com/news/politics/](http://www.suntimes.com/news/politics/)

1764823,CST-EDT-pension11.article) in which the authors detail how once highly paid now-retired government employees are collecting large pensions. The implication is that the retirees are ripping off the taxpayer by virtue of their receiving seemingly undeserved, overly generous annuities. Most of the article dwells on the large number of annuitants who are drawing six figure pensions and the burden that their retirement benefits place on government. Lost in the discussion is mention of the long-term underfunding of the pension systems by the State which has led to the present crisis and brought media attention upon the issue.

Jeffrey Brown, Professor of Finance and Director of the Center for Business and Public Policy at UIUC, questions the assertions of the article in an essay entitled "Are Public Pension Plans in Illinois Too Generous?" ([businesspublicpolicy.com/?p=165](http://businesspublicpolicy.com/?p=165)). Professor Brown acknowledges the serious situation in which Illinois public pension systems find themselves and recognizes that the problem is a consequence of many years of financial neglect by the State. In his words: "The problem is not pension generosity - the problem is the politicians who could not keep their hands off the money."

It is important for us to make this point in the media and to our governmental representatives. During the years when we were employed, we did our part to earn our pensions by making our financial contributions to SURS. It was the State that, for political and/or expedient purposes, withheld its contribution, thereby compounding the underfunding problem over the course of decades.

According to Brown, the favorable retirement benefits that public employees receive come at the expense of lower wage compensation when compared to the private sector. Further, an often overlooked fact is that State employees do not qualify for Social Security benefits through State employment.

Some critics have suggested that the State move from a defined-benefit (DB) plan to a defined-contribution (DC) plan, in a sense a 403(b) plan. (I should point out that the SURS Self-Managed plan, which is a DC plan, requires the State to make its contribution to an employee's account each month; it can't take a "pension holiday" for those in this plan as it has done repeatedly for those in the Traditional Benefit and Portable Benefit plans.) Do these critics realize that, under this proposal, the State would be required to pay its share of the "defined contribution" each year for every participant in the public pension systems? No longer could there be borrowing from the future. And, as the saying goes: "Be careful what you wish for, lest it come true." For an in-depth discussion of this issue, go to [www.afscme31.org/retiree/articleDetail.asp?objectID=1438](http://www.afscme31.org/retiree/articleDetail.asp?objectID=1438).

*Merrill L. Gassman  
President and Webmaster  
E-mail: [mgassman@uic.edu](mailto:mgassman@uic.edu)*

**CONTACT UICUNITED (SUAA)**—If you haven't been receiving our emails, please send your email address to Merrill L. Gassman, [mgassman@uic.edu](mailto:mgassman@uic.edu), and keep him advised of any address changes. Check the Chapter's Web site at [www.uic.edu/orgs/suaa](http://www.uic.edu/orgs/suaa) for news and important updates

## THE RETIREMENT SCENE

### *How a SURS Annuity Affects Your Social Security: The GPO*



By John McCrosky

Two separate and distinct provisions of Social Security law apply when you are eligible for a SURS pension: the Windfall Elimination Provision (WEP) and the Governmental Pension Offset (GPO). While the GPO applies to a spousal

SS benefit, the WEP applies to a SS benefit of a SURS pensioner. I will discuss these two provisions in this and the article that follows. First the GPO.

If you earn a pension from governmental employment (local, state, or federal) and did not pay Social Security taxes on your earnings, your spousal SS benefit is reduced. (Under SS law, a spouse is entitled to 50% of his or her spouse's monthly SS check or 100% if a widow or widower.) Thus, the GPO affects your spousal SS benefit, which is frequently reduced to zero.

The benefit is calculated by a 2/3rds formula, i.e., the spousal benefit is reduced by 2/3rds of your SURS pension. Your SURS pension is not reduced. For example, if your SURS benefit is \$1500 per month, \$1000 is deducted from your benefit. Under certain circumstances, the GPO is not applied. These are detailed in the Social Security Administration Handbook and can be found at

[www.socialsecurity.gov/OP\\_Home/handbook-1836.html](http://www.socialsecurity.gov/OP_Home/handbook-1836.html).

Over the years there have been attempts to repeal the provisions of the WEP and GPO. The argument for repeal of the GPO is weak. The GPO was passed to provide a similar reduction when spouses both qualify for a SS pension under their individual earnings. In these cases, each spouse is entitled to a spousal benefit. But under the provisions of Dual Entitlement (DE), both spousal benefits are reduced by a value of 100% of their own SS benefit, as opposed to a 2/3rds reduction under the GPO. The provisions of the DE will also reduce the spousal benefit to zero.

It is sometimes said that the GPO provisions unfairly target individuals with pensions such as SURS. An individual who works in the private sector and has a pension in addition to SS is not affected by the GPO provisions but by the DE provisions of Social Security.

Efforts to repeal the GPO provisions reflect the view that our pensions are "too rich." If my assumptions regarding the GPO are correct, then we are setting ourselves up for more criticism. If we want the GPO repealed, then we should also support the repeal of the DE provisions.

*John McCrosky, whose column appears regularly in these pages, has worked in the field of retirement planning for both SURS and TIAA-CREF*

**WE NEED YOUR HELP! PERSUADE A FRIEND TO JOIN THE 15,000 SUAA MEMBERS IN ILLINOIS WORKING TO PRESERVE OUR PENSION AND HEALTH CARE BENEFITS.**—SUAA (UIC United), along with 50 statewide SUAA chapters, advocates with Illinois legislators to preserve the stability of pensions and health care benefits for current State Universities Retirement System (SURS) retirees, for 72,000 active employees who are part of SURS and for future UIC employees/SURS members. Of course, our UIC United 'voice' in Springfield is only as loud as our numbers. We have 1600+ members in our UIC United chapter of SUAA but we must speak with a louder voice. The easiest and most logical step that you as a SUAA member can take to preserve our benefits is to strongly encourage current UIC employees to join (\$36/year by check or \$3/month by dues deduct). It is also crucial that as a current UIC United member you continue your membership, let us know how UIC United is doing and send suggestions for improvements. We want to hear from you at [sjsindelar@gmail.com](mailto:sjsindelar@gmail.com). Please help us in our efforts in reaching out to current employees and encouraging them to join UIC United. You can download a copy of UIC United's membership application at [www.uic.edu/orgs/suaa/applicat.html](http://www.uic.edu/orgs/suaa/applicat.html), call our SUAA office at (312) 996-5834, or pass along this newsletter – we need your help!

## THE PENSION SYSTEMS “MODERNIZATION” TASK FORCE



*Richard Johnson*

On May 31, the final day of the 2009 Illinois General Assembly session, the Senate completed action on HJR 65 creating the Pension System Modernization Task Force. This task force, appointed by the governor, was to

“recommend changes in pension benefits that would modernize...” the state’s public pension systems. This action was a consequence of the dire fiscal condition of the state and the inability of the legislature and the governor to reach an adequate resolution to its many budgetary difficulties. Illinois public pensions provide the perfect target in this political battle; they are seen by many as both the culprit and the cure to the state’s fiscal ills. “Modernization” is an interesting euphemism.

The nineteen member Task Force, eight legislators and eleven public members appointed by the governor and the legislative leaders, swung into action with lightning speed, though whether results will match that celerity remains to be seen. It held its first meeting on June 18 and has been meeting nearly bi-weekly since that time. Its assignment is to study all facets of three of the State’s five pension systems: SURS, SERS (State employees) and TRS (downstate teachers). The systems for the legislators and the judges were not included. The Task Force must submit its final report by November 1.

The nature of any potential changes remains to be seen, but we will know very shortly. I have personally monitored most of the Task Force sessions and, although few votes have been taken, there seems to be an emerging consensus about the following key issues:

- Little saving would result from merging the pension systems, a proposal made by State Treasurer Alexi Giannoulis.
- Compared with other states, Illinois doesn’t provide overly generous pensions.

- A major infusion of money into the pension systems would be desirable to address the accumulated debt, but there is no consensus as to the possibilities for selling or leasing state assets, such as the toll ways, the lottery, etc.
- Further bonding of the pension debt is undesirable as it trades one kind of debt for another.
- The task force probably feels a need to do something to justify the effort. That “something” could be to create a two tiered pension arrangement affecting newly hired employees. The content of the new tier of benefits is not clear.
- The “normal cost” of the present system is not exorbitant or unmanageable. The unfunded liability, now around \$75B and growing, is the back breaker.

The reality, I believe, is sinking in. Years of inadequate state funding, through partial or full pension “holidays”, have created a fiscal crisis of enormous proportions. The Task Force has given no real attention to “modernization” and has generated no solutions to the funding problem. The answer is not to be found in the pension systems. It is a revenue issue and thus a major political problem for a looming election year. As Senator Kwame Raoul put it at the recent fall meeting of SUAA UIC UNITED, “Illinois is desperate for money.” I would be surprised if this stirs the Task Force to recommend a tax increase, but it might provide cover for legislators to take such action.

***Richard Johnson. President, SUAA***

# MARK YOUR CALENDAR

**Wednesday, November 11**

## **FORUM ON POLITICAL CORRUPTION**

**4:00 p.m.**

SUAA UIC UNITED will sponsor a forum on “The Culture of Corruption in Illinois: Can it be Fixed?” on Wednesday, November 11, 2009, at 4:00pm in the Molecular Biology Research Building (MBRB) auditorium, 900 S. Marshfield, Chicago.

A panel consisting of **Cindi Canary**, Director of the Illinois Campaign for Political Reform, **Patrick Collins**, partner in the law firm of Perkins Coie, and **Andy Shaw** will debate the issue. Shaw, former ABC 7 Political Reporter, is now the Executive Director of Chicago’s oldest anti-corruption civic watchdog group, the Better Government Association. The BGA’s mission is to end the "corruption tax" we pay when government is run for the benefit of the politicians and not the public, and to restore faith in government.

**Michael Shakman**, partner in the law firm of Miller Shakman & Beem, will act as moderator. In 1969, one man made his stand against the Chicago political machine. Michael Shakman, an independent candidate for delegate to the 1970 Illinois Constitutional Convention, battled against one of the most enduring traditions in Chicago's politics: political patronage or the practice of hiring and firing government workers on the basis of political loyalty. With many behind-the-scenes supporters, Shakman's years of determination resulted in what became known as the “Shakman decrees” [Encyclopedia of Chicago].

Parking: in the Paulina Street Parking Structure across the street at 915 S. Paulina. Parking stickers will be available at the meeting for \$5.00.

**Wednesday, December 9**

## **HOLIDAY LUNCHEON**

**noon**

The annual holiday luncheon will be held at Costa's Restaurant, 340 S. Halsted, Chicago, on Wednesday, December 9, 2009 at noon. Free valet parking. To RSVP for the luncheon or for more information: Contact Carol Humble (jhumble368@aol.com, 630-469-6089) or Rose Kirk (rfrankirk@comcast.net, 630-852-7316 ). Luncheon Reservations: Send check for \$20 before December 6, payable to UIC UNITED, to Carol Humble, 21W466 Buckingham Rd, Glen Ellyn, IL 60137. Please include your phone number or e-mail.

# UIC-UNITED UIC CHAPTER OF SUAA

## Board of Directors 2009–2010

### OFFICERS

**Merrill Gassman**  
*President*  
mgassman@uic.edu

**Marsha Borders**  
*First Vice President*  
mborders@uic.edu

**William Troyer**  
*Second Vice President*  
bandltroyer@gmail.com

**D. Michael Harms**  
*Secretary*  
dmharms@comcast.net

**Charles Stanislao**  
*Treasurer*  
cstansl@gmail.com

**Irv Miller**  
*Past President*  
ifmiller@sbcglobal.net

### MEMBERS AT LARGE

**Charles Brown**  
gwtw08@gmail.com

**James Jones**  
jrjones@uic.edu

**Leonard Ramirez**  
lramirez@uic.edu

### CHAIRS

**Susan Sindelar**  
*Membership*  
sjsindelar@gmail.com

**Carol Humble**  
*Programs*  
JHumble368@aol.com

**Rose Kirk**  
*Social Events*  
rfrankirk@comcast.net

**Richard Johnson**  
*Political Involvement*  
rjohnson@uic.edu

### NEWSLETTER

**Judy Curry**  
*Coeditor*  
jcurry@uic.edu

**Lawrence Poston**  
*Coeditor*  
lsposton@uic.edu

Visit our Web site at [www.uic.edu/orgs/suaa](http://www.uic.edu/orgs/suaa).

**UIC** UNIVERSITY OF ILLINOIS  
AT CHICAGO

SUAA-UIC (MC 270)  
1140 South Morgan Street, Room 146F  
Chicago, Illinois 60607-7142

---

Nonprofit Org.  
U.S. Postage  
**PAID**  
Chicago, Illinois  
Permit No. 4860

---