

Details of the Pension Benefit Cut Proposal Circulating In the Illinois General Assembly

Discussions currently taking place at the Statehouse could have a huge, negative impact on the retirements of IEA members.

Under discussion are proposals that would either cut pension benefits for active employees or, would or force those currently contributing to the state-funded pension systems (including TRS and SURS) to pay more to keep what they already are guaranteed under the Illinois Constitution.

Here is the explanation of the objectionable options being talked about:

1. To remain in the current pension plan, an active TRS member must **pay a pension contribution in excess of 25%** of their salary. Currently, active TRS members pay 9.4% of their salary and the total cost of the current TRS benefit equals an estimated 18.4% of salary. The legislation also requires an additional percentage of salary that is currently undeterminable and is tied to the funded status of the plan.
2. To choose participation in the 2-tier pension benefit plan that passed last year (**retirement at age 67**, reduced COLA, reduced final average salary). With this choice, the member would be required to pay 6% of salary (currently, 9.4% of salary in TRS). TRS has determined that the actual cost of the 2-tier benefit is an estimated 5-6% of salary. In essence, there is no employer contribution required and the members fund their own pension.
3. The option to participate in a defined contribution plan (401K style plan). The member would pay 6% of salary, as would the state. Members would direct their own investments.

We firmly believe that this type of proposal is unconstitutional and wrong. We oppose for the following reasons:

It contains explicit violations of the Illinois Constitution. In Article XIII, Section 5 of the Constitution (the "Pension Protection Clause"), it is stated,

"Membership in any pension or retirement system of the State, any unit of local government or school district, or any agency or instrumentality thereof, shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired."

We believe increasing the contributions for a member to maintain their current pension benefit package is a direct violation of this clause since it would be a change of a contractual relationship.

Forcing members to make a choice among "options," knowing that each option

would amount to a smaller or a costlier pension benefit than that they would otherwise be entitled, would violate the “Pension Protection Clause.”

Our members have never missed a pension contribution and to force members to pay more so that the state can abrogate its responsibility once again is wrong.

IEA opposes the creation of a defined contribution plan; our members in TRS do not receive Social Security for their years as an educator and thus have no reliable retirement safety net.

Additionally, creating a defined contribution plan would divert much needed contributions for the current defined benefit plan and **would harm the financial stability of the state retirement systems.**

Read the Fact Sheet: <http://www.ieanea.org/media/2011/03/Pension-Proposal-Being-Discussed.pdf>

For the IEA position on the constitutional protection of earned benefits:
<http://www.ieanea.org/media/2011/03/Reducing-Pension-Benefits-for-Current-Members.pdf>