Administrative Professional Staff Council
University Joint Benefits Committee Report
May 19, 2010

- The University Join Benefits Committee has met three times since last reporting to A/P Staff Council in December.
- A SURS counselor was on campus April 6-8 for individual retirement counseling sessions.
- May is the Benefit Choice enrollment period.
- There have been some modifications made to the State Universities Annuitant Association (SUAA) payroll deduction form. There will be a one-time payroll deduction option for membership dues, as well as payment over a three-month period. The change is effective immediately, and the form is now available on HR's website.
- Jeff Beaulieu reported on January 19, the state's pension bonds were sold, and they were caught up on their payments. Prior to that date, the state received only $1.2 million. As of January 22, 2010, SURS received over $552 million in additional funds.
- Jeff Beaulieu reported at a recent SURS Board of Trustees meeting, a report was given on what has happened with SURS over the last decade (see appendix). A discussion then took place, and it was pointed out that much money is being diverted from investments and is going toward paying off benefits, and that is not good for the pension system in the long run.
- Bruce Appleby reported in January that the Executive Director of SUAA, Linda Brookhart, is now the president of the State Association of Executive Directors for organizations like SUAA. The SUAA Executive Committee approved a motion to attempt to bond with all like agencies in the state to inform them of what they need to do over the next few years. The hope is that this will help politically. The major issue is the recommendation that, "the income tax rate would be increased at the percentages as determined by the legislature and the Governor and would go into effect January 1, 2011, and would remain for the next two years." Bruce pointed out that the revenues derived from these increases would be deposited into a state debt retirement fund to be used solely for the purpose of reducing the state debt. The hope is by doing it this way, pension monies will be protected. Also during this two-year period, there would be no changes made to any of the state's public pension systems other than what may be required for technical, non-substantive matters. As he understands it, the plan is to distribute the recommendation widely after the primaries on February 2 in an effort to gain some support.
- In February, Bruce provided two web addresses that have much information on retirement benefits. The first address, http://suaa.org/assets/doc/SUAAMiniBriefingforFebruary222010.htm, is from the State Universities Annuitants Association. Bruce highlighted some of the information from the mini-briefing: a) Senator Cullerton introduced a bill called the Pension Reform Act of 2010, but it has no content; b) HB4706 repeals the 50% tuition waiver for children of Illinois college or university employees. That bill is being heard by the committee on February 24. Representative Bost, who is on the Higher Education Committee, is opposed to this bill, as are the SUAA, IEA and IFT. Jeff noted that the chair of the Higher Education Committee may not bring up the bill for action, which would essentially kill or delay the bill; c) several bills are going through committee which would help [fund insurance] for community colleges; they are being hurt more than anyone else by the non-payment of health insurance claims; d) there is a bill coming up to reinstate dental insurance for retirees, which was revoked as of October 1, 2009; e) there are four pension bills being introduced (two in the House and two in the Senate) that would require all pensions to be self-managed. SURS and SUAA are fighting this, as well as some of the unions. Bruce noted that the two bills being proposed by Senator Brady would automatically enroll newly-eligible employees in the self-managed program; f) the Auditor General reported that as of June 30, 2009, the state was $62.4 billion in arrears to the five state employee retirement systems. That unfunded, accrued

- liability increased $23.5 billion during FY09 because of the interest involved, as well as the non-payment.
- Bruce reported that the second website he provided is for the Civil Federation of Chicago (http://www.civicfed.org), a very conservative business group. They have legislative influence because they are from Chicago. The group has drafted "A Fiscal Rehabilitation Plan for the State of Illinois" and are expressing concern about the historically underfunded retirement benefits. They oppose any revenue increases until there is pension reform. They are telling the legislature that: a) the state must first enact reform of its retirement systems; such reforms must include additional employee contributions and reduced benefits for new state employees. Bruce noted the argument he hears when he goes to Springfield is, what about current employees and those who are already retired? He indicated that there is kind of a three-tiered answer: those who are already retired are covered; those who want to retire and are current employees will be affected; and new employees will be affected most of all by the changes the group wants to put through; b) employee contributions must be increased; c) the state income tax must be increased (they were opposed to the tax until now). The group wants an increase from 3% to 5% for individuals, and 4.8-6.4% for corporations; d) the state should repeal the income tax exemption for retirees. They believe in doing so, the state will see an immediate increase of $1.6 billion. Bruce believes there will be a change and that retirees will have to pay state income tax. SUAA is fighting to have the tax apply only to those who make above $50,000 a year, which would appease a lot of people; e) imposing a $1 increase in cigarette tax. Bruce reported that longer-term proposals include: a) reducing non-vested pension benefits for current state employees. Cathy Yeager pointed out that there is nothing to reduce if the employee is not vested. Steve Verhulst responded that they want to take away part of the interest; [cut back] to 4.5% instead of the 7-8% [the employee] makes normally [with SURS, for instance]. Brent Patton indicated that if the employee is not vested and leaves, s/he does not get the interest. Cathy added that the employee would have to have been employed over five years to get the interest. Brent commented that unless they charge a fee, that would mean an employee would not get all of her/his contributions back; b) shifting state Medicaid spending from institutional care for the elderly and disabled to home and community-based care; in other words, if the state and Medicaid do not pay for hospitalization and such, then the home and community will have to pay; c) extending the sales tax to consumer services. Barbers, mechanics, etc., would have to charge a service tax in addition to the fee. Bruce believes this will pass because the Chicago group sees several billion dollars being generated as a result of such a tax. He suggested committee members review the information from the two sources he provided because there is a lot of good detail.

Submitted by John Massie and Vanessa Sneed