SB 2404 (Cullerton-Holmes)

Choice: Affecting Tier I Actives

Choice A: Lower COLA	**Choice B: Keep Your COLA**	
➢ Agree to 3% simple COLA with a 2 yr. delay ➢ Receive retiree healthcare access ➢ All future salary increases offered as pensionable ➢ Enrollment in optional cash balance plan on a pre-tax basis by making an irrevocable election to join plan *after* choosing Choice A ➢ Eligibility for ERO (TRS only)	**Option 1:** ➢ No change to 3% compounded COLA ➢ No retiree healthcare access ➢ Future salary increases offered as *non-pensionable*	**Option 2:** ➢ No change to 3% compounded COLA ➢ Receive retiree healthcare access as consideration ➢ All future salary increases offered as pensionable **In exchange for:** ➢ A 3 year delay in 3% compounded COLA ➢ Paying an additional 2% in employee contributions over two years

Choice: Affecting Current Retirees (and Tier I Actives Already Set to Retire as of 1/1/2013)

Choice A	**Choice B**
➢ No change to 3% compounded COLA, *except that* COLA is subject to a staggered two-year freeze ➢ Receive retiree healthcare access	➢ No change to 3% compounded COLA ➢ No retiree health care access

Other Terms of the Proposal

Collective Bargaining: Prohibits mandatory bargaining over the benefit changes and employee contribution increases in the bill.

Pension Stabilization Fund: Adds the Pension Stabilization Fund schedule embodied in SB 2404, but starting in FY 2020.

Funding Guarantee: Includes funding guarantee language requiring State contributions to the pension systems under the schedule in current law.

Addresses Pension Abuses: (a) Prohibit persons hired by non-governmental entities (*e.g.*, Municipal League) *after* the bill's effective date from participating in public pension systems; (b) Exclude travel vouchers filed late from qualifying as "compensation" for SERS employees hired *after* the bill's effective date; and (c) Separates normal cost from the unfunded liability in budget presentation.

Senate Bill 1

(*as amended by House Speaker Mike Madigan*)

This is the pension legislation pushed through the House of Representatives by Speaker Madigan. It unilaterally reduces benefits, and House supporters say it would cut the nearly $100 billion pension debt by $30 billion. Here are its main points:

COLA restrictions

- For every year of service the person gets to have the COLA apply to $1,000 worth of his or her pension. A retiree with 30 years of service would qualify for a COLA on $30,000 of pension benefit. This provision is for those not covered by Social Security.
- Those covered by Social Security the COLA applies to $800 for each year of service.
- Retirees under age 67 would have COLAs halted until they reached age 67 or until they have been retired for five years.
- Employee contributions would increase by 1 percent July 1 and another 1 percent July 1, 2014.

Salary caps

- Caps the salary on which a pension can be earned at $109,971. The cap increases annually by one-half of the consumer price index.

Other restrictions

- Prohibits employers with participants in state-funded retirement systems from collectively bargaining pension benefits.

Who's in this plan

- The changes apply to state workers, university employees, suburban and downstate teachers and lawmakers. They do not apply to judges.

Funding

- 100 percent funding by 2044.
- Contains a mechanism to force the state to make its pension contributions.
- After 2019, $1 billion a year that is needed now to pay off past pension borrowing will be used instead to pay down the pension debt.

Note: There is no cost shift of pension responsibility to suburban and downstate schools in the House plan, though Speaker Madigan made it clear that is still in the works in other legislation.