A Union of Professionals

1274 Newsline

North Suburban Teachers Union – Local 1274, CFL, IFT/AFT, AFL-CIO February 2013

Pension Reform: The Saga Continues

As the 98th session of the Illinois General Assembly begins, the newest round of pension reform proposals in Springfield seems to promise more of the same – later retirements, higher employee contributions, reduced benefits, and unacceptable choices.

But in a new twist, a bill introduced by Senate President John Cullerton and supported by Governor Quinn combines the worst elements of both the major proposals from the last session of the legislature. The goal of this smorgasbord is to increase the chances that at least one of the plans will be found constitutional by the Illinois State Supreme Court.

The We Are One Illinois coalition, in which the NSTU and the IFT are major players, has scheduled a pension summit for February 11th and is pushing an effort to find new sources of revenue to keep our pensions whole. (See page 2.)

On January 3rd, two busloads of NSTU members went to Springfield for a rally on the theme "Pensions Are a Promise." What motivated them was the looming threat that the lame duck General Assembly would pass legislation gutting our pensions. In the end, the legislature did nothing -- thanks to the union members who lobbied hard for a fair solution to the pension crisis in Illinois.

NSTU/IFT Pension Forum

Monday, February 25th
4:30 p.m.
Niles North High School Auditorium
9800 N. Lawler, Skokie

Featuring:

Special Guest Speaker Ralph Martire, Center for Tax and Budget Accountability
State Senator Dan Biss (D-Evanston) and other local legislators
Dan Montgomery, President of the Illinois Federation of Teachers
Pension Experts from the Illinois Federation of Teachers

Pension Reform: What Do *They* Propose?

In 2012, there were two main proposals for pension reform in Springfield. One was offered by Governor Quinn last April. The other was the Nekritz-Biss plan, introduced by Rep. Elaine Nekritz (D-Northbrook) and Daniel Biss (D-Evanston) in December. For a fuller explanation of what was contained in these plans, see page 4 and consult our website at www.nstu.org.

The Quinn plan focused on giving retirees a choice between: a) keeping their COLAs (Cost of Living Adjustments) while having their salaries frozen for the purpose of calculating pensions ***and*** losing their retiree health insurance, or b) keeping the insurance and accepting a seriously eroded COLA. This was seen as a way around the constitutional prohibition against "diminished or impaired" pensions. The theory was that we would be voluntarily "choosing" a reduced COLA in exchange for the health benefits.

Under the Nekritz-Biss plan, the COLA is delayed for five years after retirement, and applies only to the first $25,000 of the pension. Furthermore, it places a cap on pensionable salary at the Social Security Wage Base, currently at $113,700, well below the top salaries of many north suburban teachers. It also increases employee contributions from 9.4% to 11.4% and shifts the costs of pensions from the state to the local school districts.

SB 1, recently introduced by Senator John Cullerton, combines these two plans in the same bill. Plan A is essentially the Nekritz-Biss bill, which if passed and found constitutional would go into effect. Plan B would kick in only if Plan A was not found constitutional. In that case, the Quinn plan, with its so-called "choices," could also be considered by the court.

According to a study by the We Are One Illinois coalition, either plan could result in a loss of between 28 and 31% of purchasing power in the first 20 years of retirement.   The full text of this study can be found at www.nstu.org or at www.weareoneillinois.org.

Pension Reform: What do *We* Propose?

On January 9th, the We Are One Illinois coalition, made up of the major public employees unions in the state, renewed a call for a summit meeting between legislative leaders and public employees, now scheduled for February 11th.

IFT President Dan Montgomery, a leading spokesman for the We Are One Illinois coalition.

House Speaker Michael Madigan promptly turned down the invitation with a scathing letter stating that labor does not deserve a seat at the table in the current pension debate.

The coalition is proposing "a way forward" with three main elements:

#1 We should adopt statutory language establishing an enforceable contractual right to timely and sufficient pension contributions by the state. This would address the fundamental cause of the pension crisis.

#2 With that ironclad guarantee, employees should be asked to pay an additional contribution of 2% of their pensionable salary, phased in over a 2 year period. This would yield over $350 million annually and would show that public employees are willing to do their part.

#3 We should work together to close tax loopholes that benefit special interests and raise needed revenue. The coalition has pointed to $2 billion in funding options available to the state of Illinois. Details can be found at www.weareoneillinois.org.

From the President

In Defense of Our Pensions

So the brief but dangerous January lame duck legislative session came and went and once again, due to the coordinated efforts of the IFT and the We Are One labor coalition, and the activism of our members, we were able to fend off ruinous pension legislation. But we all know that "it ain't over till it's over." Almost everyone expects some type of pension legislation to finally pass during the spring session.

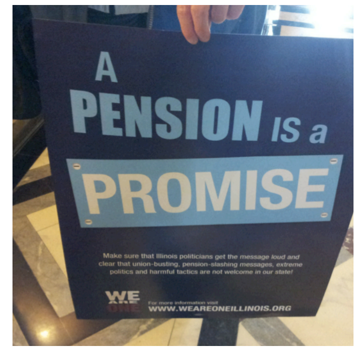
We are all a bit weary of this issue with many among us wishing it would finally end. Some of our members are experiencing a form of survivor's guilt; they have heard the attacks and distortions for so long that they feel underserving of a benefit that most in the private sector no longer have. With that in mind, as the final showdown looms, it is important for us to maintain our resolve and remind ourselves what this fight is all about.

No one disputes that the state of Illinois is in the midst of a huge fiscal crisis, and the amount it owes to the public pension systems is indeed a part of the problem. The debate is about how to solve the problem. So far, every legislative proposal has focused solely on cutting our benefits even though the cost of our benefits did not cause the problem and reducing benefits alone will not solve it. So let's review the facts:

Our benefits did not cause the problem. Our pension benefit is not too generous, nor is it unaffordable. The majority of the normal cost of our pensions is covered by member contributions, currently 9.4% of one's salary. School districts pick up another 0.58%. The state's burden is approximately 8% of our salary costs which is right in line with what most employers pay towards the cost of their employee's retirement security: 6.2% just for social security (which the state is spared because, of course, our work is excluded from social security) in addition to other benefits such as 401K matching contributions and profit sharing plans.

The cause? The state's failure to pay into the system. For decades now the state has failed to make its full payment into the systems, in effect borrowing from our pension systems to balance the state's budgets. This has created a massive unfunded liability – a pension debt – that is the real source of this crisis. In fact, more than half of what the state owes this year to the pension systems is to make up for past shortfalls and to service the debt.

Problem made worse by 1995 pension act: That act created what is commonly referred to as "the ramp." It mandated that the state pay into the systems an amount that would bring them to 90% of full funding by 2045, but it gave the state until 2011 to begin making the full payment. In other words, the legislators of 1994 kicked the can down the road until now, creating pension payments for our time that the state simply cannot afford. In fact Ralph Martire of the independent Center for Tax and Budget Accountability argued in a recent editorial in Crain's that the entire pension problem can be solved without a single cut to anyone's benefits by simply getting rid of 'the ramp' through a restructuring of the state's payments into the pension systems – like refinancing one's mortgage. (See our website at www.nstu.org for a link to this article.)



And finally, last time I looked, our pension benefit is still protected by the Illinois Constitution that our legislators have sworn an oath to uphold. So cutting our benefits should be the absolute last resort. Yet that is the only place that the governor and the General Assembly have looked so far to find a solution.

That said, I believe that our members would be willing to accept modest changes to their pensions if it is part of a balanced plan that includes new revenue and meaningful assurance that the state will pay its share moving forward.

In solidary,

The Elements of Pension Reform

COLA (Cost of Living Adjustment)

The COLA for teachers was first enacted in 1969. The purpose was to prevent erosion in purchasing power for retirees. It started as a 1.5% simple "post retirement increase" but by 1990 was set at a 3% annual increase, compounded, where it stands today. It is important to understand that we have already paid for the cost of the COLA – it is built into the contributions we are required to make in every paycheck.

Last year, for the first time, the door opened on a serious discussion of reducing and delaying the COLA for ***both*** future and existing retirees. Under the Quinn plan, the COLA could be reduced to as low as ½ of the CPI, not compounded. Under the Nekritz-Biss plan, the COLA applies only to the first $25,000 of retirement income, also not compounded

Retirement Age

Under current law, Tier II employees must work until age 67. Under the Quinn plan, the retirement age would be gradually raised to 67 for Tier 1 employees as well. In the Nekritz-Biss plan, the retirement age would be raised on a sliding scale for everyone under 46 years old.

Caps

The Nekritz-Biss proposal adds a cap on the total amount of salary that could be counted for the purpose of calculating pensions. The cap is the Social Security wage base, which is $113,700 for 2013. Top salaries in north suburban school districts with a high cost of living routinely exceed that. This means that a teacher's pension could not be more than 75% of the cap, and for many who have not put in a full career it would be significantly less.

Employee Contributions

The Quinn plan calls for an increase of employee contributions from 9.4% of salary to 12.4% and the Nekritz-Biss plan raises it to 11.4%. The We Are One Illinois coalition has agreed to a 2% increase providing that we are given a guarantee that the state will pay its fair share.

Cost Shift

Under both recent proposals, the responsibility for pensions would be gradually shifted from the state to local school districts. This has been one of the most divisive elements of reform proposals, since it threatens increases in local property taxes.

Chicago Federation of Labor

2013 WILLIAM LEE MEMORIAL SCHOLARSHIP AWARDS

The Chicago Federation of Labor is offering 5 academic-based and 5 random-drawing scholarships of $2,000 each to student graduating from a Chicago or suburban high school. Students or their parents must belong to a union affiliated with the Chicago Federation of Labor and may apply in only one of the two categories. The deadline for submitting applications is March 1, 2013.

For the scholarship application and more information, please go to:

www.chicagolabbor.org/union-resources/scholarship-information

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