



A Union of Professionals

1274 Newsline



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

January 2014

Pension Theft: What Does It Mean For You?

For the last two years, NSTU members have been repeatedly urged to contact their legislators concerning a dizzying variety of pension reform proposals. Due to these efforts, the IFT and its coalition partners were successful in blocking the most damaging proposals and offering reasonable alternatives. That is, until early December of 2013.

On December 3 – some call it “Black Tuesday” – the Illinois General Assembly finally delivered on its threats by enacting deep cuts in pensions for public employees, including teachers. This was done just 24 hours after legislators received copies of the 324-page bill.

Dozens of NSTU members gathered at the offices of local legislators on the eve of the pension vote to register their protest at the unfair and unconstitutional bill. Many more contacted their legislators through emails, letters and phoned their representatives.

The contents of the bill – SB 1 – may seem confusing simply because so many different proposals have been floated over the last couple of years. The new law, signed into law by Governor Pat Quinn on December 5th, is in many ways more damaging than anything that came before it. Details on the new law are found on pages 2 and 3 of this newsletter.

Local legislators voting in favor of the measure include State Senators Daniel Biss and Ira Silverstein, as well as Representatives Robyn Gabel, Laura Fine, Elaine Nekritz and Lou Lang – many of whom we supported in the 2012 elections. To check how your representative voted, go to the NSTU website at nstu.org.

This is not the end of the story, however. The IFT has announced that it plans to challenge the law’s constitutionality in court, in conjunction with the We Are One Illinois Coalition. The group has expressed confidence that the law is, indeed, unconstitutional. For talking points on the constitutional issue and other aspects of the law, consult the We Are One Illinois website.



NSTU members in front of the office of State Senator Daniel Biss expressing their opposition to the pension bill. Signs read: “Tired of being dissed by Biss.”

As IFT President Dan Montgomery stated on the day of the vote, “The battle for fairness, dignity and security in retirement doesn’t stop with today’s legislative action. It is simply a dark day in the developing history of our efforts to protect the middle class.”

Inside this issue:

NSTU President Steve Grossman’s summary of the new pension law

For more information, check out:

nstu.org

ift-aft.org

weareoneillinois.org

Summary of Pension Legislation: Public Act 98-0599 (SB1)

Formula for Reducing the COLA

The current 3% compounded cost-of-living-adjustment (COLA) is replaced by a formula that caps the COLA based on one's service credit. Multiplying one's years of service by \$1,000 creates a threshold on which one's individual 3% COLA is based.

Example: For a teacher retiring with 30 years of service credit, her threshold would be \$30,000 (30 X \$1,000). As long as her pension was under \$30,000, she would receive a 3% compounded COLA on her entire annuity. As soon as her annuity reaches \$30,000, her COLA would only be 3% of \$30,000.

Note: The law refers to a lower cap, using a multiplier of \$800 rather than \$1,000 for workers eligible for Social Security. **That reduced figure does not apply to TRS. Therefore all teachers' COLAs will use the \$1,000 multiplier.**

Adjusting the Cap for Inflation

The \$1,000 multiplier referred to above increases each year by the rate of inflation, beginning in 2016.

Note: This new COLA formula applies to all active Tier 1 members and current retirees.



COLA Forfeiture

Upon retirement, active members will forfeit from one to five years of COLA increases based on one's age at the date that the law takes effect:

Age on June 1, 2014	COLA Forfeiture
50 years and older	One COLA (second year of retirement)
47 to 49	Three COLAs (every other year for 6 years)
44 to 46	Four COLAs (every other year for 8 years)
43 and younger	Five COLAs (every other year for 10 years)

Pensionable Salary Cap

The salary upon which one's pension is calculated cannot exceed the Tier 2 salary cap. What is the Tier 2 cap? This is a cap that was originally tied to what is known as the Social Security Wage Index. However, while the SS wage index rises with inflation, the Tier 2 cap increases each year by only one-half of the rate of inflation, meaning that it will lag farther and farther behind the SS wage index as time moves on.

The Tier 2 salary cap for 2014 is \$110,631 and that figure will increase by one-half of CPI each year.



Grandfathering Clause: For teachers currently working under a collective bargaining agreement, if their salary in the final year of that contract exceeds the Tier 2 cap, that salary shall replace the cap.

Effect of Changes in COLA on Retirement Income

Example: Teacher retiring in 2014 with 30 years of service with a \$60,000 annuity, assuming CPI of 3.0% annually.

Year	Under Current COLA	Under New Law
2015	\$61,800.00	\$60,900.00
2020	\$71,643.14	\$65,821.57
2025	\$83,054.03	\$71,527.02
2030	\$96,282.39	\$78,141.19
2035	\$111,617.67	\$85,808.84
2040	\$129,395.48	\$94,697.74
25-year Combined total	\$2,382,578.01	\$1,971,289.01

Increased Retirement Age

The retirement age is increased by a formula based upon your age on June 1, 2014:

- * If you are 46 years old or older on that date, then there is no increase in your retirement age.

- * For every year that you are younger than 46 (on June 1, 2014) the retirement age is increased by four months with a maximum increase of 5 years (for those aged 31 or younger on June 1).

- * If you are eligible to retire at age 55 (i.e. with 20 years of service), the scaled increase is added to age 55.



Decreased Contribution

Member contributions will be decreased from 9.4% to 8.4%. There will be no contribution on salary earned above the pensionable cap.

Mandatory State Pension Contributions (with a catch).

The state is obligated to make its yearly payments into the pension systems, and the systems have a right to sue the state if they fail to make the full payment. However, the law allows the General Assembly to change or abolish this provision in the future.

Supplemental State Pension Contributions

As pension obligation bonds are paid off, the state will be required to pay a certain amount of what they had been paying on those bonds into the pensions systems. (SB2404 required the state to pay the entire amount of what they were paying on those bonds into the system). In addition, the state must put 10% of what this law saves towards paying the pension debt.

Optional Defined Contribution Plan (403B)

Up to 5% of current members in TRS may choose to opt out of the current Defined Benefit Pension plan and instead enroll in a Defined Contribution (DC) plan. In a DC plan, there is no defined benefit once one retires, only the accumulated savings and investment income created through contributions into the system. Teachers would contribute 8.4% of their salary into the plan. The state would contribute an amount determined annually by the General Assembly – the law does not guarantee any minimum contribution by the state! The teacher would have a choice of placing their money in an account managed by TRS or in an account that they manage.

Sick Leave Days and Service Credit

Teachers hired after the law takes effect will not be able to apply unused sick leave days towards service credit.

Collective Bargaining Prohibition

The law has a provision prohibiting bargaining on any pension related matter except for tax sheltering. The full scope of this prohibition is not yet known.

I encourage you to take a look at the vote in the House and Senate and PLEASE, take the time to thank your legislator if he or she voted NO on this bill. Your 'thanks' goes a long way and makes a big impact on future efforts.

If your legislator voted YES, he or she should hear from you as well. Politicians should know that you're paying attention – before, during and after their votes.

Dan Montgomery, IFT President, shown below





IFT Convention Report

The IFT held its biennial convention from October 18-20 in Rosemont with Power Forward as its theme. The NSTU sent 18 delegates from 8 councils, the largest and most diverse group ever to attend. Two delegates – Dan Puglisi from the NTFT and Bridget Nora from NTDSE – were recipients of the inaugural Young Member Scholarship and attended as guests of the IFT.

NSTU delegates led three of the 18 workshops offered at the convention. NSTU President Steve Grossman led a workshop on “Our Unfair Economy.” Pankaj Sharma and Ann Goethals of the NTFT discussed the success of the District 219 Peer Assistance and Review Program and Cathy Peach of the Wilmette Support Staff Union conducted a session on the “Common Core for Paraprofessionals.” Several delegates also served as sergeants at arms.

Other members who were not delegates volunteered as well. Tina Helms of the NTFT provided demonstrations at the Share My Lesson table for the AFT and Tayyaba Ahmed, also of the NTFT, worked with the credentials and registration committee.

Former NSTU President Dan Montgomery was re-elected to a second term as President of the IFT. Steve Grossman was re-elected as one of 40 IFT Vice Presidents and appointed to the IFT Executive Committee.



NSTU delegates sport t-shirts supporting favorite son Dan Montgomery for re-election as IFT president.



Sharemylesson is a lesson plan and classroom resource sharing site created by the AFT. This **free member benefit** is used by over 400,000 of your colleagues, delivering over 275,000 teacher-created resources you can use with your students. **This can save you hundreds of hours in planning time!** There is something on Share My Lesson for every teacher, parent, and paraprofessional on every instructional topic.

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