Illinois Education Association-NEA

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FACT SHEET

— From the Department of Government Relations —

SB 1673

As Amended

Unconstitutional pension proposal

OPPOSED

The three main components of SB 1673 are:

- Tier 1 employees and Tier 1 retirees elect 1 of 2 options that will impact benefit calculations and eligibility for retiree health insurance
- State Retirement System funding changes
- 6-0% still shifting costs to property taxpayers

OPPOSE:

1. No guaranteed funding language.
2. Funding language hinges on 50% of the employees making an election to reduce their COLA. If not, the funding remains status quo.
3. The legislation forces retirees to choose between undefined health care accesses with a reduced COLA, or keep their COLA with no health care access.
4. **Property Tax Increase and Diversion of Local Resources from the Classroom.** The 6-0% is still a huge property tax increase. It also will have far ranging effects on our schools and those that educate our children. This proposal will now put the pension costs of any salary increase of our local teachers squarely on the backs of property taxpayers, and would divert scarce resources from the classroom. This is a new and burdensome cost.

(Over)

5. **<u>Districts Would Receive Pension Bill Years Later.</u>**
   Additionally, school districts will now face the uncertainty of whether they will receive a pension bill years after employing a teacher.
   How a scenario such as this would play out:
   An early career Tier 1 teacher is in their 5th year of service. After receiving salary increases above 0%, they leave the classroom at 27 years of age. Thirty five years later, when the teacher is eligible to retire with a combination of 5 years of service and age 62, the district that employed them would receive a bill from TRS requiring the district from 35 years ago to pay the pension costs of that teacher.

Proposal Details:

Tier 1 Employee and Tier 1 Retiree Election

Tier 1 employees and Tier 1 retirees are required to make an irrevocable election between 1 of 2 options. The election period begins January 1, 2013 and concludes on May 31, 2013. The election choice is effective July 1, 2013.

<u>Option 1</u> – Under Option 1, **employees** and **retirees** elect a reduced, non-compounded COLA on their future annuity. The COLA is equal to the lesser of 3% or one-half the urban Consumer Prices Index (CPI) on the amount of their original annuity (Tier 2 COLA). **Employees** and **retirees** electing Option 1 will receive a delayed COLA that will begin the January 1st following the earliest of age 67 or the 5th anniversary of the annuity start date. **Retirees** who elect Option 1 receive the same COLA reduction and delay; however, previous increases received remain unchanged.

A Tier 1 employee or Tier 1 retiree who elects Option 1 is eligible to participate in their applicable retiree healthcare plan. Increases in pay to Tier 1 employees and Tier 1 retirees who return to active service will increase the member's pensionable earnings.

<u>Option 2</u> – Under Option 2, **employees** and **retirees** elect to not reduce their 3% compounded COLA and to avoid a delay in receiving their COLA. Current law allows a retiree to receive their COLA on the January 1st following the first anniversary of the annuity start date.

Tier 1 retirees and Tier 1 employees who elect Option 1 are NOT eligible to participate in applicable retiree healthcare plans.

Increases in pay to Tier 1 employees and Tier 1 retirees who return to active service will NOT increase the member's pensionable earnings.