

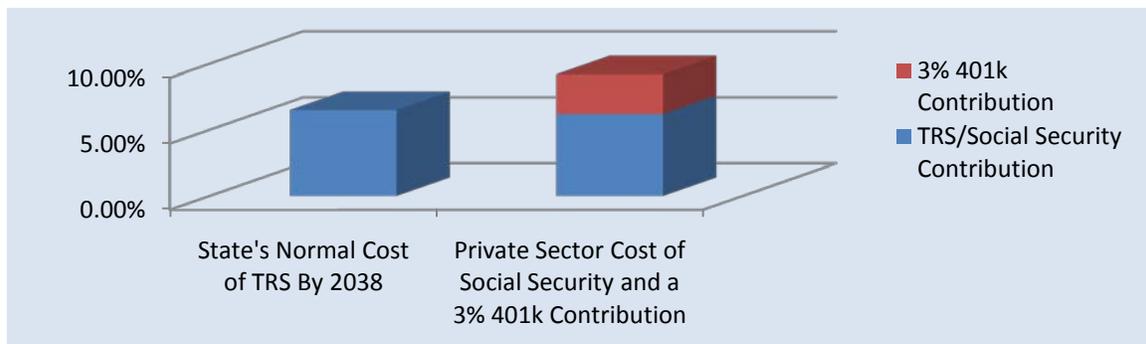
## Myths and Facts of our State Funded Pension Plans

1. *Myth: The plans are simply too expensive for Illinois taxpayers to afford.*

Fact: State costs for pension benefits for new hires are among the lowest costs to any state government in the nation and will become even more affordable in the future. The cost of TRS to the state will drop to 6.63% in the coming years. That is almost the same cost of Social Security. In addition, the state saves billions every year by not having to pay an additional 6.2 percent for Social Security for the vast majority of plan members. For most of them, including all members of TRS and SURS, their pension will be their sole source of income upon retirement. They receive **NO** Social Security for their years of being an educator.

2. *Myth: State costs should mirror costs in the private sector.*

Fact: We could do that, but **that would cost the state more, not less.** Social Security alone costs private employers almost as much as our pension plans cost the state. Add a modest employer-paid contribution of 2 to 3 percent to a 401K plan as a match to an employee contribution, and the private sector model becomes significantly more expensive. To get a true comparison, add the cost of Social Security (6.2 percent of salary) to the average 401k contribution of 3 percent\* of salary and now you are at an employer contribution that exceeds the state's actual annual retirement costs. \* "50<sup>th</sup> Annual Survey of Profit Sharing and 401k Plans." Published by: Profit Sharing/401k Council of America.



3. *Myth: Changing benefits for new hires will get the plans on solid financial footing (Two-tier).*

Fact: This is 100 percent false. The Pension Modernization Task Force Report stated that “significant savings would fail to be realized for approximately 25-30 years.” Knowing this, most proposals regarding two-tier benefits always are coupled with a “smoke and mirrors” scheme intended to take a pension payment holiday or a pension raid in the short term. These long term benefit cuts to our members modest benefits are intended to fill the legislature’s short term budget needs.

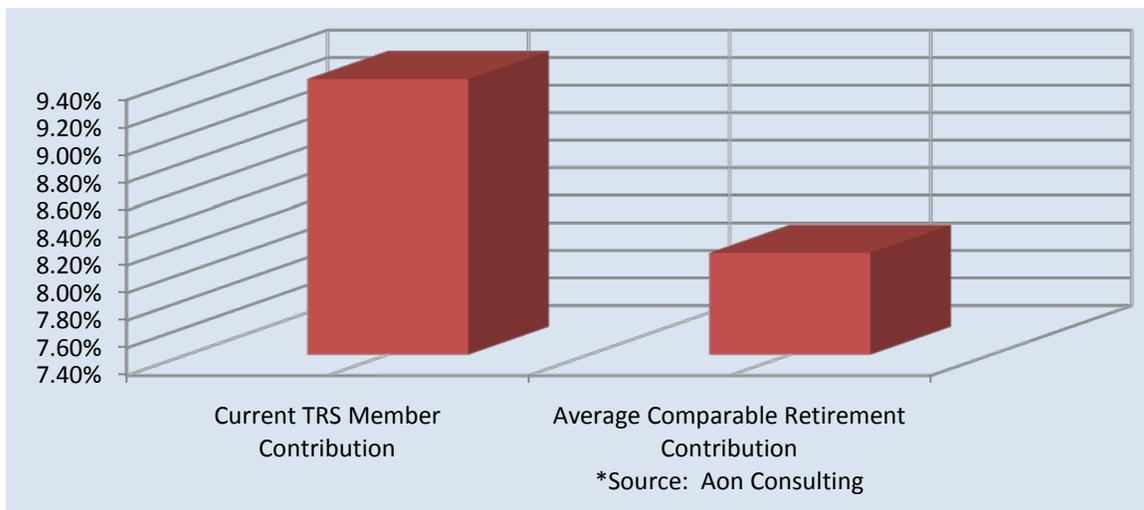
4. *Myth: We can eventually get rid of our pension debt by continually putting it off on to the next generation of taxpayers.*

Fact: That has been the plan for years of past General Assemblies and governors of our state. It is also the current offering. It is what got us into this mess in the first place. It did not work in the past, and it will not work today. Unfortunately, the debt is based on benefits already earned, not those of future hires. It cannot be legislated out of existence and it must be paid. Period.

5. *Myth: Pension benefits are excessively high.*

Fact: The benefits have been studied repeatedly by outside consultants and found to be average and in the mainstream nationally. Moreover, the lion's share of the cost is currently paid by the employees, not the state. **Teacher contributions currently are among the highest in the nation at 9.4 percent.** **The real problem is the debt, not benefit levels.** The sooner everyone realizes that and focuses on a realistic plan for paying it the better off we all will be.

## How Illinois Teachers Compare



Benefit cuts for educators will not solve the pension funding problem!