Proposed Changes to Cook County Employees' Pension Plan

POSITION: Oppose

Cook County's proposal severely weakens the retirement security of its workforce

- The County's plan will reduce the value of an average pension by as much as **30%** over the first two decades of retirement--a loss that equates to as much as **$30,000** a year over that time.
- The County's plan radically modifies the calculation of pension benefits: 1) more restrictive final average salary formula; 2) salary cap; 3) reduced years-of-service multiplier; 4) increased retirement age. Combined with a reduction in the COLA calculation, these changes result **in larger pension cuts** for active employees than those made to other pension systems in SB 1 and SB 1922, despite Cook County being the best funded of these plans.
    - Over the first two decades of retirement, an average 48 year old employee who retires at age 62 with 29 years of service will see a 26% reduction in pension benefits under the County's proposal in comparison to a 19% reduction and 14% reduction under the City's and State's plans, respectively.
- The County's proposal results in employees paying for a greater share of their reduced retirement benefit (81% of the normal cost) than under the City's proposal (73% of the normal cost).

Cook County's proposal incentivizes retirement

- Cook County's proposed changes are less onerous for current retirees compared to the changes made to other systems.
- 28% of the County's workforce is age 55 or older. Many employees eligible to retire before 2015 will very likely do so to avoid the severe pension benefit cuts.
- A higher than anticipated number of retirements increases the pension fund's liabilities and raises concerns over sufficient staffing levels, especially in the County's health care system.

Cook County's funding proposal does not guarantee the projected funding level will be reached

- The County's proposal fails to require actuarial-based payments that secure a healthy funded level by a date certain; rather, the payment floor of 85% funded is set on an open loop basis.

Cook County's retiree health insurance funding is insufficient

- While the County's proposal includes guaranteeing the current level of funding for retiree health insurance, the current funding level is inadequate resulting in very high premiums. Due principally to the high cost, only about half of retirees currently participate in the retiree health insurance program. Because future contributions fail to be indexed by the medical inflation rate, the value of this benefit will be halved over the next 30 years resulting in the cost being prohibitive for most retirees.

Cook County's proposal is unconstitutional

- The County's proposal illegally cuts benefits even though the Illinois Constitution states that pension benefits are a contractual right that cannot be diminished or impaired.
- If overturned by the courts, the County will have kicked the can down the road and further jeopardized the retirement system's solvency.

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