



## Public Employee Pension Reform

We Are One Illinois position: Oppose any pension legislation that is not supported by the We Are One Illinois union coalition. Support the call for a pension summit that includes union representatives later this month to develop fair, responsible and constitutional pension reform legislation.

### *Background*

- For decades, the state has underfunded its pension systems. The result is a \$95 billion pension debt owed to workers and retirees.
- Public employees are not to blame. We paid into every paycheck, even when the state made partial payments or skipped them entirely. No one cares more about a stable pension system than the workers and retirees who have been promised benefits by the state constitution.
- Pension benefits are modest. On average, Illinois public employees receive a modest \$32,000 annual benefit. Moreover, most public employees do not receive Social Security and rely on their pension for retirement security. Pensions are their life savings. For the few state employees in Social Security, the benefit is even lower - \$22,000 annually on average.

### *We Are One Illinois Proposal*

- There should be no changes made that impact current retirees.
- Employees deserve an ironclad guarantee that the state will make adequate pension payments in the future. This will address Illinois' past fiscal irresponsibility and unreliability and ensure it never happens again.
- With a guarantee in place, current employees would be willing to step up to help fix a problem they did not create--contributing an additional 2% of their salaries on a phased-in basis toward pension stabilization.
- The state has to stop borrowing from its pension systems to pay for its ongoing services. To that end, the We Are One Illinois coalition has identified \$2 billion in corporate tax loopholes that could be closed to raise revenue. Corporations – some of which are out-of-state – should pay their fair share of taxes, especially in a tough budget climate.
- The unions in the We Are One Illinois coalition have called for a January summit to work toward a fair, constitutional, and sustainable solution.

### *Problems with Other Proposals: Cutting Cost-of-Living Adjustments (COLAs)*

- Legislation that cuts COLAs can severely hurt retirement security.
  - Seniors face higher inflation risks than other age groups because of the services they purchase, like health care. They are also the least able to reenter the workforce once they've retired – due to health or technological change, for instance.

- Our unions commissioned a study which shows that retirees would lose around one-third of their purchasing power over the course of their first two decades of retirement under Governor Quinn's plan. Retirees would lose a similar amount under HB 6258.
- Social Security uses a compounding type of COLA to protect retirees from inflation. Again, most Illinois workers are not in Social Security, so switching to a non-compounding COLA drastically hurts their fixed incomes in retirement.

*Problems with Other Proposals: Constitutionality*

- Pending pension legislation (HB 1447 and HB 6258) may be unconstitutional and invite a lawsuit. This is because the Illinois Constitution strongly protects pension benefits from being diminished or impaired as part of an “enforceable contractual relationship.”
- Unconstitutional pension legislation hurts everyone. If ruled unconstitutional, such legislation will weaken the pension systems further and effectively kick the can down the road.

*Problems with Other Proposals: Raising Retirement Ages*

- Raising retirement ages unfairly impacts demographic groups with shorter life expectancies. It also hurts those who work in dangerous and physically demanding professions, such as police officers, firefighters, corrections officers, and nurses.
- Retirement age increases reduce the value of already accrued benefits by 6% for each year of increase.