

E-mail from a SUAATalk list subscriber:

I am a SURS employee and have a retirement agreement on my desk to sign. I'm getting a bit nervous about retiring because the articles you refer too lately suggest that "action" may be on the way from the Illinois government. What are the chances that I could lose my SURS annuity completely or partially based on government action (Constitutional Convention) or legislation? What are the chances that SURS could be closed down and I lose all or the State government or SURS goes bankrupt and there is no money to pay annuities?

Should I work until I drop dead at my desk?

Thanks.

=====

John Terwilliger's response:

Don't drop dead!

My opinion is that there is a "0" percent chance that your SURS annuity will be affected in any way by either future legislative action or a Constitutional Convention! I think there is widespread agreement that you (and I) have a solid contract that can not be changed by any future legislative decisions or even a change in the Illinois Constitution. While legislation might be enacted or the Constitution might be amended to change retirement conditions for future employees, I am confident that those changes can not be made to apply retroactively,

Having said that, I point out to you that I am not a lawyer. However, I hope you will not mind if I send your concerns on to the SURS Executive Director, Dan Slack, (who is a lawyer) so that he may comment. I am sure that, in view of the recent flurry of stories on retirement – to which I have contributed – many other SURS members have the same concerns you express.

On another note, let me tell you some changes I do think will happen. First, our health insurance is not protected by the Constitution, and all of us, both active employees and retirees, are very likely going to pay more for our health insurance, both in terms of premiums paid and higher co-pays. Second, Illinois has one of the most generous State income tax policies on retiree income tax (no tax) in the nation. In view of the State's fiscal difficulties, this provision will likely change and, I think, should change. I believe that the most-fair tax would be based on the amount of income rather than the source of income.

As I said, I am not a lawyer, nor do I have a crystal ball to predict the future. However, I am confident that the State will live up to its responsibilities to its employees/retirees. I am also confident that in order to meet those responsibilities, changes will be required. (My biggest concern is the humongous tax bill we are passing on to my kids and grand kids.)

I urge you to go ahead with your retirement agreement and get on with the next stage of your life. I have been retired over sixteen years and have enjoyed every day (well, almost every day) of it.

Regards,
John Terwilliger, Retired UIUC, 1992

SURS Executive Director Dan Slack adds his comments:

I agree with John's comments to you. First, let me issue a caveat that my comments are my personal opinion and that I am not speaking as a lawyer for SURS, or for you, in responding.

Disclaimers out of the way, I believe that the benefits of retirees/annuitants would not be affected by a constitutional convention were one to occur and to result in the deletion of the pension impairment clause. I believe that federal law would protect benefits already accrued. For annuitants, that would be the entire benefit that they are receiving. For those currently

working, I believe federal law would protect the benefits that they have accrued to date, but federal law would not prohibit benefits for future work being reduced or eliminated.

I have not researched, so do not have an opinion at this time, whether the 3% annual increase could be stopped on a going forward basis were the pension impairment clause to be eliminated. If, and note I say if, that is an issue, your continuing to work versus retiring doesn't change that in any way.

I also believe that the pension impairment clause is not likely to be construed to cover retiree health care benefits, and those may be revised by the state whether or not there is a constitutional convention.

John is correct that the focus in Illinois should be on the revenue side of the equation. I have read that we are the 5th wealthiest state in the nation, by at least some measures, and yet our tax burden is something like 42nd or 43rd among the states. As one of SURS' former trustees, Fred Giertz, has said, it is not a matter in Illinois of the state being unable to pay for the public pensions, it is a matter of the state being unwilling to meet those obligations.

The state has been derelict for far too long in responsibly paying the employer share of the pension cost, There has been for far too long a mindset that, as long as the retirement systems can pay the benefits, things are relatively OK. We can pay the benefits, but it's really not OK to underfund the retirement systems, because that makes them more expensive over time. In a properly funded retirement system, investment return should be 75-80% of the cost of the benefits, making them relatively inexpensive for the employer and the employee. When the money is not put in early on, that forces a higher percentage of the benefits to be paid out of the current cash flow of the state - a much more expensive way of financing a retirement benefit for employees.

Best wishes upon your upcoming retirement,

Dan

Dan M. Slack, Executive Director

State Universities Retirement System