Senate Report-Feb. 2013

The FAC met at Loyola University on January 18.

Obviously, the topics of the budget and pensions took up much of our time. There are a variety of proposals out there, but the two most likely to be in play over the legislative session seem to be

(1) Cullerton's COLA for medical coverage choice (we would need to choose whether to keep the 3% COLA or to be a participant in the state medical insurance program after retirement); or

(2) The proposal being advanced by Representative Elaine Nekritz, which severely limits the COLA. First there is a five year waiting period, then the COLA will be only on the first 25,000 (or 20,000 if covered by SS). In addition there is a limit of salary that can be pensionable (the SS limit). Employees would pay 2% more. There are several other smaller limitations as well.

Of the two, Cullerton's has a better chance of passing constitutional muster. There is considerable pressure on the legislature because of the recent downgrade of Illinois bond rating by S & P and the increasing pension obligation the state is required to pay this year.

The unions have a coalition (We are 1) that has made a proposal. Keep benefits as they are, Employees pay 2% more, pay down the obligation by closing corporate loopholes and ending special tax deals. The unions are correct in maintaining that Illinois has in effect borrowed money from the pension funds for more than 30 years. That allowed Illinois taxpayers to receive extended benefits at a low tax rate. And now it is time that the taxpayers pay those loans back. In my opinion, they have been lazy in identifying a revenue source. Closing corporate loopholes and ending special tax deals sounds nice, but which loopholes and how much will doing so generate in revenue. It is important to identify a revenue source to service the unfunded debt.

The question of shifting the normal pension costs to the employer (the university hovers above both of these proposals).

A good source to read is The Center for Tax and Budget Accountability—Common Sense Solutions for Pension Reform. It calls for a level 45 year amortization of the debt (the amount due because the legislature and governor's in the past did not pay the normal costs of the pension plans plus interest). It would be about 8 billion per year. It also calls for a constitutional amendment to allow a progressive tax system which would provide the needed revenue and at the same time provide a tax reduction for almost 70% of Illinois taxpayers.

What can we do—Obviously we need to be in touch with our legislators. Demand they consider only constitutional reforms. Perhaps in the future a faculty senate resolution addressing pension reform might be entertained. Doing nothing should not be an option. Politicians need to be reminded we have long memories.