Illinois Teacher Pension Reform: An Idea Whose Time Has Come

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Illinois Financial Crisis

- Illinois not funding obligations:
  - Late payments to public agencies **AND**
  - Payments are less than obligated amounts

- Public schools are largest state $ recipients

- Teacher retirement system pensions not being adequately funded:
  - Pension solvency is in question
  - Shortfall estimates are in the $$$ BILLIONS $$$
Illinois Retired Teacher Association Bulletin:

- To move toward solvency in 2014:
  - $940,000,000 payment needed by State of Illinois
  - $204,000,000,000 payment from FY 2014 to FY 2045

- Illinois Teacher Retirement System (ITRS)
  - $36.5 billion assets now
  - $90 billion in accrued liability for current & retired teachers
  - $50 billion shortfall (or funding ratio of 40.6%)
How did Illinois pay for pensions?

- FY 2010 & FY 2011: Illinois borrowed money
- FY 2012 & FY 2013: Tax increases
- FY 2013 State payment for all 5 state pension funds equals $5.1 billion plus an added $1.1 billion for debt service for recent borrowing.
- Some question whether Illinois has a debt or revenue problem

- *Debt crisis v. revenue crisis?*
State Attempts to Address Crisis

- Illinois General State Aid Foundation Level:
  - FY 2010 $6,119
  - FY 2011 $6,119
  - FY 2012 $6,119 @ 95%
  - FY 2013 $6,119 @ 89%
  - For FY 2012 & FY 2013 it could be said:
  - Illinois is funding education at a level it can almost afford
State Mandated Transportation:
- State reimbursements drastically reduced
- Legislative suggestion to pay costs out of GSA*
- Generally accepted practice is to deposit **ALL** GSA funds in Education Fund
- Reality is reduction in educational programs and personnel

*GSA Foundation Level has been same or reduced over last 4 years*
Forced School District Consolidation:

- 2011: Governor suggested reduction from 866 school districts to 300 districts with no local input for a savings of $100 million (*no legislation*)

- Classrooms First Commission* (P.A. 97-0503) in August 2011 and led by Lt. Governor to explore dual district consolidation (found that consolidations do not automatically reduce costs)

*Assumes classrooms were not first up to that point?
Income Tax Increase:
- Income tax increase of 66% (Flat tax increase from 3% to 5% and was suppose to be “temporary”)
- State payments are still delayed and reduced
- GSA not increased
- Media ranting of future “doom ‘n’ gloom” for the State
Tier II: Illinois Teacher Retirement System:

- Designed to affect “new” teacher employees who start after January 1, 2011
  - Retirement age moved from 55 to 67
  - $106,800 cap on highest salary to calculate annuity
  - Threatens TRS as a bona fide pension system (resulting in the additional cost of Social Security contributions)*
  - Could require a teacher vested at age 55 to work 12 more years until age 67

*Illinois teachers do not pay into social security*
Transfer or “Shift” the State’s cost for teacher pensions to the local districts
- Currently done in Chicago
- Could eliminate future “Tiers” added to the current system
- Could eliminate the new Tier II
- Districts need to be proactive and take a stand by supporting a sustainable solvent teacher pension
District Responses – to date

- Districts need to respond differently to the legislature and governor than the way it's always been done in the past:
  - We no longer can say that we cannot afford to:
    - Consolidate districts
    - Pay more for transportation
    - Have GSA reduced
    - Have categorical program funding reduced
    - Pay for mandated programs
    - **AND** now we cannot afford the pension shift while...
Annual salary increases still occur for faculty, staff, & administrators (albeit some soft or hard freezes) but no salary reductions
- Participating in one of the best pension systems in the country (up to now anyway)
- Maintaining $13 billion in fund balances
- Paying 274 Superintendents $100,000,000
- Paying 4 Illinois Superintendents $400,000+ each per yr.
Districts CAN pay the State portion of the TRS under these circumstances

- Phase in over 10-15 years
- Illinois General Assembly remove Tier II specifications in its entirety
-立法为教师养老金提供资金来源，不亚于目前为社会保险/IMRF以及芝加哥学区所要求的
- 情况。
State Benefits

- Pension cost for 1 of 5 State pensions eliminated from the State’s expenses
- Model established for other 4 pension systems
- Maintain current & future pension system to attract quality teacher candidates
- Simplify system by removal of Tier II provisions
Teacher Benefits

- Tier II eliminated thereby teaching will continue as a professional career choice
- Current pensions benefit will continue as is into the future
- Dependable funding source (via Tax Rate)
- Can be negotiated into the CBA through bargaining process
Additional Considerations

- No other government unit will secure current pension benefits
- All other government plans suggest some type of pension benefit reductions
- Phase-in period will provide time for changes through the collective bargaining process
- All other government ideas have include increased costs
- Sacrifices now will be offset in future benefits