



ADVISORY COMMISSION ON PENSION BENEFITS

COMMISSION REPORT AND

RECOMMENDATIONS

FOR GOVERNOR ROD BLAGOJEVICH AND

THE ILLINOIS GENERAL ASSEMBLY

November 1, 2005

LETTER FROM COMMISSION CHAIR ROLAND BURRIS

November 1, 2005

Governor Rod Blagojevich
207 State Capitol
Springfield, Illinois 62706

General Assembly
Illinois State Senate
Illinois House of Representatives
Springfield, Illinois 62706

The Honorable Governor Blagojevich and Members of the Illinois General Assembly:

The Advisory Commission on Pension Benefits (the “Commission”) was mandated under Senate Bill 27 to “consider and make its recommendations concerning changing the age and service requirements, automatic annual increase benefits, and employee contribution rates of the State-funded retirement systems and other pension-related issues as determined by the Commission. On or before November 1, 2005, the Commission shall report its findings and recommendations to the Governor and the General Assembly.”

The Commission met five times between September 23 and October 27, 2005. After extensive and productive discussions of the State Retirement Systems, the Commission crafted several recommendations for your consideration. The final vote on these recommendations was 13-2 in favor of the recommendations; the recommendations and votes are attached hereto. The Commission’s recommendations do not affect earned pension benefits of current State employees or pension benefits being received by current retirees.

Respectfully submitted,

Roland Burris
Advisory Commission on Pension Benefits, Chair

COMMISSION MEMBERSHIP

Membership in the Advisory Commission on Pension Benefits consists of the following individuals:

- The Honorable Roland Burris, Chair
- *Representative Bob Molaro
- *Senator Jeff Schoenberg
- Representative Jim Watson
- Senator John Jones
- Executive Director Jon Bauman (TRS)
- Executive Director Bob Knox (SERS)
- Executive Director Dan Slack (SURS)
- Director John Filan
- Hank Scheff (AFSCME)
- Rich Frankenfeld (IEA)
- Ed Smith (LIUNA)
- Jim Dougherty (IFT)
- Brian Rainville (Teamsters)
- Tom Balanoff (SEIU)

* Denotes current members of the Commission on Government Forecasting and Accountability (formerly Illinois Economic and Fiscal Commission).

COMMISSION RECOMMENDATIONS

The Advisory Commission on Pension Benefits recognizes that the nature of funding the State of Illinois Pension Systems is a significant issue that affects both employees and the State as a whole. This issue mandates the full involvement and participation by both labor and management. Therefore, this Commission suggests that the Governor and General Assembly adopt an agreed bill process to ensure the full participation of labor and management and that the agreed bill should include the following:

RECOMMENDATIONS

1. The Commission recommends that the State adopt means by which to dedicate revenues in excess of a specific target percentage of growth towards the additional funding of the pension systems when those targets are met, and establish a minimum when those targets are not met.
2. The Commission recommends that if the State sells certain assets, then 100% of the resulting revenues should be dedicated towards reducing liabilities, including the Pension Systems' unfunded liabilities, as a component part of a broader plan to reduce those unfunded liabilities.
3. The Commission recommends that the General Assembly consider creating incentives for employees to continue working beyond the year when they achieve the maximum pension percentage as a means to reduce the State's pension costs.

4. The Commission recommends that the General Assembly consider the issuance of Pension Obligation Bonds as quickly as practicable as a financing instrument to reduce the State's pension costs, as long as (1) there are favorable market conditions and (2) the issuance of such POBs is a component part of a broader plan to reduce the Pension Systems' unfunded liabilities.

5. The Commission recommends that the General Assembly should explore new revenue sources dedicated to reducing the Pension Systems' debt, as a component part of a broader plan to reduce the Pension Systems' unfunded liabilities.

6. The Commission affirms the significance of the benefit reforms achieved in the 2005 Spring legislative session, and also affirms that, at the present time, most SERS, TRS and SURS benefits and employee contributions are comparable to other public pension systems in the United States. The Commission further recommends that the General Assembly should regularly review, as part of the agreed bill process as well as their normal budgetary review process, the affordability of the Pension Systems' plan provisions regarding benefits and make an affirmative determination thereon.

COMMISSION VOTES ON RECOMMENDATIONS

- The Honorable Roland Burriss, Chair - Yes
- Representative Bob Molaro - Yes
- Senator Jeff Schoenberg - Yes
- Representative Jim Watson - No
- Senator John Jones - No
- Executive Director Jon Bauman (TRS) - Yes
- Executive Director Bob Knox (SERS) - Yes
- Executive Director Dan Slack (SURS) - Yes
- Director John Filan - Yes
- Hank Scheff (AFSCME) - Yes
- Rich Frankenfeld (IEA) - Yes
- Ed Smith (LIUNA) - Yes
- Jim Dougherty (IFT) - Yes
- Brian Rainville (Teamsters) – Yes
- Tom Balanoff (SEIU) – Yes

Final Vote Count: 13-2 in favor of the Commission Recommendations