

Illinois State Annuity Association Newsletter

ISUAAA



Volume 6, Number 4
Spring 2012

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ISUAAA—serving annuitants and survivors since 1971

President's message

This newsletter is sponsored by the ISU Credit Union. They have opened a new office on Airport Road in Bloomington. Stop by the new location, or visit the existing location at 1309 South Center Street in Normal to thank them for their support.

As this newsletter goes to press, citizens will be voting in the Illinois primary. Due to the last census, Illinois has undergone redistricting. The individuals on your primary ballot may not include the individual representing you in the Illinois legislature or the U. S. Congress, even if they are running for re-election. The redistricting also requires every member of both the Illinois House and Senate to run for re-election, either in their current district or they may decide to move to a new district if they believe their re-election chances will be better there. Remember that your current representatives in both the House and the Senate will continue to serve as your voice in the legislature until the new legislators take their seats in January 2013.

While a number of shell bills addressing pensions have been introduced, most contain little legislative language that suggests what will happen this spring. There are numerous options out there and many are described in the Legislative Report below. Many members of the legislature are under pressure from groups such as the Civic Committee and the Civic Federation as well as many editorial boards to finally address issues of the structural deficit in the state and the role that state pensions play in the budget deficit. These individuals would argue that we cannot (or perhaps will not) address these problems through tax policy, but must make painful cuts. Some of these groups seem especially interested in inflicting this pain on us no matter what the constitution says. Others are not so certain the legislature will take action to inflict pain in an election year and that legislative action this spring will be limited. Time will tell and it is important to remain vigilant.

Last spring we also witnessed the incredible mess created by the awarding of health insurance contracts in a way that disrupted continuity of care for many of our members. The health insurance contracts that were extended last year in response to the uproar these decisions made are expiring this June. The Commission on Government Forecasting and Accountability (COGFA) has authorized the Department of Health and Family Services to open bidding for new contracts. We all need to watch the outcome of the bidding process to ensure that the health care needs of our members are met by whatever the outcome is of this bidding process.

Larry Alferink

Legislative report

At the time this newsletter went to press, the March primary was about to occur and it is unclear what challenges our pensions and benefits will face this legislative session. Unless there is an amendment to SB 512, the bill targeting pension benefits for current employees, it is unlikely to come to a vote, as there is little support for this bill in the legislature at this time. However, a number of shell bills have been introduced that could provide a vehicle for legislative action. A shell bill is one that has very limited provisions but can be amended as support for various positions becomes clearer as the legislative session progresses. Representative Biss introduced a shell bill on behalf of SUAA that would require the legislature to meet its annual obligation to fund SURS. There are others that are likely to provide alternatives to SB 512.

The governor supports shifting the costs of pensions to the universities, community college districts, and school districts. It is unclear whether this proposal will have much support as it would drive up the cost of tuition and provide pressure to increase local property taxes in a state that already ranks very high on property taxes. The proposal to shift the costs of teacher pensions to local school districts will likely face especially strong opposition in the legislature. The Civic Federation is pushing for support for provisions in SB 512, proposals to require retirees to pay 50 percent of the cost of their health insurance and, not surprisingly given actions taken in other states, limiting the size of the COLA and eliminating the compounding of the COLA increase. The Civic Committee has also begun establishing a PAC that they expect to be extremely well funded to recruit and support the election of candidates that will challenge existing members of the legislature that have not supported these measures.

While not yet included in a bill, the Institute of Government and Public Affairs (IGPA) at the University of Illinois has perhaps the most interesting proposal that has come forward thus far. It has many good features but it also would target pension benefits for current employees. It is described in more detail in the following section.

Many legislators are engaged in private discussions that they are not as yet willing to make public. Very little of this has been drafted into legislative language, but we shouldn't be surprised to see at least some of this move forward during the remainder of this legislative session.

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Illinois State University Annuity Association
Campus Box 8000
Normal, IL 61790-8000

Annuitants.IllinoisState.edu

Annuitants Association website

The website has a new look! Check it out!

- Why join ISUAA
- History of ISUAA
- How to join
- Survivor assistance information
- Newsletters
- Parking on campus for retirees
- Meetings and events schedule
- Contacting your legislator
- Legislative platform

Annuitants.IllinoisState.edu

Jess Ray, Web page coordinator



On a different note, HB 5531 threatens the tuition waiver benefit for the children of university employees while the legislative tuition waivers go unaddressed. This bill was passed by the House Executive Committee on February 29 with on a 9-2 vote. Representatives Dan Brady and Mike Bost were the two dissenting votes. While we should express concern on behalf of our university colleagues that have been working with the expectation that their children would receive this benefit, we should also recognize that this is yet another factor that makes it more difficult to attract and retain outstanding employees to the University.

IGPA pension reform proposal

The Institute of Government and Public Affairs (IGPA) at the University of Illinois has drafted a pension reform proposal that has both good and bad features for our members. The report is likely to have influence in the legislature as Tom Cross, minority leader in the House and the primary supporter of SB 512, and Lawrence Msall, former president of the Civic Committee, the group pushing SB 512, are members of the institute.

The good news is for individuals hired after January 2011. These individuals receive a substantially reduced pension under the tier II arrangements and are not vested in SURS until they have been employed for 10 years. If someone in this group were to be denied tenure or to leave after nine years and 11 months, they would not receive any pension benefit nor would they have earned any social security credits. Such a lengthy vesting period is extremely unfair and not in line with other employers.

IGPA proposes a vesting period that is phased in, beginning with two years of service.

IGPA also proposes a hybrid pension plan to replace the new tier II plan. They suggest that the state provide 1.5 percent of salary for each year of service as a defined benefit plan. This would then be supplemented by modest state contributions to a modified defined contribution plan. The total state contribution would equal approximately 6.2 percent, the amount employers are required to

pay into social security. Universities would then add a contribution equal to 50 percent of employee contributions or about 4 percent under current SURS provisions. University contributions would be phased in over time. This would likely be a significant improvement over the existing tier II plan, would be mandatory for new employees, and would be the only plan available to them. Current employees could choose to move to this plan and participants in tier II would likely do so.

The bad news is for employees and for retirees. IGPA proposes that the Effective Rate of Return be reduced for the money purchase formula to a benchmark approximately equal to the Treasury Bond Index. This would be a substantial reduction and would be expected to reduce benefits under money purchase substantially, making the benefits provided under the money purchase formula approximately the same as the benefits provided under the years of service formula. Currently, about 66 percent of SURS participants retire under money purchase and about 34 percent retire under the years of service formula. This would make the money purchase formula of little use except for individuals with a number of years of service and nearing retirement. The reason for this is that the Effective Rate of Return historically has exceeded the actual returns achieved by SURS by a fraction of a percent. However, even a small percentage can result in substantial sums when multiplied by the number of participants that are active in SURS. This means the state was providing an added subsidy to those that retired under this formula. However, the reduction would probably yield a return of 2-4 percent, much less than SURS has historically earned on its investments. Either this would mean that SURS would have little incentive to exceed the bond index or a substantial portion of SURS earnings would revert to paying off the pension debt. While adjustments to ensure the Effective Rate of Return did not exceed the actual earnings that SURS achieved is appropriate, such a drastic reduction is questionable.

Secondly, while cognizant of the Arizona Court decision cited on page 4, they propose charging current employees up to 3 percent more to fund their pension. They recognize the constitutional issues that this would invoke. Thus, combined with the change for the money purchase formula, this would result in current employees paying more for what many would experience as substantially reduced benefits.

For retirees, the hybrid system would mean less employee contributions would be coming in to pay current pensions and the state would not be able to take a pension holiday on their contributions to the defined contribution portion of the hybrid plan. This could create even greater concerns down the road regarding the ability of SURS to pay future pension benefits.

The full report can be found at igpa.uillinois.edu/system/files/SURS-Paper.pdf.

Senior Professional summer programs

Academy of Seniors

\$45 for four sessions in each topic

Is Japan a Violent Culture?

1:30–3:30 p.m. • March 19, 21, 26, and 28

Lou Perez, professor, history, Illinois State University

The Civil War You Never Knew

9:30–11:30 a.m. • April 3, 10, 17, and 24

- Backing The Boys: Illinois in the Civil War
Kurt A. Carlson, attorney and historian
- Slavery, Abolitionism and the Underground Railroad
Owen W. Muelder, director, Galesburg Colony Underground Railroad and Freedom Center, Knox College
- Hospital and Hygiene: The Medical Side of the Civil War
Glenna R. Schroeder-Lein, manuscripts librarian, Abraham Lincoln Presidential Library
- The Civil War, According to Its "Sharpshooters"
Marie-Susanne Langille, adjunct professor, humanities and fine arts, Illinois Wesleyan University and Heartland Community College.

Economics on Main Street: Concepts for American Voters

1:30–3:30 p.m. • May 8, 15, 22, and 29

Daniel Rich, Professor, Economics, Illinois State University

Lunchtime Journey

\$120. Your journey will take you to the Mediterranean, Austria, Peru, and Southern Italy.

Morning with the Professors

\$45/all five sessions or walk-in, \$15 for individual session—pay at the door.

ISU Agriculture—100 Years of Excellence

9:30–11:30 a.m. • March 30

Rob Rhykerd, chair and professor, agriculture, Illinois State University

American Pastime: Baseball or Shopping?

9:30–11:30 a.m. • April 6

Robert Fazzini, retired banker and Bloomington alderman; Mark Peterson, Town of Normal city manager; and Steve Malliet, Normal CornBelters president

"Book 'Em Danno"—An In-Depth Look at the Miranda Warnings

9:30–11:30 a.m. • April 13

Judge Robert Freitag

Did the Founding Fathers Intend a Christian Nation?

9:30–11:30 a.m. • April 20

Richard G. Watts, retired Christian theologian

Neanderthals and the Beginnings of People Like Us

9:30–11:30 a.m. • April 27

Fred H. Smith, professor, anthropology and biological sciences, Illinois State University

(continued on page 4)

Senior Professional summer programs

(continued)

Classroom Journey

\$50

History, Agriculture, and Geography—

A Close-up of McLean County

- Don Meyer, lecturer, agriculture, Illinois State University, and retired University of Illinois Extension adviser
- Friday, May 18, 8:30 a.m.–4:15 p.m.,
- Bus leaves at 8:30 a.m. from Schnuck's parking lot in north Normal.

21st Century Technology:

Yes, It Can be for You

\$45/all four sessions or walk-in,
\$15 for individual sessions—pay at the door.

9:30–11:30 a.m. • June 18, 20, 25, and 27

- Learn from Illinois State University technology experts. They will cover a new topic each session. Listen to the pros and cons of the new smart phones, tablets, and e-reader devices.
- Register at SeniorProfessionals.IllinoisState.edu/register. For more information or to register, call: (800) 877-1478 or (309) 438-2160. Academy of Seniors and all Mornings with the Professors will be held at Illinois State University's Alumni Center, 1101 N. Main St., Normal, IL, unless otherwise noted.

Court decisions

Several recent court decisions may have a bearing on efforts to reform pensions in Illinois. Most notable is the decision in Arizona. The Arizona Constitution includes a non-impairment clause similar to that in the Illinois Constitution. A district court judge in Arizona ruled that requiring employees to pay an additional 3 percent of salary without an offsetting benefit violated the contract that the non-impairment clause in the constitution established.

Somewhat different reasoning was applied in the case of New Hampshire when the state raised employee pension contributions by 2–2.5 percent. New Hampshire's constitution does not specifically protect pensions but does include a provision that the state cannot impair contracts. A superior court judge ruled against the state because the state had impaired a contract established when those employees began employment with the state.

In a third case in Florida, a state judge struck down a provision requiring employees to pay an additional 3 percent toward their pensions and also struck down provisions that would reduce their cost of living increases. The judge noted that a budget crisis does not mean the state of Florida can set aside its constitutional obligations.

None of these court decisions extend beyond the state borders, but should nevertheless reduce enthusiasm for efforts to increase pension costs for current employees. These decisions are good news for our members.

ISUAA calendar

May 9, 2012 • 2–3:30 p.m.

ISUAA Board with Committee Chairs
Room 119, Alumni Center

May 15, 2012 • 11:30 a.m.–1 p.m.

Annual Retiree Reception
Prairie Room, Bone Student Center

June 6, 2012 • 5:30–7:30 p.m.

ISUAA Annual Meeting & Dinner*
Brown Ballroom, Bone Student Center

July 11 • 2–3:30 p.m.

ISUAA Board with Committee Chairs
Room 119, Alumni Center

* Reservation required

Political action support

In March, you received a letter from Jim Carlson, the local representative on the SUAAction Board of Directors. Carlson explained the role of SUAAction, SUAAction's political action committee, and the challenges facing those advocating on behalf of annuitants. Carlson requested a donation to help support political activity on your behalf. As noted above, the Civic Committee has established a PAC to help elect members of the legislature that will reduce your pensions and benefits, so your contributions are more important than ever in helping to protect your pensions. If you have not already sent your donation, please consider doing so now. It is not too late. Make your check payable to SUAAction and send to SUAAction, P.O. Box 11023, Springfield, IL 62791-1023.

Directory update: New information

Following is updated information for the 2011–2012 Annuitants Directory that you received previously. Please add it to your copy.

Warren and Janet Harden
warrenharden1@gmail.com
jmharden3@gmail.com

Please continue to let us know of any new information for the directory.

How time flies

by April Karlene Anderson

University Archivist, Jo Ann Rayfield

150 Years Ago • 1862

- Perkins Bas is still acting principal though Richard Edwards and becomes ISNU's second president in 1862.
- Leander Potter who left to fight in the Civil War, is scheduled to return to the faculty.
- There are 285 students enrolled in both the University and the model school.

100 Years Ago • February 1912

- The annual Founders Day banquet is held on February 17. Guests are invited to dine at the Manual Arts Building and listen to farewell speeches for the departing vice president, Henry McCormick. Many ISNU notables attended including fourth President John Cook and Professor June Rose Colby. Former Professor Charles DeGarmo sent a letter to be read at the banquet. Party goes were reportedly out until 2 a.m. the following morning.

75 Years Ago • January/February 1937

- The Blackfriars group held its annual pledge ceremony. *The Vidette* article reads: "Instead of 'Swing Mr. Charlie' it was 'Swing Mr. Paddle' last night on the Blackfriar pledges. What hurt the most was that the pledges furnished the paddles so there would be no expense to members if one happened to break."
- The annual Founders Day banquet is held in Fell Hall. J.W. Carington, head of the Placement Bureau, was the toastmaster while Thomas Berger '12 gave the address of welcome. Participants at this dinner spoke of organizing an Alumni Council to be located in McLean County.

50 Years Ago • January/February 1962

- ISNU officially starts doctorate work. Departments offering doctorates are art, biological sciences, and education.
- The library offers open stacks to students rather than students requesting staff to pull their materials from the shelves. Many on campus are happy with this change while others believe it will be too confusing.
- A birthday party for the University is held on February 20 in lieu of a Founders Day celebration. The theme for the evening event was "Teaching in a World Community," and a panel made up of graduates and undergraduates spoke on the topic.

25 Years Ago • January/February 1987

- ISU is in its second semester of offering students access to computers in microcomputer labs. However, the University needs to pay for these machines, so students are charged a \$30 English materials fee.

Retiree information hotline

Have a question? Need an answer? Don't know whom to contact? Call (309) 438-4311, the phone line answered by University Advancement just for retirees and surviving spouses. Staff will either direct you to the needed resource or take your name and number and have someone follow up with you.



State Universities
Annuitants Association

Election information by email

Remember that you should not use your ilstu.edu address to contact members of the legislature. SUAAAction, the Political Action Committee (PAC) that works to protect your pensions, will not send election information to your university email address. Thus if you are an Illinois resident and wish to be informed about candidate positions, it would be helpful if you sent alternative email addresses to me at alferink@IllinoisState.edu, and I will forward them to SUAAAction. Alternative email addresses can be established through many websites such as Frontier, Comcast, Hotmail, Yahoo, Gmail, and MSN.

In memoriam

Everett Bauer.....	12/9/2011
Arlene Bleavins	2/23/2012
Jean Cadieux.....	11/9/2011
John Capasso	12/1/2011
Robert Franklin.....	10/30/2008
Joseph Honan.....	2/22/2012
Margie Irwin	10/30/2011
John Johnston.....	1/19/2012
William Kessinger.....	1/6/2012
Lynette McCarthy.....	2/27/2012
Donald Milburn	2/27/2012
Michael Moss.....	1/13/2012
Helen Norton.....	2/19/2012
James Pancrazio.....	2/29/2012
Ann Sinclair	12/30/2011
Lloyd Watkins.....	3/1/2012

Retiring? Payroll deduction of your dues?

For current employees who are retiring in the near future and who pay their ISUAA/SUAA dues through payroll deduction, it is important to remember that you will need to complete a new membership form arranging for your dues to be deducted by SURS rather than ISU payroll. If you submit your new membership form before you retire, your first dues payment will likely be deducted from your second pension check. You can obtain the correct membership form from the How to Join link at IllinoisState.edu, or you can contact Larry Alferink at (309) 454-3814 or alferink@IllinoisState.edu if you would like a copy mailed to you. Thank you for your continued support!

Gladly We Give

Gladly We Give is about the Illinois State University family coming together to support the many causes on campus. Together employees and retirees can make a difference. Because of faculty, staff, and retiree support, the following was accomplished on campus last year:

- A total of 1,611 faculty, staff, and retirees supported their passions.
- Their gifts combined resulted in more than \$1 million dollars to the institution.
- This support was crucial to the University awarding a total of \$2,525,397 in student scholarships and awards.

If you have already made your annual commitment to Illinois State, thank you. If not, please use the form included in the newsletter to designate your gift to the area on campus that matters most to you. You can also make a gift online at IllinoisState.edu/Giving or by phone at (800) 366-4478.

University Club

Jude Boyer

The following dates have been confirmed for 2012–2013

Gourmet Dinners

Saturday, September 29, 2012; Saturday, October 27, 2012; Saturday, January 26, 2013; and Saturday, February 23, 2013. Menus and reservation details for the fall dinners will be available on the University Club website in August.

Discussion Hours

Discussion Hours are held on most Friday afternoons of the academic semester from 3:30 to 5:30 p.m. in the Faculty/Staff Commons of the Bone Student Center. Please join us for refreshments and lively conversation. Special discussion/information topics are

noted on the University Club Calendar website. There will be no Discussion Hours during the summer session; the first Discussion Hour of the fall semester will be Friday, August 24, 2012.

University Club is a great way to meet members of the University community. Membership is open to all current and retired faculty and staff of Illinois State University. Further details about the University Club may be found at uClub.IllinoisState.edu.

Helping Hamper

By Jan Cook

The Helping Hamper for our June dinner will support the St. Vincent DePaul Food Pantry in Downtown Bloomington. They can use any canned or packaged food, coffee, or tea. They also appreciate our history of donating personal soap and deodorants to help folks stay presentable as they work or look for work in Illinois' summer weather.

Our spring collection for the Salvation Army's Safe Harbor Shelter filled the hamper with food, especially cereals, fruit, tea, and coffee. Overflow included several dozen lip balm and bags of cough drops for their 50-some residents. Thanks!

We continue to collect Box Tops for Education to support the PTO's service projects for Thomas Metcalf School. Each box top can be redeemed for \$.10 in cash. They are postage-stamp sized rectangles on many products from Betty Crocker, including Kleenex and Progresso soups. Hang on to them! The cash helps kids!

Annual meeting and dinner, June 6

The ISUAA annual meeting and dinner is scheduled for Wednesday, June 6, 2012, in the Old Main Room, Bone Student Center. The program also will include a general update on ISUAA/SUAA business and election of officers and board members. The terms of Larry Alferink, president; Janet Bremner, secretary; and Martha Burk and Christ Schwelle, Directors are expiring. Nominating Committee Chair and Director Jude Boyer will present the committee's slate of candidates. The chapter's distinguished service award will be presented as well.

This is the one event where ISUAA subsidizes the cost of the meal to encourage members to attend. The cost is \$10.50. All members are encouraged to attend.

Updated contact information for newly elected officials

The November elections resulted in some changes in our state and federal elected officials. Updated information about members of our legislature, our elected state officers, and members of Congress is posted at Annuitants.IllinoisState.edu/legislator.

YES, MY GIFT MATTERS.

GIFT DESIGNATION

- ISU EXCELLENCE FUND. Supports the University's area of greatest need (3065065)
 RED AND WHITE SCHOLARSHIP FUND (2323000)
 COLLEGE/DEPARTMENT/OTHER: _____

PAYMENT OPTIONS

___ **OPTION 1:** Check. A check for my gift of \$ _____ payable to Illinois State University Foundation is enclosed.

___ **OPTION 2:** Credit Card: VISA MASTERCARD DISCOVER
 A single gift in the amount of \$ _____
 A recurring gift in the amount of \$ _____,
ending on ____/____/____ (month/day/year),
to be paid: monthly quarterly semi-annually annually

Name on card Account number

Expiration date Signature

___ **OPTION 3:** Make a gift online at IllinoisState.edu/Giving

DONOR INFORMATION

Name(s) University ID (if known)

Address

City State Zip

Preferred email address

() mobile home

Preferred phone number

FURTHER GIVING INFORMATION

___ My spouse works for a matching gift company:

___ I would like more information on including Illinois State University in my estate plans.

___ I have already included the University in my estate plans.

Office use only: AG00000000 20121SUAA0 43

Please mail this form to the Illinois State University Foundation, Campus Box 8000, Normal, IL 61790-8000.

Brookhart is interviewed about pensions on WJBC

Linda Brookhart, SUAA executive director, was interviewed by Susan Almeida on WJBC. Her interview is available at wjbc.com/updates-on-state-pension-reform.

Exchange email/calendar users

A change is being made to email and calendar services for retirees. This change affects only those individuals who used Exchange email and/or calendar since June 2007. If you used Outlook for email or calendar, this change might affect you. Due to licensing restrictions, individuals are no longer eligible to use the Exchange email/calendar system after they retire.

As a retiree, you are guaranteed access to email through the University, and starting in May 2012, the University Computer Help Desk will be contacting affected individuals. If you are affected by this change and want to keep your Exchange email and/or calendar data, the Help Desk will assist you in transitioning to the central campus mail server.

If you believe you will be affected by this change and don't want to wait for the Help Desk to contact you, please send an email to ciss@IllinoisState.edu and state whether or not you would like assistance in keeping your data. If you do not want to keep your Exchange email or calendar data, it can be deleted for you.

Senior Professionals of Illinois State University

- Are you an active retired senior?
- Are you willing to share your skills, experience, and knowledge with others?
- Are you interested in working with ISU faculty, staff, and students?
- Are you interested in lifelong learning?

Then, Senior Professionals is right for you!

Senior Professionals offers a variety of programs and events for members to interact with the university and community. Contact the director of Senior Professionals at (309) 438-2818 or srprof@IllinoisState.edu.

ISUAA annual meeting and dinner reservation form

5:30–7:30 p.m., Wednesday, June 6, 2012

Brown Ballroom, Bone Student Center

Name(s) of those attending _____

Please reserve _____ meal(s) at \$10.50 each. A check for \$_____ payable to ISUAA is enclosed.

Entrees

____ Oven-fried chicken _____ (name)

____ Vegetable lasagna _____ (name)

____ Please indicate dietary restrictions _____ (name)

Fruit cup as dessert for those on dietary restriction.

Reservations must be received no later than Thursday, May 24. Please mail no later than Tuesday, May 22, to Shirlee Bottomley, 507 E. Taylor St., Bloomington, IL 61701-6101, or Irene Niccum, 301 Towanda Ave #C, Normal, IL 61761.

Please, no late or phone reservations.

ADDRESS SERVICE REQUESTED

Annuitants Association
Campus Box 8000
Normal, IL 61790-8000

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UNIVERSITY
Illinois' first public university

