

TUA NEWS RELEASE

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Illinois' HB6258 is a Quacker - Lame Pension Reform for Lame Ducks

CHICAGO--The proposed reform of the Ill. government employee pension system, [HB6258](#) is described by some Springfield politicians as "bold," but is actually lame and largely ineffectual, according to Jim Tobin, President of Taxpayers United of America (TUA).

"The so-called pension reform bill proposed by St. Rep. Elaine Nektriz (D-Northbrook) and St. Rep. Chris Nybo (R-Elmhurst), will not 'solve' the problems that will make this government pension system collapse," said Tobin. "The system is so far in the hole that it is self-destructing and a radical overhaul of the system is absolutely necessary."

"Shifting the cost of government pensions to local governments, as this bill proposes, would cause havoc for homeowners. The local governments would be forced to sharply increase property taxes. Remember the old-and-true saying: A tax *shift* is a tax *shaft*."

"The current 3% cost of living adjustment (COLA) is compounded which means the annual pension benefits double every 24 years. The 'golden years' truly are golden for government retirees make far more than they did when they were actually working. Without eliminating the COLA, we haven't solved the problem of the ever-increasing pension liabilities. A [Harvard study](#) found that the elimination of a 3% COLA eliminates 25% of a pension fund liability."

"By 2014, because of new accounting standards, the state must reform its method for calculating the value of the pension system's assets using a 5% return on its pension investments, down from the totally unrealistic current rate of 8%. Any so-called reform that does not calculate the true pension liability using a 5% return estimate is not reform; it is just another political can-kicking exercise. If they miss this mark, the bond market will cut the state off, and Illinois won't be able to borrow any money at reasonable rates."

Tobin proposed the following, drastic but necessary, reforms:

- Totally eliminate cost-of-living increases (COLA).
- Contributions to the government teacher pension plans should be increased from 8% to 14%, as they currently are in Ohio, with comparable increases for other government employees.
- Both retirees and current government employees should pay half of their health-care contributions. This would save \$230 billion over the next 35 years, a savings of \$6.6 billion annually.
- The retirement age should be raised to 67 for full pension benefits.
- In order to permanently eliminate unfunded pension liabilities, we must replace the defined benefit system with a defined contribution system.

"Without these *truly* 'bold' reforms, the Illinois government pension plans will collapse," said Tobin.