TUA NEWS RELEASE

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ELIMINATE COST-OF-LIVING INCREASES FROM GOVERNMENT PENSIONS!

CHICAGO—The plan offered by Springfield's "bipartisan pension committee" to cut Illinois' government pension costs is ineffectual and a public-relations stunt, charged the president of one of the nation's largest taxpayer organizations.

"The committee's solution is to eventually cut the cost-of-living increases (COLA) of government pensions to half the size of the consumer price index," said Jim Tobin, President of Taxpayers United of America. "That sounds nice, because the current COLA is a compounding 3%. But if the inflation rate rises to 6%, the increase will go back up to 3%, with full compounding. If the inflation rate rises to 11.03%, as it was in 1974, the COLA for retired government employees will be a compounded 5.5%. This plan may sound good when quoted by the media, but it will do nothing to fix the pension problem, and may even make it worse."

"One solution that would help to cut the ballooning government-pension pension deficits is to eliminate the cost-of-living increase. These retired government employees don't need it. Their pensions already are sky-high. For example, the top 200 Illinois State Police retirees all collect more than $102,000 a year, and the average retirement age of this top 200 group is 52."

"The *New York Times* reported that Chicago average annual pension benefits range from about $34,000 for a general-services retiree to $78,000 for a former teacher with 30 years of service. The top 200 Chicago government-teacher pensions are all over $115,000 per year. Compare that with a retiree in the private sector with an average Social Security benefit of $14,800 a year."

"Real pension reform must include placing all new government hires in 401(k) plans, eliminating the cost-of-living increases, increasing the retirement age to 67, increasing government-employee pension contributions by 10%, and requiring employees and retirees to pay half of their medical insurance premiums. This would save $230 billion over 35 years."