

# Retirees Today

*Illinois State Employee Association Retirees*

Rudy J. Kink, Jr., Executive Director

John P. Coady, President

Geraldine Johnson, Vice President

John Mundstock, Secretary of the Board

Philip Novak, Director

John Hartnett, Director

Summer 2019

**Letter to Governor Pritzker**

**May 29, 2019**

**From John Coady, ISEA Retirees Board President**

Dear Governor Pritzker,

The Board of Directors of the Illinois State Employees Association Retirees (ISEA Retirees) voices our strongest objections to any policy of shortening pension payments to the State of Illinois government workers' pension funds.

The membership of the Illinois State Employees Association Retirees consists solely of retired State of Illinois government employees. We are the oldest association of our kind in the state.

Many of our members remember a time of grave concern by state government workers that state pension "promises" would not be met. Many wrestled with a decision whether to leave state government employment out of fear that the unprotected promise of a pension would leave state retirees and dependents with no meaningful means of support in the retirement years.

With that as the backdrop in 1970, the Sixth Illinois Constitutional Convention added the Pension Clause to the Illinois Constitution to protect workers' state pensions by creating "an enforceable contractual relationship, the benefits of which shall not be diminished or impaired." (Illinois Constitution, Article XIII, §5, Pension and Retirement Rights)

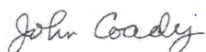
Most significantly, the Illinois Supreme Court recently recognized that one of the fundamental reasons for the Pension Protection Clause was to protect against the very policy that was proposed earlier this legislative session.

Delegates were very mindful that in the past, appropriations to cover state pension obligations had "been made a political football" and "**the party in power would just use the amount of the state contribution to help balance budgets,**" **jeopardizing the resources available to meet the State's obligations to participants in its pension systems in the future.** *Kanerva v. Weems*, 2014 IL 115811 at ¶45 quoting IV Proceedings, Sixth Ill. Constitutional Convention 2930-31 (1970) (statements of Delegate Bottino) [emphasis added].

The ISEA Retirees Board was alarmed by the media reports about your proposal as governor to reduce required payments to the pension fund. We were greatly relieved based upon unexpected tax revenues in April you reconsidered your proposal and the full pension payments will be made. But there is no indication that you would not consider a similar move in the future.

We urge you to recognize the jeopardy to the solvency of the pension funds by this misguided policy. We emphasize to you that the daunting challenges facing the underfunding state pension systems now were created by the very policy you had proposed, that is, the legislative and executive practice of deferring pension payments. Finally, we encourage you and your administration to explore all avenues for reducing the unfunded liabilities of the state pensions system.

Very truly yours,



John Coady, Board President

Illinois State Employees Association Retirees

# SESSION UPDATE

Jessica Nardulli & Tom Ryder

The Democrat controlled General Assembly and Governor Pritzker enacted Illinois' most sweeping and consequential legislative agenda in a generation, often with Republican help.

But for retirees, the message is what the General Assembly did not do. In his budget address in February, Governor Pritzker suggested he would not fully fund the required actuarially calculated pension contribution. In April, the Department of Revenue reported an unexpected increase of income tax collections. The Governor then announced he would apply those unexpected funds to fully funding the pensions.

The General Assembly did not attempt to tax retirement income. While several committee hearings were held about pensions and proposals for additional reforms, no legislation was considered. Several discussions about the weaknesses of the Tier II pension plan were considered but, again, no legislation was considered.

The Accelerated Pension Benefit Payment for SERS, TRS and SURS (COLA Buyout) continues. This applies to Tier 1 members with a retirement effective date of December 1, 2018 through June 1, 2021. This is an optional opportunity for a lump-sum payment and is only available to Tier 1 members who are retiring for the first time.

While pensions and retirement did not receive the attention of the General Assembly, it was an extraordinary year in many other ways.

A bipartisan balanced budget was passed with no new taxes. The budget was aided by an unexpected increase in revenue reported in April 2019 with an expectation of increased income tax collections of \$725 million in Fiscal Year 2020.

Voters in the November 2020 general election will have an opportunity to consider a constitutional amendment that will move Illinois from its current constitutionally mandated flat tax to a graduated income tax system. Additionally, the legislature approved tax rates which would go into effect should the constitutional amendment pass.

The General Assembly passed a \$45 billion capital plan to build bridges, roads and public buildings. On the roads, bridges and transportation side, the capital plan will be financed by user fees. The gasoline tax will double to 38 cents per gallon and could increase annually (although likely to be less than a penny per year increase) as the gasoline tax is now tied to the Consumer Price Index. Additionally, there will be a \$50 increase to the \$101 annual license plate fee. Electric vehicles will be charged \$248 per year (instead of the current \$35 for two years), and truckers will pay more for truck and trailer registration and for diesel fuel.

The bulk of the money for new buildings and renovations comes from sports-betting and casino expansion. Those revenues will come from an increase in video gaming terminals, sports wagering, new casinos, increased gaming positions in current casinos and gaming positions at the horse racetracks in Illinois. The state hasn't had a major capital plan since 2009 when former Gov. Pat Quinn signed the \$31 billion Illinois Jobs Now! Act. A large portion of those appropriations remain unfunded 10 years later. With the governor's signature, Illinois will become the 11<sup>th</sup> state to legalize cannabis. The industry is meant to be taxed and regulated similar to alcohol with a lot of rules affecting its use. The bill will take effect January 1, 2020. Municipalities and counties may ban cannabis businesses within their boundaries but may not ban individual possession. Any person, business or landlord may prohibit cannabis use on private property. Consumption is prohibited in any public place like on the street or in a park, on school grounds (except for medical users) in any motor vehicle, near someone under 21, while driving a boat or flying a plane or by a school bus driver, police, fire or corrections officer while on duty. The use of cannabis is permissible at home, so long as outsiders can't see it. Colleges and universities may continue to prohibit marijuana use. The Medical Cannabis act continues in operation and has been expanded by adding a dozen new conditions to the list of qualifying conditions.

## ISEA Retirees Budget Tax Year 2018

	Actual
<b>Revenue</b>	
Dues	\$179,293
Investment Income	\$0
Miscellaneous Revenue	\$6,578
Cash Reserves	\$19,668
<b>Total Revenue</b>	<b>\$205,539</b>
<b>Expenditures</b>	
Salaries	\$111,371
Payroll taxes	\$9,685
Contractual Labor	\$33,385
Maintenance and Repairs	\$296
Utilities	\$2,490
Insurance	\$3,874
Furn, Fixt, Equipment Rental	\$2,897
Dues & Subscriptions	\$576
Office Supplies	\$2,674
Miscellaneous	\$1,689
Printing and Reproductions	\$2,750
Seminars/Continuing Ed/Travel	\$2,396
Postage	\$3,620
Telephone	\$3,285
License & Fees	\$307
Legal and Accounting	\$450
Computer Repair and Maintenance	\$176
Rent	\$14,331
Technology	\$2,405
Contingency	\$1,620
Board Meeting	\$1,375
Tax Preparation	\$3,887
<b>Total Expenditures</b>	<b>\$205,539</b>
<b>Surplus</b>	<b>\$0</b>

\*\*\*\*\*

### *ISEA Retirees at the 2019 Illinois State Fair*

*ISEA Retirees will be in the Illinois (Senior) Building just inside the main gates at the IL State Fair from August 8 - 18th. We look forward to visiting with our members so please stop in to say "hi." We enjoy visiting with members!*



## **In Honor Of Eugene Block**

It is with deep regret that we inform you of the death of past ISEA Retirees President Eugene Bloch. He died on December 22, 2018 in Peoria, Illinois at the age of 96. His wife, Shirley (Stephens) preceded him in death on February 2, 2016. He is survived by six children, nineteen grandchildren and forty-two great grandchildren.

Gene worked for the State of Illinois for 22 years and retired from the Galesburg Mental Health Facility as Laundry Manager. He served with dedication for 48 years as a Board of Director for the ISEA Retirees with nine of those years as President. Gene also served in various local organizations holding an officer position in many. He will be missed.

\*\*\*\*\*



2060 W. Iles Ave - Suite D  
Springfield, IL 62704  
Phone 217/698-6070 Fax 217/698-6079

Non-Profit Organization  
U.S. POSTAGE PAID  
Springfield, IL  
Permit No. 500

\*\*\*\*\*

### **This and That... By Rudy Kink**

Just wanted to share a couple of things with you...

The Income Tax law changed and many found that while they previously received refunds upon filing their Federal tax return they were surprised this past year. Several experienced less of a refund while others, for the first time, actually owed money. The IRS has cautioned taxpayers who owed money on last year's tax returns, to contact their tax preparer or tax consultant to determine the proper withholding for this upcoming tax year to avoid owing taxes and penalties.

Secondly, President John Coady, Vice President Geraldine and Secretary John Mundstock were reelected to the Board of Directors. John Hartnett was reappointed January 1, 2019 to the ISEA Retiree Board after he retired December 2018 as Chairman of the IL Labor Relations Board. Congratulations to all four.