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November 2, 2011

The Honorable Pat Quinn
Governor of Illinois
Office of the Governor
James R. Thompson Center
100 W. Randolph, 16-100
Chicago, IL 60601

Dear Governor Quinn:

We recognize the State of Illinois is faced with an unprecedented fiscal deficit that results in not only billions of dollars of unpaid obligations to state agencies and vendors, but leaves state leaders with few options to address the estimated $85 billion underfunded pension liabilities shared by the five state pension funds.

The SURS defined benefit program for University and Community College employees was established in 1941. Had all three required funding components been fulfilled over the years, the SURS program would now be stable, affordable and solvent. Two of the three necessary components of full funding have been steadfast and consistent: employee contributions and the return on assets from pension fund investments.

As chief executives of the state's public universities, we understand all too well that the present situation facing the state's five pension funds is not sustainable. Notwithstanding the state funding history, successfully resolving this financial obligation requires all parties (university employers, employees, employee organizations, and the State of Illinois) to participate together in crafting a fair and equitable solution.

Within the context of the state's fiscal crisis, examples of excessive individual pension benefits have often been emphasized in the call for reform. But these exceptional situations do not represent the reality of the vast majority of pension system participants. Among its nearly 200,000 members, the average SURS retiree has 20 years of service and receives a monthly pension of $2,760 per month, or about $33,000 per year. Teachers and university employees do not participate in Social Security. With decades of service already invested, employees and retirees cannot turn back and recalculate their career choices and retirement planning measures in response to unpredictable state funding.

Senate Bill 512, backed by the Civic Committee of the Commercial Club of Chicago is but one approach. As leaders of the state's public universities, we share grave concerns over Senate Bill 512 in its current form. However, we agree that SB512 also has favorable aspects:

- The state would amortize the unfunded accrued liability through an enhanced funding stabilization methodology (30-year straight line).

- The state would maintain responsibility to fund benefits accrued to date.

- There is an assumption of adequate revenue sources (e.g., a continuation of the tax surcharge). It is very evident that the under-funding of pension obligations enabled Illinois to fund alternative legislative priorities while maintaining an artificially low income tax rate for many years.

Unfortunately, our concerns over other problematic areas of SB 512 overshadow the positive aspects of the legislation. Chief among them, state pension funding would be limited to approximately 6% of payroll as the level of state contribution for continuing benefits, leaving a significant funding shortfall to cover the normal cost of current benefits. SB512 proposes to shift those costs to employees. Employees are the least prepared to shoulder new unplanned obligations for the normal costs of their pensions. Furthermore, the actuarial experts participating in the Working Group discussions have confirmed that enactment of SB512 would lead to a wide range of unintended funding consequences leading to significant new obligations for the state, with real cost reductions not realized for decades. It is difficult to consider such outcomes to be in the best interests of the state, its colleges and universities, or its employees.

Pension system participants have relied upon the state's representation and the Pension Protection Clause to expect a predictable and secure set of core pension benefits that also serve as a replacement for Social Security. SB512 would undercut these assumptions.

Universities compete in a national, and sometimes a global marketplace, to recruit and retain the talented faculty and staff who teach our students, provide services to them and conduct ground breaking research. They have career opportunities that are not limited by the boundaries of this state. Reducing their benefits or forcing them to pay significantly more for benefits that were promised to them is likely to cause a significant migration of talented people out of this state. This is one of our greatest concerns.

There is no denying the critical nature of our current fiscal situation. We are certain that higher education employees and institutions are prepared to contribute to a long-term solution. The public higher education community is prepared to participate in the design of options and alternatives that help solve this critical issue. We believe it is possible to complete such work in time for the Spring 2012 session of the General Assembly and we look forward to taking this opportunity to develop a durable, equitable and long-term solution, especially in the SURS sector.

Sincerely,
Illinois Public University Chancellors and Presidents

Dr. Wayne Watson
President, Chicago State University

Dr. William L. Perry
President, Eastern Illinois University

Dr. Elaine P. Maimon
President, Governors State University

Dr. Clarence Alvin Bowman
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Dr. Sharon K. Hahs
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