

House Does Some Heavy Lifting (Finally) on Pension Reform

Written by Rich Miller
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As it turns out, Illinois House Democrats didn't need Republicans to put 30 votes on a significant pension-reform bill.

There's been worry for at least two years that the Democrats would have to rely heavily on Republicans to get anything out of the chamber and that maybe even 30 Republican votes – half the required 60-vote majority – wouldn't be enough to pass a pension-reform bill.

But 41 House Democrats voted for a bill this month that severely whacked retirees' annual cost-of-living increases. Just 25 Republicans voted for the bill – five votes fewer than they've repeatedly said they had for a significant pension-reform proposal.

The measure would cap annual cost-of-living adjustments (COLAs) at \$750 or 3 percent, whichever is less. That change has the impact of limiting COLAs to only the first \$25,000 of annual pension income. Anyone who makes less than \$25,000 would continue to receive compounded increases until the cap is hit.

The proposal also forces retirees to wait until they either are 67 years old or have been retired at least five years to receive their annual COLAs.

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Cost-of-living raises have been targeted from the get-go as the biggest pension cost driver. Every major piece of pension-reform legislation has included at least some limits on COLAs. Senate President John Cullerton's proposal, for instance, would take COLAs away entirely, but only if retirees elect to continue having access to government-subsidized health-insurance premiums.

Speaking of Cullerton: As long as he continues to insist that the final pension-reform bill include his "consideration" language to ensure that at least part of the legislation is constitutional (in his opinion, at least), don't expect this House proposal to go anywhere when it arrives in the Senate. Cullerton believes that to take away pension benefits, something has to be offered in return because the Constitution deems pensions a solemn contract that cannot be diminished or impaired.

Anyway, it turns out that this pension-reform thing wasn't so difficult after all. Maybe House Speaker Michael Madigan's strategy worked; he started with outlandish proposals, including one to require employees to chip in several percent more per year for their retirements.

As Madigan's proposals gradually became more reasonable over the weeks, they began passing. At first, the Republicans refused to participate at all, saying they didn't want to participate in a "piecemeal" process. But they have been voting on the measures for the past few weeks.

Three significant bills have passed the House so far, including the one mentioned above. The other two would raise the retirement age and cap pensionable incomes at \$113,000. Taken together, proponents say the three proposals will save the state \$100 billion over the next 30 years and knock \$20 billion to \$21 billion off the systems' unfunded liability.

Some big questions remain. The huge pension-reform bill sponsored by Representative Elaine Nekritz, House Republican Leader Tom Cross, and Senator Daniel Biss includes some of the same reforms as the three bills that have already passed, particularly the COLA language. But there is also language guaranteeing state funding by allowing people to sue if the state doesn't make its payments, which has picked up opposition from some business groups and Republican gubernatorial candidate Bruce Rauner. There's no word yet on whether Madigan will allow a vote on the full Nekritz bill, or whether he will revisit his proposal for a far more robust cost-shift plan.

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And, of course, there's also a question of constitutionality. Reform proponents say they hope the courts will recognize that Illinois is in a crisis and cut the General Assembly some slack when interpreting the Constitution's specific language outlawing any reductions in benefits. But that's pretty much the same argument used when the General Assembly approved medical-malpractice-reform bills that ended up being shot down by the courts. So we'll see.

Either way, some truly heavy lifting was done in the House, at least as far as retiree benefits go. Madigan's reform bill received six more votes than needed for passage. So the topic is apparently not as radioactive as many had feared, or threatened, depending on your perspective. And Madigan clearly showed that he can do this without relying on Republicans to come up with 30 votes.

Rich Miller also publishes Capitol Fax (a daily political newsletter) and CapitolFax.com.