

UNIVERSITY OF ILLINOIS

Chicago • Springfield • Urbana-Champaign

University Senates Conference
377 Henry Administration Building, MC-348
506 South Wright Street
Urbana, IL 61801

April 30, 2012

President-Designate Robert Easter
364 Henry Administration Building MC 346

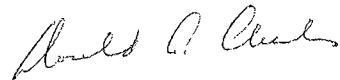
Mr. Christopher Kennedy, Chairman
University of Illinois Board of Trustees
352 Henry Administration Building MC 350

Dear President-Designate Easter and Chairman Kennedy,

The University Senates Conference at its meeting on Friday, April 27, 2012 passed unanimously a Resolution on pension reform which I forward to you as an item of information.

As elected leaders in shared governance of the University of Illinois, statutorily charged with advising the President and the Board of Trustees, the University Senates Conference feels a responsibility to engage the issue of pension reform, which is so important to the future viability of the University and its faculty. We present this resolution with the intention that it will prove beneficial in promoting realistic and workable policy alternatives that will move the dialogue forward, while serving the interests of both the public and the public employees

Sincerely,



Donald A. Chambers, Professor and Chair
University Senates Conference

cc: Members, Board of Trustees	Chancellor Paula Allen-Meares
Vice President Joe Garcia	Chancellor Susan Koch
Vice President Christophe Pierre	Chancellor Phyllis Wise
Vice President Lawrence Schook	Provost Lon Kaufman
Special Assistant Avijit Ghosh	Provost Lynn Pardie
Members, University Senates Conference	Provost Richard Wheeler

Resolution on Pensions
University Senates Conference
April 27, 2012

The University Senates Conference (USC), in its role as a faculty elected advisory body to the President of the University and the Board of Trustees, recognizes that the funding basis for the State University Retirement System (SURS) is not sustainable in its current form. Previous underfunding of the system has made SURS unable to continue to pay out benefits indefinitely at current levels, even though participants have fully contributed their portion of responsibility for the system.

As has been documented, Illinois ranks 50th among the 50 states in adequately funding its public pensions. This situation cannot be allowed to continue; retaining and recruiting top faculty to our universities will be increasingly difficult unless this issue is addressed.

Today we face a reality in which sensible, equitable reforms are needed. The USC writes to acknowledge this reality and to seek a constructive way forward. Reforms will be needed in order to return the SURS system to a sound financial footing, and all stakeholders — participants, the universities, and the State — have a necessary role to play in such reforms. These reforms must be guided by certain agreed-upon principles, the most important of which is fairness to university employees who entered the system on the basis of certain understandings and commitments that need to be honored.

Other principles also seem to us reasonable and prudent as a solution is being worked out. Many of these principles are laid out and defended in the IGPA report authored by Jeffrey R. Brown and Robert F. Rich: *Fiscal Sustainability and Retirement Security: A Reform Proposal for the Illinois State Universities Retirement Systems (SURS)*, *Institute of Government & Public Affairs, University of Illinois, Urbana-Champaign. Chicago. Springfield, Feb. 9, 2012.*

- Any reformed SURS system must be financially sustainable for the State, the universities, and the participants, and it must respect existing constitutional protections of already-accrued benefits;
- All promised benefits to current participants and annuitants should be maintained, as guaranteed by the State Constitution (Article 8, Section 5 General Provisions);
- Existing unfunded liabilities must remain the State's responsibility, and the State must provide credible guarantees that future payments will be made on time (such as through a clause that state contributions to the system must have priority);
- In addition, the State should continue to make its contributions to the system at a level at least equal to the level of what it would be paying to Social Security (6.2% of pay) along with its contributions to health care;
- Any transfer of normal costs to universities must be nominal, and phased in gradually;
- Any reform must include improvements to the current Tier II program for new employees, as suggested in the IGPA position paper referenced above (this could include a hybrid plan combining some elements of defined benefits and an employee self-managed plan), and this revised program should also be available to Tier I employees;
- Any change in participant contributions must involve consultations with those affected.

The USC is ready to participate in further discussions in order to seek a constructive resolution to these issues.