WEST LAKE SHORE UNIT
WLSU
ILLINOIS RETIRED TEACHERS ASSOCIATION

August-September 2014

Direct Line

Newsletter of West Lake Shore Unit, Illinois Retired Teachers Association

WLSU and IRTA…Your Voice in Springfield

www.wlsu.weebly.com

September 9 Membership Meeting—CMS, Medicare, UHC

PRESIDENT'S MESSAGE

You have probably heard that the implementation of SB1 was stopped in May by the Sangamon County Circuit Court. This means that for at least a while all current TRS retirement benefits, automatic annual increases, eligibility standards, and other pension laws will stay in place.

The court injunction will be in effect until a final decision is reached in the lawsuit challenging the constitutionality of the bill is decided. The lawsuit is currently in a circuit court and is ultimately expected to be decided by the Illinois Supreme Court. See the summer issue of *Topics & Report,* issued on June 28 by TRS. You should have received it via email or snail mail by this time.

And for those of you who do not subscribe to VoterVoice (you really should!):

IRTA

The State of Illinois Supreme Court ruled on the case regarding State Retiree Health Insurance, Kanerva vs. Weems, UNCONSTITUTIONAL.

- **IRTA applauds the Illinois Supreme Court's ruling today in *Kanerva v. Weems.* The Illinois Supreme Court has adopted a broad interpretation of the Pension Protection Clause that fully supports the interpretation advanced in *Heaton v. Quinn.***
- **The Illinois Supreme Court has held yet again that, under the Pension Protection Clause of the Illinois Constitution, pension benefits shall not be diminished or impaired. This is entirely consistent with Illinois Supreme Court precedent dating back several decades. We believe that the Illinois Supreme Court's consistent enforcement of the Pension Protection Clause merits serious attention from our political leaders.**
- **In *Kanerva,* the Court reaffirmed that "it is clear that if something qualifies as a benefit of the enforceable contractual relationship resulting from membership in one of the State's pension or retirement systems, *it cannot be diminished or impaired.*"**

If you want further interpretations of the implications of this decision, check out the blogs by Glen Brown and John Dillon. Just Google their names to find their blogs.

As far as insurance goes, I have heard good and bad things about the Medicare Advantage plan from the state. Some people wish they had accepted that plan but are now prohibited from getting on it, having once dropped it. IRTA is working to get a bill passed to allow teachers to go back to the state plan if they have dropped it. The bill passed the Senate unanimously, but Michael Madigan refused to call it in the house. Efforts will continue.

Be sure to attend the September 9 membership meeting at Plymouth Place. We have invited Pam Kogler from CMS, Leslie Booth from Medicare, and a representative from United Health Care. Hopefully, they will be able to answer all of your questions.

Continue making contributions to the IRTA Legal Defense Fund. So far members have donated close to $351,515, but we have already spent over $163,770. The fight has a long way to go.

Continue to contact your legislators with your feelings about the FAIR TAX, other REVENUE enhancements, pensions, and health care problems. Check out our website for contact lists.
If you live outside of Illinois, you can still contact:
Michael Madigan at 773-581-8000, 217-782-5350.mmadigan@hds.ilga.gov
Governor Quinn at 217-782-0244, Pat.quinn@illinois.gov
Jim Durkin 217-782-0494, 708-246-1104, repdurkin@hotmail.com
Marge Sucansky, President

IRTA HOTLINE--**For the latest news about pensions, health care, or other vital information, check the IRTA Legislative Hotline at 1-800-660-3326. This site is especially beneficial to those of you who do not have access to the internet and do not receive Voter Voice calls to action. During times of crisis, call the Hotline to keep abreast of events. WLSU will do our best to keep you up to date concerning events, but don't hesitate to check out the Hotline as well.**

Membership Report

August is upon us already. This month has replaced September as the back-to-school month. Being retired and not facing the return, you can sit back, relax and maybe plan a September or October vacation or get-away. Your mind need not drift to thoughts of the upcoming school year. What a relief!

As you think of Fall and the many prospects open to you such as a trip, a major purchase, a home renovation or just an addition to your grandchild's 529 college savings account, think of what has made this possible. This, at least in good part, has been made possible due to your TRS pension. Your teacher pension is delayed payment for the many years of dedication and commitment you gave to your chosen profession. As we are all aware, our contracted and constitutionally protected pension has been under attack for years by the very forces that contributed to the current fiscal dilemma. The politicians are playing the blame game. It is your "overly compensated" pension and 3% cost-of-living adjustment that are being blamed for the current fiscal mess in Illinois. Unfortunately, a few teacher retirees have fallen for this line of reasoning.

Illinois is not unique in its attempt to negatively alter public employee pensions. Teacher pensions in most states are being unfairly attacked as being too costly and unfair to the private sector employees and their employers. You, as a member of the IRTA and WLSU, are helping oppose those who would eventually destroy our pension system, as we know it. Without a growing membership and continued member support thereof, our retired teacher organizations would "die on the vine". This should be unthinkable to all of us. Unfortunately the trend in this country for decades has been a diminishing union base. According to the Bureau of Labor Statistics, in 2013 the union membership rate, the percentage of wage and salary employees who were members of unions, was 11.3%. Compare this to 1983 when it was 20.1%. Broken down, public sector workers, such as teachers, had a union membership of 35.3%. This is five times higher than the 6.7% for private-sector-workers. However, public sector union membership dropped from 39.6% in 2012 to the current 35.3%. It is no coincidence that Wisconsin led the nation with the greatest year-over-year drop in public sector union membership. The rate fell by nearly 13% in one year. Never think your continued membership is not important. You are fighting the alarming trend.

The pension killer, Senate Bill 1, has been halted in place due a successful injunction against it. The Illinois Supreme Court eventually will decide the case. Our side also was bolstered by a favorable decision by the state's high court in the case of *Kanerva v. Weems* this July. The case involved a health insurance ruling whereby state government retirees were forced to pay more for their subsidized state health insurance. The court ruled "we may not rewrite the pension protection clause to include restrictions and limitations that the drafters did not express and the citizens of Illinois did not approve." The court decision strongly seems to say that pension benefit protections in the Constitution "shall be not diminished or impaired." These are certainly positive signs but don't celebrate yet. Senate Bill 1 is still out there and has not been ruled unconstitutional. Also, some legislators are considering dredging up SB 2404 if SB1 is deemed unconstitutional. IRTA has considered SB 2404 unconstitutional as well as it diminishes and impairs your pension. The attacks will continue, and we must be prepared to fight for what we have earned and been promised.

The IRTA this year has set a lofty goal of 40,000 members to be achieved by the end of next year. This would mean an increase of a little over 4,000 new members or an increase of more than 10%. The recruitment theme is "One Bring One". The IRTA and WLSU recognize that the most successful recruiting tool is the current member. Friends talking to friends about IRTA/WLSU bring in the most new members. WLSU is also planning more incentives to increase our membership. We welcome member participation and suggestions regarding ideas on recruiting. Please bring a new recruit to our September membership meeting. It promises to be very informative.

As in the past, this August issue of *Direct Line* begins our renewal process for 2015. Any current member who pays IRTA and/or WLSU dues on an annual basis will receive a renewal letter at the beginning of October. This letter will contain a form telling exactly what is owed and how to proceed. The label on this newsletter will tell the current dues status. A '14 behind IRTA and/or WLSU tells dues are owed for next year. Any questions about membership, renewals or dues status should be directed to Darlene Mc Namara, 773-429-1779 or darcarmac@aol.com or Tom Szot, 630-852-3138 or jtszot@comcast.net. Please help us out by renewing quickly and for multiple years.
Tom Szot, Darlene Mc Namara, Donna Fritz--WLSU Membership Committee Co-chairs

Mark Your Calendar 2014

September 9	Membership Meeting	Plymouth Place	10:00 a.m.
	Speakers from CMS to discuss insurance		
October	Possible legislative forum	Plymouth Place	
October 15	Executive Board Meeting	Plymouth Place	9:30 a.m.
December 5	Membership Luncheon	Willowbrook Inn	11:15 a.m
	Don and Sandie's Christmas Celebration		

In Memoriam

For each of our recently deceased members, WLSU donates $25 to the IRTA Foundation for Needy Teachers
Ronald Hurst Vladimira Williams Ralph Gebert Louis De Salvo

Understanding the State Pension Debacle (Part 1)

There is a lot of confusion in the public's mind about pensions in general and public pensions in particular. While the issues are complex, they are not recondite. Therefore, it might be useful to provide information about public pensions. For now, let's just deal with the basics.

Most Illinois taxpayers are aware that the State is in arrears to its pension systems to the tune of $100B. Basically, the State of Illinois has a constitutional obligation to fund five pension funds, i.e., Teachers Retirement System (TRS), State University Retirement System (SURS), State Employee Retirement System (SERS), General Assembly Retirement System (GERS) and finally the Judicial Retirement System (JURS). [It should be noted that there are many other public retirement systems such as those covering Chicago Teachers and local police and fire personnel for which the state has no responsibility]. Each of the five pension systems has somewhat different rules and benefit schedules. Therefore, in the interests of time and space let us just deal with one--TRS which is by far the largest.

TRS covers public elementary and high school teachers employed in Illinois, but outside the city of Chicago. The teaching personnel contribute 9.5% from each paycheck to TRS together with contributions from school districts and the state of Illinois. TRS invests these monies in a variety of investments which contribute to the pool of money used to pay retirement benefits.

For many decades the state did not make its full contribution to these funds. As a matter of fact, the state even declared "pension holidays" in which no contributions were made. In doing so the legislature was well aware of its constitutional obligations, and the fact that the state had to pay interest on the moneys not contributed. The logical question is "Why would the legislature act in such a reckless fashion?" The reason is quite simple: the 3% flat tax enacted in 1970 never produced enough revenue to enable the state to pay both its vendors and its pension obligations. What the legislators should have done was to raise taxes to pay for schools, roads, prisons, etc, but that would have raised the ire of taxpayers. So what is a poor legislator to do? Voters will notice if he raises taxes, but few will care if he short changes the state pension systems. Taking the path of least resistance he used the pension funds as a credit card and pushed off repaying the funds into the distant future. The future has arrived; the bill has come due. **Al Popowits, Legislative Chair**

Summary of Symposium on Pensions and Illinois Economy

On Monday, June 9th I attended a symposium sponsored by the Center for Tax and Budget Accountability at the Standard Club in Chicago. The main speaker was Michael Mazerov--senior fellow at the Center on Budget and Policy Priorities in Washington, D.C. He made a number of important points based on the research of many people. I thought that you might be interested in some of his conclusions.

Having the lowest corporate tax rate does not promote economic development. Neither does the relocation of businesses from other states to Illinois.

· Start-up companies are primarily responsible for job creation. Illinois must encourage start-ups to create jobs. These start-ups begin as small businesses(S corporations) and as such pay no state corporate income taxes (Their owners pay personal state income tax). Therefore, lowering the state corporate income taxes will not affect them. Approximately 75% of all corporations in Illinois are S corporations and thereby do not pay a corporate income tax.

· Ninety percent of entrepreneurs who founded start-ups stayed in the state where they founded their businesses. The reasons for doing so had to do with family, availability of suppliers and customers, and the presence of a skilled and educated labor force. The availability of a good transportation infrastructure and recreation facilities and cultural institutions were also very important. **The lesson is that you cannot lure entrepreneurs to your state just with tax cuts.**

· Taxes are not a major factor in the migration of people from one state to another. For example, between 2008- 2012 many people who moved from Texas (a no income tax state) to California (a high income tax state) had incomes in excess of $100,000. Also, North Carolina, which is a high income tax state, has had a huge in migration. Generally speaking, no state has lost revenue by enacting a high state income or "millionaires tax."

· Entrepreneurs are attracted to vibrant cities with good parks, public transit, educational systems--both elementary and university, etc. Lowering all forms of taxation leads to a deterioration of public services which discourages entrepreneurship.

According to Ralph Martire--the president of The Center for Tax and Budget Accountability:

· There is not a strong correlation between tax cuts and economic growth. If the "temporary tax" dies in 2016 the state will have $5 billion less to spend on education and social services.

· Illinois is not a high tax state! As a percentage of income, Illinois is only 36th in the nation. Illinois is a low tax state. The failure of the state to support education, roads, and infrastructure has led to our economic deterioration.

I hope that this info helps clarify the state's financial difficulties. **Al Popowits--WLSU Legislative Chairman**

WLSU Contact Information				
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Marjorie Sucansky	**Tom Szot**	**Darlene McNamara**	**Louise Sterett**	**Frances Pettersen**
630-985-2620	**630-852-3138**	**773-429-1779**	**630-325-6470**	**708-246-2128**
Website: www.wlsu.weebly.com				

Debts and Regrets

Illinois is in debt and our state leaders have declared a financial emergency. To solve this debt problem they want the state's financial debt burden to fall upon us , their retired educators, and these elected officials are asking the courts to give them the constitutional right to do so. They keep saying that the state's debts are due to our pensions. It is, in their eyes, a pension problem and not a revenue problem. We retired educators know that this is not true. Our state has a revenue problem, not a pension problem. Those of us living on a state pension have known this for years and our General Assembly has to eventually accept it. Changing our COLAs won't solve the state's debt problem. Finding a reliable revenue stream will. The GA has to do this, and do it soon, or we retired educators will have quite a few regrets in the years ahead.

Let us reflect upon that for a moment and review how this pension theft will affect us personally in the coming years when it comes to debts and regrets. As we age we are molded by traumatic events. Events, such as the loss of loved ones and our own increasing medical issues, that occur all too frequently in our lives.These passages begin to take their toll on us. We learn from them and plan accordingly. We now know that it's how we live each day that is important. We are no longer in denial about our finite and certain future. Doing the right things matter to us now so that we will have very few, if any, regrets when it's our time to go on ahead. It would be nice if, when our time comes,our only regret is that we didn't say "I love you" more often to our significant others.

Debt is also a major concern of ours at this time in our lives. Keeping out of debt as we move forward becomes very important to us. We learn to live within our means. We value meaningful experiences over material things. We also reflect upon our financial
legacy. We want to leave those we love and live with a financially secure future. We don't want our passing to greatly increase their dying in debt and in poverty. This is quite possible though if our state's Supreme Court doesn't rule in our favor on Senate Bill 1 and our COLAs are diminished.

When we die our significant others will start to receive only half our monthly pension, and this in itself can cause great economic hardship. Without a COLA, our beneficiaries will take a huge loss in buying power over time. Our COLAs keep that from happening now, but without them our survivors will surely have both debts and regrets.

We are waiting for the Illinois Supreme Court to render a just and responsible decision. We want to believe that the Illinois Supreme Court will side with us and that they will have no regrets about their decision. We hope that their humanity remains in play when
they render their verdict that will determine something so critical as the financial well being of so many senior citizens. We hope that our Chief Justices know that they are human beings as well as legal scholars and not political pawns. We hope that they
interpret the law in our favor based on an ethical and moral interpretation of the law and not on "other things." In other words, we hope that they will do the right thing.

And after their decision is made and it is hopefully in our favor, let's do what must be done to our state legislators who voted for the cut to our COLAs. Their insensitivity to our plight should be one of their major regrets. Eventually, everyone we know goes
away in the end. Let's just hope we live long enough to see them go away, regretting how inhumanely they had treated us. **Jim Keating and Betty Dietz**

Reminder to Members
If you change your contact information, be sure to let us know.

Membership Cards
Many AMBA and other IRTA endorsed benefits require proof of membership in IRTA. Please call the Springfield office to request a membership card. The number is 800-728-4782

Understanding the Pension Debacle, Part 2

A recent contribution to "ViewPoints" did readers a disservice by describing the proposed Fair Tax as a "moolah grab." This pejorative term completely ignores the fact that: (1) The state's current fiscal situation is dire. (2) The state has experienced a deficit every year for the past twenty years. (3) Regardless of what the Illinois supreme court decides, the state will still owe its pension funds $100 billion. (4) Since 1970 the 3% flat tax has failed to generate sufficient revenue to enable the state to fully pay its vendors much less its pension obligations. (5) 90% of the state's revenue is spent in just four core areas: education (35%), health care (29%), human services (20%) and public safety (6%). Any proposed cuts in state expenditures must recognize that Illinois ranks near the bottom nationally in its spending on core services.

Illinois desperately needs a graduated income tax. According to the Center for Tax and Budget Accountability (CTBA) a graduated income tax would cut over-all state income tax for 94% of all taxpayers. In addition it would raise at least $2.4 billion annually in new revenues. It would accomplish this by shifting the tax burden to affluent tax-payers, *e.g.*, those with annual incomes in excess of $150,000. According to the CTBA these tax-payers, would pay 4.3% of income instead of the current 2.1%. Joseph Stiegliz, Nobel Prize winning economist, avers that modestly increasing taxes on the affluent does not materially reduce their spending because of their significant portion of all income growth. Since their spending is a smaller proportion of their income than it is for lower income taxpayers, Stiegliz says that they have a low marginal propensity to consume. On the other hand, spending by low and middle-income families is a much larger proportion of their income, and so these folks are said to have a high marginal propensity to consume; they simply do not earn enough to save and invest.

Illinois current tax policy is neither fair to lower- and middle-income taxpayers nor is it designed to sustain state services. Our current tax policy also hurts Illinois' economy by reducing consumer spending by lower- and middle-income families. In 2015, the temporary income tax increase will begin to phase out. This will add an additional $2 billion to an already $8 billion deficit. Illinois, however, will still need to fund vital public services as well as pay current and past bills. Now is the time to act. **Al Popowits, Legislative Chair**

Dear Fellow Retirees, (Part 3)

Mr. Crowe is a frequent contributor to our local paper and an apologist for the business community. In his latest article he was complaining about Illinois' high corporate tax rate. I had to try to set the record straight because it is the successful avoidance by corporations of their tax obligations that endangers our pensions.

Illinois Corporation Are Not Over- Taxed

In his recent contribution to the Wednesday *Journal* Mr. Crowe made the erroneous assumption that since Illinois' corporate Income tax rate is 9.5% that corporations actually pay that rate. Nothing could be further from the truth. Three-quarters of Illinois corporations pay no state corporate income tax whatsoever! What about the other quarter? According to one study, twenty-two Illinois corporations with pretax income of $5 billion or more had an average effective tax rate of 1.9% (The effective tax rate of Exelon was 4.4% -the highest and Allstate 0.00%- the lowest). The tax deal for Motorola Mobility, Navistar International, Ford Motor and other huge Illinois corporations is even sweeter in that they get to retain the state income taxes paid by their employees. Money that would otherwise fund schools, roads, etc., are added to their bottom line. Therefore, Mr. Crowe need not lament the fate of Illinois corporations. They are doing very well. **Al Popowits**

Part 4

Dropping the 2% "temporary" tax would pile $2B more dollars on our current $8B deficit in the state's "balanced budget." Illinois is now near the bottom nationally in funding core services, i.e. only Texas and Florida provide less support. Anyone who advocates dropping the 2% has the obligation to tell voters how they propose making up for the additional deficit. To say the State will simply cut back on expenditure is simplistic. In education we have cut foundation level to poor school districts by 15%. The huge cuts the state has already made in human services to our most fragile citizens is unconscionable. Ninety percent of all state expenditures are in only four core areas, i.e. education (35%), health care (29%), human services (20%) , and public security (6%). So what do you want to cut next? **Al Popowits**

IRTA

IRTA State & Local Unit Membership Form

620 North Walnut Street • Springfield, IL 62702 • 1-800-728-4782
e-mail: irta@irtaonline.org • webpage: www.irtaonline.org

☐ Dues Deduct – I hereby authorize the Teachers' Retirement System to deduct my IRTA dues in monthly installments at an initial rate of $2.50 or as subsequently established by the Delegate Assembly.

Association Dues are Not Tax Deductible

____
(Signature required for Dues Deduction)

Social Security # ______________________
(Only required for Dues Deduction)

Please print or use your return address label.

State Dues
- ☐ **Dues Deduct -** $30 a year **(see left side of form)**
- ☐ Annual - $40
- ☐ 5 Years - $175
- ☐ Life - $400
- ☐ Membership Free for the Calendar Year of Retirement

State Associate Dues
(non-certified)
- ☐ Annual - $25
- ☐ Life - $125

Local Unit Dues
- ☐ First Year Free

NAME LAST FIRST MI DOB ______________________

ADDRESS CITY STATE ZIP RETIREMENT YEAR ______________________

PHONE ( ) E-MAIL UNIT West Lake Shore SCHOOL DISTRICT RETIRED FROM ______________________

Please mail to IRTA.

WEST LAKE SHORE UNIT WLSU ILLINOIS RETIRED TEACHERS ASSOCIATION

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DIRECT LINE
"Investing in the FUTURE of retired teachers"

September Membership Meeting—September 9 at Plymouth Place