

May 3, 2012

The Honorable Pat Quinn  
Governor of Illinois  
Office of the Governor  
207 State House  
Springfield, IL 62706

This letter was also sent to:

>> Tom Cross  
>> John Cullerton  
>> Michael Madigan  
>> Christine Radogno

*Re: SURS Sector Pension Stabilization Package - Statement of Objectives*

Dear Governor Quinn:

No problem weighs heavier on the State of Illinois than the current crisis surrounding funding for public employee pension programs. As the magnitude of this issue has unfolded, we, the presidents and chancellors of Illinois Public Universities, have indicated our willingness to contribute toward a resolution of this matter and our willingness to support reasonable measures that will maintain a viable public employee pension program. However, we remain convinced that any solution must protect the interests of the thousands of state university employees who for decades have unfailingly paid into the State Universities Retirement System (SURS). Human capital and intellectual resources are fundamental to the missions of our public universities and thus we wish to convey the following statement of objectives and principles, as we respond to your most recent proposal and also continue to work with you and leadership of the General Assembly toward a comprehensive stabilization plan for SURS

We firmly believe that any reform of the State University Retirement System (SURS) must provide public universities and colleges with the ability to retain and recruit talented faculty and staff by providing a credible promise of retirement security to our employees. It must also be financially sustainable for the State, the universities, the participant, and it must respect existing constitutional protection against the impairment of already-accrued pension benefits. Any stabilization proposal must find a fair and equitable way to share the burden of the reform among all the stakeholders--the participants, the universities, and the State.

In addition:

- State must implement a clear plan for the amortization of accrued unfunded liabilities and provide credible assurance that all payments going forward will be made as scheduled.
- To sustain the long-term financial health of universities, any transfer of Normal Cost to universities must be limited and achieved over a reasonable transition period. During the transition period, State should maintain appropriations to universities and

university contributions for the CMS employee group health insurance plan at the FY12 level. Any changes in these levels should be considered as university contributions toward normal cost of pensions.

- State should continue to make annual contributions to the pension system to fund the difference between actual Normal Cost and the combined university and employee contribution and not less than 6.2% of payroll. This is the amount the State would be required under federal law to pay in FICA taxes to support Social Security had the state not opted out of that system.
- All promised benefits to current participants should be maintained.
- Resetting the benchmark for determination of the Effective Rate of Interest (ERI) going forward, to a relatively conservative Government Bond index.
- Any reform must include reform of the current Tier II program for new employees. We suggest a “Hybrid” plan to replace the existing Tier II and Self Managed options for new employees. Key aspects should include a defined benefit program similar to social security benefits, a parallel defined contribution plan fully funded by university and employee contributions, a phased-in vesting schedule completed as of the 5th year of service and a compounded cost of living adjustment.
- Unfunded mandates for universities should be stabilized because these too require the obligation of limited university resources, and delays in payment of university appropriation vouchers must be improved.

As presidents and chancellors of the state’s public universities, we urge serious review and consideration of this set of objectives and look forward to the opportunity of continuing working with you toward a durable, equitable, and long-term solution to the SURS funding issues.

Sincerely,

*Illinois Public University Presidents and Chancellors*

Listed alphabetically by name of university

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  
President, Illinois State University

Dr. Sharon K. Hahs  
President, Northeastern Illinois University

Dr. John G. Peters  
President, Northern Illinois University

Dr. Glenn Poshard  
President, Southern Illinois University

Dr. Rita Cheng  
Chancellor, Southern Illinois University at Carbondale

Dr. Vaughn Vandegrift  
Chancellor, Southern Illinois University at Edwardsville

Dr. Michael J. Hogan  
President, University of Illinois

Dr. Robert Easter  
President Designate, University of Illinois

Dr. Paula Allen-Meares  
Chancellor, University of Illinois at Chicago

Dr. Susan J. Koch  
Chancellor, University of Illinois at Springfield

Dr. Phyllis Wise  
Chancellor, University of Illinois at Urbana Champaign

Dr. Jack Thomas  
President, Western Illinois University