

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Speaker Turner: "Members, regular Session will now be in recess. And we will move to convene the First Conference Committee... First Special Session and Representative Currie moves that we use the Attendance Roll Call from the First Special Session. I'm sorry, I'm sorry. Representative Currie moves that we use the Attendance Roll Call from the regular Session for the First Special Session. Any objections? Seeing no objections, we'll use the... the Motion would carries. On page 2 of the Calendar, on the Order of Conference Committee Reports, there appears Senate Bill 1. The Chair recognizes... the Chair recognizes Speaker Madigan."

Madigan: "Mr. Speaker and Ladies and Gentlemen of the House, I come before you today to present the Conference Committee Report on Senate Bill 1. This is a comprehensive pension reform package that will lead to fiscal stability for the state and its pension systems. Based on the actuarial analysis prepared by the systems, we estimate that this proposal will save the state approximately \$160 billion over the next 30 years and immediately reduce our unfunded liability by at least 20 percent. There are several changes that will impact current and retired employees. Let me make it clear that all of the changes in this Bill are prospective. We are not asking the systems to reduce current payments received by retired employees. Number one, future annual adjustments will be based on a retiree's years of service and the full CPI. Let me repeat, full CPI. The annual increase will be equal to 3 percent of years of service multiplied by \$1 thousand for those who are not coordinated with Social Security and \$800 for those coordinated with Social Security. The \$1,800

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

amounts will be adjusted each year by the full CPI. Those with an annuity less than their years of service multiply by one thousand or 800 dollars or whatever the amount is at the time of retirement will receive a COLA equal to 3 percent compounded each year until their annuity reaches that amount. In some cases, a person's annuity will never reach that magic number and they will continue to receive the 3 percent compounded COLA for life. For example, any noncoordinated retiree who worked for at least 20 years and retired with a final average salary of at least \$42 thousand will not see any changes to their COLA. Next, current employees will miss between one and five annual adjustments depending on age. Next, the Tier II pensionable salary cap will apply prospectively. The legislation grandfathers in salaries that currently exceed the cap and that will exceed the cap based on raises in a collective bargaining agreement. Next, the retirement age will be increased for those 45 years of age and under. For each year a member is under 46, the retirement age will be increased by four months up to five years. Next, employees will contribute 1 percent less... less of their salary toward their pension. With these changes, the state will adopt an actuarially sound funding schedule that will reduce the unfunded liability and establish level contributions. The new schedule will achieve 100 percent funding of the retirement systems no later than the end of fiscal year 2044. In addition to the annual contributions, the state will commit to providing supplemental funding for the retirement systems. Beginning in FY16, 10 percent of the annual savings resulting from pension reform will be contributed to the systems. In

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

FY19, the state will contribute an additional 364 million and 1 billion annually until the systems reach 100 percent funding. These contributions will be pure add-ons, which means that the state's annual contributions will not be reduced by these amounts. If the state fails to make the annual contribution or a supplemental contribution, a retirement system will have the ability to file an action in the Illinois Supreme Court to force the state to meet its obligations. There are several other important parts of the Bill worth mentioning. One, all pension matters with the exception of pension pickups that local school districts are removed from collective bargaining. Two, employees will have the option to join a defined contribution plan. Three, state pension systems will be prohibited from using pension funds to subsidize health care costs. I think it's important that we understand why we're here today talking about a change in the Pension Code. We're here today because the cost of the present state systems are simply too rich for the resources available to the State of Illinois to pay for those systems in addition to meeting our obligations in areas such as education and social services. And it's important to note that the cost of these pensions have grown in recent years and will continue to grow. As an example, in FY08, the percentage of GRF appropriations dedicated to the pensions was 6 percent. Two years later in FY10, it was 12 percent. Two years later in FY12, it was 14 percent. In the current budget, FY14, it's 20 percent. It's estimated that in FY30 it will be 23.5 percent. In FY40, it'll be 25.9 percent. In FY45, it'll be 26.2 percent. Next, we ought to compare ourselves to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

what happens in our surrounding states. The surrounding states are more or less the same as Illinois. There are differences, but they're more or less the same as Illinois and what we know is that Illinois leads the region in the amount of state-source revenue that we dedicate to our pensions. So as an example, we dedicate 14 percent of our state-source revenue to pensions. Kentucky contributes 11.6 percent; Indiana, 6.9 percent; Missouri, 4.9 percent; Iowa, 1.6 percent; Wisconsin, 1.3 percent. So, we lead the region but not in the category where we wish to lead. That gives us the background reason why we're here today and why we're contemplating this change. I think it's important to review a little history of this year and how we arrived at where we are today. We began this calendar year last January knowing we had a severe problem with our pension systems. In the Democratic Caucus, we engaged in intense education program. We dedicated numerous caucuses to learning and understanding the problems with the funding of the pension system. And then all of us engaged in a series of test votes right here on the floor where certain elements of this Bill were offered as an Amendment to a Bill. They were debated and we voted. And through that voting, we improved the education and the understanding of the serious nature of this problem. Next, the House passed the House Pension Bill, generally referred to as Senate Bill 1. In my judgment, House passage to that Bill set the high bar of achievement in this exercise. Let's not forget, given the amount of money that we're dedicating to the cost of the pensions, given where we stand in the region, we're here today discussing the issue because of the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

cost. And what we want to do is to get cost savings because of the... as a result of this Bill and that's where the House Bill set the high bar of \$163 billion of cost savings. Later in the spring, the Senate passed Senate Bill 2404. It also changed the Pension Code, but the cost savings in that Bill were in the neighborhood of \$58 billion. And so, again, we're involved in this exercise to achieve cost savings for the pension systems. House action had saved 163 billion; Senate action had saved 58 billion. I was severely criticized because I would not permit the calling of Senate Bill 2404. And I declined to call the Bill because I wanted to shake the issue. I wanted people to have some time to understand the difference in cost savings between the two Bills and to understand that our goal is to achieve the most cost savings feasible as a result of the legislation. In the last few weeks, I engaged in shuttle diplomacy with Senator Cullerton, Representative Durkin, Senator Radogno. We had some very fruitful discussions in negotiations and at the end of those negotiations, I made two suggestions. The first suggestion was designed to meet a Senate Democratic objective. The Senate Democrats throughout this discussion had stated their strong interest in protecting the interest of workers and they wanted to minimize the impact on workers as it would relate to the change in the COLA. So going back to the House Bill, House action. In the House Bill we provided that going forward the COLA would be flat, it wouldn't change and that's where we achieved the great amount of our savings. Through the summer in the Conference Committee, there was discussion about adjusting the COLA by one half of the Consumer Price Index

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

and at one point, there was discussion about a floor and a cap. But despite that suggestion in the Conference Committee, Senate Democrats continued to press their case to improve the functioning of the COLA. And so, it was my suggestion that we go to the full Consumer Price Index as an inflation adjuster on the COLA. That suggestion was accepted by the Senate Democrats. The same time Representative Durkin and Senator Radogno, to their credit, insisted... insisted very strongly that we continue to achieve a meaningful level of savings as a result of the Bill. You may recall, House action had saved 163 billion. The position of Mr. Durkin and Senator Radogno was that they would accept nothing less than 160 billion in savings. And to their credit, because they stood their ground, they got their wish in the negotiations. We did that because of my second suggestion which was to provide for supplemental funding where the Bill provides that 10 percent of the savings coming out of the Bill will be dedicated to the pension systems and thereby, the Bill provides over \$160 billion in savings. I want to also compliment Mr. Durkin, in particular, along with Senator Radogno, for insisting that there be a strong legislative intent in the Bill. This was another matter of great contention in the negotiations among the Leaders. And Mr. Durkin, in particular, demanded that there be legislative intent and that there'd be very strong legislative content and again, he got his wish and I stood with him and with Senator Radogno so that we have the strong legislative intent in the Bill that we think should be in the Bill. Let me speak a little bit to the message that will come out of this Bill. We begin, as we all know, something's got

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

to be done. Something's got to be done. We can't go on dedicating so much of our resources to this one sector, pensions. Throughout the discussions there was a very strong interest in protecting long-term, low-income workers; long-term, low-income workers. That's done in this Bill because the Bill provides that up to a threshold level there's no change, no change. We talked at length about the cost or what's referred to as the 3 percent compounded COLA. That's been identified as the chief cause of the financial problem. For the long-term, low-income worker up to a threshold level, no change. It's still there. So, if you're abiding interest is long-term, low-income workers, you should vote 'yes' because they're protected in the Bill. Once the annuity hits the threshold level, the system changes and there's a COLA present and the COLA's pegged to the full Consumer Price Index just as the Social Security system is pegged to the full CPI. So, the message coming out of the Bill is there must be a change. We will protect the long-term, low-income workers, but for the remainder, there'll be little different than the vast majority of the nation which is enrolled in the Social Security system. That's the message coming out of the Bill. And then to those that would object that too much of a cost savings comes from benefit reductions, it's simply not true. Everyone's been provided with charts that shows very conclusively that there's close to an equal division between benefit reductions and supplemental appropriations or new money being put in by the government, not exactly 50 percent. Benefit reductions are a tad under 50 percent; supplemental appropriations are a tad over 50 percent. But the message is

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

this is not a one-sided Bill. There will be changes here, much needed changes. But this Bill is a well-thought-out, well-balanced Bill that deserves the support of this Body, the State Senate and the approval of Governor Quinn. And I would recommend an 'aye' vote."

Speaker Turner: "Speaker Madigan moves to adopt the First Conference Committee Report on Senate Bill 1. Is there any discussion? With that, we have Representative Verschoore."

Verschoore: "I was wanting to ask questions. I'm sorry. I'll ask questions after it's adopted."

Speaker Turner: "Now's the time to ask."

Verschoore: "Okay. I had this in caucus and I want it to be part of the record. As far as the part where the pensions are not going to be able to be negotiated anymore and they said that they can do that... legally they can do that. I thought it was a subject, you know, a subject of bargaining, but it isn't I have been told. But as far as wages, and I was told that in caucus that wages were not part of this and would not be part of it, that that's separate from public sector as far as private sector. Is that correct?"

Madigan: "Well, let me answer your question by saying that there's nothing in this Bill that would change the ability of governments and unions to bargain wages and conditions of employment."

Verschoore: "Nothing in this Bill, but..."

Madigan: "Correct. And I want to state my own personal view, which I shared with you in our caucus, that my view is that wages and conditions of employment ought to be bargained privately and publicly."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Verschoore: "Okay. One other thing I would like to bring up, too, is when we were negotiate... or when we were talking about pension reform, we were talking about we had a hundred... a hundred billion dollar of unfunded liability and that was what we were shooting for. Now, I'm... I heard in caucus today that now that this particular legislation would generate 160 billion. I guess, why do we need the extra 60 billion? Is there a reason for that?"

Madigan: "Well, Pat, it's 160 billion over 30 years."

Verschoore: "Uh huh."

Madigan: "One hundred and sixty billion over 30 years and an immediate reduction in the unfunded liability of about 20 percent."

Verschoore: "Mmm mmm."

Madigan: "Again, the numbers are big. They may change a little bit, but I think we can all agree it's a big problem and it's our obligation to do something about it."

Verschoore: "Okay. One last question, on the portion of the Bill that addresses people 45 years and younger and for every year you're younger than that that they add four months. That something's similar to what the Federal Government did on their adjustments for raising the age from 65 on up. But when the person retires, when does that... is that after 65 or up to 65 or is that at... Like a teacher, I guess, if they have 35 years and they're 55, they can retire at age 60, I believe it is."

Madigan: "Pat, I think the significant point to make is that if you're over 45 years of age, there's no change, that this Bill only affects people under 45 years of age."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Verschoore: "Oh, you're correct, 45 and under. Okay. But what... what point would they be in... then be able to retire? Would it be age 60, age 65?"

Madigan: "See, it depends on the... it depends on the age when this is adopted. There's a good example. Somebody that would be eligible to retire at age 62 today..."

Verschoore: "Yeah."

Madigan: "...this becomes law, they'd have to go to 62 and 4 months."

Verschoore: "Okay. All right. Thank you."

Speaker Turner: "Representative Nekritz."

Nekritz: "Thank you, Mr. Speaker. To the report. We're here today to take a monumental step, a step we can all look back on hopefully years from now and say that it really did help pull us out of our financial crisis. It's another and very significant component of achieving our long sought after fiscal stability. This has been a very long process. Representative Senger and I were remarking this morning this is as if we've spent three... at least three Sessions going through this. It's been a lot... a rollercoaster, as many of you know, with some ups, a lot of downs. And during one of those periods when we got called back to Session for yet another Special Session on this issue where nothing happened, I think my friend and colleague, Daniel Biss, put it quite well when he said we looked like idiots. But it was out of that frustration grew a group of Legislators that stepped forward almost... it's just about a year ago... it was December 5 last year when the group of 21 stood up and proposed House Bill 6258 which was a bold and yet pragmatic approach to addressing this problem. I... It has a lot of the same levers

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

that we're looking at today in that legislation and looked very, I think in a lot of ways, set the table for what we're doing today. And I think this is a very good example of what Legislators and the Legislative Body can do when individual Members are willing to delve deep and find solutions. We've come a long way since the introduction of House Bill 6258, which morphs into a number of other Bills, but obviously, none of which passed either chamber. And so, the Conference Committee set about its work of... and... and we came a very long way, again, a lot of what the Conference Committee did sets the foundation for what we're looking at today. But ultimately, we turned it over to the Legislative Leaders to come up to produce this final agreement. As the chair of Pensions and as a Member of the Conference Committee, it's very clear that we... that we have a crisis. We have a problem. We owe a hundred billion dollars and we don't just owe that, because if everyone retired today we would have to come up with a hundred billion dollars, that's the amount that we should have in our account to allow it to grow to pay for those future benefits. We should have that money in our account today because then we can earn an adequate amount of interest to actually pay those benefits. We've looked at a lot of solutions, not only legislative solutions to... of the nature we're doing today, but as the Conference Committee we considered... we invited a lot of folks who came to testify about new revenue proposals, different ways of looking at this issue and a variety of things. So, we've explored a variety of issues, but ultimately, I think this is the solution that is necessary. And these changes we're making

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

today are... only go so far as necessary to achieve the goals that we need to achieve, as the Speaker said, to ad... to get to an adequate level of savings so it's both affordable for taxpayers and sustainable for those expecting a pension. Finally, I do believe that this Bill is constitutional and while that will certainly be up to the Supreme Court to make that decision, we've given, I think, our lawyers a number of tools to use to argue this case before the Supreme Court so that it... it will be considered constitutional. I would like to just especially thank Speaker Madigan, who deserves, I think, some special acknowledgement for his dogged determination to see that we got this issue right. His insights and guidance, and as he so eloquently laid out, his suggestion in getting to 'yes' were critical to this process. The other Members of the Conference Committee, Representative Zalewski and Representative Turner, were determined colleagues as well as we went through this process. Leaders Durkin and Cross also played a critical role in getting... in the development of this as it got to the point where we are today. And I'd also like to thank Representative Senger for spending all those three Sessions with me working on this and Representative Tracy as well. The Leadership of President Cullerton, Leader Radogno, Senators Raoul, Holmes, and Murphy and Brady also were... I think, the Conference Committee as a whole really worked very well together, came together to really solve a problem and committed their time and their efforts in good faith. I can't let this go without saying as a big thank you to Daniel Biss, last time we did this he was standing here and I started to cry, so I won't have to do

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

that today since he's not standing here. But he has been the person who has provided strength and guidance and the math expertise, as he so eloquently did in Conference Committee this morning, to take... to get us to this point and I can't thank him enough and can't... and value his friendship more than I can possibly say. I recognize that today this is a very tough vote and I've, like many of you, have heard from countless retirees and workers just how difficult this is. I empathize with each and every one of them and I don't take any joy in this action today. Yet, it's the responsible thing to provide our pension sys... to provide for a pension system that gives workers retirement security without bankrupting our state. Just yesterday, I received an e-mail for... from a constituent who I think put it much more eloquently than I probably ever ca... could and I'm going to excerpt from it a little bit, but this is what he said, 'I'm a local union member. I support your reform efforts on the pension system. Please help find a solution to this mess we are in. My only fear is that the Legislature will not do enough. Recently, our local has undergone pension reform to preserve the fund for retirees. Hard choices were made that would affect people's retirement benefits, but it needed to be done. If you speak with the average taxpayer on the street, I'm sure they would agree with me. Sometimes you have to be Paul... like Paul Simon and just do what you think is right. The current path is unsustainable'. This is a gentleman who lives not far from me in my home community. As we take this vote today, our work is far from over. We must pay down our unpaid bills, address the upcoming expiration of the tax increase and meet

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

our commitment to taxpayers to get the most out of their investment in our vital services: education, health care, social services, transportation. We all have our favorite one. But this is one fundamental step to making all of those decisions easier and to protecting our pension systems so that they have a more secure future. Illinois will be better tomorrow because of our actions today. I want to thank everybody for supporting a stronger state with your 'yes' vote."

Speaker Turner: "Representative Sente."

Sente: "To the Bill. I'd like to refute three arguments made to oppose pension reform. Number one, oppose pension reform because this Bill was devised by the four Leaders and forced upon the Legislature with little time for review. Really? Is there anyone who is interested in pension reform that has not read about or heard all the components and variations proposed to reform the pension crisis? I've been in the General Assembly a mere four years, and since long before I got here, the Legislature's been actively debating pension reform. Many individuals and organizations have proposed pension reform Bills, including myself, several of my peers, individual leaders, unions, not-for-profit and academic think tanks, a group of Legislators and a Leader, and a Special Conference Committee. And so, now, if it takes the Leaders of the four main caucuses to review all the permutations and elements that could collectively solve the pension crisis, agree upon a solution, and encourage their caucuses to support it, well, I say fantastic. That's their job. I'm glad they're doing what we elected them to do, to help unstick challenging

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

legislation and negotiated a compromise. A Tribune editorial demanded that the elements of the Leader's Bill be published for all to read by Friday so that everyone had at least three days to review the proposal. Well, the details were published by Friday and I would argue it is possible for a Legislator to review a complex Bill in three days since little of this information is new to us. Each of us knows what we can support. We know our overall position on pension reform and what element of a proposal is a deal breaker. We have all had years to ask hundreds of constituents their opinion, poll our districts, ask questions of experts, and conduct our own research. Item number two, we can do this without a change to the COLA. No, we cannot. We cannot revise the current pension system and create one that is fiscally sustainable without a change to the COLA. If we could, that would be my preference too. The COLA's the single largest element that contributes to the pension system being unsustainable. So, if we must alter the COLA formula, then we should do so in a manner that honors the lower wage earners and those retired or close to retirement, and this proposal does that. Number three, the state is not contributing to the solution. The state most certainly is contributing to the pension solu... solution and we most certainly should. If we had made our annual pension payments, not refinanced or borrowed or shortchanged the system, we would not be in the severe situation we are today. But even if the state had made their full payment every year, this accounts for less than half of the problem. People are living longer. We need to make contributions based on actuarial data. We need to review the quality and quantity of

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

benefits proposed, and the market rates of return are lower than projected. This Bill includes one, supplemental contributions beyond the annual contributions amounting to billions of dollars. Two, the funding guarantee... it includes a funding guarantee that allows a retirement system to file an action if the Legislature does not live up to their promise. And three, the same reformed proposals that will affect retired and current teachers, university workers and state employees, will affect the Members of the General Assembly. We are not Congress and we are offering forth a solution that will affect our own pensions identically. In conclusion, is this Bill constitutional? I believe it is; however, that is ultimately for the judges to decide. Is it perfect? No. It is a compromise. Do I wish that past Legislatures had made the full pension payment every year no matter what? Of course. Why has the pen... why has pension reform been so challenging? Because we're dealing with people's lives, and therefore we must take it incredibly seriously. So, I would ask my peers, have you voted for any pension reform proposals since you arrived in the General Assembly? Or have you put forward your own pension reform solution? Or do you believe the pension system is not in crisis and is fiscally stable? Because if you can't answer 'yes' to at least one of these questions, then I would tell you, today, we have the chance to solve the biggest challenge that faces Illinois from moving productively forward. And today is your day to finally vote 'yes' and help us solve this untenable situation. Vote 'yes'."

Speaker Turner: "Representative Ives."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Ives: "Thank you, Mr. Speaker. Will the Sponsor yield?"

Speaker Turner: "The Sponsor will yield."

Ives: "Today, in my e-mail, I got a e-mail from Jim, who lives in West Chicago. And he actually said that, 'I'm trying to understand the impact of the pension reform Bill. To say the least, specifics are in short supply'. And he had a number of questions, so I thought they were good. First of all, he wants to know, why would employees be required to contribute 1 percent less. They are the ones getting the benefit, which is already much more generous than what is available to employees in the private sector. Shouldn't they have to contribute more?"

Madigan: "The reduction in the employee contribution was put into the Bill as part of the items of consideration that were put into the Bill for purposes of the arguments before the Illinois Supreme Court. We've been concerned from day one that, before the Illinois Supreme Court, the argument against the Bill would be that it just hurts the workers, that cost savings were taken from the workers. And so, the reduction in the employees' contribution has been put in the Bill for the purpose of showing consideration before the court."

Ives: "Before we had a 2 percent increase in employee contribution. What is the swing in that 3 percent differential? What does that in terms of money that will not be put into the system?"

Madigan: "We don't... I don't have any answer..."

Ives: "Okay."

Madigan: "...I don't a numerical answer for you in that regard. I think you can appreciate that, from the beginning to the end,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

there were multiple items that were debated and discussed for inclusion in the Bill with the ultimate goal achieving \$160 billion in cost savings. And so, if there was a loss of cost savings because of a change on employee contributions, it was made up when, in the end, we moved to the idea of the 10 percent of the savings coming out the Bill would be dedicated to the pension system."

Ives: "Okay. In that same vein, Jim asks, 'Whenever government bases a solution on a projection that is 30 years out, I have to laugh. How can they know that it will be fully funded by 2044?'"

Madigan: "The answer is that in preparing this Bill, we worked with the experts that we knew to help us advise... help advise us on the Bill. As an example, we went to the pension systems, the pension systems all employee actuaries. And everyone of these ideas was sent over to the pension systems where we would ask the system, work with your actuary and give us your best estimate as to what the impact or the cost will be. We went to the best place we could find."

Ives: "I... I understand that. It just seems that initially SB1 was told to save 187 billion, and then afterwards we found out it was only 163 billion. There was a \$24 billion swing after additional analysis was done. I'm just wondering if we're going to be faced with that same sort of reduction in real savings after additional analysis is done on this proposal. We just don't know. I mean, if that's the answer, that you can say that."

Madigan: "I... I agree with you in this respect. We worked with the pension systems. Our relationship with the pension systems

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

was not perfect. We were not always happy with the nature of their response or the time line on their response. Then that's why the Legislature, in its wisdom, just a few years ago, provided that the Office of the Auditor General, which is a legislative office, is now, today, the Office of the State Actuary. So, we, in the Legislature, have one of our offices, the Office of the Auditor General, available to go to and to ask that office, working with the Office of the State Actuary, which is part of their jurisdiction, give us what you think the numbers are. So, today, at least we're in a position where we've got some place where we can go and we can get our good expert opinion."

Ives: "Have we gone there and gotten our good expert opinion yet?"

Madigan: "We have, and not... not on this Bill. We've been working with..."

Ives: "Okay."

Madigan: "...all this information that's come to us, but this is a question which may come later in debate. You know, and Representative Durkin and I have talked about this. Why, I'm prepared to take a position that we would call upon that office in short order to come in here and tell us, is this being done correctly? Are there errors that we ought to correct? I'm prepared to do that and to support that."

Ives: "Okay. That's good. Just a couple more questions here. Jim says, 'Private businesses have moved from defined benefit plans to defined contribution plans. The same should be done with government pensions. The real reform that is needed is to cap the current pension and move future employees to a defined contribution plan'. We only have a small component of

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

that. Why is it not a larger component? This is my part of the question. Why are we only taking a 5 percent from Tier 1 to go to a DC component?"

Madigan: "Yeah. Because this was a negotiated Bill. There were, basically, four parties at interest, debating and negotiating the Bill, and the idea that the Bill would provide for a defined contribution element was advanced strongly by Mr. Durkin and Repre... and Senator Radogno. That's why the item is in the Bill. It could've been more, but as I said, we were in negotiations and we were attempting to come to an agreement on a Bill that could pass both Houses of the General Assembly."

Ives: "Okay. So, would you call this defined contribution equivalent to a 401(k)?"

Madigan: "Could you repeat the question?"

Ives: "Would you say that this defined contribution plan for the 5 percent is equivalent to a 401(k)?"

Madigan: "The answer is 'yes', and let me hasten to point out that the inclusion of the defined contribution element in the Bill was another item of consideration for the court."

Ives: "And also, we don't know for sure what that's going to look like. Is it going to look like the SURS where they have an 8 percent, 7 percent contribution, or we don't... we haven't defined yet what the... the DC looks like. Is that correct?"

Madigan: "You're... you're correct, but my... my attorney advises me that it'll be pretty much similar to what happens at SURS."

Ives: "Okay. That's... that's fine, I get that. Would you consider 401(k) private property?"

Madigan: "I don't know that I understand your question."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Ives: "Let me explain it then. Because in this particular Bill it says that you can, at will, terminate the defined contribution plan and take back, not only the con... member's contributions to their own 401(k), but also all of the earnings. You can terminate it at will. And this, to me, is something a rogue nation, run by despots would do. They would take private property and put it back into another plan."

Madigan: "Whoa."

Ives: "Hey, I got... I got a 'whoa'. Okay. We're going to stop and think."

Madigan: "My lawy... my lawyer advises that that Section of the Bill operates if the Bill is found to be unconstitutional."

Ives: "But that's not what the language says. It says 'terminates or is found to be inoperative by the courts'. It says one or the other and so, the language is not precise. So, it looks like, to me, that you could literally take... and you know, maybe some of these 5 percent people that want to go in this 401(k) have a valid reason. 'Cause even though a TRS return 12.8 percent, in that same time frame, the S&P 500 returned over 18 percent. Maybe they want to be a more savvy investor, and it'd be shameful if we just decided, then, that this private property can be put back into a system that if you look at what happened in Detroit today, can potentially end up in pensioners losing half of their income... or half of their pension. So, that's my concern. If you set up a 401(k), it should be something that they own entirely, and that's not the case under this Bill. Is that correct, or not?"

Madigan: "Well, let me answer your question by addressing the Body as a matter of legislative intent."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Ives: "That would be great. That's what I'm trying to get here on the floor, is some legislative intent."

Madigan: "So, my statement on legislative intent is that this Section that we are discussing right now would be invalidated in the event, only in the events, that the Illinois Supreme Court finds the Bill to be unconstitutional."

Ives: "Okay. Very good. That's the end of my questions, but I do want to make a statement. Many comments have been made on the House Floor over the past few years concerning the dire financial stress our state is under. We had the dubious honor of being selected by the State Budget Crisis Task Force, a group comprised of leaders in government and academia from throughout the United States, for a comprehensive analysis of our financial state. In 2012, they wrote this about Illinois: 'Illinois's budget is not fiscally sustainable. At the onset of the 2008 financial crisis, Illinois was essentially insolvent. It has only gotten worse. Illinois faces a number of daunting budgetary challenges and is among the worst states in the nation with regard to its fiscal condition. The state needs to change how it does business. The culture of budget gimmickry and shortsightedness pushes costs off to the future, but eventually that will be impossible. Retirees may lose their pensions as the funds dwindle, low-income and disabled people may lose their health care as costs escalate, and citizens and businesses seeking a stable environment may face steep and sudden tax increases. It would be better for Illinois', these are their words, 'to start on a long-run path to a sustainable budget than to live beyond its means for several more years and then face a sudden, painful

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

reckoning'. I repeat their comments to underscore that in Illinois bold policy decisions are in order. It is also common knowledge that our credit rating is the worst in the United States. But we are not just the worst, we are the worst by a long shot. When Illinois goes to the market to borrow, we pay over three times more in interest costs than the next worse state. We don't have time for small reform, but today, that is what is before us and we cannot vote for small reform. And in an October 21, 2013 editorial, the Chicago Tribune said this about the previous Bills proposed last spring by Senate President... the Senate President and the House Speaker. They said, 'None of these plans is ambitious enough to completely solve the mathematical problem of too many pension promises and too little money'. The plan before you today is also not ambitious enough, providing even less savings than SB1 and this plan does not solve the math problem with any certainty. A month later, on November 20, the Chicago Tribune called for Leaders to 'go big' on pension reform because we cannot tax, borrow, or invest our way out of a debt this big. The editors included the following statement, 'The Legislative Leaders need to come up with a solid, substantial, heavy-on-savings reform plan for the state's pension funds. Then they need to use that as a template for the cities, school districts and other government agencies that face their own pension crisis. All that debt is on the taxpayers. It grows and grows'. This Bill does not 'go big' and it is not substantial or solid. Instead, this Bill ensures that the state will have to tax or borrow in the future to pay pensions and then cross our fingers and wish upon a star for solid investment returns

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

every year just to keep up with pension funding. This Bill asks taxpayers to pay a bigger share of the base pension for every retiree while asking government workers to pay less. Completely opposite of what we passed a mere two weeks ago for the Chicago Park District, when we called that reform too. This Bill still allows TRS employees to retire in their late 50s after only 30 years of service while the taxpayers that fund this will work nearly a decade longer. This Bill continues to hand out average pensions of over \$2 million-plus, while employees contribute a fraction of the cost in TRS and average about 120 thousand and most retirees, within the first three years of retirement, will have received back all of their contributions. Taxpayer contributions and investment returns are then expected to keep paying retirees for the next 25 years that most will live. Under this Bill, there is no shared risk and taxpayers continue to cover all poor investment returns while also putting in most of the contribution. This Bill reduces our unfunded liability at best by 20 percent, taking us back to 2011 levels when the crisis caused by the... caused the Democrats to pass a huge tax increase. And yet our fiscal situation is not better but instead worse than before the tax increase. Unbelievably, this Bill lets the state take back 401(k) assets. If you happen to be one of the 5 percent that they get into the optional 401(k) for Tier 1, be wary. The state can terminate the 401(k) at any time and take all assets back. If we were serious about implementing a heavy-on-savings reform plan, we would look to Rhode Island, a very Democratic state, for an example of where to start. Rhode Island's pension reform

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

immediately decreased their unfunded liability by over 40 percent. Their real reforms included moving all current workers into a hybrid program, not optional, of both defined benefits and defined contributions. They extended retirement ages over time up to the Social Security age of 67, and they generally suspended all COLAs for retirees until the system is 80 percent funded, and they introduced shared risk in benefit payments. Real respectful reform is possible. I've heard from retirees and government workers, many of who don't even live in my district, and you have every right to be angry as long as it's properly directed at the politicians and union leadership that made the promises we cannot keep. They promised your contributions would be sufficient to cover a fair portion of the benefit when they only cover, on average, less than 10 percent of the payout. The politicians often fail to fund their share and your unions agree to use borrowing to catch up, which never works. They promised increased benefits that were never adequately factored into the contribution formula, thereby exacerbating the problem. And the most egregious, they allowed outsiders, local politicians, union leaders and others, to access your pension systems without paying their fair share. Now, your pensions are in jeopardy. And it is interesting that today a bankruptcy judge is determining what will happen to pensioners in Detroit and actually has determined that those pensions can be cut, despite all the guarantees that they had. So, this Bill is not a solution. And whether this Bill passes or not, either way, state funded pensions are in jeopardy. Both insufficient reform and no reform will lead to the same result. We cannot

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

continue to spend 20 percent of general revenues on public pensions, when most states spend only 5 percent and remain an attractive place to live and do business. Doing so will lead to tax increases or drastic cuts to service, which means layoffs or all three. It also means business choose other places to locate or expand. And it also means taxpayers will flee to better economies. Those of us who remain in the state will be incapable of and, quite frankly, unwilling to pay for outsized pensions. To vote for something just because we've been told, this is it, this is our chance at reform or in response to a media frenzy over this underwhelming Bill, is shortsighted. Today, I ask my fellow Legislators to not vote for marginal reforms but to put retiree pensions... that put retiree pensions in jeopardy, are unaffordable to taxpayers, and erode our ability to balance budgets fairly. We do need pension reform immediately, but not just any pension reform. And we certainly don't want to pass a Bill... or any Bill just to find out what... later what's in it. I ask you to vote 'no'. And beginning tomorrow, to work towards real, meaningful reform. Thank you. I urge a 'no' vote."

Speaker Turner: "Representative Senger."

Senger: "Thank you, Mr. Speaker. To the Bill. Number one, I want to mention a few things in this Bill that are very solid and it's a result of a policy we put in place, pretty much three years ago, when we started working on this problem, and that has to do with not kicking the can down the road again and using true actuarial numbers, which we are. So, we're going to solve this thing once and for all so, hopefully, tomorrow, when the bond houses open up, they'll look at the State of

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Illinois and say, finally, you did something and got it done and you're going to move forward. And that's what this Bill is about. There's some good.. this Bill is not perfect, but there's some very good policy in this Bill. One of the policies that we brought to the table, and I want to thank Leader Durkin for bringing it, also, is the 401(k) component. Today, except for the university system, there's no choice, particularly, for the teachers' system to say if you want a pension or a 401(k). So, this opens, for current employees, the opportunity to move in a 401(k). That's good policy. And that's a conservative policy that many of the conservative organizations have been asked for. So, this is a move in the right direction and is a very good gain for everyone. Secondly, there's something else that's working through here which is important. It's going to bring stabilization, not only to our fund going forward, but to our businesses. And we're going to have a piece of legislation in place that, now, and coming up in the spring, our businesses, our school districts and everyone else can open up to say, hey, we know what is going to go on in the State of Illinois. We have gone home, I don't know how many times now, with a failure to pass a Bill and this is the furthest we have come along. This Bill is not a weak Bill. This Bill is not perfect, but this Bill is in no way a weak Bill. So, I am in... in support of this Bill. I would ask for your 'aye' vote on this Bill. And if we walk home again and not get this done, I can guarantee tomorrow morning, not only are we going to be a laughing stock again with the bond houses, but with all our businesses, our school districts and our individuals in the homes that are

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

saying, hey, Illinois, you've got to get something done and make it happen. And on the final note, and this is in regards to those who are in the system, the public employees and the teachers, our whole intent here, and this is why we're using actuarial numbers and we're not kicking the can down the road, is to make sure you have a pension until you no longer need it. And that's what this Bill is doing. Thank you."

Speaker Turner: "Representative Sandack."

Sandack: "...Mr. Speaker. A couple of questions of Speaker Madigan, please."

Speaker Turner: "The Sponsor will yield."

Sandack: "Speaker, you mentioned in your opening comments about the \$160 billion in anticipated savings over the 30-year period, and I thought I heard you say in answers to questions of another speaker that that's from the actuaries from the systems themselves. Is that correct?"

Madigan: "I think it's fair to say that it's a composite number that was generated through joint action of the staffs for the four legislative caucuses working in conjunction with the information that came from the pension systems."

Sandack: "And Speaker, you mentioned in anticipation of other questions and frankly, one of them was mine, about the propriety, perhaps, of using outside actuaries or other consultants to maybe look at it. Is COGFA considered a possibility to run these numbers, as well?"

Madigan: "They would be. They would be."

Sandack: "Speaker, some other speaker spoke to the constitutionality of the issue and on this floor, whether it was in the weekly orders of business on other pension votes,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

that's always the question of concern to all conscientious Legislators. I don't think I heard you speak to it. Are you confident that you believe this Bill to be constitutional, Sir?"

Madigan: "Representative, my view is that this Bill will be approved by the Illinois Supreme Court, and I say that based upon the excellent advice of my attorney, Heather. She's right there."

Sandack: "I had a feeling you would say that. Yes, Sir. I suspect others may have opined, as well. Sir, what happens if we don't pass this Bill? Do you expect the credit agencies may chime in on this issue again?"

Madigan: "Well, clearly, the Bill is responsive to concerns and objections raised by the credit agencies in the past. Our hope is that they're fully satisfied or greatly satisfied. But, you know, what they do was outside of our control once we've passed the Bill."

Sandack: "Let me ask it another way then, Speaker. If the Bill doesn't pass, do you expect the credit agencies will have another negative look at the state's credit worthiness?"

Madigan: "Well, I certainly hope not."

Sandack: "To the report, Mr. Speaker. I appreciate all that have been involved in bringing this Bill forward. I know many on my side of the aisle feel it doesn't go far enough. It doesn't do enough. It's not bold enough, big enough. I understand those concerns and I recog... recognize them, and in many instances, I appreciate them, and wish the Bill did more. But that's not going to be the case today, and in the short run, it's not going to be the case tomorrow, either. There are

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

others that say the Bill goes too far, it does too much, it's too drastic, it cuts too much. So, perhaps, just perhaps, today, as we stand here, we have a report, or a Bill, that does enough to move forward, that offers the right first step towards reforming these pension systems, stabilizing them and making them financially sustainable. Because as I've said before and other, more eloquent, speakers have said before, if we don't stabilize these pensions, there's no fixing the fiscal future of this state and turning Illinois back to a prosperous state. So, I support this report and the Bill and I ask my colleagues on this side of the aisle, particularly, to take into effect and recognize where we are, literally and figuratively, with this Bill or report. Could we do better? Is it realistic under current circumstances to have a better Bill? I suggest that's not the case. Furthermore, I suggest that this is a good incremental step and to do nothing, to say 'no', is tantamount to letting a hundred billion dollars in unfunded liabilities go unaddressed, to let \$5 million in daily increases to that unfunded liability continue, going forward. I think that's a dereliction of our duty. Would I like a better Bill? I would. Is this good enough for right now? I suggest it is. Last, there were... there was a speaker that pointed to the Chicago Tribune as authority for big, bold pension reform. I concur. That same authority, such that it is, the Tribune OP page suggested today, Tuesday, that's today, is a yes/no moment. We cannot say 'yes' to a pension system doomsday that will almost certainly occur, that will unfold in a few years. We cannot support any excuse that resembles head in the sand bury. We cannot support political

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

calculus in lawmakers self-interest, trumping the needs of real pensioners, real taxpayers, real workers, real employees who are relying on lawmakers to address this, not to offer up excuse after excuse. Lawmakers, be the solution, stabilize this state's future, its credit rating, and its business climate. Vote 'yes'. Thank you, Mr. Speaker."

Speaker Turner: "Representative Fortner."

Fortner: "Thank you, Speaker. Will the Speaker yield?"

Speaker Turner: "Speaker would yield."

Fortner: "Mr. Speaker, I know we had some discussion when you presented SB1 to us back in May of this year and I want to revisit a couple of questions to understand what provisions may be the same or have changed since our discussion at that time. At that time, I asked and you concurred that the requirement of the systems or the ability of the systems to take an action to compel payment was pursuant to the law as it exists in the subsection of this proposal. That was SB1 back then and I believe is still true in the report presented to us. Is that correct?"

Madigan: "The answer is yes."

Fortner: "And at that time I also asked and I want to reiterate my question, the Legislature would still have the power through a statutory process, if then approved by the Governor whether directly in a normal statutory Bill or perhaps in one of our BIMP Bills that we pass as part of a budgetary process, to change the provisions of that subsection so that the law as it existed would be different, would change the number that would be required for us to pay, and therefore there would be no cause of action should that occur?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "The answer is yes."

Fortner: "The other thing I want to ask about is a response to some of the questions... some of your responses to some of the earlier questions and I think you commented that both the use of a defined contribution component and the downward salary adjustment were both put in as consideration, as potential ideas for consideration, should this go before the Illinois Supreme Court?"

Madigan: "The answer is yes."

Fortner: "As I understand it, those would apply to current employees. Was there any id... any piece of this that is designed to be consideration with respect to those who have already retired who would not be able to participate in either of those elements?"

Madigan: "The answer to your question is the... the new actuarially based funding formula, the two forms of supplemental payments, one of which carries your name. And then the ability of the systems to go before the Illinois Supreme Court to obtain a court order to get their payment pursuant to all of that."

Fortner: "Thank you. To the report. I expressed concern last May that though there are many very good elements of this Bill, many elements of this Bill that I think would survive a court challenge and I appreciate that some of those are things that I have offered up in legislation myself over the last couple of years as we have been going through this process of trying to stabilize and reform our pension systems. However, I am concerned that the form of the funding guarantee we have leaves us open to some jeopardy for our taxpayers in two

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

respects. First of all, because it is something that can be changed by action of this Body with the Senate and the signature of the Governor, it doesn't seem like it's a lot of a guarantee. Well, in fact, I would contend that the existing required payment system, the so-called ramp that we pay, also has various guarantees. It's certainly written into law that we have to make those payments. What this Body has done on a number of occasions is to rewrite that Section as needed to meet its budgetary needs. I don't find that compelling as a guarantee. And so my concern is that those good provisions of the stabilization fund that might be offered towards the retirees in exchange for that, maybe it doesn't really have the substance to hold up as consideration as opposed to those things that were mentioned also that apply for those who are current employees. So obviously, the danger there is that if the court should find that unconstitutional because the entire COLA package and the stabilization fund are all rolled together, they would all be thrown out and we would be back to where we started. The second place where I see a risk is, even if it were to be upheld, again, the language of this guarantee, I hesitate to call it that 'cause I don't find it a guarantee, it's certainly a directive in statute, permits exactly the same playing of games with the pension that we have seen over many years, even over many decades, that has gotten us into the problem that we see. To me, those two things together are a risk I don't think we should be taking. There are many elements of the Bill, as I've said, that I think would pass muster. Do they generate as much savings as the targets we would all like to see? No. But I think those

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

would be a sure bet as opposed to taking the risk, playing double or nothing, and hoping that we can get the full package. I'm uncomfortable taking that risk with this report.

And I'm not going to be supporting it. Thank you."

Speaker Turner: "Representative McSweeney."

McSweeney: "Mr. Speaker, will the Speaker yield?"

Speaker Turner: "The Speaker will yield."

McSweeney: "Mr. Speaker, I applaud the work that you've done on this and Leader Durkin. My questions are centered around the numbers. I've spent the last two days working with staff and they've done an outstanding job answering the questions. Let's talk about the 92 billion out of the \$160 billion of savings. I'm supportive of those savings: the COLA adjustment, the increase of the retirement age, the pensionable salary cap. My issue is that we've had two outside consultants that have been hired by the funds to do this work. And what staff is doing, and again they do a great job, but they're just simply adding those numbers up. I'm on the Revenue Committee. I'm known as the COGFA guy. The guy who actually looks at all the COGFA analysis. Why, Mr. Speaker, has COGFA not confirmed these issues? I'm not trying to make an issue out of something that isn't important. I don't want to find out, and I respect what you said that in two weeks or three weeks that we're going to potentially have them take a look at it. But what if the number is 60 billion? What if it's \$50 billion? That's my concern. Why can't we have or why didn't we have COGFA, who we all universally respect, take a look and confirm the \$92 billion, Sir?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "Mr. McSweeney, I... my answer to your question would be that we are more than willing to work with COGFA and give them the information and the material that they would need to give an opinion. We're... we're more than willing to do that. They haven't done it yet because they haven't gotten the information and the material, but we're prepared to give it to them."

McSweeney: "But Mr. Speaker, what happens if they come back... if we pass the Bill today, they come back in three weeks, the Governor has signed the Bill and they said the number is 62 billion? What's going to happen then? I'm just giving you an example. That's my concern. My concern is that we're relying on outside consultants, not COGFA. If COGFA had done this analysis, I wouldn't be asking this question. This is my major issue on this legislation. Is what... what happens, Sir, respectfully, if in two weeks they come back and just to... to give my example some credence, let's say it saves 62 billion. What do we do about the 30 billion?"

Madigan: "Speaking for myself, I'd be prepared to go back to work. But I would... I would like to add that the work on determining the numbers for benefit reductions and cost savings was done cooperatively by all four caucuses. So, in... in your case, your people worked with Heather and Lari and we worked with the people from the Senate and there was a coordinated effort in conjunction with the information coming from the pension systems. So, there was some checks in the process. I mean, your people were in a position to object to a number that we wanted to use and we were in the position to object to a number you wanted to use, but in the end they all came

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

together. And today, you know, there's an agreement among these four caucuses on the set of numbers that we're using."

McSweeney: "And Mr. Speaker, I'm a businessman. The only thing I go for is the experts. Our staff is great, they do great work. But why not get COGFA to do the work and then call the Bill? And just let me continue, Sir."

Madigan: "Yeah, I..."

McSweeney: "What... why... why not then would you be willing to insert a provision in this Bill that says, and I'm focused not on the 68 billion of add-ons, the entry eighth-level change, the so-called Fortner payments, the add-ons, I'm focused on the 92 billion. Would you be willing to amend this Bill today to say that there will be a COGFA analysis and if the numbers don't turn out to be 92 billion, then the Bill is void? Would you be willing to add that as an Amendment today in writing?"

Madigan: "Mr. McSweeney, we're pretty far down the road in terms of amending the Bill. And as I said before, we're prepared to work with COGFA, give them the material that we have and get an opinion from them. And... and please understand that they're going to use the same numbers that were used already. If... if we give them our information, it's the information that we used, that we worked with the systems and where we had cooperation among the four caucuses. We had differences of opinion among the four caucuses, but it generally did not relate to the numbers. They generally came together and agreed on the numbers."

McSweeney: "And Mr. Speaker, as you know, COGFA has great experts. Just like the Congressional Budget Office, they're nonpartisan. I worked with them very, very closely on the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

revenue estimates. Chairman Bradley knows that. And I was skeptical about those revenue estimates, the 35.4 billion is a revised number, but I spent countless hours with them and I know they're the highest professionals. They don't just rely on actuarial reports from consultants. They do their own work. And my understanding, Sir, is that the top actuarial firms in this state are Aon and Hewitt. They actually potentially consult with them and confirm the numbers. I don't want to be here in three weeks if the numbers don't work out. And I just ask, I'm not trying to be obstructionist. I work very hard on trying to pass pension legislation. You have led it with Representative Durkin and Representative Cross, Senger, Nekritz. But what I want to do is make sure the numbers are right. So, why is it not reasonable, Sir, to add an Amendment today that says if the \$92 billion does not check out that this Bill is void?"

Madigan: "For... for one thing, we're not at the Amendment stage. That's one thing. Now, your... your response will be, well go back and reconvene the... the Conference Committee. You know..."

McSweeney: "I'm willing to do it today. I'm... I'm not... I'm trying to be reasonable, Sir. I'm not saying that we have to have the COGFA numbers today, I don't think that's realistic. Would you be willing, though, to add an Amendment today that actually says that this Bill is void unless COGFA comes back independently and confirms the \$92 billion in savings?"

Madigan: "Mr. McSweeney, you probably know the Bill is not effective until the middle of next calendar year. So, we have plenty of time to come back and go back to work."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

McSweeney: "By that time, the Governor has signed the Bill. That's all I'm asking and I'm not going to beat that, I'm going to leave at this point. 'Cause I'm just asking questions at this point and listening to the debate. But I respect the independent analysis. I respect COGFA. They do great work. And they don't just rely on the outside consultants. I'm not questioning the staff. The staff is outstanding. What I'm questioning is, why we don't have our expert, who I respect, who I've worked with, and all Members of this chamber opine on these numbers? If the number really is \$92 billion then fine. That's all that I want to do is make sure that the number... I'm not even focused on this whole issue of the entry age level accounting change that... from SB1 that made the difference in liability. I'm focused on confirming the numbers are right. I don't want to get it wrong, so I'd ask you to think about that. And I appreciate your time."

Speaker Turner: "Representative Tracy."

Tracy: "Thank you, Mr. Speaker. Will... To the... the Bill. I want to make some comments about serving on the Conference Committee and I do rise in support of it and I want to acknowledge the work that has been done of the people that served on this committee, the staff and the like. A tremendous amount of hours have went in and we did invite input from all groups affected, from all groups that were concerned and we kept asking, give us some more input. We analyzed and assessed every bit of information that we had to try to put together something that would address the worst funded... underfunded pension liability in these... in this nation. And of course as we've heard today how difficult that task is and we've also

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

heard today that to do nothing costs Illinois dearly. Every person in this state bears a brunt of not addressing this pension crisis as it grows daily by millions of dollars. And to think what we could do with those millions of dollars that this is costing us every day by funding education, by providing a social safety net that is so desperately needed by many in this state and to address our crumbling infrastructure. It's important today to recognize that we are not trying to punish in any way retirees or active employees of this state. We recognize the service and the debt of gratitude we have for going to work every day, seeing that our roads are patrolled, seeing that all aspects of state duties are performed from the education in the classrooms. But we cannot ignore that if we do nothing we run a huge risk of making these systems insolvent, certainly unsustainable, and the instability of our state's fiscal health continues to deteriorate. We all know that this a difficult task and I've always invited input as to come up with a better solution. I also understand that in this process I would have appreciated having more time for people to analyze and assess this Bill. Certainly people will not be voting on this because of that one specific reason and I think that alone would require more time. I applaud Representative McSweeney's remarks. I likewise want to make sure the numbers are right and I think that it's fair to ask such a thing and often we do things that have consequences and we get it wrong. That's why we worked as diligently as possible on this committee to try to get it right, to try to make our systems solvent and sustainable for the ones that are going to rely on them and

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

to add stability to our finances in this state. So with that, I'm asking folks to support it. If not, come up with a better plan, give us your input, give us what you think will really solve this, but let's not find our state in a situation, as Detroit is in today, where the people that have relied on those systems or the city that is seeing it torn apart, let's learn from the lessons of the past and try to do better for the people of Illinois. So with that, I do support the report of the committee today. Thank you."

Speaker Turner: "Representative Brady."

Brady: "Thank you, Mr. Speaker. Will the Speaker yield?"

Speaker Turner: "The Gentleman will yield."

Brady: "First off, Mr. Speaker, thank you and thanks to our Leader, Jim Durkin and so many others that have worked so hard on this Bill. I truly commend them and all of you for the due diligence that you have done. But with that being said, I continue to have a problem that I struggle with and am trying to get clarification on. And in your opening remarks, Mr. Speaker, you indicated that this was comprehensive reform of the state's pension systems. And to that, meaning to me, systems means plural. We have five systems, retirement systems in this state and four of them are in this Bill. But one system is not in the Bill and that is the Judiciary. And being an attorney that you are and I am not, come from a family of attorneys but I am not, I was wondering if you might be able to help me understand a little bit more the reasoning behind that particular point of the Bill and be able to clarify for me that if this Bill, not if, when this Bill would be filed if it passes, it's going to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

have a constitutional challenge, we all know that. I don't think anybody is hesitant on that. But when that Bill would be filed, excuse me, that challenge would be filed, would associate judges in the State of Illinois have something to do or hear that particular case?"

Madigan: "Mr. Brady, any legal challenge to this Bill or any Bill adopted by the General Assembly will be before a judge."

Brady: "So my question then, if I understand your answer correctly, you are saying that there would be potential that an associate judge would have this case dropped upon he or her to make a first ruling on it?"

Madigan: "Is there some reason why you've singled out an associate judge? Is that the essence of your question?"

Brady: "No, I was going to go down to all the judges if you give me time."

Madigan: "What I'm getting to is that in the ordinary course..."

Brady: "Mmm mmm."

Madigan: "...at the trial level it generally would not be an associate judge. It would be a full circuit judge. And then an appeal would be taken maybe to the Appellate Court or maybe directly to the Supreme Court."

Brady: "So then, if I understand it correctly, probably associate judge would not have involvement in a challenge of the constitutionality of this case?"

Madigan: "Well, again, in the ordinary course..."

Brady: "Okay."

Madigan: "...but technically it's possible that at the beginning the matter would be before an associate judge."

Brady: "Subcircuit judges?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "Subcircuit judges are full circuit judges."

Brady: "So, sub and full circuit judges may have some type of involvement in hearing this case if it is filed in the court on a constitutional challenge?"

Madigan: "I go back to my first answer. A judge is going to consider it."

Brady: "Okay. Appellate Court justices?"

Madigan: "They might be involved."

Brady: "Retired judges?"

Madigan: "For a retired judge to be involved would require that one of the courts would for some reason involve a retired judge. That would be a decision by the court system."

Brady: "So, it is... it is highly probable that seven Supreme Court justices in this state would be the ones that hear the constitutional challenge, if this piece of legislation would become law and challenged."

Madigan: "At the end of the day... at the end of the day, the matter will be before the Illinois Supreme Court which has seven justices."

Brady: "So with active and retired judges, somewhere between 15 hundred to 2 thousand in this state, it really would get down to seven Supreme Court justices making the decision of the constitutionality of this piece of legislation when challenged. Is that correct?"

Madigan: "The answer is yes. It took us a long time to get here."

Brady: Well, then why, Mr. Speaker, would we exempt out all those other judges, retired or active, if truly seven are going to be the ones to make the final decision?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "The intent was to eliminate the possibility of a judicial conflict during the adjudication of this matter through the court system."

Brady: "Okay. But these are the same justices or judges that on a daily basis put on a robe and serve Lady Justice with that blindfold who are supposed to be impartial and fair and not have something obstruct their ability to serve as a judge or justice in the State of Illinois. Is that correct?"

Madigan: "I presume that's the case. I presume the answer is yes."

Brady: "Thank you very much."

Speaker Turner: "Representative Zalewski."

Zalewski: "Thank you, Mr. Speaker, to the Bill. This has been quite the debate. From discussions of whether we're dealing with true numbers to asking questions from constituents on the floor, I don't think there's any doubt that what we have is a situation where retirees who've put a considerable number of years and effort into their jobs as public servants are awaiting our decision on their retirement futures and it's got to be a gut-wrenching, gut-wrenching experience. We have retired teachers who are trying to reconcile the fact that 177 people are deciding their retirement after they've given a lifetime to our students and that, frankly, is heartbreaking to me. But it's for those very reasons that I'm compelled to, what I consider to be, do the right thing as a Legislator responsible for the welfare of the State of Illinois. The plan before us today does two very important things to ensure that we fix the problems that the State of Illinois faces. First of all, I would ask everybody to read the legislative intent at the beginning of the report, go through it line by

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

line. It's exceptionally well-written and understand how we got to this point. It's a very persuasive argument and it's part of the reason I'm voting 'yes' on the Bill. We're protecting the generational health of the defined benefit system. We've heard today, but very clearly, there are those who wish to end defined benefits in Illinois. That's the goal. That's the end result for some. That's not the end result for me. I want to protect these systems. I want to say to this generation and the next generation and the generation after that, if you choose to enter into public service, you're going to have a retirement that's going to be secured by a defined benefit system. And that's important to me and that's why I'm going to vote 'yes'. Second of all, we have to protect the fiscal health of the State of Illinois. We all signed an oath at the beginning of our terms saying our duty is to the citizens of the State of Illinois. Myself and a lot of the colleagues that are in this Body now aren't responsible for the mistakes of the past. We're not responsible for decisions that were made that put these systems in the shape that they're in, but we're here now and it's our job to fix the problems before us now. I was proud to serve on the Conference Committee with Representative Nekritz, Representative Turner, Representative Senger, Representative Tracy, and Senators that were appointed. I'm thankful to Speaker Madigan for taking the... taking the ball from us and closing. This is the meaningful middle between protecting defined benefits, protecting the retirements of teachers and state workers and ensuring that we can protect the health of the State of Illinois's financial system. It's one of the most important

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

votes I think a lot of us will ever take in this Body. And I plan to vote 'yes' and I urge the Body to vote 'yes' as well."

Speaker Turner: "Representative Chapa LaVia."

Chapa LaVia: "Thank you, Speaker. I rise to speak on the Conference Committee Report. Complex problems typically require complex solutions, and this pension issue is certainly extremely complex, so I thank everybody who's been involved in this situation. And complex situations usually mean everyone dislikes some part of the solution, and in other words, nobody will be a hundred percent satisfied. But I'm clear on three things right now. Number one, that the people of the great State of Illinois are not willing to simply open their pocketbooks and freely give the money needed to support an outdated pension system that was based on old actuarial assumptions. We used to assume that the average age was 70 and now we have people living past 80 and 90, and even healthier, and the actuarial numbers were based on old data. A few years ago, a few people would have believed that when they were told that inflation wouldn't be below 2 percent for 10 years or more, well, inflation has been below 2 percent, so the 3 percent loss of Cost of Living Adjustments simply hurt the long-term viability of the plan. Our old pension formula simply can't support that. Secondly, in the past 30 years tens of millions of people have gotten comfortable with stock market investments, like my husband and myself, and so many of my constituents have told me they would love to have the option to invest their own money in a 401(k) plan. This Bill provides that option. The pension plan investment returns have averaged only 6 percent per year over the long

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

run, yet, the S&P 500 stock market index has had a 10 percent annual average return over the last 75 years in this country. That's a huge increase for a person who chooses to take on some added risk. And number three, I believe in love, compassion and justice for all, so I want to preserve our pension system, not see it crash and burn simply because we couldn't make everybody happy about a hundred percent of the Bill. Again, no Bill will make everyone a hundred percent satisfied, but we should all be able to agree that is right and just to keep it alive and well. Because right now, somewhere about this time 'cause it's about dinner almost, we have a twelve-year-old boy or girl who, for an example, might be able to get a job with the state, their ro... want to plow our highways. And as that person grows old and they're sitting down at their table with their family and eating, in the middle of the night, they'll be called to do their job. They'll be called away from their family when it snows, and if we keep our outdated pension assumptions, that boy or girl will have no options and this Bill preserves those options for our future children. Lastly, I've heard some really hateful rhetoric coming out of mouths of some folks concerning people who have had a pension. And I ask my fellow Representatives and citizens, before you make disparaging remarks about hard-working folks who have paid money dedicated for their own paycheck to pay for their own pensions in this state, to think of all those jobs that allow us to pursue our happiness... pursue our happiness, jobs we often take for granted. If we fail to take action today, the unfunded liability of our retirement system will become so

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

great it will be nearly impossible to make our retirement payments and continue to fund programs that are important for all taxpayers. If we do nothing, we will eventually be faced with unimaginable decisions. Do we make payments on pension payments or do we fund our schools that are underfunded right now by quite a bit of money? This may seem like a ridiculous question, but it could be reality if we fail to pass pension reform. And I ask for your support. Thank you."

Speaker Turner: "Representative Leitch."

Leitch: "Thank you, Mr. Speaker, and briefly to the Bill. On June 30 of 1989, we had before us another Pension Conference Committee Report in Senate Bill 95. I would say it didn't take this long to adopt that Bill. That was a very happy Bill because it enacted and put into place the 3 percent compounded COLA in the systems. Clearly, that is much easier to pass than to deal with what we are dealing with today. It was my opinion then and certainly vindicated now, that in the course of adopting a 3 percent compounded COLA, we were putting dynamite into a pension system. And that... but for very, very careful vigilance by the General Assembly, very careful funding by the General Assembly, very, very careful adherence to actuarial numbers that we would have a major problem. Indeed, the question would not be if it would be when that day would arrive. And I would suggest to you that the day has arrived and instead of enjoying the fun of adding goodies to a pension today, we have to confront the fact that I don't believe there will be a defined benefit system in the future if we don't have the courage today to step up and do what has to be done and rescue this system. And it's not a matter of

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

whether you'd like to or you'd not like to, it's a matter of fundamental mathematics. It's a matter of compound interest. It's a matter of what Einstein referred to as the eighth wonder of the world. Compound interest is wonderful when it's on your side. It's devastating when it's not. And many of our constituents are already fearful and feeling devastation because of the false promises that we have made in the past and have clearly not been able to keep. So, I would simply suggest that we adopt this measure, that we stem the bleeding and that we try and put stability back into the system today because we can all be assured that if we do not take responsible action today, it's very likely there won't be a system to worry about down the road. Thank you, Mr. Speaker."

Speaker Turner: "Representative Drury."

Drury: "Thank you, Mr. Speaker. To the report. I rise in support of the Conference Committee Report. And I do it for reasons that I think are a little different than what's been said before. But a lot of the arguments that we've heard on the floor, today and in the past, have to deal with whether or not this Bill is constitutional. And I think that, you know, from the time I hung a shingle back in 2011 to first run for office, the topic I was asked about was pensions. All through my first Session the topic, no matter what we were talking about in town hall, the topic was pensions. When we've been on summer break, the topic is pensions and the fact is, is that this issue is crippling our state. It's impeding progress, it's impeding us from moving forward. The theory is the opponents of the Bill, on the constitutional arguments, say there's not consideration or the situation isn't drastic

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

enough to require an action of this sort. The proponents say the opposite. There is valid consideration and the situation is so dire that we need to do something. The fact is, that no court in Illinois has addressed this issue because we've consistently prevented the courts from getting the issue. Throughout our history, whether it's at the state level or the federal level, it's been our courts that have played an integral role in moving forward and moving our nation forward, our state forward on major policy decisions. The civil rights movement is the best example of this. It took the courts to make major leaps in that movement. But for a court to rule on the issue of pensions, the court has to have the issue of pensions. It must be presented with a case. And typically, the way we get a case to the courts is through a test case, again, looking at the civil rights movement. There was always a test case that went to the court and the court ruled and the court made a decision and we lived by that decision. Well, this is our test case. Is this the best case that could have been picked for proponents of pension reform? I don't think so. Is it the worst case that they could have picked? I don't think so. But what I do know is that this legislation can be the test case if we all have the guts to move it to the next branch of government. For those who support the Bill, you'll get your day in court. For those who oppose the Bill, you'll get your day in court. And given that we're all relatively certain that this legislation is going to get to court, I think it's important to talk about some of the arguments that are going to be made or that have been made and put into the legislative record what the arguments are for and against

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

this Bill being constitutional. Again, I don't have the answers, but I think some of these are the issues and I have... I have some concerns. I have the same concerns that the Representative, I believe, from Barrington raised about the actuarial numbers. But I think that the answer to that is that if this data is incorrect, if it comes back in three weeks and this data shows that it's going to save 60 billion or it's going to save 30 billion, that cuts against the argument that there was valid consideration for this legislation. And we have to trust that the lawyers are going to take that into consideration on both sides and argue it, and the judge is going to reach the proper conclusion. There were questions about whether or not... whether or not the judges should be included in this. I personally, absolutely think the judges should be included in this. It's something that I've talked about at length. But they're not. And so, do we let this cripple the state some more? Do we not move forward or do we let the judges rule on this and let the judges decide whether or not keeping the judges out of it cuts against the argument that the situation is so dire that we have to take this action? If it was so dire, why wouldn't we include all five systems? These are arguments that are going to be made. I'm concerned about statements in some of the actuarial reports that have been done where they say, don't rely on this report because we don't have all the data, we don't think we should be using the dates you're using. I think these arguments will be made and they'll have to be taken into account against the arguments that have been made and I know that the lawyers have put lots of arguments on and it will be

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

a robust debate in the courts, and I think we need to move it to the courts so that we, as a General Assembly, can move forward with other major issues that confront the State of Illinois. This legislation is hefty. It's over 300 pages. I personally wish there was more time to review it. I'm personally not happy with the way the process worked out. I call this pension modification not reform because I think reform would have had a better overall process, but it's the process we have. And I think the courts will take that into account when they're looking at the overall process. I think that the courts are going to have to take a look at the fact of... is the consideration of a cut in benefits in return for a promise in the future? Is that enough consideration? Maybe it is, maybe it isn't. There were some public statements made over the weekend that some of these promises we've made can be taken back. I think that helps opponents of the legislation. It hurts proponents of the legislation. But this debate needs to be hashed out in the court of law. And if the courts decide that it's not constitutional, it's going to come back here, but it's going to come back here with a road map, and we're going to know what we can do. It's not going to be pie in the sky dreams of what is and what isn't. We will have a road map and we can do it. If it is constitutional, we also know, but we need to move forward. Illinois needs to take this big leap. And so I support this legislation and I don't do it happily. It is going to hurt people that I know, it's going to hurt teachers that I had, but I also know that if we do nothing, that people are going to be hurt... more people will be hurt because there'll be no money in the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

pension systems and it's going to continue to crowd out programs that all of us care about. So, I commend the hard work that's been done by everybody. I commend this very great debate that we've had today. It's been one of the best debates I've seen since I've been on... in the House. But I urge you to vote 'yes' so we can move this legislation out of the House, into the courts, and we as a collective Body can move forward. Thank you."

Speaker Turner: "Representative David Harris."

Harris, D.: "Thank you, Mr. Speaker, and I know this has been a long debate. I'll try to be brief. My compliments to the... all who worked on... on pension reform legislation whether it's previous Bills, the Conference Committee or the current speaker. I would like to ask the Sponsor a question or two about the... about the Report, if I may? Representative, in some of the previous versions and specifically in Senate Bill 2404, the Senate President talked about the issue of consideration when dealing with... with constitutionality. And in Senate Bill 2404, there was option A and option B. If you chose A you didn't B, if you chose B you didn't A, specifically, the automatic increase for the health care. Consideration has apparently disappeared in this Bill. Has... has that... is that indeed the case?"

Madigan: "Mr. Harris, consideration has not disappeared from the Bill. There are many elements of consideration in the Bill, which means that the Attorney General, who will be called upon to defend the Bill before the court, will have multiple options to use in those arguments before the court."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Harris, D.: "Can you give me one example of consideration that's in the Bill?"

Madigan: "The reduction in... the reduction in the employees contribution by 1 percent."

Harris, D.: "Well, that was my next question actually. There's a reduction of 1 percent in the employee contribution, yet, in 2404, in agreement with the... the unions that represent the teachers and the employees, they had agreed to a 2 percent increase. I don't understand the consideration in this Bill. There are no options in... in the Report here, especially for the retirees. They don't have an option of what they can do. This is a... you got it. There's not an A or a B. This is all that there is. So, I'm not sure I understand where the consideration comes in."

Madigan: "Mr. Harris, the short answer is that there's two different models here. There's... there's the model that's contained in this Bill and the model that was contained in Senate Bill 1, when it was in the House and then the model that was contained in Senate Bill 2404, when it was in the Senate."

Harris, D.: "Okay. Okay. I'm not sure I see it clearly, but I appreciate the explanation. Is this Conference Committee Report similar to the proposal, and I know we didn't see it officially, but similar to the proposal which the conferees had worked on and put together? It was my understanding that it is."

Madigan: "In many respects it's identical to what the members of the Conference Committee contemplated and just in general it's... it's very similar to what the members of the Conference

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Committee had contemplated. There are changes. I've spoken to some of the changes in my opening remarks."

Harris, D.: "Okay. And you made reference in your remarks about the percentage of GRF that the pension payments are going to either consuming now or are going to consume. Do you have or do you know what the percentage of GRF... the payments would consume under this proposal?"

Madigan: "Mr. Harris, we don't feel that we're in a position to offer that number. We just don't feel we have adequate information to respond to that question."

Harris, D.: "Okay. All right. Fair enough. Thank you very much and I really do commend you for the Leadership you've taken on this Bill and on other Bills. And to the Bill, and I will be brief. Ladies and Gentlemen of the House, I stand here as a Member who early on joined with the distinguished chairwoman of the Pension and Personnel Committee and I think broke the ice at the end of last year by introducing House Bill 6258, which I think got the ball rolling because nothing was happening on pension reform. I joined her again with House Bill 98 which was exactly the same thing at the beginning of this Session. I joined the former Minority Leader in sponsoring, cosponsoring House Bill 3411 which, again, was a Bill which... which did meaningful reform. I voted in favor of Senate Bill 1 that the Sponsor put on this floor earlier and would vote for it again if he would bring that Bill back. Now I remember that former U.S. Senator Everett Dirksen, and I don't mean to make light here, but former Senator U.S... U.S. Senator Everett Dirksen, I think once said that, when asked about a controversial Bill, he said some of my friends are

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

for this Bill and some of my friends are opposed to this Bill. And me, I am for my friends. Well, we don't get to be for our friends. We only have a 'yes' or a 'no' button. So, we have to choose one or the other here. On the good side here, we know that we have a pension problem. I think everyone in this Body understands we have a pension problem. Our state finances really are in horrible shape. We are going to bring in \$35 billion in general revenue funds in this fiscal year and we are spending every penny of it. The problem with pensions is one of crowding out, in other words, our pension payments are crowding out the amount of money that we can give to other needed state resources. Well, we have \$8 billion in back bills and of that \$35 billion that we're going to bring in, none of it is going to go for back bills. We talked about the fact that the state has the lowest credit rating in the nation. Looking at the pension systems we're 98, 99, 100 billion dollars underfunded which is a level of only 40 or 42 percent in terms of a funded level. So, we really do need pension reform. As I said, I've sponsored previous Bills and I voted for Senate Bill 1. However, the word crisis has been thrown around frequently when discussing the pension issue here in Illinois. Senate President Cullerton was criticized recently when he made a reference to the situation in Illinois not being a crisis. Well, my friends, the City of Chicago has a near immediate pension crisis. The Chicago Public School system has a near immediate pension crisis because they may not have the money to pay the benefits that they are... they guarantee to the annuitants. The state, however, does not have an immediate; note, I said immediate, pension crisis. We

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

have a serious problem looming which the... the Sponsor of this measure made reference to because of the fact that the payments are crowding out other payments that need to be made to... to the state... state needs. I made... I asked the Sponsor a question about whether or not this Bill was similar to the Conference Committee draft that had been talked about by the conferees. He said he wasn't su... it was close. I asked him what the percentage of GRF was that this Bill would consume and he answered that he did not know, that that hasn't been determined yet. However, I have in my hand a chart from COGFA prepared relative to the Conference Committee proposals that were put together on... on 11/1 of this year showing that 20 percent of GRF would be consumed up through 2035... that roughly 20 percent of GRF would be consumed under the proposals which apparently were very similar to what we have in this Bill. So, while I concur with the Gentleman's statement that we have a problem, I'm not sure that this Bill solves the crowding out problem. And I'd like to reference the editorial that was in today's Chicago Tribune, which I know the Speaker always likes to read his favorite newspaper, and let me tell you what the Tribune wrote. 'Many variables will affect the success or failure of this proposal, whether it delivers on its promise to fully erase the funded liability during the next 30 years'. And this is the part that I like. 'For the math to work, the lawmakers will have to be disciplined in making annual required payments. They will have to be disciplined, as well, when other state spending, closing state facilities, reforming Medicaid, holding the line on discretionary spending'. Ladies and Gentlemen, this is the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Illinois General Assembly. Discipline in spending, since when? Reforming Medicaid? We just passed a Medicaid Bill, and no one disagrees with this, we just passed the Medicaid Bill that is going to add 1.7, 1.8 billion dollars to our liability in 3 years when the feds stop reimbursing at the full amount. So, I think there are genuine concerns. I'm not sure that this Bill really corrects the problem which the Sponsor talked about in terms of consuming general revenue. You know, back when we were debating the workers' comp Bill, the distinguished Representative from the 23rd District used a... used a term which is very common and he said don't let the perfect drive out the good. And I'm not looking for nor do I expect that a Bill is going to be perfect. I understand that compromise is indeed... indeed part of the process. But having been a cosponsor of so many previous Bills, having voted for the previous version of Senate Bill 1, I believe that we can do better than the Bill that's in front of us today. Thank you very much."

Speaker Turner: "Representative Hernandez."

Hernandez: "Thank you, Speaker. To the Committee Report. I come from a family of unions and I believe that what maintains the middle class is very much due to the efforts of unions. This pay... pension Bill may not be a Bill that we can all agree, but it is a responsible action. It's a responsible action towards the pension crisis that the state currently faces. On behalf of many working families, we must be cautious on any further actions minimizing the ability and ways of maintaining the middle class. I re... I ask for responsible action. I ask for a 'yes' vote. Thank you."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Speaker Turner: "Representative Morrison."

Morrison: "Thank you, Mr. Speaker. To the Report. If this Report becomes law, we'll still have an \$80-plus billion unfunded liability. It was a crisis 3 years ago, it will remain so today. That will equate to a tax increase on the general public especially now that state employees are paying less. I have never turned down a meeting with my constituents. I've been to three TRS townhall meetings. I've met with... with teachers and state workers in coffee shops in my district at McDonald's, in my district office, around town. I do that because I respect them. And I'm planning on voting 'no' on this Bill but not because I agree with their problems with the Bill. I have been totally transparent with them, I'm going to be totally transparent with all of you about how to fairly and effectively get out of this problem. I've introduced House Bill 3303, a hybrid defined benefit defined contribution pension plan that moves all current workers to a self-managed system, one that's fair, predictable and sustainable for workers and taxpayers alike. And when I explained this Bill and explained the full-extent of the state's problems to my constituents, even those who disagree with me about this issue, there's actually a surprising acceptance from both older and younger workers alike. And obviously, my cons... constituents who are not in the public sector agree with these sort of changes. And I want these changes for judges and General Assembly Members alike. Now, we hear so much about constitutional guarantees from the state. First of all, since 1970, they have resulted in a ratchet up in benefits, never a decrease down. And secondly, who is the state? The state is

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

the 12.9 million residents of Illinois. And I personally know constituents who've chosen to leave Illinois. I also know those who have been forced to leave because they could not find work, they could not find a job, they could not keep their homes with the rising taxes and the cost of living. When you're the worst funded pension system in the nation per capita, you've got to go big. I do applaud some of the changes that have been made. I do applaud the Conference Committee Members who have worked very hard on this Report, but we have got to be honest and straightforward with our workers and our taxpayers and I argue that we are not doing that here. If this Report becomes law, all we've done is delayed the day of reckoning just a little bit longer. It is quite interesting that the City of Detroit's bankruptcy filing goes forward today. It's too bad that we still haven't learned from their mistakes. You cannot continue to make promises to workers that can't be kept. You cannot overtax the private sector for very long. You cannot force them to foot the Bill. Regardless of what happens today, we have more to do with pension reform, much, much more. I will be voting 'no'."

Speaker Turner: "Representative Kay."

Kay: "Thank you, Mr. Speaker. Would the Sponsor yield? Will the Speaker yield, please?"

Speaker Turner: "The Speaker will yield."

Kay: "Speaker, I don't have a prepared statement today. I find that hard to do and you know, read from a script. It's not to say that what we haven't heard today is very good. I had a call last night though, which was not scripted, from one of my constituents and he said, 'For God sake, would someone

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

speaking for the taxpayers of the State of Illinois'. So, with that in mind, I'm going to ask you a series of questions today, and as I did in my caucus, you can just answer yes or no. I don't need a long dissertation because I'm like McSweeney. I'm a business guy and time is precious and I know yours is too. But with one caveat before we begin. I heard a comment earlier today by a Representative that I think very much of and she is on your side of the aisle. And there was a suggestion made that we had ample time to assess this bill. Well, I've got the Bill and I've got the three pension plans, but I didn't have the actuarial studies that were done. And I'm going to get to that in a few moments. So, when we talk about three days being acceptable, well, maybe so, but if you want the facts, maybe not. Mr. Speaker, would you agree that there are at least 13 components of the retirement fund which we never could afford, we can't afford today, and we likely can't afford in the future?"

Madigan: "Mr. Kay, given the nature of the question, I don't feel that I'm in a position to respond."

Kay: "Okay. Let me... let me do what I did with my caucus then because I didn't get responses there either to many of my questions. Do the 85 sick days or one half year of service remain allowable for early retirement? Is that in the Bill?"

Madigan: "The answer is yes."

Kay: "Okay. Survivor benefits paid at age 50 instead of 55. Has that been remedied?"

Madigan: "That has not been changed."

Kay: "I don't... forgive me a minute, but I think this is serious debate. I... I don't... we don't need catcalls from wherever

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

they're coming from, but I think this is serious debate. And I take it seriously and I think you do too, Sir. The annual COLA that was raised to 3 percent from 2 percent that wasn't compounded. I'm assuming that, as I read the Bill here, that was fixed to some... some degree."

Madigan: "Can you restate the question, please?"

Kay: "Yes. I'd be happy to. In 1978, the annual COLA was raised to 3 percent from 2 percent, not compounded. I'm assuming that your Bill fixes this, is that correct?"

Madigan: "My counsel advises me that it is different."

Kay: "Okay. The early retirement option. Is that still allowed?"

Madigan: "The answer is yes."

Kay: "The employer pickup of employee contributions. Is that still allowed?"

Madigan: "The answer is yes."

Kay: "The unmarried children over 18, eligible for health insurance coverage. Is that still allowed, maybe even up to 26 now?"

Madigan: "Well, Mr. Kay, our answer would be yes, but not under this law. I think that would be covered by a different law."

Kay: "Okay. Very well. Sick leave credit, which was up 'til 1984 from 170 days, which previously was 85. Has that been remedied?"

Madigan: "There's no change."

Kay: "The 3 percent COLA that was compounded in 1990 has to some degree been remedied."

Madigan: "Could you restate that question?"

Kay: "Sure. In 1990, the General Assembly saw fit to compound the COLA to 3 percent. Has that been remedied?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "That has changed."

Kay: "Also in 1990, survivors receiving a COLA. Has that been changed?"

Madigan: "No."

Kay: "In 1990, also, there was a provision for disability and pensions added for part-time and substitute teachers."

Madigan: "There's..."

Kay: "Has that been changed?"

Madigan: "No. The answer is no."

Kay: "In 1991, retiree health care premiums were subsidized, I believe, at 75 percent. Has that been changed?"

Madigan: "Mr. Kay, I think the answer is no, but again, that's in a different part of the statute."

Kay: "That's fine. If it's been remedied, that's the only I'm... I'm looking for here, is just yes or no."

Madigan: "Could... could you restate the question?"

Kay: "Absolutely. In 1991, this Body passed a Bill which subsidized retiree health care premiums. And my questions is, has that been remedied?"

Madigan: "That was changed in Senate Bill 1313."

Kay: "Okay. Thank you. And in '98, if my dates are right here and I believe they are, we waive early retirement cost, that is 34 year workers becomes 35 years for... for pension. Is that remain essentially the same, or does your Bill change that?"

Madigan: "We do not change that."

Kay: "Okay. Let me ask this. Is there any reason that we did not address the areas that you have indicated to me were unaddressed?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "Well, Mr. Kay, all of those items were considered by the negotiators, but as I have said previously, this was a negotiation. And in any negotiation, why some matters survive the negotiation and remain in the Bill and some don't."

Kay: "Okay. But would you... would you not agree that the 14 enhancements, which I have just enumerated, are the cost drivers that have put us in the position that we are today that brings us to this point of debating your Bill?"

Madigan: "Mr. Kay, we made changes pursuant to this Bill in order to achieve \$160 billion in savings."

Kay: "Okay. So, my final question would be this. And it's not a political question. It may sound like one, but is it fair to say that if we didn't... if we had not embraced the 14 enhancements that we've just talked about, we likely would not be in the position we are in today. Is that correct?"

Madigan: "I don't think I understand your question."

Kay: "Well, we've been pretty generous with how we spend taxpayer dollars. And so my question is simply this. We've gone through, from 1972 through 1998, some very costly benefits that were given to people who work for the state. And my question is, those were the cost drivers... I'm asking the question... aren't those the cost drivers that put us in the position today that brings us to discussing your Bill?"

Madigan: "Well, Mr. Kay, there have been multiple cost drivers all across State Government. This Bill attempts to address the cost drivers in the pension area and as I argued in my opening remarks, I think that we've done a good job of addressing the significant cost drivers in the area of pensions."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Kay: "Okay. So, my second point, beyond the enhancements that were provided, would be the fact that we are here today because we failed to pay... the General Assembly failed to pay at least one payment and forgave another through Senate Bill 27 House Amendment 1. Is that not correct?"

Madigan: "Mr. Kay, missing payments was part of the problem... missing payments is part of the problem. There were other elements to constituting the problem."

Kay: "Could you discuss those with me?"

Madigan: "I could discuss... Well, again, Mr. Kay, you know this. There have been multiple factors that took us to this problem: change in investment returns, pension enhancements adopted by the Legislature signed by a Governor, missed payments or partial payments. Multiple elements came together and that's why we're here today."

Kay: "Okay."

Madigan: "And that's why we're attempting to improve the situation with this Bill."

Kay: "Mr. Speaker, I want to make myself real clear with you. I'm sitting on the fence here today and what you tell me is going to make the difference between a 'yes' or a 'no' vote. And that make any difference when all this is said and done. So, I'm coming here in earnest. I'm not trying to take your time up. I'm just trying to simply ask some questions that I have that others have not been able to answer. And I... again, this is... to me, this is not politics, this is real life for real people. So, I take this pretty serious as I think you do. You've been pretty candid today. About the guarantee that is in my summary from staff. As I read this, we are suggesting

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

a funding guarantee that if the state fails to make a pension payment or a supplemental contribution, a retirement system may file an action in the Illinois Supreme Court to compel the state to make the required pension payment. In business, my... my question would be simply this, what if you're broke?"

Madigan: "What if what?"

Kay: "What if we're broke? We have no money. What is the effect of this guarantee?"

Madigan: "Mr. Kay, my best answer would be that's a decision to be made by the court."

Kay: "Okay."

Madigan: "You might then ask, well, do you think the court would consider the fiscal condition of the state in rendering its decision? I would say, I would hope so, but I can't speak for what the members of the court at that time would do."

Kay: "But that would be a Federal Court not a state court?"

Madigan: "No. I believe that would be in the state court system."

Kay: "Separate question about financial stability. Talking about certifying contributions. I'm curious about... excuse me... about supplemental contributions. I'm curious about the contribution that the state will make in FY2019 of 364 million. Do you have a suggestion... and I know that's a way off... but do you have a suggestion as to where that money will come from?"

Madigan: "Yes. That money would... would be a result of having finished a payment schedule for debt service that we're paying for today. So, a few years ago we did a borrowing to make a pension payment. And we're engaged in paying off that debt. And the schedule provides that it will be paid off in 2019

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

and the intent of the Bill is to say that the money that had been going for debt service will now be dedicated to the pension systems in 2019 and going forward until we hit 100 percent funding."

Kay: "Okay. Good. Thank you."

Speaker Turner: "Excuse me, Members. Can we keep the volume down? We're getting very close to the finish line and we'd like to hear the debate. Thank you."

Kay: "I want to talk a minute about the actuarial system I... I believe Representative Harris spoke to and maybe others. My understanding is it was essentially done in-house in conjunction with some houses that were brokerage houses, actuarials who were working outside the state. Is that a fair statement?"

Madigan: "I don't know that I would use the term 'brokerage houses'."

Kay: "Okay. Okay."

Madigan: "I think they were actuarial companies that render services to the pension systems."

Kay: "Do you have clue a as to why we have gone to the actuarial system that we have used to predict the savings that we're talking... the... the prospective savings that we are talking about today?"

Madigan: "My understanding was that as we worked our way through this Bill we went to the pension systems, TRS, SURS, SERS and asked for their help, asked for their advice, asked them to analyze these proposals and tell us what the impact of the proposals would be. In the ordinary course, I presume that

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

they went to actuarial companies that they work with on a regular basis."

Kay: "Okay. And I don't know that you can answer this... this question. It's kind of a... it's a refinement, if you will, state of the art use when you're talking about actuarial systems. But would it not have been better for us today to be using actuarial numbers that came from a present value of future projected benefits as opposed to the system, as I understand it, that we have used for actuarial data?"

Madigan: "When you use the word 'system' are you talking about the pension systems?"

Kay: "Well, I'm... I'm talking about the projections that have been made based on the actuarial formula, the methodology."

Madigan: "Coming out of the pension systems?"

Kay: "Correct."

Madigan: "Mr. Kay, I think my... my answer to you would be that everybody involved in this process was... acting in good faith and we know from our experience in the Legislature that, when we contemplate moving legislation where agencies such as the pension systems are affected those people will step forward and render their opinion as to the effect of the contemplated legislation. And so, as a general rule if you wish to move legislation you're well-advised to consult in advance with people that will be impacted and people that will be in a position to render opinions as to the effect of what you're attempting to do."

Kay: "Okay. The reason I ask that question is a practical one. Because using the methodology that I think you have used or someone has brought to you predicting the potential savings,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

they may have done you a disservice. I'm not sure because I haven't had that... that time to get my numbers back yet. But just as an example, using the system that you folks used in 2042 taxpayers' contributions will be 9.8 billion, employee contributions 2.4. Is that what we want to do?"

Madigan: "Mr. Kay, I don't think we agree with those numbers."

Kay: "Why not?"

Madigan: "Because they're different then the numbers we have."

Kay: "Well... I underst..."

Madigan: "And let me add, as I said in the previous remarks, the numbers that I'm working with are numbers that have been generated by a joint effort by the four legislative caucuses."

Kay: "Okay. So, let's... let's get off that a minute, because Mr. McSweeney made, I thought, a very great suggestion, which I don't think you were willing to take up, about amending this Bill today with the idea of getting real numbers in hand to prove that this legislation would do what it wants to do. Because I don't think any of us really know. And I guess not knowing myself makes me pause when I come to think about a 'yes' vote. And by the way, I voted for your previous piece of legislation, when you... you came through with SB1. I thought it was a good piece of legislation. So, I'm all for tax reform, but it's got to be tax reform that indeed is real reform. I'm going to ask you again, would you consider Mr. McSweeney's proposal?"

Madigan: "I'm prepared to work with Mr. McSweeney and Mr. Durkin to get an opinion from COGFA."

Kay: "Well what happens if that opinion comes back and... and the numbers are lower than are..."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "Well, I'm... I'm prepared to go back to work."

Kay: "Which means?"

Madigan: "You and I'd be looking at each other across the House Floor."

Kay: "Indeed. Let me ask another question and this is probably... I'm just trying to clean up some things for my constituents. But many people are... have asked the question because there's a disparity between some teachers who are at the very, very lowest end of the pension scale and some who are at an... an extreme high end. And the question is, why don't we means test this? Was that ever a consideration or was that just not... never thought about?"

Madigan: "Mr. Kay, I don't think I understand your question. Let me add, though, that it seems to me that the way the pension works why the employee pays in a certain amount of money and the employer pays in a certain amount of money. My presumption, which may be wrong, but my presumption is that the amount paid in will rise or fall depending upon the salary that the person is receiving."

Kay: "Well, my... I'm... I guess I'm trying to be analogous with what I think's coming next and that's a progressive tax. And certainly under the progressive tax people at the high end pay more than people at the low end. So, that's my question when it comes to the way we have constructed this pension Bill. Indeed, would it not have been fairer to the people at the bottom to means test this?"

Madigan: "Mr. Kay, I think there's an element of means testing contained in the language of the Bill."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Kay: "Really. I read it once, maybe I... maybe I missed that. I'll go back. Do you know what page that's on? Never mind."

Madigan: "I'll call you tomorrow."

Kay: "A number of comments have been made today about the Chicago Tribune and what a great newspaper it is. And I think it is too. I read it quite a bit. Have you seen the editorial in the Wall... not the editorial, but the piece in the Wall Street Journal today about what is captioned, 'Illinois's fake pension fix?'"

Madigan: "I've heard references to it."

Kay: "It's pretty discouraging when you read their take on this. And I guess, if you didn't read it, I can't ask you to comment on it, but I would suggest that you read it because it's less than complimentary and I don't... I don't mean this to be derogatory with respect to you because I understand where we're going today. But there's certainly a lot of suggestions as to how things could have been done better. So, I guess I'm saying it might be useful to all of us to read the Wall Street and maybe not rely so much on the Tribune. In closing, Mr. Speaker, you have been very kind to me and I appreciate that. I am... I am very uncertain as to what this Bill really accomplishes because the actuarial work done, not by you, but by somebody else and given to you, is questionable, very, very questionable. And that drives... that really drives what this Bill really does. With that, I'm going to say that Representative McSweeney, I think, had a great idea. I wish you had taken him up on it because my sense about this is that when we walk out today, whether it's an up or down vote on this Bill, we're done. Thank you, Mr. Speaker."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Speaker Turner: "Representative Cassidy."

Cassidy: "Thank you, Mr. Speaker. To the Report. I came into the building today and frankly even into the chamber today undecided. And then an earlier speaker mentioned an effort, some time ago, when 20-some of us came together and... and worked together to... to craft a... a framework that would address some of our concerns and that was 6258. And when we introduced that Bill, I spoke of a constituent that I had spent a considerable amount of time with. Zoe had come to my office in need of assistance finding affordable housing and other resources and I was shocked to learn that she was subsisting on a state pension that was not getting her to the end of the month. Since that... since meeting her, I've advocated on behalf of the lowest earners and I have told all the constituents I've met with that I'm going to continue to fight until I believe we've gotten the best possible deal that protects those folks at the bottom, as many of them, as much of them as we can. I believe we've done that. This isn't perfect. There's much to wish that was different, but that is the nature of compromise. In earlier versions of SB1, we derived 72 percent of the savings from benefit cuts and in this version it's 54 percent, which is significant movement. I have to acknowledge that movement and recognize the importance that will allow the portion of a pension that is... is permissible for a COLA to grow with CPI so that earning power can grow with inflation. Most importantly, we need to move on from this place and begin to address the needs of middle class and working families, fund our schools and essential services that have been cut to the bone, stop the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

endless line of big corporate tax handouts and address tax fairness in our state. I wish we could have done more today, but I do believe this is the best deal we can get. I'm voting 'yes'."

Speaker Turner: "Representative Reboletti."

Reboletti: "Will the Speaker yield?"

Speaker Turner: "The Speaker will yield."

Reboletti: "Mr. Speaker, I... I had some questions. I... as this Body is aware, I've had some constitutional concerns and I've had a chance to review many of the cases that the Illinois Appellate Courts and Supreme Court have addressed, as well as the Constitutional Convention. And there were two delegates that talked about the diminishment and impairment clause, which I assume will be addressed by the Illinois Supreme Court in short order. One of those was Delegate Green, who I believe was a retired university employee, who said that a benefit of a hundred dollars in 1970 should not be diminished or impaired and should be no less than a hundred dollars in 1990. Would you... is it your belief and with your learned counsel to your left, that this would be in keeping with what the delegate had surmised in 1970?"

Madigan: "The answer is yes."

Reboletti: "There was also a Delegate Kinney, who happened to be from DuPage County, who spoke about the issue of a firefighter. And that it was Delegate Kinney's concern that the Illinois Constitution not diminish or impair a firefighter's retirement, pension, and that the example that was used by Delegate Kinney is that if a firefighter entered the system in year x and then retired with a guaran... what

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

would have been considered a two-thirds of the value of his salary, that the General Assembly could not reduce it to one-third value during the... the time of the firefighter's employment. Would you say that Senate Bill 1 is in keeping with what Delegate Kinney concerns were back then?"

Madigan: "The answer is yes."

Reboletti: "And in my reading of some of these cases, one of the major concerns and has not been addressed is the COLA, the Cost of Living Adjustment. And is it your assessment, through counsel that the Cost of Living Adjustment, is that a pension benefit or is that perceived as something else? I think that'll be ultimately the question, but is that perceived as a pension benefit that is protected by the diminishment and impairment clause?"

Madigan: "Mr. Reboletti, we believe the answer is no, but we would add that that's a matter to be determined by the court."

Reboletti: "And I believe that that'll probably be fully vetted here in short order. There's... I have some concerns about the severability issue. And you and I had talked about Senate Bill 1 previously and you and I were walking through the process. So, if we may for legislative intent or for whatever the courts may use this debate for... it's most likely that there will be lawsuits filed probably as soon as Governor Quinn finishes the last 'N' on his name. I'm assuming that somebody will file suit, Sangamon County, Union County. That's fair to say, right?"

Madigan: "We expect a lawsuit challenging the Bill."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Reboletti: "And that when you and I last discussed this, we probably both agreed that the court would enter a stay as they were reviewing this case. Is that fair to say?"

Madigan: "I think it's a good possibility."

Reboletti: "And it's my understanding that this Bill would save in the range of between 1 and 2 billion dollars in the first year. Is that a fair assessment as well?"

Madigan: "The answer is yes."

Reboletti: "One of the other concerns that I have is what will happen to that savings. Is that something that... do we think that the courts will hold in escrow of some sort or will we keep that aside from the budget? Because, I think other states, where they did not hold the savings aside, some of them were ordered to reimburse the pension systems or retirees as soon as the court rendered a judgment."

Madigan: "Mr. Reboletti, presuming that the lower court enters a stay, there won't be any savings because all the provisions of the Bill will not go into effect until there's a final order from the Illinois Supreme Court."

Reboletti: "And then we would anticipate for our budgeting process for next year that we would make a full pension payment that would be due and owing to the system while we await the decision of the Supreme Court?"

Madigan: "The answer is yes."

Reboletti: "While we... while we await that, some people... I want to now address the issue of severability. One of the other concerns that I have is increasing of the age. I think that'll be another issue that will be determined. If the court determined that by us, in this Senate Bill, by increasing the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

age of retirement by any period of time, four months, four years, does the entire Bill fall? How would that work? I think there has been some concern about how that would play out."

Madigan: "Mr. Reboletti, the answer is no. And all of the elements are severable except for the following items: funding formula, annual adjustment, contribution changes and the defined contribution plan."

Reboletti: "And those are not severable? That's... is that..."

Madigan: "That's..."

Reboletti: "...correct?"

Madigan: "The answer is yes."

Reboletti: "And if any of those were determined to be unconstitutional, would the entire Bill fall at that point or only that particular portion?"

Madigan: "If any one of those was found to be unconstitutional, only that item would be determined to be unconstitutional. Excuse me, let me go back and correct that. If any one of these... I'm going back to the four items that I just put into the record. If anyone of them is deemed to be unconstitutional, then all four would fail."

Reboletti: "And then what would that... if all of those failed, what would that leave us with respect to the passage of this Bill? What would go into effect, if anything?"

Madigan: "Changes in retirement age, pensionable salary cap, pension abuse language and several other smaller items."

Reboletti: "And it would also be fair to say that if we make our pension payment next year, that if the... that we would hope that the court would come back to us with some type of decision prior to the next pension payment having to be made."

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

So, we may have up to 18 months or so before the next pension payment would have to be made and that would give this General Assembly time to correct... if there are any issues to correct at that time."

Madigan: "That's correct."

Reboletti: "Thank you, Mr. Speaker."

Madigan: "Thank you."

Speaker Turner: "Representative Moffitt."

Moffitt: "Thank you, Mr. Speaker. Will the Speaker yield?"

Speaker Turner: "Sponsor will yield."

Moffitt: "Mr. Speaker, just very, very quickly. During early discussion of pension reform, the issue was raised different times about a possible tax swap, a tax shift, and when Senate Bill 1 in its original form came through, that question was raised and I believe your response was, well, that's not in this Bill. And I assume that's still the case. Do you..."

Madigan: "The answer is yes."

Moffitt: "Yes, that it..."

Madigan: "Yes, it's not in the Bill."

Moffitt: "Thank you. And is that issue still an issue that we might likely see in the future or passage... would pass..."

Madigan: "Mr. Moffitt, my answer to that question would be as much speculation as anybody else answering the question. You know how it is here. Issues change from day to day."

Moffitt: "The other time I think you said that would follow and I... you weren't really tying it directly but that's still an issue out there. Would you see this Bill as reducing the odds of that shift occurring?"

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

Madigan: "Again, my answer would be, it just depends on the level of interest in the general population concerning the cost shift. So, normally, issues rise to consideration here based upon the level of interest in the general population where the citizens are talking to the Members of the Legislature asking them to bring something before the Legislature or to move some kind of a piece of legislation."

Moffitt: "Okay. Thank you, Mr. Speaker."

Speaker Turner: "Representative Bellock."

Bellock: "Thank you very much, Mr. Speaker. To the Conference Report. Just in looking over, we've had 21 downgrades in Illinois by bond houses over the last couple of years. Looking at today, we have addressed the two issues that the bond houses have asked us to do. Two years ago we addressed the Medicaid reform, the other issue that they keep bringing up is the pension reform. That's the issue on the table today. We know that the most important thing is to sustain this pension system for all the employees and teachers in Illinois who have paid into this system. Today is the day that we can stop the uncertainty about this. I know we all have concerns about the Bill and they are compelling and we have listened all afternoon to the issues that we know need to be addressed or may not have been addressed. But until we stop the uncertainty and address this reform today, that is the only reform over the last three years that has come before us that all four Leaders and the Governor have agreed upon. Unless we move forward and attempt to sustain this system, we will still have the status quo in Illinois and we will have the uncertainty, not only for the businesses that don't want to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

stay in Illinois, but most importantly, for all the hardworking taxpayers, teachers, employees of this state who work every day and need to have some certainty on this issue. I encourage you to support this Bill and work for all of those people in Illinois."

Speaker Turner: "Members of the House, there are two speakers left. Leader Durkin to close... Leader Durkin and Speaker Madigan to close. Is there anyone else wishing to seek recognition on this point? No? With that said, Leader Durkin."

Durkin: "Thank you, Mr. Speaker. Over the past few months Speaker Madigan, Senate President Cullerton, Leader Radogno, and myself have discussed fixing the state retirement systems at great length. To say reaching an agreement has been difficult would be... to say reaching an agreement is difficult is an understatement. As a group, we painstakingly reviewed various proposals derived from the Conference Committee Report, other pension reform Bills, such as Senate Bill 1, which was championed and supported by my predecessor, Tom Cross, in an effort to find common areas of consensus and optimize savings. Movement at times was slow. That's because each and every time we made an adjustment to an acc... to one of the concepts, even minor, it had the potential to dramatically alter the actuarial numbers provided by the pension systems. That went on and on and on. But it was responsible. We had to do it. But we collectively felt it was important that the numbers be as accurate as possible before we came to you, seeking your vote, which is what we're doing today. I can tell you this, I have a family member who is an actuary, spent about 20 years taking tests after she graduated from college. They have the

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

highest of fiduciary standards, some people are critical of them, but I will say that we need to put reliance within what our actuaries tell us. The Conference Committee Report, SB1, will save in the range of a \$160 billion over course of 30 years. This is real money. This is not Monopoly money. The savings are significant and more importantly it sustains the viability of these systems. Under this proposal, the systems will re... will achieve 100 percent full funding by the end of 2044. Better reforms to the COLA, a pensionable salary cap, a higher retirement age for those under 46 are necessary to stabilize our pension systems and to control and reduce our unfunded pension liability which is the worst in the nation. I will also say there was discussion about this supposed guarantee. And I will say that on balance, it's correct measure, it's a correct component. It provides flexibility to a fiscally prudent Governor and a fiscally prudent Legislature to make their payments to the system and also to pay the necessities of government, but what it also protects the Legislature from, and the taxpayers importantly, are the examples in the abuses and the rogue actions of Governors and Legislatures, which we've seen over the years, by giving the systems the abilities to say no, you can't do this, no more holidays. And that's what we're doing in that provision. Because of our insistence, that's Senator Radogno and myself, up to 5 percent of active state employees will have the option of controlling their own retirement and can choose to participate in a defined contribution plan. This is a victory. This is something that our side of the aisle has asked for and pleaded with for years. What made it possible for us to

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

be here today was a sense of urgency by all Leaders, that if nothing is done the credit agencies will continue to imper... impose further downgrades for our state which makes it cost prohibitive to borrow and will ultimately damage our economic and job climate and put it in even worse condition. Illinois already has the worse credit rating of any other state and the highest unemployment of any state in our region and in the Midwest. And today, failure to act, and failure to act today will assuredly move our credit rating even lower, if it is possible and I guess we'll just have to find out, if we don't pass that Bill. I believe that's reprehensible if that's the situation. No one wants to be here, but we have no choice. There was tremendous give and take during the course of these negotiations and that's what this Body's about and that's what this process is about. And while I will say that this Bill is not perfect, it's a good Bill, but it is the best Bill that we are going to see for such a long time if we do not pass this Bill today. I will say that we acted and we negotiated in good faith 'cause we all believe a sense of urgency what... has nothing to do with politics. I've heard criticism and I have heard comments, but the fact is, politics have absolutely no place with the condition of our pension system, with the billions of dollars that are at stake. We need to act on the merits of the Bill itself. There are so many good things in this Bill opposed to the questionable parts that people have brought up and that is the basis for why you should vote 'yes'. I can believe... and I will tell you this, that I think that if we do also not take action today, it just makes it that much more likely that a tax increase

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

will be necessary. Let's try to avoid that. Now, I think it's ironic today that the Detroit bankruptcy judge, that was mentioned earlier, did rule that the City of Detroit is eligible for bankruptcy protection and I will tell you what, our failure to act and to move in a positive manner like today, could ultimately put these systems in the same position as the City of Detroit. And shame on us if that occurs. I want to thank all who participated in this issue, going back three years ago, to all the Members in the Pension Committee, Members of the Conference Committee, and more importantly to our staff who work tireless day and night, 'cause they're doing it for the right reason, because they believe in Illinois, they believe we have a brighter future ahead, and so do I. Vote 'yes'."

Speaker Turner: "Speaker Madigan to close."

Madigan: "Mr. Speaker, before I begin, let me advise the Body that the Report has been adopted by the Senate. And Mr. Speaker, I wish to read into the record a statement for the purpose of Legislative intent. The fiscal problems facing our state and our retirement systems are no surprise to anyone and finding a solution is no small task. This Conference Committee Report is a culmination of years of work and months of hard negotiations among the four caucuses. Despite the rhetoric, we have spent countless hours consulting with all of the stakeholders and took everyone's suggestions into consideration. The intent of the Bill is to address the problem in a manner that is fair to those impacted, including: employees, retirees, and the taxpayers. As a result, the Bill only includes changes that were determined to be absolutely

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

necessary. In my opinion, and I believe many of you agree, the State of Illinois is in a fiscal crisis and we need to take immediate action. I applaud that our Members have searched for options and proposed ideas that could help minimize this crisis. Over the past few years we have increased the income tax. We created a Tier II retirement system that provides less generous benefits. And we have made very painful deep cuts to programs that are essential to the health, safety, welfare, and educational developments to the people of the State of Illinois, but it hasn't been enough. Raising taxes alone, cutting state spending alone, or a combination of the two alone, won't solve the problem. Continuing to do nothing will further erode the state's credit rating and our ability to attract and maintain businesses and people that generate revenue for the state. This Amendatory Act of the 98th General Assembly is intended to address the fiscal issues of the state and its retirement systems in a manner that is realistically feasible, consistent with the Illinois Constitution, and fair to both the taxpayers and the employees impacted by these changes. Mr. Speaker, Ladies and Gentlemen, in conclusion, first, I want to thank and highly compliment people on our side of the aisle. First, Representative Nekritz, the chair of our Pension Committee, the person who has been the engine behind all of this effort, reform the pension system, giving to the effort tireless time and effort and energy and dedication and she has done a wonderful, wonderful job. In addition, my other two appointments to the Conference Committee, that Gentleman standing up at the podium there, Mr. Turner and Mr. Zalewski,

STATE OF ILLINOIS
98th GENERAL ASSEMBLY
HOUSE OF REPRESENTATIVES
TRANSCRIPTION DEBATE
1ST SPECIAL SESSION

3rd Legislative Day

12/3/2013

over here to the left. I want to compliment and thank our attorney, Heather, her assistant, Lari Dierks, and all of the other staff that were involved in this project among the Democrats. I want to thank and compliment Representative Durkin. He did an excellent job in the negotiations, he's done an excellent job of working with his Members to persuade them to vote for the Bill. I want to compliment Representative Senger and Representative Tracy and their staffer, Andrew Freiheit. Mr. Speaker, I think we've debated long enough. I think it's time that we all vote 'aye'. Thank you."

Speaker Turner: "The question is, 'Shall the House adopt the First Conference Committee Report on Senate Bill 1?' Those in favor signify by voting 'aye'; those opposed by voting 'nay'. The voting is open. Have all voted who wish? Have all voted wish? Have all voted who wish? The Clerk shall take the record. On a count of 62 voting 'yes', 53 voting 'no', and 1 voting 'present', the House does adopt the First Conference Committee Report on Senate Bill 1. And this Bill, having received the Constitutional Majority, is hereby declared passed. Representative Currie moves that we adjourn the Special Session to the call of the Speaker. All in favor say 'aye'; all opposed vote... say 'nay'. In the opinion of the Chair the 'ayes' have it. And the regular Session will now be recessed... reconvened, reconvened, excuse me."