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Who ruined Illinois? Many share blame

By Jim Nowlan

Governing is a respected magazine that reports on state and local governments in the U.S. Reporter Daniel Vock recently posed this question in a lead article in the May edition: Who ruined Illinois?

Vock interviewed former Illinois Republican governor Jim Edgar (1991-98) at length, who said: "Illinois government did work (presumably when he was in office), but then we had bad luck with a couple of governors (presumably Rod Blagojevich and Pat Quinn, both Democrats)."

I have great respect for friend Jim Edgar, and I am not privy to the whole of his interview. Yet, I beg to differ with this suggestion that all blame be placed on the two more recent, admittedly failed governors he fingers.

I contend that many, maybe most, of us who participated in Illinois politics and government over the past half century share at least a sliver of the blame for our present parlous situation.

Unfortunately, we have been part of a state political culture that considers it okay to take advantage—legal advantage preferred—of our state and local governments for personal gain, just about whenever we have been able to do so. State employee pensions offer prime illustrations.

Our pension crisis is the huge albatross around our collective neck. Moody's, the financial ratings agency, has estimated that Illinois has $250 billion in unfunded pension liabilities. That works out to about $50,000 for each of our 5 million households.

This happened for four fundamental reasons: state government failed to contribute its share of funding; we had unrealistic expectations about growth in our pension assets; we made flawed assumptions about employee mortality, and there was a feeding frenzy from the 1980s to early 2000s to enact scores of richly sweetened employee benefits.

A recent paper by Ted Dabrowski and his colleagues at Wirepoints, an independent research, commentary and news aggregation firm, makes a persuasive case that most of the blame here indeed lies with the piling on of ever-juicier pension benefits.

And just about everybody in the political game has either sought these benefits or, like me, turned an indifferent, not-my-issue blind eye as they were larded on. [(Disclosure: I receive $30,000 a year in retirement, plus great, low-cost health care, for 12 years of credit in the State Universities Retirement System.)]

The examples are too numerous to cover here, so a few egregious ones have to suffice:

Half of Illinois state judges net more in pension benefits the day they retire than they did in their last month on the bench at a judge's salary of $192,000! [And judges can count toward their 20 years of service for maximum benefits earlier work as assistant state's attorneys, lawyers for park districts, and so on.]

A number of retired state lawmakers, several of my friends among them, gamed the system so as to double or triple their normal retirement income. They accomplished this by working for another state or local government agency, for as little as a month, at a much higher salary than they earned as legislators. This increased their pensionable base by two or three times.

Then there were school boards, certainly paragons of local rectitude, which often spiked the final three years of salary for their superintendents and other staff. This increased the pensionable base

for these employees, often dramatically, without the accompanying contributions to support the pension payouts.

And, of course, we can't forget the several early retirement programs for teachers and state employees, most of which were not fully supported actuarily.

The biggest "contributors" to the unfunded liabilities of the five state employee retirement systems have been, first, the change in 1989 for annual increases in retirement pay, from simple to compound interest.

Second, there were several enhancements of the benefit formulas in the late 1990s, which increased significantly the final percentage of salary that would make up retirement pay.

State Sen. Cal Schuneman (R-Prophetstown, 1981-93) was a lone voice during this slopping at the feeding trough.

Cal stood up time and again on the Senate floor to declare, like Cato the Elder trying to save the Roman Republic: "You people are going to bankrupt this state." Not enough listened, and now the situation is dire.

Edgar and the legislature realized in the mid-1990s the problem was getting out of hand. They enacted a "ramp up" of increased increased funding for pensions, but not rising sharply until 2003, when Rod Blagojevich entered the governorship.

If Illinois had, like Wisconsin, kept its funding up and benefits constrained, we would not now be paying for pension catch-up funding that approaches 2 percentage points in the rate of the 4.95 percent individual income tax. Think what that could mean for reduced taxes or increased support for school kids, parks and universities.

But what to do?

Dabrowski calls for freezing government salaries and privatizing much of state government (which would reduce state employment and pension obligations). He says this would bring the unions to the bargaining table to renegotiate pension benefit contracts.

Draconian; yet dire situations require tough measures.