

Our View: At last, lawmakers step up to the pension plate

Journal Star

Posted Mar 25, 2010 @ 10:35 PM

Original article: <http://www.pjstar.com/opinions/ourview/x905411016/Our-View-At-last-lawmakers-step-up-to-the-pension-plate>

What the Legislature couldn't accomplish in the last 20 years it did in the span of hours on Wednesday as a pension reform bill was moved to the governor for his signature.

Distrustful of that dizzying pace though we are, the overwhelming margins in favor of this legislation in the House and Senate - 92-17 and 48-6, respectively - on such short notice were indicative of how necessary such reform is in a state with the largest unfunded pension liability in America and a job-killing deficit of \$13 billion. Something simply had to be done. This is a significant something.

Senate Bill 1946 creates a two-tier pension system. It moves the retirement age for future state workers and lawmakers looking to get full benefits to 67 from 62 (or lower in some cases). It caps the maximum pensionable salary at \$106,800. It bases benefits on the highest average salary over eight years rather than four. It limits and likely lowers cost-of-living increases by hooking them to inflation. It reduces the number of employee groups qualifying for higher payouts from jobs considered high-risk. It eliminates one kind of double-dipping for those state retirees who take another government job; no longer would that person be able to collect both public salary and pension.

Importantly, as Speaker Mike Madigan noted, "This bill does not affect anybody who works for a government today" or is retired. Indeed, should Gov. Pat Quinn turn the bill into law, it would affect only those hired on or after Jan. 1, 2011.

Naturally the bill has come under criticism - from those who think it goes too far, and from those who believe it doesn't go far enough. The former would include the public employee unions, whose leaders argue that current pensions are not excessive, that 67 would be the highest retirement age in the country - a fair concern -- and that Illinois wouldn't be in this mess were it not for the "past mistakes" of undisciplined and irresponsible legislatures, going back decades, that did not fulfill their end of the bargain.

They're absolutely right on that latter count. Beyond that, Illinois may not be alone for long, with state pension programs underfunded by some \$1 trillion nationwide. And while Illinois pensions may not be out of line with government workers in other states, they are significantly richer than those in a private sector paying the majority of the state's bills, where no one we know gets 75 or 80 percent of their best

years' pay plus a 3 percent annual cost-of-living adjustment in retirement. Many are lucky to have any pension at all. Many have seen employer matches to 401(k) plans disappear. Many would gladly trade their Social Security benefits for what a retired state employee receives.

While the higher public pensions may have been justified once upon a time, when government workers lagged well behind the private sector in pay, they have largely caught up (though it's fair to point out the significant disparities in pay, particularly for teachers, and hence in pensions, across the state). Meanwhile, Illinois' inability to keep pace with its pension obligations has become so extreme that current state workers are paying for it with less job security. Witness the thousands of classroom layoffs now happening. Whatever the merits of these benefits, they were trumped by this fact: The state couldn't and can't afford them, certainly not without raising taxes sky high in this recession.

That said, we would quarrel with those who suggest this bill isn't ambitious enough, pointing out that it won't make much of a dent in this budget.

First, that's only partially true, with the Illinois Commission on Government Forecasting and Accountability estimating savings of at least \$300 million, perhaps up to \$1 billion, in the coming fiscal year as Springfield recalculates its long-term pension obligations, for which it must begin socking away money now. More importantly, the commission projects reduced expenditures of \$119 billion over the next 35 years. With an unfunded liability now of at least \$78 billion, the state needs all the help it can get. When you're in a hole this deep, it's wise to stop digging; this starts to do that.

Second, pension takeaways from existing employees could be constitutionally problematic, not to mention politically impossible. And third, even Republicans went along, with Senate Minority Leader Christine Radogno noting that "this bill is not window dressing. It's substantial reform."

Again, something had to be done. In part it's being done now because of the upcoming need to borrow money for a capital bill and to help close these shortfalls, with legislative leaders fearful of higher interest rates resulting from a downgrade in the state's credit rating. This is a good-faith effort to show lenders that Illinois is finally serious about attacking its structural deficit.

Is this "the mother of all cutting spending proposals," as Quinn claims? It's a good start. That doesn't mean the Legislature has done its job and can now move on to a tax increase, or whatever. The deficit is so Grand Canyon-esque that more cuts must be made. Firefighter and police pensions were spared for now, but given what they're doing to local government budgets, that can't last. The state must get back on a pension payment schedule, no skips allowed, with \$4.6 billion due in the coming year.

We have long been critical of Springfield for not confronting its problems. Difficult as this is, the Legislature stepped up this time.