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**'Where'd the money go?' State's failure to fund pensions threatens retirees' security**

By Dave McKinney

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SPRINGFIELD-Ida Calloway is concerned about how to continue paying for her prescription drugs and a car loan.

Bob Paprocki sees fewer nights out at restaurants and an end to his hobby of visiting Civil War museums and battlegrounds.

And Thea Halvorson uneasily envisions the nightmare scenario of being forced out of her north-suburban condominium.

All retirees on fixed government pensions, they each worry about how their seemingly once-secure retirements could change for the worse if Gov. Pat Quinn and lawmakers return to Springfield in early January and gut pension benefits for ex-public employees.

Calloway, 73, was a caretaker for the developmentally disabled in a state home. Paprocki, 69, is a long-time, former campus cop at Northeastern Illinois University, and Halvorson, 66, is a former grade school teacher in Evanston.

They are the human faces of Illinois' $95 billion pension crisis.

"I don't understand. Where'd the money go? We were literally promised if you worked for us in these jobs, this is what you'll get," Paprocki told the Chicago Sun-Times. "Then all of a sudden, they say we don't have any money, we owe $95 billion and that's just too bad.

"It's like we're walking in with masks on and a gun drawn and saying to the state, 'Stick everything you have in this bag.' It's totally ridiculous," he said.

Paprocki, who is divorced, lives in Chicago's East Rogers Park neighborhood and draws a $25,000-a-year pension that isn't supplemented by Social Security from his 21 years at Northeastern.

That's not enough to sustain himself in the city, he says, and it's one reason he sought out part-time employment as a security officer at Loyola University at a stage in life when health issues have begun to crop up for him and many of his peers have long since retired.

"We did everything they said, and now they're slamming the door on us," he said.

The prospects of a major shake-up in state pension law remains remote but nonetheless real, with Quinn talking almost daily how the cost of keeping up with pension obligations is strangling virtually everything else in state government. The governor has demanded action during a lame-duck session from Jan. 2 through Jan. 9.

"We have a squeeze in Illinois. The squeeze is the pension amount that's growing by $1 billion a year will continue to squeeze out our investment in education, public safety and paying the bills. So we must act," Quinn told reporters. "If we delay, postpone, temporize, wait until the next election, it'll get worse."

But with strong pushback by a united front of public-employee unions, the votes don't appear to be there yet for the kind of drastic pension overhaul that Quinn envisions and that would strip retirees of existing benefits and invite a certain constitutional challenge that the Illinois Supreme Court ultimately would be left to decide.

Illinois has the worst-funded pension systems in the country despite pumping more and more money into them. This fiscal year, the tab amounted to more than $5 billion, which represented 15 percent of the state's discretionary spending power.

Over a 15-year span, the percentage of pension costs skimmed out of state government's day-to-day operating account, the general fund, has more than quadrupled. During that time, the state's statutorily required pension contributions grew from $681 million in 1997 to $5.09 billion today.

But beginning in 2002, the state borrowed to meet those commitments or passed laws to effectively underpay what the true annual pension costs were - in some cases, by as much as two-thirds. In fact, between 2002 and 2011, the state only once paid what truly was necessary on an actuarial basis and, in that single instance in 2003, it came from an infusion of borrowed dollars, state records show.

A November report by the Commission on Government Forecasting and Accountability, the research arm of the General Assembly, showed that the state owes current and future state retirees $158.6 billion but has only $61.8 billion to cover those obligations. That means the state's five retirement systems are only 39 percent funded with no plan to come up with the $94.6 billion owed to the nearly 750,000 government workers, retirees or their dependents covered by one of those systems.

While Illinois' pension systems routinely were funded at rates of 39 percent and less during the 1940s and 1950s, the scope of the problem now translates to this: The pension debt owed by every man, woman and child in Illinois stands at $7,373.

And according to Quinn, without action, the debt grows at an alarming $17 million a day - or more than $1 per resident per day.

The state doesn't have the option of somehow writing off that debt the way someone with a crushing array of credit card balances could in declaring bankruptcy. And its ability to target existing retirees hasn't been tested in court because the Illinois Constitution establishes a government pension as "an enforceable contractual relationship" that cannot be "diminished or impaired."

Business groups like the Civic Committee of the Commercial Club of Chicago and the Civic Federation, among others, have pushed various plans to reel in existing workers' and retirees' pension benefits, seeing that as the only way to keep the problem from worsening, avoid strangling essential government spending and ensure companies and the jobs they provide don't migrate out of Illinois.

"We all have choices, and people have chosen state employment because of job security, because of the pension security involved and because of free health care. That all worked until there were too many taking out and not enough paying in," said Ty Fahner, the president of the Civic Committee of the Commercial Club of Chicago.

Fahner said he thinks it's possible for a pension-reform package to pass during the lame-duck session in January but is not against letting the issue drag into the early part of the spring legislative session if it means getting the legislation right.

''Rushing to judgment to pass a pension-reform bill, if it isn't a good bill and complete, would be a mistake," he said.

But none of the steps aimed at longtime workers or retirees has passed both legislative chambers in the face of aggressive union opposition, the serious constitutional questions and bickering between Republicans and Democrats.

The packages, including a recent bi-partisan plan floated by state Rep. Elaine Nekritz (D-Northbrook) and Rep. Daniel Biss (D-Evanston), are different amalgamations that include some or all of a few basic principles: forcing higher employee contributions and a higher retirement age for full benefits; passing the state's cost for funding educators' pensions to downstate and suburban school districts; and doing away with the compounded 3 percent cost-of-living increase retirees get every year that is an important driver in the state's out-of-control pension train.

On Friday, Nekritz and Biss released data showing their plan to reduce COLAs, hike the retirement age and gradually shift the state's education-related pension costs to suburban and downstate school districts would save the state billions of dollars.

It would reduce Illinois' unfunded pension liability from $95 billion to $67 billion and next year alone would drop the state's required pension contribution from $6.7 billion to $4.8 billion.

Last week, a public-employee union coalition known as We Are One Illinois came up with a plan that it said would save $10 billion over 30 years by having state workers and downstate and suburban teachers contribute another 2 percent of their paychecks toward their pensions.

In exchange, they want an ironclad guarantee that the state won't skip or skimp on annual pension payments.

The group also urged the elimination of $2 billion in corporate tax breaks but remained silent on hiking the retirement age, shifting pension costs from the state to school districts or doing anything to the automatic, 3 percent cost-of-living increase retired state workers and teachers now get.

But to retirees like Calloway, a widow and kidney transplant survivor who lives in Park Forest, whatever savings eliminating the guaranteed 3 percent COLA might generate for the state would mean about $40 less per month for her, and that helps pay out-of-pocket costs for an array of prescription drugs she takes.

The cost-of-living increases she has received have been modest and, while compounded, have not caused her $21,903 pension to approach the $32,892 salary she was paid when she retired as a staffer at the now-shuttered Howe Developmental Center in Tinley Park in 2002.

"I cared for mentally retarded patients. Some had little or no family contact," Calloway told the Sun-Times, recalling the grueling and physically challenging conditions she faced.

"One hit me in the back with his fist so hard I cried. I was hit by another with a belt buckle. One threw feces on me," she said.

"We worked hard all those years. I mean, we worked. And then we retire. We did what we were supposed to do, and now they want to take our money from us," said Calloway, who believes a tax increase is perhaps the most viable option for the state to address the problem.

Yet, outside the unions, few of the state's major political figures have stepped up to advocate on behalf of retirees like Calloway, though former Gov. Jim Edgar has come perhaps the closest.

The former two-term Republican governor, a traditional ally of business interests when he oversaw state government in the 1990s, went so far as to deliver a tongue-lashing recently to some of the business leaders who have been the most strident in pushing for pension cuts.

"I've told some of the CEOs in Chicago who are all for this, 'Hey, I worked in state government. We never had profit-sharing. We never had stock options. We never had bonuses. All we really had was our retirement," Edgar said. "I think people in the private sector don't understand there were some limitations in the public sector they didn't have. And they ought to be a little more understanding and not maybe quite as harsh on some state workers as they've been."

Fahner countered that he and other business leaders are particularly sensitive to the needs of existing state retirees or those on the verge of retirement.

"What we have to have is a balanced piece of pension reform that recognizes the needs of those least able to change the way that they earn income," he said. "We don't want to see people unnecessarily hurt, such as retirees or people who are close" to retiring.

But to Edgar's point, the average annuity for retired rank-and-file state workers, university employees and downstate or suburban teachers doesn't exceed $46,452, the amount the average Teachers Retirement System member gets in retirement. Retired state employees get $34,224 on average, with retired university workers seeing $28,800 pensions, on average, according to annual reports submitted by their respective retirement systems.

In a sign of the true political pecking order, average pensions for retired legislators stood at $52,188 and at a staggering $117,564 for retired judges, though the judiciary isn't being targeted in any of the pension-reform plans now on the table because of the potential of constitutional separation-of-power challenges.

Thea Halvorson retired two years ago after spending her career teaching children, and one reason she chose the profession was its allure of a secure retirement.

Even though her pension is about $47,000 - about half of her final salary as teacher - the talk in Springfield of eliminating or reducing cost-of-living increases that have served as historic hedges against inflation is worrisome to her. Like other retired teachers and university workers, she isn't eligible to draw Social Security.

The possibility of getting less has her questioning whether as a divorcee, she can keep up with property tax increases, jumps in condominium assessments and insurance and health care costs, all things that could influence whether she can stay in her home over the long haul.

"If they cut back and everything else keeps going up, I mean, you'd start by looking at your shopping trends and traveling trends. Hopefully, people like me won't have to look at our homes and say we can't live here anymore," she said.

"I don't think it's right that people who put away money for years and years and years and had it misappropriated by other people ... don't get what we earned," she said.

"I get the fiscal condition the state is in. I just don't think it should be our money that helps dig us out of it."