Plain Talk about Illinois Pension Systems
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There is virtually no dispute about how the state has become ensnared in the huge pension liability that it now faces. It has resulted from irresponsible funding practices that relied on the principle “defer now, pay later.” Some try to “spin” the problem into the overly generous pension benefits the state affords its employees. Admittedly, there are those whose pensions are truly significant; however there are several unmitigated facts that remain. The few large pensions that some receive are the exception and should not be used as a basis to generalize about all pensions. Second, the fact remains that those who are so fortunate to have large pensions earned them and contributed accordingly. Third, and make no mistake about it, the rather rare “overly generous” pensions that some receive are not the cause of the pension liability the state now faces.

The state has five pension systems; TRS (the Teacher Retirement System), SURS (he State University Retirement System), SERS (the State Employees Retirement System), GARS (the General Assembly Retirement System-Legislators), and JRS (the.Judical Retirement System)

Table: Comparison of pensions benefits, employee costs, years of service, etc. across five Illinois pension systems (data drawn from CTBA and report to PMTF)

	SURS	TRS	SERS	GARS	JRS
Typical monthly	$2609	$3461	$2251 w/o SS	$3921	$8684
pension			$1798 w/SS		
Average age of	62 years	69 years	69 years	60 years	63 years
retirement					
Average length of					
service to retirement	20	29	25 to 30	14	17
Employee contribution rate	8%	9.4%	8.0% (w/o SS)	11.5%	11%
			4% (w/SS)		
Pension formula	2.2% x yrs	Complicated;	2.2% x yrs	Formula creating	Formula creating
		over 1.9% x		85% at 20 years	85% at 20 years
		years			
Maximum pension in %	75%	75%	75%	85%	85%
Determination of	Average of	Average of	Average of	Last day of	Last day of
pension base	highest 4 yrs	highest	highest 5	service	service
		4 years	years		

Highlights from table:

- Judges and lawmakers are able to achieve 85% payout after 20 years.
- SERS, TRS, and SURS employees can earn only a 75% payout and that is after nearly 35 years of employment.
- Pension benefits for judges and lawmakers are determined by the salary of the last **day** of service. Thus, if either judges or lawmakers are appointed to a higher paying state position, no matter the length of service in that position, that salary determines the pension of the individual. Carol Ronen, Patrick Welch, and Kurt Granberg are just a few of the lawmakers who have seen their pensions increase tremendously based on an appointment to a high paying state job.
- Pension benefits for all other state employees are determined by the average salary of the highest four or five years.
- Pension modifications passed into law in 2005 applied **only** to TRS, SERS, and SURS employees. These modifications did not apply to judges or lawmakers.

2005 Pension Revisions

In 2004 the precursor to the current Pension Modernization Task Force (PMTF) was created. A number of hearings were held, and based on those hearings eight reforms were passed by the General Assembly. They are:

- Cap end of career salary increases at 6%.
- End money purchase formula for SURS and TRS
- Allow the comptrollers office to independently determine SURS interest rate.
- Eliminate lump sum awards for unearned sick leave used to boost pensions.
- Place a moratorium on any new benefits without a full funding source
- Remove positions from the alternative formula that do not meet criteria
- Create a task force to develop additional pension reforms
- Create a cost neutral ERO paid for by beneficiaries and local employers-not the state.

It is of interest to note that none of these pension reforms spoke to any perceived "abuses" or overly generous pension provisions of GARS or JARS. Rather, these reforms focused on the three largest pension systems in the state. Further, the enactment of these provisions allowed the Governor, with the support of the General Assembly, to craft a budget that shorted the pension systems a billion dollars over the next two years. The rationale for this action was that since the reforms were going to save billions of dollars over their life, some of that savings could be taken immediately. The problem was that the savings had not yet materialized, and would not materialize for many years to come. This action, in the face of many acknowledgments by the task force members, including prominent legislators that the crisis facing the state's pension systems was that the state had reneged on their obligation to make the required pension payments in the first place, made no sense and was, frankly, irresponsible. The shorting of the state's pension systems in 2005 and 2006 exacerbated the pension "crisis" and is one of the reasons there is the PMTF.

So once again, well-meaning people are gathering to "reform" the state's pension systems and there will be reforms. It is not likely these reforms will apply to GARS or JRS because the bill creating the PMTF speaks only to modernizing SURS, TRS and SERS, and these are the state workers who will work longer to retirement, and who will receive pensions far less generous than those offered by GARS and JRS. These state workers will not have the opportunity to receive a state assignment with a much higher salary and thus qualify for a much more generous pension than that from their primary employment.

Table: A comparison of SURS pension provisions prior to 2005, changes made in 2005 and some of McCarthy's proposed changes. McCarthy's proposed changes are applicable to SERS and TRS as well, but not to GARS or JRS.

		SURS		GARS	JRS
	Prior to 2005	Current	Proposed	Prior to 2005	Prior to 2005
Age to					
retirement	55 w/8yrs	same	67yrs.	55 w/8yrs	
	62 w/5yr		62yrsw/35yrs	62 w/4yrs	
COLA	3%	3%	3% or 1/2	3%	
			of CPI, which ever is		
			least		
Maximum Pinion	no limit	no limit	150k	no limit	no limit
Pension Contribution	8%	8%	7%		
Formula determining	highest 4 consecu-	highest 4 consec-	highest 8 years x 2.0	complicated form-	
pension	tive years x 2.2 yrs	ive years x 2.2 yrs	yrs	ula creating	
	or money			85% in 20 yrs	
	purchase				
				Note: no changes as	Note: no change as
				result of 2005 law	result of 2005 law
				Note: McCarthy proposal	does not appear to
				address these issues	with respect to GARS or JRS

The "reforms" emanating from the PMTF will not address the huge budget structural deficit that has been growing at an alarming rate over the last seven years. The deficit will be ignored, because to do otherwise would require serious thinking about significant revenue enhancement: **an increase in the state income tax.** Legislators will say "people in my district do not want an income tax increase." What they don't say is " If I support an income tax, I may not get re-elected and if I am not reelected I may not receive my pension, which I am busy modernizing."

What has been forgotten is that current employees and retirees work for the people of Illinois, and those people through their elected representative have an obligation based on employment contracts to honor the retirement benefits earned. And if it turns out that elected officials have made bad decisions with regard to pension funding, the obligation still rests with Illinois citizens because they elected the officials in the first place.

So modernization without considering revenue enhancement guarantees that in another four years there will be yet another task force. And if modernization gives cover for yet another opportunity for the state to renege on its obligations to fund the pension systems, the bankruptcy of those systems is all but assured.