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Thousands hired in Illinois ahead of new pension system

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When it comes to pensions in Illinois, a day can mean all the difference in the world.

Thanks to the eight-month span between Gov. Pat Quinn's approval of a pension reform bill last spring and its implementation Jan. 1, any public worker hired in Illinois as late as Dec. 31 was enrolled in a far more lucrative pension plan than those hired after that date.

A GateHouse News Service analysis of pension data has identified nearly 19,000 public workers at all levels of Illinois government hired in that span, from bus drivers to university presidents.

The employees' 2010 hire date gives them a toehold in the richer — and more expensive, to the taxpayer — pension plan.

Locally, something more than 316 public employees were hired in Springfield and the surrounding area. With the Teachers Retirement System not yet reporting new enrollments, and the State Employee Retirement System data not disclosing the locations of the new hires, the actual count could be much higher.

Some observers said it took too long to change to the new system, while others said some adjustment time to implement a new pension plan is reasonable.

"When they find new ways to raise revenues, which likely means more cost to the taxpayers, they have no trouble implementing that immediately," said John Tillman, chief executive officer of the Illinois Policy Institute, a right-leaning, nonprofit research organization. "But things that result in savings that poke at their union supporters somehow take time to implement."

The full effect of the eight-month window almost surely was much higher than 19,000 workers. The data also doesn't cover anyone in a Chicago or Cook County pension plan, which are separate systems from the Illinois Municipal Retirement Fund, which covers local governments for the rest of the state.

Schools top employers

Most of the hiring in central Illinois took place within Springfield and Sangamon County, where 212 people were added. Other governmental units that enrolled new members before pension reforms went into effect Jan. 1 included Menard County, with 46 new hires; the Ball-Chatham School District, with 26 new employees; and Morgan County, with nine new enrollments.

In Springfield, the Springfield School District and the two public colleges were the biggest hirers. The University of Illinois Springfield hired 56 new employees in the eight months between when pension reform was signed and when it took effect. Lincoln Land Community College hired 46 people in the same period, and the school district added 26.

UIS human resources was aware of the impending pension changes when they made the hires, but that did not affect the decisions, said Bob Lael, the school's human resources director.

"The change in the pension system was not a factor from the HR perspective," Lael said. "Since we're under limitations on how many we can hire right now because of the economy, when we get the approval to fill a position, our job is to get it filled as quickly as possible."

The figure of 56 new employees might be misleading, Lael added. Many of those hired worked in the university system before and probably were already enrolled in the State University Retirement System. UIS is required to enroll all new hires, so they appear in the reported data but might not have had any additional impact on the pension system, he said.

Little time for debate

The pension reform bill, which covered all public employees except police and firefighters, was shoved through the legislature in just 11 hours in late March and was signed by Quinn on April 14..

Changes to new employees' pensions included increasing the retirement age from 62 in most cases to 67, changing how the initial pension annuity was calculated and eliminating the 3 percent compounded cost-of-living raises.

But the measure left several technical questions in its wake, many of which had to be addressed in a "trailer bill" this fall.

Lise Valentine, vice president and research director for the Civic Federation, a Chicago-based nonpartisan government research organization, said it's fair to give the state's pension systems a window to prepare for the new plans.

"It takes time for the pension funds to recalibrate the systems for this kind of change," she said. "There were a number of problems with the initial bill that would have (made it) hard to implement the bill in a fair way. I'm not certain of what rational thought was behind the Jan. 1 date, but the implementation issue benefitted from the delay."

The cost of delaying implementation is difficult to discern because of the variables involved when calculating an individual's retirement earnings. A GateHouse analysis of the State Employees Retirement System suggests an employee under the old plan could earn $100,000 more over the first 15 years of retirement than a comparable employee enrolled in the new plan, assuming both employees started working for the state at age 22, made $25,000 a year initially and received a 3 percent raise each year.

The Illinois Commission on Government Forecasting and Accountability, the legislature's independent research agency, estimated the five state pension plans — covering state employees, university employees, teachers, judges and members of the General Assembly — collectively would save $976 million in the first fiscal year after pension reform. Because the plan didn't take effect until Jan. 1, halfway through the state's fiscal year, the state lost $488 million in savings.

Bigger problems ahead

That cost, while significant, is about one-half of 1 percent of the five systems' combined $85 billion unfunded liability, which has skyrocketed in the past decade as the legislature continued to either underfund the systems or skip payments altogether.

Finger-pointing over the cause for the pension time bomb, which could result in insolvent pension plans in this decade, has escalated since the crisis has grown. Unions point to legislators, who have underfunded the pension plans consistently for 60 years, while others said the plans are too lavish.

One of the loudest voices for a systematic reform of the pension systems has been R. Eden Martin, president of the Civic Committee of The Commercial Club of Chicago, a group of executives in the Chicago region working to improve the city's and state's business profile. Martin has led the charge for reforming not only the plans for future workers, but current employees as well.

The Illinois Constitution prohibits "diminished or impaired" pension benefits for current members, but a growing group of government watchdogs has called for cuts to pensions for state employees who are already on the payrolls. Martin believes any reform is meaningless unless it changes benefits for the half-million public employees now working across the state.

"This is not about the law, it's about the politics and arm-wrestling over money," he said. "People who get in under the wire (in 2010), or in the last two years or 10 years, those people want to protect the status quo. The trouble is you've got to maintain that for the next 30 years, and that's just not going to happen."

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Pension systems

Illinois has five pension systems for state public employees. The numbers below show the local hires from three of the funds — for university employees, judicial employees and General Assembly members — as well as the fund for municipal employees. The Teachers Retirement System has not reported its new enrollments yet, and the fifth fund, which covers state employees, did not provide a breakdown of hires by location, so the final number could be much higher.

Hiring in central Illinois

Springfield: 178

Menard County: 46

Sangamon County: 34

Chatham: 26

Morgan County: 9

Christian County: 8

Macoupin County: 6

Montgomery County: 5

Rochester: 4

Total: 316