
Unions balk at proposal to cut Illinois pension benefits

By Kerry Pechter *Fri, Dec 6, 2013*

Chicago's glittering downtown may be stunning, but the Illinois state pension system is underfunded by an estimated \$100 billion and the state has the worst credit rating in the nation.

As part of an effort to cut the state's pension costs by \$160 billion over 30 years, Illinois legislators have proposed lower cost-of-living increases for retirees, a higher retirement age for some employees, and a cap on pensions for high-salary workers.

The proposal would require the state to make additional payments into the pension system until it is fully funded, no later than the end of 2044, the *New York Times* reported last Friday. Workers who are 45 or younger would need to work up to five years longer. Cost-of-living increases might apply only toward a portion of a person's pension, based on job tenure.

Among the provisions laid out Friday: most pension matters would no longer be part of collective bargaining; some workers could choose to switch from a defined benefit plan to a defined contribution system, like a 401(k); and workers would be asked to contribute one percent less of their salaries to retirement.

"This does set the state on sound financial footing," said Christine Radogno, the state Senate's Republican leader. "It doesn't erase the unfunded liability in one fell swoop, but it certainly puts us on a path to get it paid off in a minimum of 30 years."

But labor leaders denounced the plan as "catastrophic." A vote on the plan was scheduled for December 3, or one day after legislators were scheduled to learn whom they might face in their next primary election.

"This is a grotesque taking of employees' retirement security that seems both patently illegal and unfair," said Daniel J. Montgomery, the president of the Illinois Federation of Teachers. "If we're not successful in stopping this train, then our next step is litigation," said Anders Lindall of the American Federation of State, County and Municipal Employees.

The Illinois state pension system is underfunded by an estimated \$100 billion. The state has the worst credit rating in the nation. On the other hand, the Illinois Constitution prohibits pension benefits from being "diminished or impaired."

For many state and local governments, pension costs have become a central challenge with no easy political or legal answers. Detroit officials have cited \$3.5 billion in unfunded pension costs among a list of debts that has left that city seeking federal bankruptcy protection. In San Jose, Calif., Chuck Reed, the Democratic mayor, championed efforts to pass a referendum to reduce pension benefits, though city workers say the move is illegal. The mayor now says he hopes to mount a statewide ballot initiative next year that would change the state Constitution to allow cities to cut pension benefits.

