

May 30, 2005 Monday

**Lawmakers OK skipping pension fund payments to balance budget**

By Dave McKinney and Ben Fischer

Staff reporters

SPRINGFIELD-A Democratic bid to withhold nearly $2 billion in required payments to employee pension systems to balance the 2006 state budget swept through the Legislature on Sunday, despite Republican comparisons of the deal to a payday loan.

On party-line votes, the pension proposal passed the House 61-53 and the Senate 32-26, putting in place the controversial cornerstone of a budget deal struck Thursday by Gov. Blagojevich, House Speaker Michael Madigan (D-Chicago) and Senate President Emil Jones (D-Chicago).

"We set out to fundamentally change and reform the way the pension system works. That's what we did," Blagojevich said in a statement after the votes.

The plan is built upon a series of pension rule changes the governor and other leaders say will save the state at least $30 billion over the next 40 years. They want to use some of those "savings" upfront during the next two years, in part, to cover the $1.2 billion budget deficit.

Among the pension-rule changes voted on was the capping of end-of-career pay hikes for educators at 6 percent annually. Late-career pay increases of as much as 60 percent have exorbitantly boosted educators' tax-funded pensions, a practice that was the subject of a Sunday Chicago Sun-Times expose.

The newspaper reported on how the retiring finance director of Adlai Stevenson Township High School District 125 collected lucrative health insurance stipends the last four years, on top of his six-figure salary, to boost his pension to more than $200,000 a year for the rest of his life.

"... Is that what we're about? For no other reason, we should vote for this bill to stop that practice," said Rep. Robert Molaro (D-Chicago), the bill's chief House sponsor, waving a copy of the Sun-Times during floor debate.

Republicans railed how it will add to the $34 billion underfunding of the state's three biggest pension plans and that future generations will be left holding the bill -- all so Blagojevich can balance the state's books today and avoid an overtime session beginning Wednesday that would empower Republicans.

"This is like a payday loan for state government," said Sen. Kirk Dillard (R-Hinsdale).

**All GOP members opposed**

With the administration claiming immediate savings from the reforms, some GOP estimates peg the ultimate cost to the pension funds as high as $87 billion because those savings won't be reinvested in the pension systems and allowed to compound interest.

"This is a little like the state using a credit card, charging a little more and a little more, but only making the minimum payment. While we're doing it, the debt keeps getting larger and larger," said Sen. Dale Righter (R-Mattoon).

With Republicans unanimously voting against the plan, the margins were extremely tight in the House, where Madigan spent two days trying to line up 60 of his 65 Democrats to vote for the plan. On Saturday, as many as a dozen House Democrats were prepared to vote against it, but intense arm-twisting by party leaders left only Rep. Kevin Joyce (Chicago) and Rep. Julie Hamos (Evanston) as Democratic no-votes Sunday. Two House Democrats were absent.

The bill, which Blagojevich is expected to sign, will not decrease monthly benefits for existing retired state workers, teachers and university employees. Lawmakers and judges, who belong to smaller pension systems, were spared any changes to their lucrative retirement plans.