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Unsustainable: The Government Pension Pickle that Several States are Facing

In Illinois, an infant coming into the world today owes more than $11,000.00 to the state's bloated public employees' pension systems. In 2017, the state needed to pay 17.3 billion dollars to over 480,000 retirees. The median pension payout to former state employees is over $35,000 per year, with some pensioners getting over $100,000.00 in annual payouts.

In 2013, the Illinois legislature attempted to address the problem by proposing cuts to costs of living adjustments and raising the retirement age for some employees. It was hoped that the measure would save more than 100 billion over thirty years. But the Illinois State Supreme Court found unanimously that those measures violated the state constitution's prohibition on reducing retirement benefits.

"Crisis is not an excuse to abandon the rule of law," the court's decision stated.

In the three years since the state's Supreme Court struck down the state legislature's attempt to slow down the ever growing financial crisis faced by the state, Illinois' credit rating has been downgraded to near junk status and its bond values have become "uncommonly low."

It may be simply too late to save Illinois from financial collapse. For decades, politicians have seen the crisis coming. In 1994, a law was passed that was supposed to ensure that the state would have enough assets to cover ninety percent of it's liabilities by the year 2045. But they aren't even close to beginning to meet that goal.

"There hasn't been any progress made," said Dick Ingram, the executive director of the Illinois Teachers' Retirement System, the state's largest pension. "It's a case of the numbers have gotten so big that nobody really honestly knows what to do."

These pensions, negotiated by greedy public employee unions and rubber-stamped by short-sighted politicians have left Illinois teetering on the edge of financial insolvency and there is no solution in sight. And the Land of Lincoln is not alone in its troubles. Several other states and municipalities face similar daunting problems as a result of exorbitant pensions.

Connecticut is, per capita, the wealthiest state in the nation. But it currently faces a debt of more than 53 billion dollars, largely due to its own growing pension crisis. The top ten retired employees in the Constitution State all receive more than $225,000.00 per year in pension payments by the state. 1,400 retirees in Connecticut receive more than $100,000.00 in pension benefits annually. Republicans in the state have called for a decrease in cost-of-living adjustments, increased employee contributions and an end to the practice of negotiating pensions through collective bargaining but unions and Democrats continue to push back against such ideas.

“No, no, no,” says Harry Hartley the former president of Connecticut’s branch of the American Association of University Professors (AAUP). Since retiring in 2005, Hartley’s own pension has risen over $73,000 annually to its current $242,000 per year. “The problem wasn’t the pensions,” Hartley claims. “The problem was they didn’t fund them properly. Now they’re looking for some quick band-aid – probably illegal, unethical and immoral – and that’s the wrong way to go.”

But Republicans point to these cost-of-living-adjustments (COLAs), which range from 2.5% up to 6% annually in Connecticut, have made the pension system unsustainable. “The COLAs inflate these annual pension payments, and they’re growing at an unsustainable rate,” argues Sen. L. Scott Frantz (R-Greenwich).

“Many of these employees retired in their fifties and they may live to be 95 or 100 years old,” Frantz contends. “It is low hanging fruit to stop the COLAs immediately and send out the message to the state employees unions that it’s a ticking time bomb.”

A time bomb that Connecticut’s Democrats and state employee unions see fit to ignore. Top officials argue that the current pension systems can’t be touched in any way. But at some point, someone – probably taxpayers – will have to bail out these precariously funded pensions.

“They’re [Connecticut] just one of a number of states, including some of the biggest states, that are in deep water,” said Republican Mitch Daniels on FOX Business. “I think it’s irretrievable. Pensions is the core of it. It’s not only the fiscal recklessness that they have practiced, but in some of those cases, the bills are genuinely unpayable.”

Other states face giant budget shortfalls linked to state employee pensions. New Jersey’s debt is now more than 104 billion dollars; New York’s is more 356 billion and California’s is more than 428 billion dollars.

“Someone’s going to the barbershop,” Daniels concluded. “The first will be the taxpayers, already beleaguered in some of these states.”

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