Chicago Union Bosses Legally Loot City Pension Fund

Thanks to an unnoticed provision legislators slipped into state law 20 years ago, almost two dozen union leaders in Chicago stand to walk off with a cool $56 million in pension money, the Chicago Tribune reported last week.

But only if the Illinois legislature does not repeal the provision, detailed in a lengthy report the *Tribune* conducted with WGN-TV.

Three of the union leaders may earn as much as $5 million.

Legalized Theft

No one seems to know, the *Tribune* reported, who tweaked state pension law to permit the looting. Or at least no one will accept responsibility.

The change in the law was a small one. It permits the pensions of city employees to be based upon salaries earned after they retired from the city and went to work for unions, rather than basing those pensions on their much lower wages from the city.

According to the *Tribune*, the arrangement is a little unusual: Pension experts from around the country say they've never heard of such a perk for union leaders. The paper continues,

> They warn that it not only creates opportunities to scam the system but also robs the city of its ability to control pension costs. The city doesn't set union salaries, the most important ingredient in determining the size of the leaders' pensions.
>
> Whats more, none of the labor officials retired in the traditional sense. Even as they collected their inflated city pensions, they held on to their high-paying union jobs. A decade ago, those public pension funds were flush, but theyre now in such deep financial trouble that they threaten to burden taxpayers and dues-paying union workers alike.

Even worse, the pension grow three percent annually, the *Tribune* reported, offering the dirty details on the three top beneficiaries:

> Liberato Al Naimoli, president of the Cement Workers Union Local 76. He retired last year from a $15,000-a-year city job that he last held a quarter-century ago. Today, Naimoli receives more than $13,000 a month from the city laborers pension fund even as he continues to earn nearly $300,000 annually as president of Local 76. His city laborers pension will pay him about $4 million during his lifetime, according to a Tribune/WGN-TV analysis based on the funds actuarial assumptions.
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> James McNally, vice president of the International Union of Operating Engineers Local 150. He receives nearly $115,000 a year even though at the time he retired, in 2008, he had not worked for the city in more than 13 years. He was only 51 when he started collecting a city pension. By the time he turns 78, he will have received roughly $4 million from the city laborers fund.
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> Dennis Gannon, former president of the Chicago Federation of Labor. In 2004, he began receiving

> more than $150,000 a year after retiring at age 50 from a $56,000-a-year city job that he had left nearly 13 years earlier. He received his city pension while collecting a salary of about $200,000 from the federation. During his lifetime, the city municipal pension fund will pay him approximately $5 million. Gannon told the *Tribune* that he was only following the law in filing for a city pension.

If all this isnt bad enough, at one point Gannon became ineligible for the nifty little perk. So the city rehired him for one day, the *Tribune* revealed, then gave him an indefinite leave of absence that just happened to last until he retired in 2004.

Amusingly, Gannon now works for a hedge fund that handles public-sector pensions.

I Didnt Do It

The *Tribune* reported that not one legislator, current or former, would take blame for the change that permitted the massive pension giveaway, and even worse, state records dont reveal exactly who made it happen.

Bills boosting city pensions passed in 1991, and the perk for the labor leaders was inserted at some point during the reconciliation process.

The newspaper also revealed that John P. Daley, the son of Chicago chieftain Mayor Richard J. Daley, and the brother of former Mayor Richard M. Daley, was involved in the legislative shenanigans.

When the *Tribune* contacted Daley, he sustained sudden memory loss. I dont recall it at all, he told the newspaper.

Unhappily for city pensioners, contributions to their retirement fund cant keep pace with the massive withdrawals going to the 23 former employees who hit the jackpot.

According to the *Tribune*,

> Each year, the 23 labor leaders receive about $1.8 million from the funds. That works out to an average of about $80,000.
>
> Another 13 union officials are accruing benefits in the city funds but have yet to retire, and six more received the deal after taking a union leave from the Chicago Public Schools.

The newspaper and station calculated the coming pension benefits, and discovered that of the $56 million the retired labor leaders stand to collect during their lifetimes, roughly half won't be covered by their pension contributions, the analysis found.

> With billions of dollars in unfunded pension liabilities, thats a drop in the bucket. But it provides a window into why the funds have deteriorated: Contributions have not kept pace with increasing benefits.

Emanuel Heads for the Bushes

Mayor Rahm Emanuel would not comment upon the obvious reaction the investigation inspired: The city pension program must be reformed.

Republicans plan to introduce legislation to repeal the bill that set up the legalized theft of public pension funds. The GOP leader in the Illinois House of Representatives, Tom Cross, says he will introduce legislation to stop the practice. At minimum, going forward you would no longer be able to do what theyve been doing, Cross told the *Tribune*. To allow this to happen is crazy.

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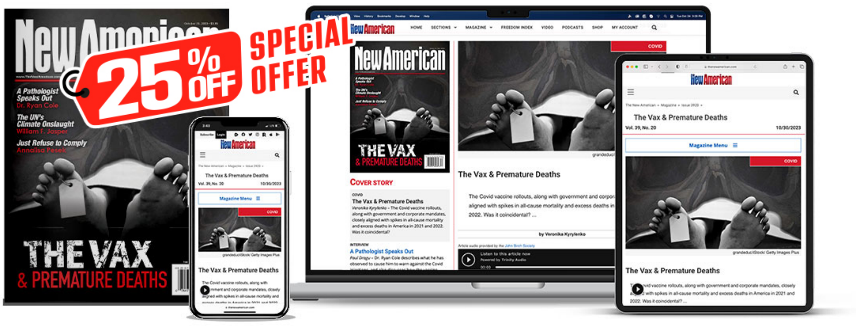

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