
The Rail

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The burden of pension debt (and a solution to the crisis)

By Matt Paprocki, President and CEO, Illinois Policy Institute



Cathy Stuehmeier is the owner of The Shopper's Weekly, which publishes a weekly newspaper in Southern Illinois. She's worked in the media for 57 years and plans to retire soon, but she worries about what life in Illinois will look like for her children and grandchildren.

"If we keep doing what we are doing, the state won't be able to pay the people who have worked 30 years in the government the pensions they were promised."

Why? Because of high taxes driven by our state's pension crisis, with \$140 billion in unfunded state liabilities and another

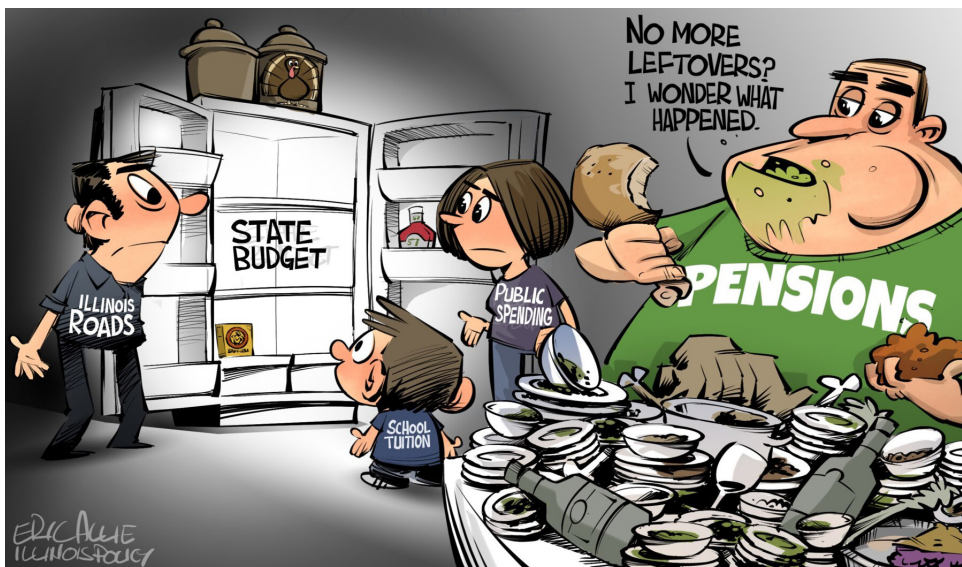
\$70 billion in local liabilities. This poses an existential threat not only to taxpayers, but also to retirees and future state budgets. In 2024, Illinois already plans to underfund pensions by \$4.4 billion.

"If we keep doing what we are doing, the state won't be able to pay the people who have worked 30 years in the government the pensions they were promised," Cathy said.

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Lawmakers in Springfield haven't had the strength or courage to pass commonsense pension reform. They use taxation as a temporary fix, then ignore the problem for a few more years.

The median Illinois worker makes less than \$60,000 a year but is forced to foot the bill for retired state workers who collect over



\$82,000 a year in pension benefits. In 2021, this cost the average Illinois household nearly \$2,000.

Illinois' pension crisis is not only a fiscal disaster – it's immoral and unjust. As Cathy said, "You can't rob Peter to pay Paul and come out winning."

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We've offered a unique solution, and it's highlighted in this March issue of *The Rail*. You'll read the following:

- An in-depth analysis of Illinois' pension crisis, breaking down just how much taxpayers are paying into state workers' pension benefits – and what can be done to fix the problem.
- An update on J.B. Pritzker's emergency orders, finally set to end on May 11 after more than three years.
- A breakdown of the crime spike along Red Line "L" stops in Chicago – and how small businesses and employment opportunities can make the city safer.

- Lastly, our vision for commonsense pension reform and how it relates to our broader mission of transforming our state.

Because of your investment, we can continue to serve as the strongest advocate for taxpayers in Illinois. Together, we'll make this state more affordable for residents of all professions.

Thank you for your commitment to restoring Illinois' freedom and prosperity.

In liberty,

Matthew T. Paprocki
President
Illinois Policy Institute

State retirees get nearly 40% more than what working Illinoisans earn

The typical career state worker collected \$82,478 in annual pension benefits, recouping more income in 17 months of retirement than they contributed over 35 years. Working Illinoisans only earned \$59,650 a year.

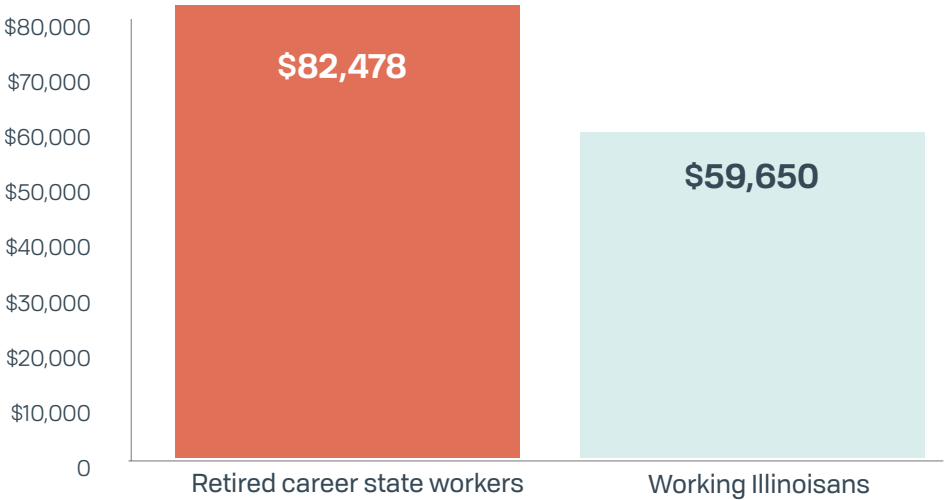
By Patrick Andriesen

The typical career government worker in Illinois collects nearly 40% more from a state pension system than the typical Illinoisan earns working.

Illinois retirement systems data shows the median career pensioner drew an annual payment of \$82,478 from the state in 2021. The typical Illinoisan only earned \$59,650 working.

Career pensioners earn more retired than working Illinoisans

The typical retired state worker collects 38% more income from Illinois' pensions each year than the median resident earns employed.



Career public sector calculation excludes SERS members who qualify to receive Social Security. Median state workers served 35 years in the public sector.

Chart: @illinoispolicy. Source: BLS 2021 Occupational Employment and Wages Estimates

The retirement payout these pensioners received within 17 months of leaving the workforce was worth more than the \$113,362 they contributed towards their own retirements over 35 years of public service, state data shows. For that \$113,362 investment, the state will pay them about \$2.42 million.

Illinois now owes nearly \$140 billion more than it has to meet what has been promised to those depending on its five statewide systems, by the state's accounting. When Moody's Investors Service looked at Illinois' pension debt

using more real-world assumptions, it calculated the state owes \$313 billion in pension debt. Pick a number, but either one will be mostly borne by future taxpayers.

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That \$2.42 million a state worker will collect is more than 14 times what the typical American has saved at retirement age. State worker contributions will only cover about 4.5% of the benefits the pension systems guarantee.

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Government employees aren't to blame for taking part in a lucrative retirement system. Public servants deserve to collect the pensions they have been promised.

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Politicians trading generous pension benefits in return for support that neither the state nor Illinoisans can afford are the true threat. The long-term solvency of the pension systems upon which 240,010 Illinoisans currently rely is at risk.

Illinois' state pension systems had just 44 cents for every dollar promised to state retirees, a state report for fiscal year 2022 showed. Experts warn pensions with funding ratios below 60% are "deeply troubled" and below 40% are likely past the point of no return, meaning

insolvency and the need for a major taxpayer rescue.

Numerous reports have pointed to Illinois' generous pension benefits, at No. 3 in the nation, as crowding out core government services and driving the state's nation-leading tax burden. Still, lawmakers ignore calls to change the Illinois Constitution to allow for control of the future growth in government pensions.

Putting a referendum on the ballot to vote on constitutional pension reform would give taxpayers a voice in the state's No. 1 fiscal problem

A supermajority of Democratic and Republican voters in Illinois want pension reform, polling shows. That has been disregarded by Springfield politicians. The appearance is lawmakers are more concerned with serving special interests than the public good.

Putting a referendum on the ballot to vote on constitutional pension reform would give taxpayers a voice in the state's No. 1 fiscal problem – the issue that is damaging state services to its most vulnerable, hurting its future by robbing from education and raising everyone's taxes.

A “hold harmless” pension reform plan such as one developed by the Illinois Policy Institute – based loosely on bipartisan 2013 reforms – could help eliminate the state's unfunded pension liability and achieve retirement security for pensioners.

Chicago Mayor Lori Lightfoot acknowledged the damage to our communities resulting from runaway pension costs. Like her predecessor, she now is strongly asking Springfield to make changes to stop pensions from eating budgets and hurting government services.

A “hold harmless” pension reform plan such as one developed by the Illinois Policy Institute – based loosely on bipartisan 2013 reforms – could help eliminate the state's unfunded pension liability and achieve retirement security for pensioners. The 2013 reforms were rejected by the Illinois Supreme Court, which is why reform requires a change to the Illinois Constitution.

By tying pension cost-of-living adjustments to inflation rather than a fixed rate of annual growth, the reforms would save the state more than \$50 billion by 2045. It would also increase required government contributions to fund 100% of promised pensions rather than the current 90% target.



Patrick Andriesen is a writer with the Illinois Policy Institute.

Pritzker to end Illinois' emergency orders after more than 3 years

Illinois Gov. J.B. Pritzker announced he will follow President Biden and end Illinois' disaster declarations on May 11. Most states long ago quit using emergency powers, leaving Illinois as 1 of 6 states still claiming COVID-19 is a public health emergency.

By Dylan Sharkey

Illinois Gov. J.B. Pritzker said he will end over three years of non-stop COVID-19 disaster declarations on May 11 when the national emergency ends.

But that also means until May 11 he intends to keep declaring statewide emergencies as a result of the pandemic. His 38th COVID-19 disaster proclamation expired and was followed by a 39th proclamation extending his emergency powers.

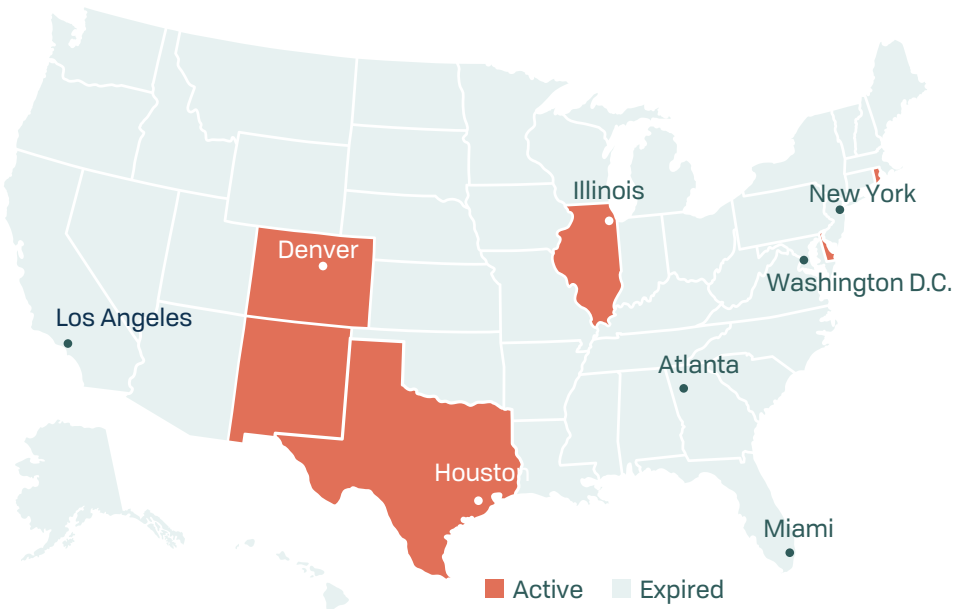
Pritzker has held emergency powers for over 70% of his time in office.

"Let me be clear: COVID-19 has not disappeared. It is still a real and present danger to people with compromised immune systems – and I urge all Illinoisans to get vaccinated or get their booster shots if they have not done so already," Pritzker said.

None of Illinois' neighbor states still see the need to declare a statewide emergency and invoke emergency powers to urge people to get vaccinated. Illinois is one of just seven states nationwide still calling the COVID-19 pandemic an emergency, with six of the seven led by Democratic governors.

Illinois among 6 states still under COVID-19 orders

States under active COVID-19 emergency orders as of March 1. California's emergency was the latest to expire Feb. 28.



Georgia also remains under a statewide emergency, but for supply chain disruptions rather than the pandemic.

Map: @illinoispolicy. Source: National Academy for State Health Policy.



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The White House on Jan. 30 announced the federal COVID-19 disaster declaration will end May 11. During a November debate, Pritzker said the national declaration is why Illinois is still under a COVID-19 emergency.

According to Pritzker’s Restore Illinois plan, the state is in Phase 5 of COVID-19 recovery, meaning:

“All sectors of the economy reopen with new health and hygiene practices permanently in place. Large gatherings of all sizes can resume. Public health experts focus on lessons learned and building out the public health infrastructure needed to meet and overcome future challenges.”

That doesn’t sound like an emergency.

California ended its COVID-19 state of emergency Feb. 28. Georgia is under a state of emergency, but for supply chain disruptions related to COVID – not the virus itself.

The White House on Jan. 30 announced the federal COVID-19 disaster declaration will end May 11. During a November debate, Pritzker said the national declaration is why Illinois is still under a COVID-19 emergency.

The pandemic caused some states to curb their governors’ uses of emergency power rules. Arizona, Louisiana and Virginia all enacted laws in 2022 increasing legislative oversight of executive powers.



Dylan Sharkey is the assistant editor with the Illinois Policy Institute.

Chicago restaurant crime along Red Line train highest near Loop stops

Each restaurant in the Chicago Loop along the “L” system’s Red Line averaged 1.2 crimes during 2021 and 2022, the most along the line. South of the Loop, there was less than 1 crime per restaurant.

By Patrick Andriesen

The busiest route on the Chicago Transit Authority’s “L” system of elevated trains is the Red Line, with over 73,000 passengers a day covering 26 miles. The Red Line runs through the heart of Chicago from Rogers Park in the north, ranked as one of the five best neighborhoods in America, to the southern end at Roseland, recently marked as the city’s deadliest neighborhood.

It serves as a barometer for the No. 1 concern in Chicago: crime. And the restaurants along the line serve as a way to gauge the public’s and small business owners’ exposure to crime.

Restaurant licenses were the second-most common issued by the city during the past two years. Studies show restaurants are key to strengthening communities while reducing local unemployment, plus yield the best data for industry-specific crime research.

The Red Line serves as a barometer for the No. 1 concern in Chicago: crime. And the restaurants along the line serve as a way to gauge the public’s and small business owners’ exposure to crime.

But try to predict which restaurants in which part of the city are most likely to see crime, and conventional wisdom may fail you.

An Illinois Policy Institute investigation found restaurants serving the Loop reported 1.2 crimes per licensed retail food

establishment in 2021 and 2022, the most in any region along the Red Line. Nearby, the Grand Station near Navy Pier saw more than double that rate: 2.34 crimes per eatery.

Crime was lighter on the South Side. The city data shows restaurants serving South Chicago ZIP codes from the Harrison Station down to 95th Street reported 19 crimes for every 20 restaurants.

An Illinois Policy Institute investigation found restaurants serving the Loop reported 1.2 crimes per licensed retail food establishment in 2021 and 2022, the most in any region along the Red Line. Nearby, the Grand Station near Navy Pier saw more than double that rate: 2.34 crimes per eatery.

Restaurants on the northern stretch of the Red Line saw even less crime: 31% less than their peers to the south. Those north of Grand Station up to the northernmost Howard Station called in only 13 crimes for every 20 restaurants.

Along the entire Red Line, Chicago restaurants reported four crimes for every five licensed locations near a station. The most common crime reported by these restaurateurs was theft, followed by battery.

Restaurant crimes along the Red Line, 2021-2022

	Licensed restaurants	Restaurant crime	Crimes per licenses	Annual insurance costs
Howard	155	96	0.62	\$10,616
Jarvis	155	96	0.62	\$10,669
Morse	155	96	0.62	\$10,624
Loyola	155	96	0.62	\$10,637
Granville	160	74	0.46	\$10,760
Thorndale	160	74	0.46	\$10,715
Bryn Mawr	160	74	0.46	\$10,651
Berwyn	300	178	0.59	\$10,759
Argyle	300	178	0.59	\$10,699
Lawrence	300	178	0.59	\$10,660
Wilson	300	178	0.59	\$10,690
Sheridan	248	90	0.36	\$10,764
Addison	248	90	0.36	\$10,738
Belmont	380	226	0.59	\$10,858
Fullerton	462	252	0.55	\$10,789
North/Clybourn	161	83	0.52	\$10,810
Clark/Division	242	160	0.66	\$11,006
Chicago	242	160	0.66	\$10,794
Grand	263	615	2.34	\$10,831
Lake	197	244	1.24	\$10,969
Monroe	121	131	1.08	\$10,969
Jackson	76	114	1.50	\$10,889
Harrison	187	214	1.14	\$10,870
Roosevelt	187	214	1.14	\$10,868
Cermak Chinatown	299	284	0.95	\$10,822
Sox-35th	299	284	0.95	\$10,939
47th	236	136	0.58	\$11,084
Garfield	236	136	0.58	\$11,123
63rd	71	95	1.34	\$10,828
69th	127	40	0.31	\$10,787
79th	171	231	1.35	\$10,863
87th	171	231	1.35	\$10,953
95th/Dan Ryan	146	202	1.38	\$10,909

Source: City of Chicago, Thimble

@illinoispolicy

The difference in restaurant crimes reported per licensed retail food establishment along the train line is largest when comparing neighborhood stops on the North Side to the South Side.

While restaurants around Grand Station reported the most crimes per eatery along the Red Line, those around the 69th Street Station in the Greater Grand Crossing neighborhood on the South Side reported the fewest at 0.31 crimes per restaurant. That's over seven times fewer crimes per eatery.

A May 2022 report from the Journal of Economics studying crime in Chicago found street and property crime reduce customer visits to local businesses. Researchers determined each property crime reported on a block led to 1.13 fewer visitors per month.

A 2019 report from Social Science research similarly found higher levels of property and violent crime in communities were associated with both more businesses failing and leaving. Researchers determined these crimes discouraged new businesses from moving into the area.

Experts found the closure of restaurants was also associated with an increase in nearby property crime and theft from vehicles. They saw this increase in local crime rates dissipate when restaurants reopened.

Analysis of business insurance rates in combination with city police data shows restaurant owners in ZIP codes along the Red Line with more crime also tend to pay higher premiums to protect their livelihoods.

Restaurants on the South Side pay up to \$507 more each year to insure a business than the exact same restaurant located north of the Loop, according to Thimble. Eateries in the Loop paid up to \$353 more annually.

However, this base rate does not include the business insurance premium hikes that come with reporting a crime. Nor does it include the direct costs some business owners absorb to avoid paying higher premiums.

Research suggests having more restaurants in a community contributes to lowering levels of local crime. Experts found they bring together community members to a common space, increasing community attachment and cohesion among neighbors while reducing local rates of violent and property crime.

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Multiple studies conclude the higher earnings and stability associated with employment contribute to reducing community crime rates and recidivism. Small businesses play a key role in generating those employment opportunities, creating 64% of net jobs in Illinois between 2010 and 2019.

Chicagoans are right to worry about crime and the effect it has on local community growth. Even minor crimes leave impacts that reach far beyond the victim and often harm the neighborhood.

Protecting restaurants and other small businesses means more jobs for residents, a greater sense of community and less crime overall.



Patrick Andriesen is a writer with the Illinois Policy Institute.



Reform pensions to fix Illinois' fiscal woes

By Aidan Grogan

A main belief at the Illinois Policy Institute is a public pension system that threatens to bankrupt our state, drive down economic growth and evaporate retirements for public-sector workers is immoral. We also believe modest reforms can solve this crisis.

When adjusted for inflation, state expenditures for pensions have increased by 584% since the year 2000. By comparison, pre-K to grade 12 education spending increased by only 25%.

Imposing new taxes to pay off pension debt is like using duct tape on a water main: It's a short-term fix to a much deeper problem.

When adjusted for inflation, state expenditures for pensions have increased by 584% since the year 2000.

Politicians acknowledge the pension crisis when it's politically useful – such as before elections – but then bow to the union bosses again and again. Rahm Emanuel and Lori Lightfoot both called on Springfield to enact pension reform late in their mayoral terms, but they weren't serious about it. Gov. Pritzker only made the problem worse by signing a bill boosting benefits for thousands of city firefighters.

Lawmakers can't sidestep pension reform any longer. Everyone stands to suffer from \$140 billion in unfunded liabilities – so Springfield must act now.

Imposing new taxes to pay off pension debt is like using duct tape on a water main: It's a short-term fix to a much deeper problem.

Because of you, we're able to research Illinois' pension crisis and advise our state's leaders on what reforms could ease the burden on taxpayers while securing the retirement benefits of public-sector workers.

With your continued support, we can advance these crucial reforms and heal the economic wounds of pension debt.

Thank you for giving us the ink to write Illinois' comeback story.



Aidan Grogan is the development writer with the Illinois Policy Institute.

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