Subject: IRSI UPDATE: Letter to Editor in response to Dennis Byrne Jan. 26

Pay no attention to the man behind the curtain, otherwise known as columnist Dennis Byrne ("Wanted: Pols who'll challenge unions" January 26, 2010). The best thing you can say about the column highlighting the fiscal strains caused by the state's $80 billion unfunded pension liability is that, much like the misleading media coverage of the issue, it is consistent.

If we pull back the curtain, the truth is undeniable. For DECADES, Illinois has not made its employer contributions while teachers, police officers, secretaries, building service workers, and firefighters have consistently paid their employee contributions. What has Illinois done with the money? Illinois has diverted revenue to cover the cost of providing public services, instead of paying into the pension fund. Byrne mistakenly claims Illinois "swiped money from the irresistible billions sitting in the pension funds" – which never happened. Illinois never took money out of the pension systems to fund services; the state never made the payments!

Much like the burbling wizard, Byrne contradicts the half-truth he wrote about the cause of the unfunded liability, claiming that "overly generous public pensions are to blame for much of the state's financial difficulty". Like everyone else who makes this claim, he cites no data to support it. In reality, 78% of state employees do not receive Social Security, there is no 7.65% FICA tax, or a 6.2% payroll tax for the State to pay. The result – the normal cost of pension benefits are less than what private employers spend on their 401(k)s and other retirement plans.

Byrne's disdain for facts is nowhere more apparent than his proposed solutions to the unfunded liability problem. He claims the state's need to underfund the pensions would go away if only Illinois would stop the "ballooning expense of state government." Newsflash: After adjusting for inflation, Illinois' FY 2010 General Fund on public services is $1.4 to $4.3 billion *less than* it was a decade ago. Of this, 90% funds education, health, human services and public safety.

His proposed switch to a defined contribution system as a solution is more smoke and mirrors. Switching new hires to defined contributions 401(k) would cause a financial meltdown in these systems, wouldn't reduce the unfunded liability and would cost taxpayers hundreds of millions upfront. Conservative states like Nebraska and West Virginia made this mistake years ago and recently switched back to defined benefit programs to save taxpayers money.

Legislators cannot click their heels and wish this problem away. The states poorly designed revenue system created the structural deficit that in turn gave elected officials incentives to shortchange the state's employer contributions to its pension systems. Pension funding reform is not possible without enhancing state revenue through a substantial reform that both modernizes the tax system and makes it fairer.

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