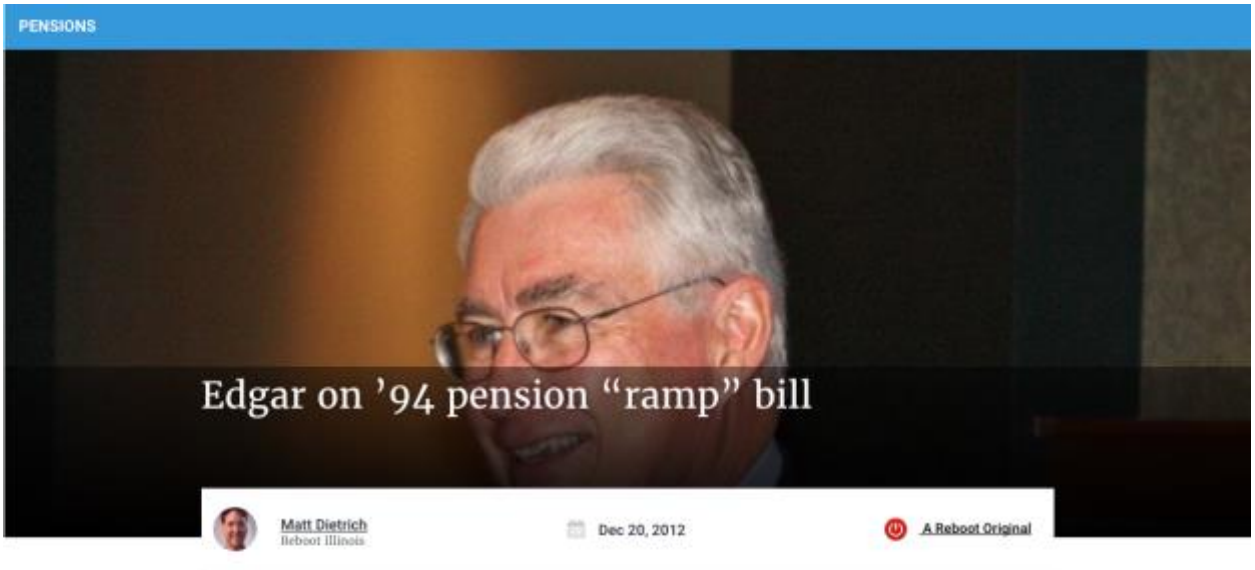

I got a question via Twitter regarding this week’s two-part Q&A with Gov. Jim Edgar. (Interviews are here and here.) “@rebootillinois Wish you would have asked Gov. Edgar about the unattainable pension payment ramp law that he signed. #partoftheproblem” Actually, I did ask him about that, but it wasn’t in the Q&A because I didn’t know how far into the weeds we could wander on the pension issue before readers’ minds started wandering to cute cat videos. Edgar’s full response follows, but first a little background.

In 1994, the Legislature passed and Edgar signed a bill that established a schedule by which the pension funds would reach safe funding levels. To get there, lawmakers established a series of “ramps” that would infuse the funds with money on an accelerated schedule. A lot of people today say this law is to blame for the current pension crisis, along with the fact that the legislature on occasion skipped the payments the law required. No doubt this contributed to the current problem — in which we’re on schedule to be $96 billion short on what retirees will need to be paid. But the market-stifling recessions of 2001 and 2008 have played far greater roles — just as they wreaked havoc on the 401(k) retirement funds of so many private sector workers. In his response to the aforementioned question, Edgar says the ’94 bill was not intended as a 30-year road map to full funding. It was more like a travel plan to be adjusted en route according to road conditions and weather forecasts. The problem is, the state just kept driving right on through as mudslides washed out highways and blizzards raged a few miles ahead.

Here’s what Edgar said about the “ramp” system that went into effect in 1995:

“We thought it would help. We did not think it was the 100 percent panacea for the problem and we made it very clear that this was a long term, 30-year (plan) and it would put us in what we thought was an acceptable position. We’d still have a deficit, but we wouldn’t have the huge deficit we have now. But we also said, within 10 years you need to take a look at this. Because we’re basing a lot of these estimates on today’s economy and you don’t know what’s going to happen.

“Unfortunately, they did a cursory look at it about seven, eight years later but they really didn’t take a serious look at it. And I think if they had, and made some adjustments, and followed it, I think we could have avoided much of the problem we’re dealing with today on pensions. There is no doubt, and you’ve got to remember that in ’94 we were coming out of the ’91 recession, and we kind of had a pro rata. The amount we were putting in to start with was minor and every so many years it would get bumped up, and Blagojevich did get a pretty good bump.

“Now, it’s something they should have prepared for and it’s something that I think if they had taken a long, hard look and said, ‘OK, we need to do an alternative but we need to have something that is reliable, something that shows consistent effort, I think that would have sufficed. But instead, they just kind of ignored it for a while. Even before that they borrowed money, which was about as bad as ignoring it as far as fiscal policy. They took action that I think really made the pension problem much greater. Then when the recession hit and the stock market went down, since much of the reserves were invested in the market, that made the deficit even greater. Now, you have hopes that the economy gets better, some of that will come back. But missing those payments I think hurt. And again this is not something we Republicans can completely blame on the Democrats. It started really under (Gov. Jim) Thompson's administration when they really didn't put the money in that they needed to put in."

https://rebootillinois.com/2012/12/20/edgar-94-pension-ramp-bill/