



Wirepoints Report

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Illinois' regressive pension funding scheme: wealthiest school districts benefit most

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-- Connecting the dots between our economy, government and business --

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Introduction

Most Illinoisans don't know Dr. Ray Lechner, the retiring Superintendent of Wilmette School District 39, but they should.

After all, Illinoisans have been contributing to his upcoming \$6.6 million pension for years, even though he's an employee of the Wilmette school district, not the state.

The anatomy of a North Shore pension			
Estimate of Wilmette SD 39 Superintendent Ray Lechner's future pension benefits			
		Notes	
Approx. final avg. salary*	\$288,592	Based on Lechner's annual salaries during his last 4 years of service*	
Total creditable service	33 years		
Percentage of final avg. salary, determines starting pension	72.6%	Years of service (33 years) x TRS pension formula (2.2% a year)	
Years in retirement	Age	Annual pension benefit	Notes
1	59	\$209,518	Starting pension = final avg. salary (\$288,592) x pension formula percentage (72.6%)
2	60	\$209,518	
3	61	\$215,803	An automatic 3% annual compounded cost-of-living increase starts at age 61 for TRS members and is received every year thereafter
4	62	\$222,277	
5	63	\$228,946	
6	64	\$235,814	
***	***	***	
***	***	***	
22	80	\$378,412	Life expectancy based on Social Security actuarial tables
23	81	\$389,765	
Approximate total pension payout		\$6,607,512	
Approx. direct employee contributions to TRS**		\$446,708	

Source: Member data from a 2018 FOIA request to the Teachers' Retirement System
 Note: Lechner's approximate age at retirement and total creditable service are based on available active member data from TRS
 *Assumes 2 percent annual raises in each of his last two years of service
 **Assumes additional 9 percent employee contributions in last two years

That's how it works for all teachers and administrators in Illinois, whether it's a superintendent from Lake Forest or a school counselor from Mt. Vernon – school districts pay the salaries while the state funds the pensions.

It's this kind of arrangement, where one unit of government doles out the benefits while another one pays for it, which makes Illinois so dysfunctional.

It's a scheme that allows districts to spend more money on salaries and perks than they otherwise would.

Wilmette SD 39, for example, can grant Lechner an annual compensation of [more than \\$300,000](#) and give teachers [automatic 5 percent raises](#) for five years before retirement because its budget isn't burdened by the resulting pension costs.

The current arrangement needs to end. It has destroyed accountability and driven up pension benefits, leading to higher property and income taxes on struggling Illinoisans.

And it's regressive. The state funding of teacher pensions works against the goal of ensuring every school district receives an adequate amount of education funding. Wealthy districts – like those on the North Shore – benefit far more from the state's pension payments than poor districts do.

And as pension costs eat up more and more of education funding, districts like East St. Louis and other property poor districts struggle to maintain adequate funding levels for education.

Illinois must shift the cost and the responsibility of teacher pensions to where they belong: school districts.

Unfortunately, a group of legislators led by Rep. David McSweeney (*R-Barrington Hills*) [is blocking](#) any cost shift to districts. McSweeney claims that a shift will lead to higher property taxes.

But, ironically, the current arrangement he clings to has already driven up – and continues to drive up – taxes in Illinois.

What's wrong with the current system

Imagine a group of friends celebrating at a restaurant. It's one of those dinners where the final bill is to be split evenly among everybody.

You can bet the cost of the celebration will run much higher than if each person had paid their own bill separately. That's because everyone has an incentive to splurge on steak and beers if the bill is going to be split evenly. And if one person orders an expensive drink, you can be sure the others will follow suit.

Said another way, nobody wants to be the sucker ordering just a salad and tea. So the dinner becomes a free for all. And when the bill finally comes due, no one is individually accountable for the inflated cost.

That's roughly how the Illinois pension system for teachers works today. There is no individual accountability for pension costs at the school district level. Instead, the current model is a shell game all Illinoisans are forced to finance.

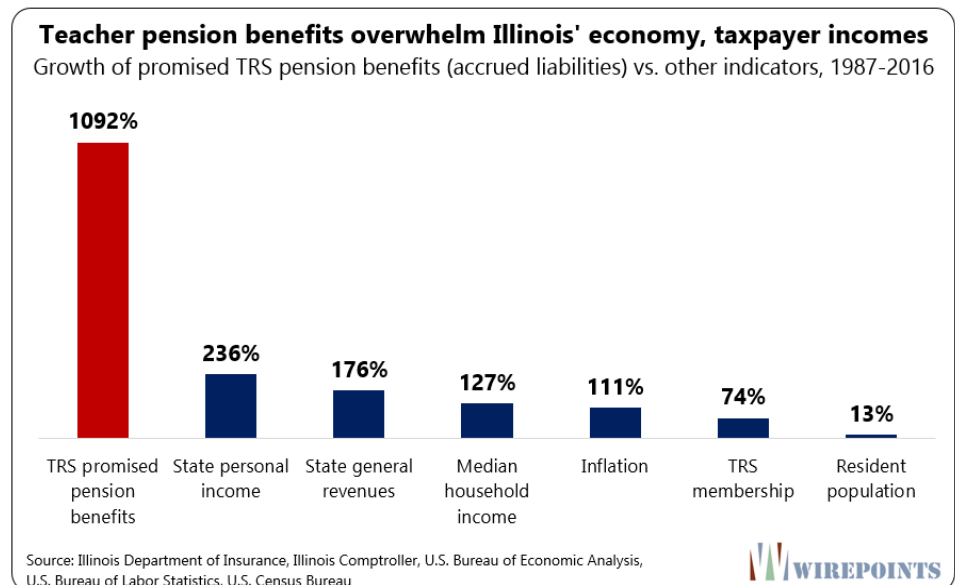
Because the state pays for the collective pension costs that school districts create, every district [can spend more](#) than they otherwise would on their teachers' pensionable salaries and benefits. And like the dinner party example above, that makes the collective pension bill much higher than if each district had to pay for its own costs.

The boosting of salaries and perks, and the willingness of politicians to overpromise pension benefits, has contributed to the wild growth of total benefits owed to teachers over the past several decades. As Wirepoints found in its [recent report](#), pension benefits owed to teachers have grown 1,092

percent since 1987. That's eight times more than Illinoisans' household incomes (127 percent) and nearly ten times more than inflation (111 percent).

In 1987, total pension benefits owed to active teachers and retirees totaled just \$9.9 billion. Today, that number has ballooned to \$118.6 billion. That's an increase of almost 9 percent each year for nearly 30 years.

Wealthier districts benefit the most from the current arrangement. They have [higher paid employees](#) and bigger education infrastructures, resulting in bigger pension costs. So when the state pays for each district's pension costs, it's the wealthiest districts that have the most to gain from not having to pay their own way.



Winners and losers


To see who's winning and losing from the current pension funding scheme, look at the table below.

It shows the amount of income taxes the state doles out to the teacher pension fund on behalf of districts, measured on a per-student basis.

The scheme benefits the wealthiest school districts because they have the highest pensions. Districts like Rondout, Sunset Ridge and New Trier – all on the North Shore – benefit by [more than \\$1,000](#) per student.

Teacher pension subsidy favors wealthy districts				
State subsidy provided, based on district share of TRS employer normal cost per student, 2017				
	District	County	District taxable property value (EAV) per student	Pension subsidy provided per student
5 districts with the highest per-student pension subsidy	Rondout SD 72	Lake	\$2,138,256	\$1,579
	New Trier Twp HSD 203	Cook	\$1,230,873	\$1,177
	Kenilworth SD 38	Cook	\$649,978	\$1,176
	Twp HSD 113	Lake	\$1,181,960	\$1,158
	Sunset Ridge SD 29	Cook	\$936,299	\$1,146
5 districts with the lowest per-student pension subsidy	Carterville CUSD 5	Williamson	\$86,382	\$303
	Central City SD 133	Marion	\$56,569	\$297
	Crab Orchard CUSD 3	Williamson	\$63,144	\$291
	Bradford CUSD 1	Stark	\$245,189	\$261
	Earlville CUSD 9	La Salle	\$59,159	\$230

Source: Illinois State Board of Education, ILEARN data 2016; Total earnings data received from a 2018 FOIA request to the Teachers' Retirement System; TRS actuarial report 2017
Note: Excludes districts with less than 100 students




In contrast, districts with less wealth and lower teacher pensions benefit much less. Districts like Central City, Crab Orchard and Bradford receive less than \$300 in state pension support when measured on a per student basis.

As a result, Rondout, one of the wealthiest and highest spending school districts in the state, gets six times more, on a per student basis, than Bradford CUSD 1 does.

That's not surprising. Not only is teacher and administrative pay much higher at Rondout, but it has far more teachers and administrators on a per student basis than Bradford. All those staffing differences create far higher compensation costs, resulting in a far larger per-student [pension subsidy](#) for Rondout.

Rondout SD 72 operating costs far higher than those in downstate Bradford CUSD 1					
Differences in school district demographics, 2017					
District	Student enrollment	Student to certified staff ratio	Average teacher salary	Student to administrator ratio	Average administrator salary
Rondout SD 72	142	6:1	\$93,517	65:1	\$131,750
Bradford CUSD 1	154	10:1	\$36,424	154:1	\$96,250

Source: Illinois State Board of Education, Illinois report card



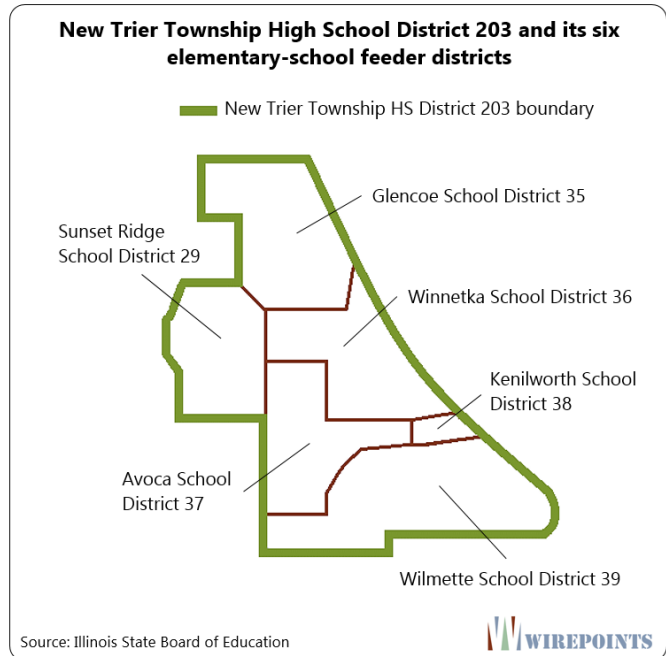
The North Shore splurge

It's easy to see why districts in Chicago's suburbs benefit the most. Take the New Trier High School area for example, where Dr. Lechner is the superintendent of Wilmette SD 39, one of the high school's elementary feeder districts.

New Trier has [six different K-8 school districts](#) that feed into it. And that means lots of superintendents, assistant superintendents, district employees and pensions.

The seven total superintendents are among the highest compensated school employees in the state. Each receive compensation packages ranging from [\\$210,000 to \\$360,000](#) annually, according to the Illinois State Board of Education's (ISBE) salary database.

That means those who end up working a full career in Illinois' public schools will receive lifetime pension benefits of \$5 to \$9 million, depending on their final years of service and age at retirement.



Trisha Kocanda, the superintendent at Winnetka SD 36, is only 41. If she gets 2 percent raises every year she'll be earning a pensionable salary of \$390,000 by the time she's 60. If she retires at that point, she'll get about \$9.6 million in pension benefits over the course of her retirement.

New Trier area superintendents can expect \$4-\$9 million in pension benefits during retirement

Total compensation and approximate lifetime pension payouts of district superintendents, 2017

Superintendent	District	2017 total compensation	Approximate total pension payout*
Kocanda, Trisha L	Winnetka SD 36	\$299,526	\$9.6 million
Wang, Catherine G	Glencoe SD 35	\$261,280	\$7.5 million
Linda Yonke	New Trier TWP HSD 203	\$359,260	\$7.5 million
Lechner, Raymond E	Wilmette SD 39	\$304,895	\$6.6 million
Jauch, Kevin M	Avoca SD 37	\$269,477	\$6.1 million
LeRoy, Crystal S	Kenilworth SD 38	\$208,562	\$5.8 million
Stange, Edward J	Sunset Ridge SD 29	\$253,996	\$5.5 million

Source: ISBE EIS salary database, 2017; Member data obtained from a 2018 FOIA to the Teachers' Retirement System

*Approximate total pension payout is based on Social Security life expectancies.

Assumed retirement age is 61. Lechner is assumed to retire at 59. Members are assumed to receive 2% raises annually until retirement.

The top 15 retirees across the New Trier area already expect to receive \$5 million to \$8 million in pension benefits during their retirement. Dr. Lechner and his \$6.6 million expected pension will join the list when he retires next year.

Top New Trier pensioners can expect \$5-\$8 million in pension benefits during retirement

Total earnings and approx. lifetime pension payouts of top New Trier area school district pensioners, 2018

Name	Last Employer	Approximate age at retirement	Final average salary	Current pension	Approximate total pension payout in retirement
Vieth, Linda J	Sunset Ridge SD 29	54	\$284,232	\$213,174	\$8,372,771
Bangser, Henry S	New Trier TWP HSD 203	56	\$307,375	\$321,834	\$8,255,057
Kalinich, Kelley M	Kenilworth SD 38	54	\$270,085	\$202,564	\$7,844,605
Yonke, Linda L	New Trier TWP HSD 203	63	\$336,350	\$252,262	\$7,473,144
Bultinck, Howard J	Sunset Ridge SD 29	56	\$265,732	\$270,150	\$7,019,753
Crawford, Cathlene A	Glencoe SD 35	63	\$296,737	\$239,572	\$6,760,809
Porto, Joseph	Avoca SD 37	54	\$255,333	\$228,865	\$6,567,591
McGee, Glenn W	Wilmette SD 39	56	\$247,341	\$249,573	\$6,485,079
Hochschild, Joan L	Wilmette SD 39	56	\$181,120	\$213,475	\$5,816,270
Van Der Bogert, Mary	Winnetka SD 36	61	\$314,986	\$207,910	\$5,686,241
Clark, Shelley H	Winnetka SD 36	58	\$206,473	\$183,866	\$5,673,255
Goers, Donald R	New Trier TWP HSD 203	57	\$267,286	\$199,449	\$5,559,400
Cheever, Maureen S	Winnetka SD 36	56	\$196,624	\$164,528	\$5,490,309
Shinners, Marie A	Wilmette SD 39	55	\$198,372	\$167,501	\$5,473,899
Herrmann, Mary B	Winnetka SD 36	55	\$230,000	\$160,987	\$5,260,107

Source: Member data obtained from a 2018 FOIA to the Illinois Teachers' Retirement System
*Approximate total pension payout is based on Social Security life expectancies.

It's not just the superintendent costs that matter. [District office staffs](#) are expensive, too. In total, New Trier area district staffers receive average salaries of \$92,000 and cost over \$1,000 per student. And that doesn't include pensions and other benefit costs. For those staffers who become career employees, they can expect, on average, pensions in the \$2 to \$4 million range.

In total, 136 district office administrators work in the seven separate New Trier district offices. Many of those positions – from bookkeeping to technology to HR – are duplicative and can be consolidated.

There are nearly 140 district office staff in the New Trier area

District office staff salary data for New Trier school districts, 2015

School District	Number of schools	Average daily attendance	District office staff	District office employee salaries total	Average employee salary	Cost per student
Sunset Ridge School District 29	2	441	10	\$1,245,298	\$124,530	\$2,825
Winnetka School District 36	5	1,625	23	\$2,090,405	\$90,887	\$1,286
Avoca School District 37	2	662	8	\$777,925	\$97,241	\$1,174
Wilmette School District 39	6	3,370	41	\$3,331,635	\$81,259	\$989
New Trier Township HS Dist. 203	2	3,977	41	\$3,818,901	\$93,144	\$960
Kenilworth School District 38	1	488	5	\$449,722	\$89,944	\$922
Glencoe School District 35	3	1,183	8	\$762,180	\$95,273	\$644
Combined	21	11,747	136	\$12,476,066	\$91,736	\$1,062

Source: Data on district employees and salaries obtained from a 2015 Illinois Policy Institute FOIA request to each school district; Illinois State Board of Education

But it's teacher salaries that drive the bulk of the pension funding that the New Trier districts benefit from. Those districts spent an average of \$90,900 in salaries per teacher in 2017. That's 41 percent more than the statewide average of \$64,500.

Those salaries translate directly to higher pension benefits. The average, recently-retired career teacher in Illinois – those with 30-plus years – can expect to collect \$2.4 million in pension benefits. In contrast, a New Trier area career teacher will collect \$3.5 million, based on member data from a 2018 FOIA request to TRS.

Downstate districts don't have the wealth found on the North Shore and other well-off areas in the Chicago suburbs. They can't support the same teacher salary base, costly administrations and district infrastructures. In fact, ISBE data shows about 90 percent of the unit districts in Illinois are located outside of Cook and the collar counties.

Less wealthy districts may still pay their teachers more than they would without the state's pension subsidy, but they don't have the local funding to push salaries – and therefore, pensions – to the same levels as their North Shore counterparts.

Cross-purposes

It's important to acknowledge the contributions that residents in wealthy school districts make to Illinois education through the income taxes they pay. The zipcodes of the wealthy districts are where a majority of state income tax dollars come from – which in turn fund the bulk of the state's general aid to education. Their tax dollars are supposed to ensure districts like East St. Louis, which have very limited property wealth, reach the state's goal of adequate funding.

Residents in wealthy school districts pay 10 times more income taxes per return than residents in the poorest districts		
Top 10 districts with highest EAV per student vs. bottom 10 districts with lowest EAV per student		
	Primary zip codes of districts	Average income tax paid per tax return
Property-rich districts	60045, 61360, 60523, 60093, 60015, 60181, 60035	Rondout SD 72, Lake Forest CHSD 115, Seneca Twp HSD 160, Butler SD 53, Butler SD 53, Lake Forest SD 67, New Trier Twp HSD 203, Bannockburn SD 106, Salt Creek SD 48, Seneca CCSD 170, Twp HSD 113
Property-poor districts	62882, 62618, 60085, 62988, 61883, 62060, 62059, 62206, 62201, 61322	Sandoval CUSD 501, Beardstown CUSD 15, Waukegan CUSD 60, Egyptian CUSD 5, Westville CUSD 2, Madison CUSD 12, Brooklyn UD 188, Cahokia CUSD 187, East St Louis SD 189, DePue USD 103

Source: Illinois individual income tax adjusted gross income zip code report, 2015
Illinois Department of Revenue; Illinois State Board of Education ILEARN data 2016

But the state's scheme for funding teacher pensions runs at cross purposes with that goal. The state takes in income taxes contributed by all areas of the state, whether wealthy or not, and then sends much of those dollars right back to wealthy areas in the form of pension subsidies. And since [nearly 50 percent](#) of state's total budget appropriations to education have gone to teacher pensions in recent years, those subsidies matter.

More state money going to pensions means less money for districts in need, everything else equal.

Why this matters

Shifting the cost of pensions to school districts is not a new proposal. Politicians from both sides of the aisle, including Gov. Bruce Rauner and House Speaker Mike Madigan, [have supported](#) the idea in the past. In fact, the governor recently proposed a pension cost shift in his [latest budget](#).

Under his plan, the employer pension contributions for teachers would shift to local school districts over a four-year period. In total, about \$1 billion in costs would gradually be shifted to local districts over the next few years. In other words, in the absence of any other reforms or pay freezes, each district's payroll costs would rise by about 2.5 percent a year.

To be clear, the shift would only include the "normal" cost of pensions – the benefits generated by a teacher working one additional year. The state would retain the responsibility of paying down the billions in pension debt that accumulated over the past few decades.

But there are lawmakers like Rep. McSweeney, who oppose the shift. McSweeney warns that a shift will result in property tax hikes across the state. To that end, he's gotten more than 60 legislators together to sign [a resolution](#) opposing any shift.

The fact that McSweeney approached the Illinois Education Association to [garner support](#) for his resolution should tell Illinoisans all they need to know.

The IEA likes the state's subsidy of pensions because it hides the true cost of education from Illinoisans. And they love the oversized salaries, perks and benefits that come with that lack of transparency. They don't care about the high property taxes Illinoisans' have to pay to provide those benefits.

McSweeney's got it all wrong. The current non-transparent arrangement is not only unfair, but it's precisely what's contributed to Illinoisans paying the [highest property taxes](#) in the nation and a new 32 percent income tax hike.

Here's how the current system raises taxes on Illinoisans:

- 1. It allows districts to pay higher salaries than they otherwise would.** The current scheme fuels excessive salaries because districts don't bear the cost of the resulting pensions. Like in the dinner celebration example above, districts can end up spending far more than they would have had they borne their own costs.
- 2. It encourages districts to give out pension-boosting perks.** Districts can hand out end-of-career [salary spikes](#), [unused sick leave benefits](#) and [masters bumps](#) because, again, districts don't bear the resulting pension costs.
- 3. It crowds out general state aid and drives up both income and property taxes.** As pensions [overwhelm](#) the state's total education budget, that leaves less general state aid for all school districts, everything else equal. With pensions consuming [nearly 50 percent](#) of state education appropriations, school districts have had to raise property taxes to make up the difference. And the state has hiked incomes taxes in large part to pay for skyrocketing pension costs.

The cost shift must be paired with many reforms

A cost shift will end the dysfunction in education funding caused by the state's subsidy of pensions. It will bring down pension costs over time by forcing districts to moderate the salaries and perks they provide. And it will end the regressive nature of the scheme.

But in the short term, can the cost shift lead to the property tax hikes McSweeney warned about?

Not if local residents reject them and demand lawmakers like McSweeney enact reforms.

With Illinoisans already paying the [nation's highest property taxes](#), they don't owe their local governments another penny. In fact, local governments owe their residents sizable property tax relief.

Illinoisans have every right to reject tax hikes and demand reforms instead. Those reforms can offset not only any immediate costs of a shift, but they can also bring down local government costs to levels taxpayers can afford.

Illinoisans should demand their lawmakers:

Require teachers to pay their fair share toward their own pensions. Many school districts pay each teacher's required pension contribution, called a "pick-up," as a fringe benefit, costing school districts [\\$380 million per year](#). As a result, teachers in over half of Illinois school districts [pay nothing](#) toward their own pensions. This reform alone will cover nearly 40 percent of the pension cost shift.

End pension-boosting perks like the accumulation of [unused sick leave](#) and the automatic four- to five-year salary bumps that many teachers get at the end of their careers. Strip those kinds of items from the collective bargaining process. Nobody in the private sector gets those kinds of perks.

Consolidate school district administrations, starting with combining all elementary and high school districts into unit districts. And to ensure costs don't spike, block the merger of teacher contracts in the newly created districts.

Stop giving unions the right to strike whenever they don't get their way. Illinois is the [only state](#) among its neighbors to enshrine a teachers union's ability to strike. That gives the union too much power over the very people that pay for their services.

And of course, there are much bigger structural reforms, from [amending](#) the constitution to allowing for [local bankruptcy](#) to rolling out the [university system's](#) 401(k)-style [plan](#) for new teachers, that are all needed to begin an end to Illinois' pension crisis.

All of the above can result in lower property taxes for Illinoisans.

McSweeney knows that. He shouldn't be standing with the Illinois Education Association and defending the non-transparent, tax-driving status quo. Instead, he should be leading the effort to pass many of the reforms, including the cost shift, that will bring Illinois property taxes down.

And if McSweeney is looking for support from the education bureaucracy itself, there are officials that realize Illinois needs to change.

Dr. Lechner is one such official. He supports district consolidation at New Trier. He believes New Trier should be merged into a single, 12,000-student unit district. He admits that the 3-percent COLA benefit is too generous relative to inflation. And he also supports the pension cost shift.

Which brings us all the way back to his retirement benefits. If Wilmette residents had to pay the true cost of his compensation, perhaps Dr. Lechner wouldn't be getting \$6.6 million in pension benefits.

Of course, Wilmette residents might still be willing to pay that much. But at least with the cost shift in place, all Illinoisans wouldn't have to foot the bill.

Disclosure/notes

1. *Ted Dabrowski lives in Wilmette. His four children all attended SD 39 and had positive experiences.*
2. *This piece has nothing to do with Dr. Lechner's performance as a superintendent. It's only about state pension rules and the laws that dictate how they are paid for.*
3. *Dr. Lechner and other big pensioners should **not** be demonized for the size of their pensions and perks. If anyone deserves the blame, it's our politicians. They are the ones who have doled out benefits far in excess of what Illinois residents can afford.*