



The hidden cost of inflated pensions: Schools forced to pay up

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Published: 4/26/2010 12:01 AM

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SPRINGFIELD - Local schools now scrambling for money collectively paid more than \$1.8 million to the state in recent years because they granted excessive raises and sick leave benefits for retiring employees, boosting their pensions beyond limits lawmakers put in place to try to combat skyrocketing pension costs.

Statewide, the payments by school districts for inflating pensions beyond the limits enacted in 2005 totaled nearly \$8.3 million during the first three years.

In the first review of its kind of the new law, the Daily Herald requested copies of penalty payments local districts made to the Teachers' Retirement System.

Those records show more than 200 individual payments from area schools, some of which paid more than a quarter-million dollars in penalties to the retirement fund.

The suburban districts tallying the highest payments to the state under the new law over three school years ending in 2008-2009 are:

- Barrington Area Unit District 220: \$288,680.
- Northwest Suburban High School District 214: \$253,764.
- Elgin Area School District U-46: \$241,416.
- Geneva Unit District 304: \$132,565.
- St. Charles Unit District 303: \$91,423.

The 2005 law is not a cap on raises or teacher salaries. Those amounts are left in the hands of locally elected school boards and local school officials.

Rather, it limits how much the state will recognize and cover in retirement. School boards still are free to hand out bigger pension-sweetening raises at the end of employees' careers. It's just that those school districts now have to pay for them.

The state recognizes only pay boosts up to 6 percent a year and bills the schools to cover the excess.

Presented with the dollar figures, some local school leaders expressed dismay.

"It certainly wasn't a conscious thing on the board's part to specifically reward anybody. Beyond that I can't explain the circumstances to which that might or might not have happened," said Elgin Area School District U-46 board President Ken Kaczynski.

One explanation from suburban school officials was when the law passed they were caught with administrators promised certain incentives at the end of their careers that ended up violating the law and garnering penalties.

Any contracts in place when the law took effect on June 1, 2005, were grandfathered in. So a three-year pact with the teachers union approved before 2005 that called for raises over 6 percent could go the full duration and nothing in it would count as a violation.

One-year administrator contracts were a different story.

Districts that made promises to administrators in exchange for early retirement notice, usually years in advance, found themselves afoul of the new law.

Such was the case in St. Charles Unit District 303, said board President Scott Nowling, a critic of end-of-career bonuses.

"From my personal perspective, the practice of inflating salaries at the close of a career to boost the pension obligation of taxpayers I find objectionable. We see the results of that being played out at the state level vividly today," Nowling said.

"Our current contract with employees, like many others throughout the state, allows that, and it frustrates me."

The state lawmaker who sponsored the 2005 pension law offered little sympathy to districts hit with penalties.

"Anyone who professes not to be familiar with this situation ought to get themselves up to speed in a hurry," said state Sen. Jeff Schoenberg, an Evanston Democrat.

Under the law, the retirement system plugs end-of-career data from the schools into a formula to calculate if they've exceeded the 6 percent annual limits for raises. If so, the district is billed and must quickly pay to cover the excess.

A school should expect to pay between \$2 and \$2.60 for every dollar in raises that exceeds 6 percent, an amount calculated to reimburse taxpayers for the increased pension.

The 2005 law also restricted the use of sick leave toward credit for years worked. The number of sick days counted toward pension benefits is limited to the normal allotment in the employee contract.

If schools approve more for retiring teachers or administrators, the school district pays a penalty to the state.

"These parameters were set to give local school districts the choice to take their destiny into their own hands," Schoenberg said.

The districts are prohibited from taking the money away from the retirees.

Those school employees whose retirements incurred the penalties said they were unaware of the situation.

"I didn't know the district paid any money," said Timothy Dunn, who retired following the 2007-2008 school year from his job as social studies department chairman at Barrington 220.

The district paid more than \$61,000 because his pay exceeded the 6 percent restrictions. According to state retirement records, in his final four years, Dunn's salary rose 32 percent, from \$129,000 to \$170,000.

The third and fourth year raises combined were nearly \$24,000 over what the state would cover for pension purposes, which triggered the penalty.

"Let me tell you, I put in 35 years. I coached two sports more than 30 years. I dealt with kids and parents. I wish you'd put that in there," Dunn said.

Nita Slagle, who retired following the 2007-2008 school year as principal at Geneva 304's Harrison Street School, was similarly unaware of the \$70,049 the district paid for salary and sick leave excesses resulting from her retirement provisions. In the final four years of her tenure, her salary went up 35 percent, from \$95,295 to \$129,109.

"I thought it was all grandfathered in, too," Slagle said, explaining that the administrators' contracts called for them to get the same incentives contained in the teachers' pact.

"This was not something that I negotiated," Slagle said. "Principals don't negotiate. We get what we were given."

The penalty payments Barrington District 220 and Geneva District 304 made to the state as a result of Dunn's and Slagle's retirement packages were among the top five penalties for suburban school districts.

Other suburban educators whose retirement provisions triggered high penalties include:

- Nancy Locke, who retired at the end of the 2006-2007 school year as principal at Barbara B. Rose Elementary School in Barrington 220. The district paid \$100,068 in penalties. Her salary went from \$107,242 to \$169,338 in her final four years, exceeding the state limits by nearly \$16,000 and \$20,000 in her final two years.
- Jean Bowen, who retired at the end of the 2007-2008 school year as principal at South Elgin High School in District U-46. The district paid \$65,945 in penalties. During her final four years, her pay went from \$133,240 to \$188,543, exceeding the state limits by nearly \$29,000 over those years.
- Thomas Watrobka, who retired at the end of the 2007-2008 school year as principal at Heartland Elementary School in Geneva District 304. The district paid \$61,704 in penalties. His pay increased from \$103,271 to \$139,913 in his final four years, exceeding state limits by nearly \$19,000.

After 34 years of service, public school teachers and administrators are eligible to receive annual pensions equal to 75 percent of the average of their four highest-paid years, plus cost of living increases.

"Prior to the General Assembly acting on the problem, local school boards were far more liberal on the issue for their top administrators but also their classroom instructors," Schoenberg said.

"And they did so because they were largely handing the bill to the state."

State lawmakers recently took additional steps to further restrict employees' pensions - but only for new hires.

Rather than calculate pensions on the final four years, they will be based on the final eight, which is likely to result in a lower average and a lower pension for those future employees.

In addition, the state capped the amount of salary it will recognize when calculating pensions. The initial cap is \$106,800.

Teachers and administrators will still be able to make more, but their pensions will be pegged on that amount - which is also the maximum amount upon which Social Security taxes are applied.

The cap will be adjusted annually in an amount equal to half of the rate of inflation or 3 percent, whichever is less.

These latest pension changes begin with people hired after Jan. 1, 2011. That means the first pension checks issued under the restrictions won't come for another 30-some years, though supporters say the changes will ultimately save taxpayers more than \$200 billion.