Chicago Tribune Uncovers Pension Scams of Ex-Mayor Daley and Friends

On May 2, Jason Grotto of the *Chicago Tribune* penned his experience in ferreting out how former Mayor Richard M. Daley (pictured) and his friends were able to milk the city's pension system for millions and hide it from public view for 20 years.

> We've been exploring the pension crisis in Chicago and Illinois for about two years now: it takes that kind of time to understand how the pension system and individual pensions work.
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> Illinois pension laws are like a giant jigsaw puzzle. Without the time our editors have given us to figure out how the pieces fit together, we probably wouldn't have been able to [figure out] how individuals [like former May Richard Daley and former Alderman Thomas Allen] are able to use Illinois' convoluted pension laws to dramatically boost their pensions.

The scam began in 1991 when Daley was just two years into his first of six terms as mayor of Chicago. He resurrected a bill that his predecessor, Mayor Harold Washington, had rejected as being too costly and frivolous. That bill, designed to boost Chicago aldermen's pension benefits, served to provide the circuitous route that Daley himself manipulated into a retirement benefit far above what it would have been, while saving himself the trouble (and the expense) of contributing $400,000 to his own plan. As Grotto noted:

> Those pensions were made possible by a little-known provision slipped into a much larger pension bill that passed in 1991. We went back to that larger piece of legislation and found that besides a sweetener for labor leaders receiving public pensions, it also included one for Chicago aldermen…
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> Among the records we received back were hundreds of pages dealing with former Mayor Richard M. Daley…

Here's how Daley did it: As a member of the Illinois state senate and then as the Cook County State's Attorney, Daley joined, and contributed to, the legislative pension plan, the General Assembly Retirement System, or GARS, until he was elected mayor in 1989. Under the new rules, he rejoined GARS for one month which qualified him for retirement benefits at 85 percent of his mayor's salary. That meant that, at his age 49, he could have retired at age 55 with a pension benefit of $97,750 a year, far higher than the $20,686 he would have received if he hadn't rejoined GARS.

He went on, however, to win five more terms as mayor and now receives a pension of $183,778 per year — $15,314 a month — which is about $50,000 more each year than he otherwise would have received had he not made the jump into, and out of, GARS back in 1991.

Daley was able to take advantage of another sweet deal built into the pension bill that he helped pass: He was able to "purchase" years of benefits from his legislative days to add to his pension benefits, which would normally have cost him about $540,000, just by transferring his GARS credits of $128,000 over to his own pension plan, neatly saving him over $400,000.

Today GARS is only 21 percent funded with unfunded liabilities of $235 million. The only way that shortfall can be made up is by taxing Chicago residents. As noted by Laurence Msall, president of the Civic Foundation:

> There is no public policy justification…in allowing people [like Daley]…to come back and re-enter the General Assembly pension. This is an example of why the state Legislature needs to…stop treating the pension system as if it's their personal piggy bank.

Grotto uncovered an even more egregious example of milking the system: that of former Chicago alderman Thomas Allen. Allen was able to retire on 80 percent of his alderman's salary of $110,000 even though he served only 17 of the 20 years needed to qualify for it. He bought his way into the plan by purchasing credits from his time spent as an aide to his father. That cost him $21,000. And then he was allowed to purchase an "upgrade" to his plan for another $24,000. That $45,000 additional contribution resulted in his pension increasing from $41,000 a year to $88,000 a year. Allen now receives $91,000 a year and, according to Grotto, "in just seven more years his city pension will be larger than his aldermanic salary." If Allen lives out his normal life expectancy, Grotto estimates he'll receive about $4.2 million before he dies.

Here's the kicker: 20 other Chicago aldermen have retired under similar rules and are estimated to receive nearly $58 million during the remainder of their lifetimes, while the contributions they collectively have made to the plan total less than $19 million. And there are 53 more aldermen just waiting to retire.

The municipal pension plan is currently under water by $6.7 billion. As noted by Jacky Grimshaw, former mayor Washington's liaison to the City Council:

> There are several types of corruption in this city…This is the hidden type, the piece of legislation that benefits a handful of people. You don't know where it comes from. You don't know whom it benefits. It's the most insidious kind of corruption.

But the former mayor and his aldermen have figured it out.