

Lush benefits, fiscal irresponsibility, put Illinois at bottom of pension heap

By ALAN J. ORTBALS

A combination of extravagant retirement benefits and a lack of fiscal discipline have made Illinois' pension system the worst in the nation. How much the state needs to contribute to fully fund its obligations ranges from \$79 billion to \$200 billion, depending on whose math you use.

In the spring, the Illinois General Assembly passed legislation to reform its pension system in the future, raising the retirement age for full benefits to 67, limiting retirement benefits and ending what's called "double-dipping" - being able to draw multiple pensions from multiple state jobs. But these reforms don't touch the current crisis, according to State Sen. Dave Luechtefeld, a Republican from Okawville.

"The thing that we actually did doesn't really change our problem very much," Luechtefeld said. "It doesn't solve the present problem at all. Down the road it will make a huge difference on what the pension system will be."

According to a Sept. 11, 2009 news article printed in the *Chicago Sun-Times*, almost 4,000 state retirees receive more than \$100,000 per year with the highest paid retiree receiving nearly \$450,000 per year; 2,200 of them have collected more



Retired Illinois State Sen. Pres. Emil Jones will receive nearly \$170,000 in pension payments this year. He'll be receiving four separate pensions for jobs ranging from Chicago sewer inspector to state senator.

than \$1 million since retiring; more than 14,000 retirees receive more in annual pension payments than their final salaries;

and, 11,500 retirees get checks from two or more government pension plans. And these pensions don't include

additional health insurance benefits, according to R. Eden Martin, president of the Commercial Club of Chicago. The Commercial Club has released several reports on the state's pension crisis; the last one, entitled *Facing Facts 2009*, was released in February of last year. These health benefits include 100 percent paid for health insurance up until the retiree is eligible for Medicare and 100 percent paid supplemental insurance from that point on.

Several factors contribute to the excessive pension payments that some retirees get, according to Martin. One is that employees are able to retire at the relatively early age of 55 with a full pension, if they have enough years of service. That contributes to the problem in two ways, says Martin.

"After you retire, you get 3 percent automatic COLA (cost of living allowance) adjustments every year," Martin said. "That's true whether there is inflation or not. So, some of these folks, by the time they reach normal retirement age, are collecting pensions which are more than they were making the last year

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Hiring through employment agencies is booming, a signal that permanent hiring is not far behind, experts say.

Staffing industry reveals light at the end of the unemployment tunnel

By ALAN J. ORTBALS

In a signal that the economic recovery is on track, Express Employment Professionals recently logged its best week in a company history of more than 25 years. Express is a multinational human resources firm with nearly 600 independently-owned employment agencies in the U.S., Canada, South Africa and Australia.

Richard Wahlquist is president and chief executive officer of the American Staffing Association.

"We (the staffing industry) are a leading employment indicator and we tend to both lead into periods of employment downturn

and lead out," Wahlquist said. "If you take a look at the 35 years or so of data, you will find that in a traditional recovery typically about six months after you see a sustained increase in temporary jobs, there's enough confidence amongst the business community that the recovery is sustainable - so they start adding people on a permanent, full-time basis. The fact that we have been adding jobs means that demand is increasing for goods and services in the American economy. That's a very good thing," he added.

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Engineers' job outlook brighter than most professions, even during recession, survey finds

By KERRY L. BEISER

According to a recent survey by the National Association of Colleges and Employers, engineering majors have consistently posted increases to their average salary offers, and seemingly have been immune to negative economic effects.

Andrea Konz, employment information manager for NACE, says although the average starting salary offer to Class of 2010 graduates overall is down 1.3 percent compared to the average posted last year at this time by the Class of 2009, for engineers it's a

brighter picture.

"During the 2008 reporting year, engineering graduates' initial salary offer increases ranged between 5 and 7 percent...and even as the economy fell, they continued to enjoy increases ranging from 2 to 4 percent during the 2009 reporting year," Konz said. "This year that has changed. As a group, engineering grads now average \$58,970, a .5 percent decrease."

Within the engineering fields, she adds, Class of 2010 chemical engineering graduates enjoyed a 1.1

percent increase for an average offer of \$65,628, but many of the disciplines - including computer engineering, electrical engineering and mechanical engineering - saw their average offers decrease, according to the NACE survey. Computer engineering graduates saw the biggest decrease in the group: Their average offer fell 2.9 percent to \$59,917. Electrical engineering graduates' average salary offer, Konz says, dropped 1.2 percent to \$59,381, and the average offer to mechanical engineering graduates dipped less than 1 percent

to \$58,457. The survey did not include master's-level engineering graduates.

A related 2010 survey performed by NACE, known as the student survey, shows that accounting, business administration, computer science, engineering and math majors are more likely to get - and accept - job offers than other types of baccalaureate grads. One of the reasons behind this may be surprising, according to Marilyn Mackes, NACE executive director: It's because

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Competition up, turn-around time down as engineering firms work in recessionary environment

By **KERRY L. BEISER**

Just as this recession has changed the way many companies do business, so it is with engineering.

In the geotechnical, materials testing and environmental sectors, among others, the expected turn-around time on proposals has gotten shorter than ever.

Mike Widman, president of Quality Testing and Engineering Inc. in O'Fallon, says the entire process - from designers to construction managers - has shortened considerably since the recession began nearly two years ago.

"We feel compelled to lock in and go in order to meet a rapid turn-around, which has pretty much become standard these days," said Widman. "Proposals, reports, data...they want everything tomorrow in order to keep clients/owners or whoever is in charge of the project satisfied, before someone rethinks or changes their mind and scales back. It's not 'if you can get it here faster,' it's 'get it here faster.'"

Before the recession hit, Widman says typically his firm would have a week to a week and a half to bid on the big proposal packages and maybe three days to put together numbers for the smaller proposals.

"Now it can get even crazier," he said.

"Someone called on Tuesday morning with a proposal and wanted numbers back from us Tuesday afternoon. I was able to stretch them to Wednesday morning, but that's how it is right now."

Another influence exerting pressure on Southwestern Illinois engineering firms these days is one they're generally not used to having to contend with: being selected based on price rather than on quality and experience.

"An *Engineering Record* magazine graph recently tracked construction change orders in projects that were designed based on fee-based selection of a firm compared to projects designed based on quality-based selection of an engineering firm," said Dale Smith, Geotechnology Inc.'s Illinois branch manager. "Overwhelmingly there were more change orders - and ultimately more cost - associated with the projects that were selected based on fee," he said.

Increased price competition for services is a reality, local engineers agree. At some point, Smith says, firms have no choice but to bow out if it's a bidding war and considerations like quality and safety may no longer appear to be prioritized by those seeking the proposal.

"We just walked away from a job a few weeks ago," he said. "The final number wasn't something we could do. Most of our staff has graduate level education in their engineering expertise. Not all firms do. The quality of the engineering team is going to weigh into the cost, but it's also going to weigh into the quality of the work itself."

Brooks Brestal, senior engineering manager in Horner & Shifrin Inc.'s O'Fallon office, says another way engineering companies - such as H&S - have been doing things differently since the economic downturn has been to closely balance the length of their contracts. For example, the firm's levee inspection contract with the city of St. Louis, one of Horner & Shifrin's one to three-year, shorter-term contracts, helps offset several of the firm's three to five-year wastewater treatment projects.

"Striking a careful balance helps us get through the leaner times and balance our workload better," Brestal said. "It also helps us diversify the type of work we do. We're also diversifying as we team with other consulting firms to add expertise...it's an effective way to make our firm even more attractive to

companies," he added. "Teaming, looking closely at contract durations and adding new services is really what's helping us get through this challenging economic period."

Thouvenot, Wade & Moerchen Inc., with Southwestern Illinois offices in Swansea, Edwardsville and Waterloo, agrees that diversification is essential when a down economy closes doors in sectors like residential, office and commercial development that had once been bustling in this region and elsewhere.

Rob DeConcini, branch manager of TWM's Edwardsville office, says the biggest change TWM has made since this recession took root has been adapting to the market share that's available.

"We certainly are thankful that our company leadership had a clear enough vision to diversify so that when the commercial and residential industry turned on its back side, our exposure was limited," DeConcini said. "Looking at RFQs (requests for qualifications) that do come across the wire, we are certainly seeing more competition...there are definitely firms larger than us who are looking at jobs they wouldn't have two to three years ago."

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IBJ Business News

Scott Field Heritage Air Park, Air Show fundraiser Aug. 27

MidAmerica St. Louis Airport will play host to the annual fundraiser for the Scott Field Heritage Air Park & Scott Air Force Base Air Show on Friday, Aug. 27th. Kicking off at 6 p.m., Jimmy Buffett's Margaritaville-themed event will feature great food, great company and the chance to bid on a wide range of silent auction items. Tickets for the dinner are \$125 per person, and are available by calling (618) 206-2460.

At bases throughout the Air Force, air parks are used to display aircraft and commemorate significant events. The Scott Heritage Air Park continues that tradition by helping to preserve the history of the base, the Air Mobility Command and the Airlift, Air Refueling and Aeromedical Evacuation Missions. Proceeds from the event help to ensure the continued success of the park and support the Scott Air Force Base Air Show. This year's show will be highlighted by the return of the U.S. Navy Blue Angels to the region as part of a stellar line-up that will draw thousands to the base on September 11th and 12th.

Attendees at this year's dinner will have the opportunity to help generate additional funds for the Air Heritage Park by participating in a silent auction. Items up for bid will include 50-yard line tickets to a Notre Dame football game, including transportation and an overnight hotel stay; a four-pack of front row tickets to a St. Louis Blues game, including dinner and drinks and club box passes to a St. Louis Cardinals game.

Current sponsors for this year's fundraising event and/or the Air Show include Boeing, Civic Progress, the Regional Business Council, the Leadership Council Southwestern Illinois, Belleville Shoe Co., Illinois American Water Co. and the Leopold Family. Additional sponsorship opportunities are available. Anyone interested in tickets or sponsorship opportunities is encouraged to call Mike Leopold at (618) 206-2460.

If it's not broke, don't fix it helps slash Corps' levee repair cost estimate

By ALAN J. ORTBALS

Nearly a half billion dollars - that was the estimated cost of levee repairs, according to the U.S. Army Corps of Engineers. In February, Col. Thomas O'Hara, commander of the St. Louis District of the U.S. Army Corps of Engineers, delivered that bad news to the Southwest Illinois Flood Prevention District Council.

Undeterred, the council moved forward with plans to have multiple teams of engineering experts think outside the box to see if someone could come up with a plan that would be doable.

In June those proposals came in and the council chose AMEC, a multinational corporation, to lead the effort. AMEC's estimate was less than one-third of that of the Corps - \$130 million. While the Corps had estimated that it might take 35 years to carry out the repairs themselves, AMEC said it would take them just two and a half years.

Why the stunning difference? There were basically three reasons, according to Les Sterman, chief supervisor of the flood prevention district council: 1) taking the levees to a 100-year flood standard instead of the 500-year level; 2) fixing only what needs to be fixed; 3) minimizing the Corps' huge contingency factor.

"We couldn't afford the luxury of an easy cost estimate," Sterman explained. "We have to be questioning every number all of the time because my biggest fear is that we would reach a time when we would run out of money and not reach our goal of accreditation. We can't let that happen."

The levees had been originally designed and built to meet the 500-year flood protection level. Because of this, the Corps concentrated on what would be necessary to return them to that

standard, as opposed to the 100-year level required to meet the Federal Emergency Management Agency's insurance requirements.

"One of the big cost items for the Corps was replacement and installation of new relief wells," said Jon Omvig, Midwest infrastructure manager for AMEC. "A lot of the relief wells are original to the levee system. At the 500-year level they have to be replaced. We believe that the existing relief wells provide enough serviceability to get us to the 100-year standard. That's a big dollar amount because the Corps was both increasing the number of them and replacing effectively every single one."

Omvig says the AMEC team was starting with the assumption that about 30 percent of the wells will need to be refurbished. Engineers will go out and examine each one and determine what needs to be done with each. He said there would be new wells installed, but not nearly the number the Corps had proposed.

Another big cost in the Corps' estimate was the construction of cut-off walls in the Saugei area. The Corps was going all the way down to bedrock - about 120 feet

deep. Omvig says they don't think it's necessary to go that deep.

The other fault with the Corps estimate was that it is standard operating procedure to include a 38 percent contingency, thus driving up the anticipated cost nearly 40 percent over actual. Sterman explained that what seems like a huge contingency factor is somewhat understandable because of the Corps' tenuous funding.

"They never know when they're going to get money," Sterman said. "They're subject to the decisions of Congress, which there's no way to predict from one minute to the next. They don't want to have to go back to Congress once the project is authorized to ask them for more money."

By contrast, Sterman says, the AMEC team can estimate costs much more tightly because it knows when money will be available and when the work will be done.

According to AMEC's two-and-a-half-year schedule, the first six months will be devoted to more investigation and planning, including more surveying, under surface investigation, additional geotechnical investigation, levee borings, environmental permitting, historical or

archeological permitting and hazardous material investigation. Sterman expects actual construction to begin next spring, water levels permitting.

The AMEC cost estimate of \$130 million is well within estimates of the council's bonding capacity, based upon sales tax receipts. Sterman says sales tax receipts for the first six months of 2010 were about 10 to 12 percent higher than the same period in 2009. Financial advisors to the council have estimated that between \$150 million and \$160 million could be raised through several bond issues based on that revenue stream.

"My guess is that the \$130 million is going to go up some because they actually used a very low contingency and the start date is not complete, so you know these things will have to go up as you discover new things," Sterman said. "I expect it to go up some, but that's still well within the envelope of what we can afford."

Sterman says the council is taking care to proceed carefully with the Corps in an effort to make sure that the local expenditures made to take the levees to the 100-year level can be used as a match for federal funds to ultimately take the levees up to the 500-year standard.

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IBJ Business News

Riverbend Head Start & Family Services appoints Latorre

Riverbend Head Start & Family Services has appointed Dr. Martha Latorre, early childhood program director in the department of curriculum instruction at Southern Illinois University Edwardsville, as board chairwoman. She replaces outgoing chairman Rich Watson of TheBANK of Edwardsville, who has served as chairman of the board since 2008.

Six Greensfelder attorneys recognized for excellence

London-based Chambers and Partners has recognized six attorneys in the law firm Greensfelder, Hemker & Gale PC for excellence in their field of practice. *Chambers USA 2010: America's Leading Lawyers for Business* honored the following Greensfelder attorneys: Leonard D. Vines and John R.F. Baer, franchising; Dennis G. Collins and Mary Beth Ortals, labor and employment; Joseph D. Lehrer, corporate/mergers and acquisitions; and Thomas L. Story, real estate.

The attorneys were selected based on extensive research by Chambers, including interviews of lawyers and clients. Each attorney's performance was evaluated based on the criteria most valued by clients. Approximately 100 full-time researchers perform the evaluations. The USA Guide is one of six legal publications by Chambers and Partners, a leading provider of legal directories for 20 years.