

# Pension Fairness *for Illinois Communities*

## **SOARING PUBLIC SAFETY PENSION COSTS ARE AT CRISIS LEVEL**

The cost of funding public safety pensions has more than doubled since 1999 in communities across Illinois. Towns are now facing financial ruin as years of unchecked growth in pension contributions rapidly overtake municipal budgets.

Communities alone are responsible for paying generous retirement enhancements for public safety employees passed by the General Assembly. A group of large downstate and suburban municipalities, for instance, saw their public safety pension costs increase by as much as \$5 million between 2004 and 2008 as a result of such sweeteners, according to the Commission on Government Forecasting and Accountability.

## **UNSUSTAINABLE PUBLIC SAFETY PENSIONS LEAVE RESIDENTS IN THE COLD**

Public safety employees can retire as early as age 50 after 30 years of service, with a pension of 75% of their final pay rate. By law, police and firefighters contribute a cap of less than 10% of their pay to the public safety pension system, while investment returns and taxpayer contributions fund the rest.

In the midst of this economic downturn, communities have been forced to hike property tax levies by as much as 15% in order to meet their pension contribution requirements this year.

## **RISING PUBLIC SAFETY PENSION COSTS ACTUALLY JEOPARDIZE PUBLIC SAFETY**

The irony is that while communities spend more of their budgets on growing public safety pensions, they can't afford to hire new police or firefighters or invest in vital emergency equipment, including fire trucks and police squad cars.

Retirement benefit costs have reached the point that some communities are literally faced with the impossible decision to fund either public safety pensions or to fund snow plowing and address critical infrastructural needs such as repairs to streets or sewers.

## **WITHOUT PENSION FAIRNESS, MUNICIPALITIES WILL EITHER CUT SERVICES AND PUBLIC SAFETY OR FACE BANKRUPTCY**

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## **A SOLUTION FOR PENSION FAIRNESS IS CRUCIAL TO THE STABILITY AND ECONOMIC HEALTH OF ILLINOIS COMMUNITIES**

*Working in partnership with all stakeholders, including public safety employees and their union representatives, our goal is to develop a long term solution to the pension crisis that protects Illinois taxpayers and secures sustainable retirement benefits for our public safety employees. Pension Fairness for Illinois Communities proposes the following fair and equitable changes to public safety pension systems:*

### **CREATE A MODIFIED PENSION SYSTEM FOR ALL NEW POLICE AND FIREFIGHTERS.**

The Illinois Pension Modernization Task Force has estimated that adoption of a modified pension system for the five state-funded pension systems could produce \$53.9 billion in savings over the next 35 years.

### **PUBLIC SAFETY EMPLOYEE PENSION CONTRIBUTIONS SHOULD BE ALIGNED WITH THE LEVEL OF BENEFITS RECEIVED.**

Currently, the public safety employee contribution level amounts to approximately one-third of the pension cost, while in a sustainable pension system, the employee and municipality contribute equally toward pension costs.

### **CONSOLIDATE ALL PUBLIC SAFETY PENSION FUNDS INTO ONE STATEWIDE INVESTMENT SYSTEM.**

Consolidation of all police and fire pension funds into a single entity would reduce operational costs and provide opportunities for improved investment returns. All other municipal employee pensions are already contained in a consolidated investment system (IMRF). Conducting a thorough study of the consolidation of public safety pension funds would ensure that any potential issues are resolved prior to implementation.

### **ADOPT A 30 YEAR ROLLING AMORTIZATION PERIOD FOR THE FULL FUNDING OF PENSIONS.**

Illinois law currently requires pensions to be 100% funded by 2033. This deadline is arbitrary and not based on financially reasonable actuarial requirements. Many other states use a 30-year rolling amortization period to fund pensions.

### **REQUIRE A SUPERMAJORITY IN ORDER TO APPROVE BENEFIT ENHANCEMENTS IN THE GENERAL ASSEMBLY**

The threshold for state-mandated benefit increases should be raised to a supermajority level in order to curtail ongoing pension enhancements. Tighter control over lavish benefit enhancements will prevent the system from becoming further destabilized, protecting both public safety employees and taxpayers.