



ST. CHARLES
SINCE 1834

AGENDA ITEM EXECUTIVE SUMMARY

Title: Recommendation to approve a Resolution Supporting Metro West Council of Government's 2010 Pension Fairness Platform and to join the Pension Fairness For Illinois Communities Coalition

Presenter: Brian Townsend

Please check appropriate box:

Government Operations

Government Services

Planning & Development

City Council (3/1/10)

Public Hearing

Estimated Cost:

N/A

Budgeted:

YES

NO

If NO, please explain how item will be funded:

Executive Summary:

The cost of providing public safety pensions in Illinois is increasing significantly and is rapidly overtaking municipal budgets. Many municipal organizations have joined together to establish the Pension Fairness Platform and to push for the implementation of the platform initiatives by the State of Illinois.

Metro West Council of Government proposes fair and equitable changes to public safety pension systems. The 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. The City of St. Charles is a member of the Metro West Council of Government and has been asked to support the 2010 Pension Fairness Platform.

Additionally, the City can become a member of the Pension Fairness For Illinois Communities Coalition and provide additional support to the cause.

Attachments: (please list)

Resolution
Pension Fairness Platform
Information regarding Pension Fairness For Illinois Communities Coalition (2)

Recommendation / Suggested Action (briefly explain):

Staff recommends that the City Council approve a Resolution in support of the 2010 Pension Fairness Platform and join the Pension Fairness For Illinois Communities Coalition.

For office use only:

Agenda Item Number: TA

City of St. Charles, IL
Resolution No. 2010- _____

**A Resolution Supporting Metro West Council of Government's
2010 Pension Fairness Platform**

**Presented & Passed by the
City Council on _____**

WHEREAS, the City of St. Charles is a member of the Metro West Council of Government; and

WHEREAS, it has been documented and proven that the cost of providing public safety pensions in Illinois is rapidly overtaking municipal budgets and jeopardizing the future of our communities; and

WHEREAS, without a more fair public safety pension system, Illinois municipalities will be required to either (1) cut the level of public safety and other essential services, (2) increase taxes, or (3) face bankruptcy; and

WHEREAS, Metro West Council of Government, working in concert with other municipal representatives and councils of government (COGs) proposes fair and equitable changes to public safety pension systems; and

WHEREAS, working with all stakeholders, Metro West's goal is to develop a long term solution to the pension crisis that protects Illinois taxpayers and secures sustainable retirement benefits for public safety employees.

NOW THEREFORE, be it resolved, by the Mayor and City Council of the City of St. Charles, Kane and DuPage Counties, Illinois, as follows:

SECTION ONE: That the City of St. Charles hereby supports the Metro West Council of Government's 2010 Pension Fairness Platform for the reasons stated above and calls upon Governor Quinn, legislative leaders, and the members of the General Assembly of the State of Illinois to uphold and endorse these principles in any public safety pension related legislation.

SECTION TWO: That a copy of this Resolution be forwarded to all state legislators representing the City of St. Charles and to the Office of the Governor.

SECTION THREE: This Resolution shall be in full force and effect upon its passage and approval.

PRESENTED to the City Council of the City of St. Charles, Illinois, this _____
day of _____, 2010.

PASSED by the City Council of the City of St. Charles, Illinois, this _____ day of
_____, 2010.

APPROVED by the Mayor of the City of St. Charles, Illinois, this _____ day of
_____, 2010.

Donald P. DeWitte, Mayor

Nancy Garrison, City Clerk

COUNCIL VOTE:

Ayes : _____
Nays : _____
Abstain : _____
Absent : _____

Northwest Municipal Conference
2010 Pension Fairness Platform

The cost of providing public safety pensions in Illinois is rapidly overtaking municipal budgets and jeopardizing the future of our communities. Without a more fair public safety pension system, Illinois municipalities will either cut the level of public safety and other essential services or face bankruptcy.

The Northwest Municipal Conference proposes fair and equitable changes to public safety pension systems. Working with all stakeholders, 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. Below is an outline of our proposal:

Enroll all new police and fire employees into a modified pension system

Reasoning: A properly designed pension system will create a sustainable foundation for providing a secure retirement for all current and future public safety employees.

Why It's Fair: There is precedent in Illinois for adopting modified pension systems. The Illinois Pension Modernization Task Force 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.

Recalibrate current public safety employee pension contributions so that they are in line with the level of benefits received

Reasoning: In a sustainable pension system, the employee and municipality contribute equally toward the "normal" pension costs.

Why It's Fair: Public safety employees can retire as early as age 50 after 30 years service with a pension equal to 75% of their final pay while contributing less than 10% of their pay over the same period. The current employee contribution level amounts to about one-third of the "normal" pension cost.

Consolidate all public safety pension funds in a pooled multiple employer investment system

Reasoning: Consolidation of all police and fire pension funds into a single entity would reduce operational costs and provide opportunities for improved investment returns through pooling.

Why It's Fair: All other municipal employee pensions are already contained in a consolidated investment system (IMRF), providing pension stability through professional administration and pooled investment management of individual local government pension accounts.

Adopt a 30 year rolling amortization period for the funding of public safety pensions to replace the current fixed 2033 funding deadline

Reasoning: Illinois law requiring pensions to be 100% funded by 2033 is arbitrary and not based on financially reasonable actuarial requirements.

Why It's Fair: A 30 year rolling amortization is more in line with the career span of public safety employees and is a standard accepted by the Governmental Accounting Standards Board. In fact, it is common in many other states.

Require a supermajority in order to approve benefit enhancements in the General Assembly

Reasoning: Although legislation cannot bind future General Assemblies from action, the threshold for benefit increases for all public safety employees should be raised to a super majority level in order to discourage future changes while allowing flexibility in extraordinary situations.

Why It's Fair: Once a sustainable, financially secure retirement system is adopted, future benefit enhancements would only serve to destabilize the system to the detriment of both employees and taxpayers. This should apply to all public safety employee pension systems.

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

Pension Fairness for Illinois Communities

1616 East Golf Road, Des Plaines, IL 60016 • pensionfairness.org • info@pensionfairness.org

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).

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.

Pension Fairness for Illinois Communities

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JOIN THE COALITION

Pension Fairness for Illinois Communities

Pension Fairness for Illinois Communities is a coalition aimed at bringing fairness to the public safety pension system in order to relieve the burden of ever-escalating pension costs on local taxpayers and restore economic balance to our communities. The cooperation of stakeholders across the state is urgently needed to bring an end to the pension crisis and ensure reliable retirement benefits for our public safety employees.

Pension Fairness for Illinois Communities seeks your support and we hope you will join us in working towards a fair and equitable solution that protects Illinois taxpayers and secures sustainable pensions for our public safety employees, now and in the future.

YES, I/we support a fair and sustainable pension system for public safety employees in Illinois, and would like to be added as a coalition member at the following participation level:

- Foundation Partner — *Suggested Contribution: \$10,000 plus* Local Government — *Suggested Contribution: \$1,000 plus*
 Partner — *Suggested Contribution: \$5,000 plus* Supporting Voice — *Suggested Contribution: none required*

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RETURN THIS FORM TO: Pension Fairness for Illinois Communities, 1616 East Golf Road, Des Plaines, IL 60016, Fax: 847-296-9207

By signing this form, I authorize the use of my name and/or organization as a Pension Fairness for Illinois Communities coalition member on all marketing collateral.

X

For questions about becoming a coalition member, or to inquire about public safety pensions, please email info@pensionfairness.org or visit www.pensionfairness.org.

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