

**VILLAGE OF LOMBARD**  
**REQUEST FOR BOARD OF TRUSTEES ACTION**  
**For Inclusion on Board Agenda**

**DISTRICT**

**Resolution or Ordinance (Blue)** **Waiver of First Requested**   
 **Recommendations of Boards, Commissions & Committees (Green)**  
 **Other Business (Pink)**

**TO :** PRESIDENT AND BOARD OF TRUSTEES

**FROM:** William T. Lichter, Village Manager

**DATE :** February 13, 2008 **B of T** February 21, 2008

**SUBJECT:** Urging General Assembly to Stop Making Costly Benefit Improvements and Adopt Reforms to Protect Police and Fire Pensions

**SUBMITTED BY:** William T. Lichter, Village Manager

**BACKGROUND/POLICY IMPLICATIONS:**

Attached is information regarding proposed reform initiatives for downstate and suburban police and fire pension plans. Also attached are key findings of a report prepared by the Illinois Municipal League.

**Fiscal Impact/Funding Source:**

Review (as necessary):

Finance Director \_\_\_\_\_ Date \_\_\_\_\_  
Village Manager W. T. Lichter Date 2/13/08

**NOTE:** All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda distribution.



**RESOLUTION**  
**R \_\_\_\_\_ 08**

**RESOLUTION URGING THE GENERAL ASSEMBLY TO  
STOP MAKING COSTLY BENEFIT IMPROVEMENTS AND  
ADOPT REFORMS THAT PROTECT POLICE AND FIRE PENSIONS**

**WHEREAS,** the Illinois police and firefighter pension funds are facing uncertainty and a financial crisis is developing; and

**WHEREAS,** generous retirement and disability benefits have caused the funds to incur escalating debt that threatens their long-term sustainability; and

**WHEREAS,** the Illinois General Assembly has continued to add to the growing costs of these pension funds through increasing benefits without providing additional revenues; and

**WHEREAS,** benefit increases in recent years have contributed to a doubling of the debt carried by police and fire pension funds from 1999-2004; and

**WHEREAS,** the amount of debt carried by police pension funds as of 2004 reached \$179,958 per active police officer and the amount of debt carried by firefighter pension funds reached \$176,845 per active firefighter; and

**WHEREAS,** there is no certainty that the current benefit levels are sustainable by municipalities for the existing and improved benefits; and

**WHEREAS,** local taxpayers are ultimately financially responsible for the growing pension obligations and will invariably be expected to pay those costs;

**NOW, THEREFORE BE IT RESOLVED** that the Village of Lombard urges the General Assembly to stop approving new and increased pension benefits for the police and fire pension funds.

**BE IT FURTHER RESOLVED** that the General Assembly embraces sensible pension reforms in the areas of ethics reform, professionalization of fund management, public sunshine and disclosure of pension board activity, conflict-of-interest restrictions, accountability measures, improved cost impact analysis, meaningful regulation and enhanced local government funding authority.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Resolution  
Page Two

Absent: \_\_\_\_\_

Approved this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

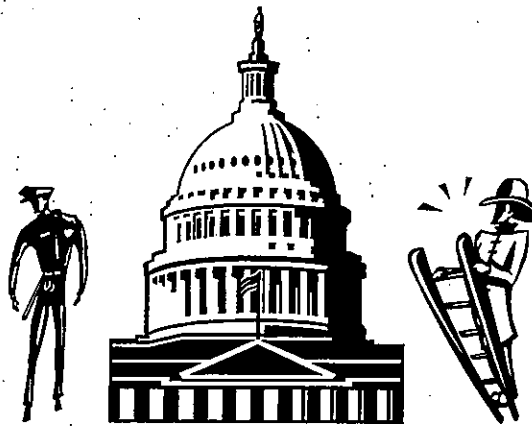
\_\_\_\_\_  
William J. Mueller  
Village President

Attest:

\_\_\_\_\_  
Brigitte O'Brien  
Village Clerk

# **REFORM INITIATIVES**

## **Downstate and Suburban Police and Fire Pension Plan**



*Approved By:  
IML Board of Directors*

## **REFORM POLICIES FOR THE SUBURBAN AND DOWNSTATE PUBLIC SAFETY PENSION FUNDS (ARTICLES 3 AND 4)**

- 1.** Require state-funded fiscal impact assessments on 25-50 selected municipalities before any proposed pension legislation can move beyond the committee stage. Additionally, fiscal notes should be enhanced to provide more specific data regarding fiscal impact.
- 2.** Exempt the pension levies for public safety pensions from PTELL.
- 3.** Restrict the ability of a fiduciary to knowingly cause or advise the fund to engage in an investment transaction when the fiduciary has any direct interest in the income, gains or profits of the investment advisor through which the investment transaction is made or has a business relationship with the investment advisor that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.
- 4.** Establish minimum standards for investment, actuarial and other professional services utilized by the pension funds.
- 5.** Reform the Illinois Department of Financial and Professional Regulation by adding additional staff to provide improved service to pension funds and municipalities. Improved services could include additional and more frequent fund audits and an analysis of fund investment performance.
- 6.** Anti-fraud disability measures to ensure that disability benefits are only received by those deserving of them.
- 7.** Municipal right-of-intervention in all pension decisions - both retirement and disability awards. All benefit awards must be referred to the city and await calculation verification before the award can be disbursed.
- 8.** Require pension boards to fund an annual publication in local newspapers making public the financial status and benefit awards of the municipal police and fire pension funds.
- 9.** A state agency should be assigned the task of publishing a comprehensive and detailed biennial report on the financial health of the Article 3 and Article 4 pension funds.

# **KEY FINDINGS**

**from**

**“Fiscal Analysis**

**of the Downstate Police, Fire and IMRF**

**Pension Systems”**

**ILLINOIS MUNICIPAL LEAGUE**

**PO Box 5180**

**Springfield, IL 62705-5180**

**Phone: 217-525-1220 ♦♦ Fax: 217-525-7438**

**[www.iml.org](http://www.iml.org)**

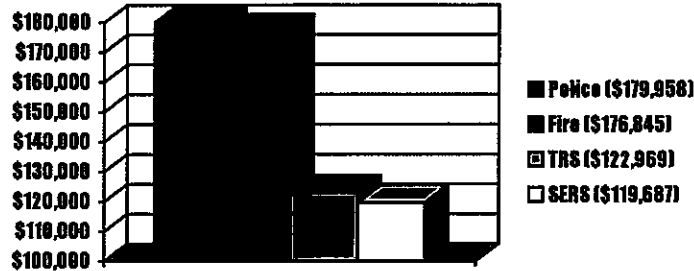
**February, 2007**

# KEY FINDINGS

## FROM "FISCAL ANALYSIS OF THE DOWNSTATE POLICE, FIRE AND IMRF PENSION SYSTEMS"

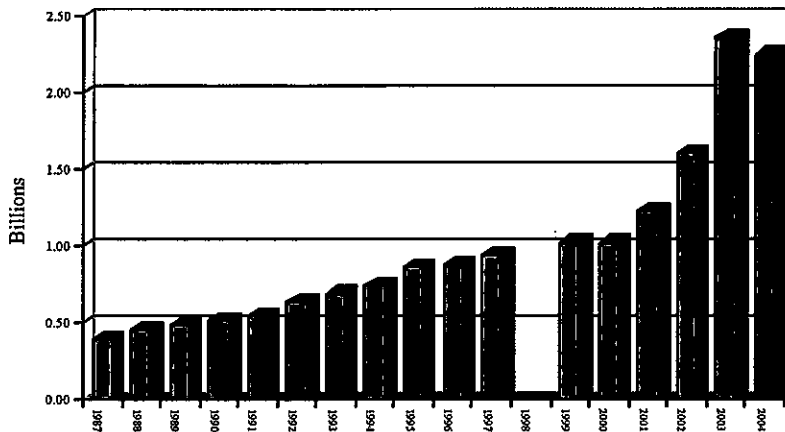
### AGGREGATE DEBT WORSE THAN MOST STATE-FUNDED SYSTEMS

- The non-Chicago municipal police and fire pension funds are carrying more debt (in the form of unfunded liability) per active employee than the widely reported debt within the Teachers Retirement System (TRS) and State Employees Retirement System (SERS).



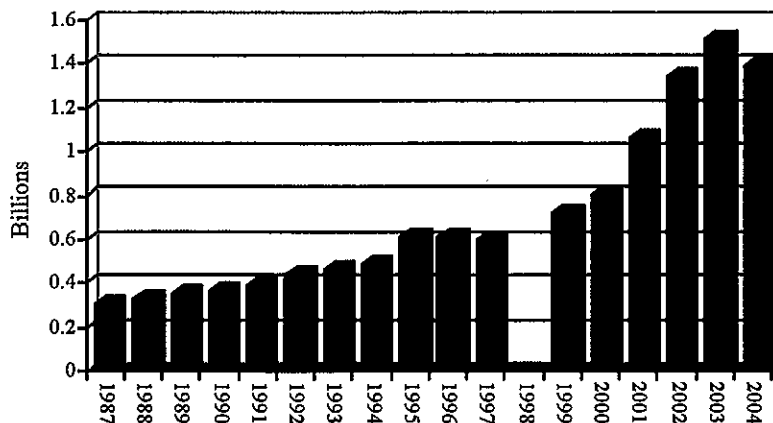
- The non-Chicago municipal police pension debt grew six-times between 1987-2004, from \$400 million to \$2.3 billion. This represents a debt growth of 500%.

### DOWNSTATE POLICE (ARTICLE 3) UNFUNDED LIABILITY - (1987-2004)



- The non-Chicago municipal fire pension debt grew four and-a-half times between 1987-2004, from \$310 million to \$1.4 billion. This represents a debt growth of 352%.

### DOWNSTATE FIRE (ARTICLE 4) UNFUNDED LIABILITY - (1987-2004)

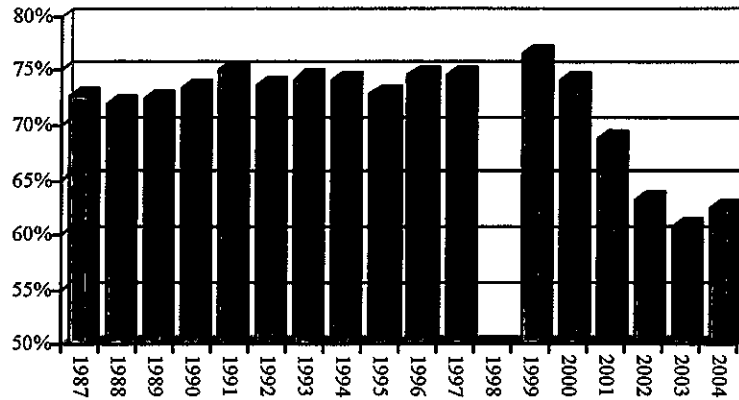




## AGGREGATE FUNDED LEVELS DROPPING

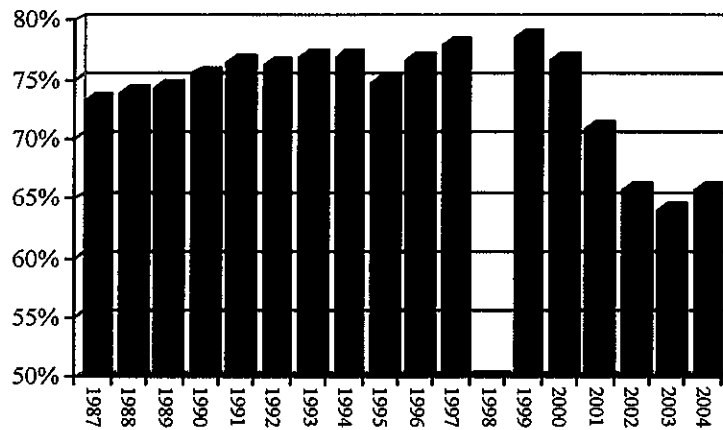
- The non-Chicago municipal police pension funded levels have declined from 72.7% funded in 1987 to 62.4% funded in 2004.

**DOWNSTATE POLICE (ARTICLE 3) FUNDED RATIO - (1987-2004)**



- The non-Chicago municipal fire pension funded levels have declined from 73.33% in 1987 to 65.90% in 2004.

**DOWNSTATE FIRE (ARTICLE 4) FUNDED RATIO - (1987-2004)**

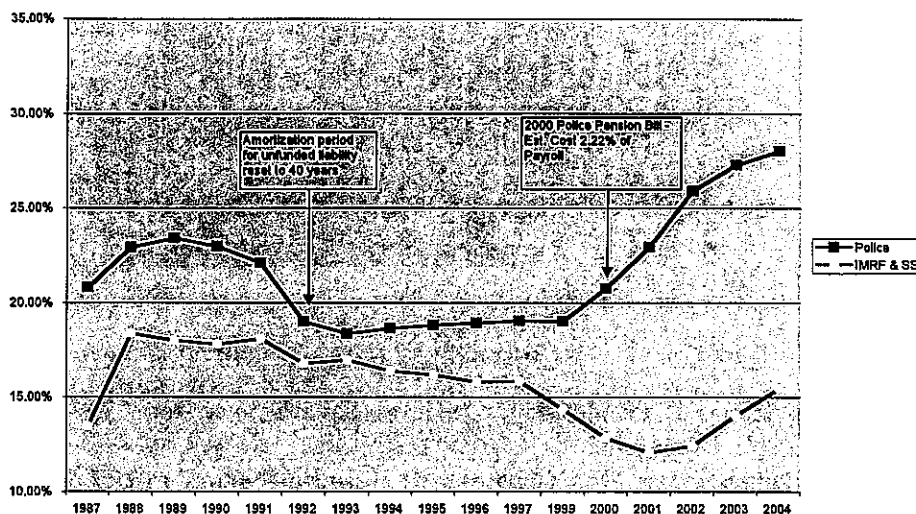


## EMPLOYER CONTRIBUTIONS FROM TAXES INCREASING

### ■ *Thirty-Four Non-Chicago Police Pension Funds*

The suggested employer contribution, or the tax levy for pensions as a percentage of the overall police personnel budget, increased from 19% to 28% over the last 5 years alone.

#### POLICE - TAX LEVY AS A % OF PAYROLL



### ■ *Twenty-Five Non-Chicago Fire Pension Funds*

The suggested employer contribution, or the tax levy for pensions as a percentage of the overall fire personnel budget, increased from 24.24% to 33.67% over the last 4 years alone.

#### FIRE - TAX LEVY AS A % OF PAYROLL

