

Commentary: A growing financial crisis: Illinois police and firefighter pensions need the lifeline of heftier combined investment funds

A financial crisis is brewing in many Illinois communities as they face skyrocketing costs in their efforts to support some 650 police and firefighter pension funds throughout the state, with a burden of \$12.4 billion in unfunded liabilities.

Fixing this problem hasn't been easy because the state constitution's restrictive language has blocked even the most modest reform efforts. But Gov. J.B. Pritzker's Illinois Pension Consolidation Feasibility Task Force recently recommended consolidating the 650 police and fire funds into two funds, one for police and one for firefighters.

The task force estimates that this could result in up to \$12.7 billion in higher returns over a 20-year period, while not lowering the benefits received by valued first responders.

The prospect of consolidation comes as welcome news as the General Assembly continues its fall veto session and considers this common-sense legislation. It has the support of the DuPage Mayors and Managers Conference along with other local suburban councils of government, the Illinois Municipal League and the Associated Fire Fighters of Illinois.

As it stands, police and fire retirement funds statewide average only 55% of the funding required, a 20% decline over the past two decades. Many smaller funds have assets too small to put in higher-performing funds, and they are forced to pay higher investment fees.

Each of the local funds is managed by a five-member board. This adds up to 3,300 pension fund trustees statewide, each making investment and benefit decisions and paying their own staffs of accountants, consultants, actuaries, benefit managers and attorneys.

What does this mean to residents? In Naperville, public safety pension contributions have risen a whopping 222%, or 11% annually, since 2000, amounting to a \$14.8 million cost to taxpayers this fiscal year alone.

While Naperville's property tax receipts have increased annually by just 3%, the portion of a homeowner's property tax bill associated with public safety pensions has skyrocketed to 30% today compared with just 7% in 2000. This comes even as the city has taken the unusual steps of allocating additional sales tax revenue to pension costs and making extra payments throughout the years.

Those dollars could have gone to providing property tax relief for homeowners or been dedicated for essential services for residents. Instead, Naperville has been forced to make tough budget decisions, including trimming our police force from 189 officers 10 years ago to 169 today.

The new pension structure would mirror that of the Illinois Municipal Retirement Funds, which consolidates pension funds for other municipal employees statewide. It is widely considered the gold standard of pension investing because of its ability to leverage larger investments to generate greater earnings. If the recommendations in the task force report had been put into effect 10 years ago, the amount contributed to Naperville's public safety pension funds would have been nearly \$50 million higher.

Without change, we will reach the point where municipalities have to choose between funding retiree benefits and providing for the health, welfare and safety of our residents. Equally important, police officers and firefighters put their lives at risk on a daily basis and deserve a stable retirement system. Under the status quo, we are all losing the battle, placing both these benefit systems and our communities at risk.

The time to act is now.

After years of struggling to come up with a palatable solution, the state has an opportunity to approve meaningful reform in a way that has won widespread support and can pass constitutional muster. That's something Illinois cannot afford to pass up.