

# NapervilleSun

## State pension reform should benefit Naperville

### Agreement does nothing to deal with current debt

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The vote Wednesday in Springfield on pension reform is expected to help cities and towns throughout the state, including Naperville.

But it has labor unions that represent government employees angry. They point out that slicing future benefits does nothing to reduce the outstanding liability.

A bipartisan Illinois General Assembly sent Gov. Pat Quinn an overhauled state pension system, cutting benefits for new city and state employees to save money for woefully underfunded retirement systems.

"The General Assembly's action will help the city really in two major ways," City Manager Doug Krieger said Thursday. "First, there were some very significant changes for future employees who are under IMRF (Illinois Municipal Retirement Fund), which represents about a third of the city employees and will serve to reduce the costs associated with providing those pensions."

The measure requires future workers to work until age 67 to get full retirement benefits, sets a maximum salary on which pensions may be calculated and limits annual increases in payments. There would be no change in benefits for current employees.

And secondly, Krieger said, "If the state is in better shape we feel more comfortable and confident they will be able to maintain their payment commitments to municipalities."

Legislative Democrats said the changes would save more than \$100 billion -- although they didn't have exact figures from experts -- over several decades for 13 state and local pension systems covered by Illinois law, including state programs that are underfunded by \$80 billion.

As for concerns by the labor unions and others, Krieger said current employees are not affected.

"The change only relates to new employees, and they don't do anything to change the benefits for existing employees," Krieger said. "So those plans that were underfunded, they don't solve those problems. Those unfunded liabilities will still need to be handled and paid up."

That, said Naperville Police Pension Fund President Don Bisch, is the problem.

"Everybody thinks the two-tiered system is the solution to the problem, and it isn't," said Bisch. "Changing to a two-tiered system for the future doesn't reduce by one penny" the money still unfunded.

The changes approved Wednesday do not impact the Downstate Police and Downstate Fire pension funds, which include Naperville's police and fire personnel. The Downstate funds include municipalities with populations of more than 5,000 and less than 500,000. While these funds were not affected, they are up next for scrutiny by the lawmakers.

Bisch said the pension system for retired municipal police officers has been in place since 1935 and has demonstrated that it works. However, it was changes made in 1993 in the actuarial formula by which the municipalities' contribution to police and fire pension funds was calculated that caused funding problems, he said.

The funding methodology change resulted in dramatically lowering the required payments by cities in the short-term, with the full knowledge that increasingly larger payments would be due as the years progressed, he said.

"It didn't happen overnight," Bisch said. "It happened over years."

Pension reform has been a topic of discussion for the council in recent months. A few weeks ago the City Council agreed to join the Pension Fairness for Illinois Communities Coalition, a group that describes itself as "a coalition aimed at bringing fairness to the public safety pension system in order to relieve the burden of escalating public safety pension costs on local taxpayers and ensure sustainable retirement benefits for our public safety employees."

At the March 2 council meeting, the city agreed to become a foundation partner in the coalition and provide a \$10,000 contribution to help in its efforts. There are nearly 60 members of the coalition, including the DuPage Mayors and Managers Conference, the Will County Government League, village of Woodridge and city of St. Charles.

"Although the pension reform legislation passed yesterday by the Illinois General Assembly is a solid first step towards addressing the critical pension issues facing our state, police and firefighter pensions were unfortunately left out of the bill," the coalition said in its statement. "It is our hope that the General Assembly can use this legislation as a foundation for public safety pension reform, which is urgently needed to protect Illinois taxpayers and secure reliable retirement benefits for public safety employees."

The coalition is continuing to negotiate through legislative leadership on a comprehensive pension reform platform, it said in its statement, and is optimistic it can be accomplished this session.

"We will continue to work on coming up with a solution for both of those pension systems," Krieger said.

The Associated Press contributed to this report.

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