

Cash-strapped municipalities look to Springfield in search of pension solution

However fire, police union officials say funding problems are the fault of local governments

By John Keilman Tribune reporter

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The financial outlook for many Chicago suburbs is as bleak as the weather, with revenue-starved towns planning to issue furloughs, chop jobs and trim services.

But as municipalities finalize their budgets, one part is safe from the carnage. The pension funds of police officers and firefighters will remain untouched, and in many cases, will see sharp increases in spending.

Many communities are boosting their public safety retirement spending to make up for poor investment returns. They're paying for it with rainy day funds, money shifted from other departments, even property tax hikes.

These pensions have long been a thorny dilemma for local governments. But the growing budget bite has added new urgency to the search for a solution.

Municipal officials say they will head to Springfield in January more aggressive than ever, determined to rally support for measures they say are vital to preventing a financial catastrophe. These include extending the date when pensions must be fully funded.

But the unions and retirees opposing them are equally determined, saying the problems are the fault of local governments that were too cheap to sock away money when times were good, forcing them to make steep payments in the middle of a downturn.

"They have got to acknowledge their mistakes and stop trying to demonize police officers and firefighters," said James McNamee, a retired Barrington police officer and president of the Illinois Public Pension Fund Association. "The cities did this. They should take a good look in the mirror."

The coming showdown is the latest episode in Illinois' pension drama. The retirement accounts for state employees are underfunded by nearly \$80 billion, and officials have been borrowing money to pay benefits. Some experts say rising pension costs could ultimately bankrupt the state.

The same crisis is playing out in miniature in suburban communities, which fund their own police and fire pensions.

Those retirement accounts receive money from three sources: the local government, the police and firefighters themselves (nearly 10 percent of their paychecks goes toward their pensions) and investment returns.

Local pension boards, made up of government officials, retirees and active police and firefighters, decide where to invest the money. But when the market tumbles, the government is obligated to make up the difference.

The stock swoon of the last two years has led to huge jumps in pension spending in some communities. **Naperville** is putting an extra \$2.1 million into its police and fire retirement funds next year. Schaumburg must spend another \$1 million, while **Joliet** must come up with an additional \$1.7 million.

Some towns say the only place they can get their pension money is through a tax hike.

Arlington Heights is planning to increase its property tax nearly 6 percent to raise the extra \$1.6 million needed for public safety pensions. At the same time, plummeting sales and income taxes are causing the village to cut up to 25 jobs, impose a utility tax and reclaim money that had been reserved for special events, technology and vehicle purchases.

"People have lost jobs," said Mayor Arlene Mulder. "If they can stay in their homes, they've got this property tax to pay. It's really hard to explain to someone living on a shoestring, but that's the law."

An especially sore point for local officials is that they have no say over the terms of public safety pensions. The state legislature sets those conditions, which have become increasingly generous in recent years.

Police and firefighters can receive a full pension -- 75 percent of their pay -- as early as age 50 (other municipal employees must wait until they're at least 55). Their retirement income is pegged to their final day of service instead of a four-year average. And when retirees die, their surviving spouses receive the entire pension; spouses of other workers get far less.

Police and fire officials say those terms are justified, given the dangerous nature of their jobs.

"It's a young person's profession," said Pat Devaney, president of the Associated Firefighters of Illinois. "It's a good public policy to have people leaving when their ability to physically do the job is eroding."

Such arguments have tended to carry the day in Springfield. Local government officials complain that they've long been outmatched by police and fire lobbyists.

"One of them even has a pig roast every year for the legislators," said Schaumburg Village Manager Ken Fritz. "They put a lot of pressure on the legislature to pass (more generous terms). We go down to lobby against them, but that doesn't really factor into the political process."

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