

Villages brace for pension fund fallout in 2010

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Due to losses in investment funds and increases in state-mandated payments, villages in New Trier Township must pay more money into public pension funds in 2010 than in previous years, according to figures obtained by the Northwest Municipal Conference.

All fire, police and non-public safety village personnel are covered by public pensions.

"The average increase is about \$900,000," said Larry Bury, policy analyst for the Northwest Municipal Conference, an advocacy group that represents municipalities in the northwest suburbs of Chicago.

Wilmette will have to find an additional \$525,000 for pension obligations, according to the village. In total, Wilmette will allocate \$4,832,500 to employee pensions in 2010.

"These towns, as they're getting these numbers in, they're struggling with how they're going to get this money on the tax roll," Bury said.

Area municipalities are facing two major problems in funding their employees' pensions. Villages have lost significant money on their pension fund investments. Furthermore, current legislation requires municipalities to fully fund their pension by 2033, meaning 100 percent of the money paid out to pensioners is available at any given time. To make this target, many villages face high payments in 2010.

Pensions are funded by sources—employee contributions, employer contributions and investment returns from funds held in reserve.

"The most pressing factor is the investment losses, and that's money that's required to be made up," Bury said. "With investment going down and employee contribution locked, the employers have to make it up."

Employee contributions to pensions are capped by the General Assembly at 9.54 percent, Bury said.

Although the villages must make up the investment losses, the increased funding required by the state legislature can be altered.

Senate Bill 2011, sponsored by state Sens. Pamela Altoff, a republican from Crystal Lake, and Susan Garrett, a Democrat from Highwood, would have extended the amount of time governing bodies have to fully fund municipal pension funds, moving the target date from 2033 to 2049.

"It would give each town an additional 16 years," Bury said.

The bill has been passed by the Illinois State Senate 48-8 but was stalled in the Personnel and Pensions Committee in the House. Negotiations between fire and police unions and bill proponents broke down in the second week of the veto session, according to Bury, and the bill did not pass through the House.

To cover the increased pension payment requirement, Wilmette, a home rule community, will increase residents' property tax bills by 2.45 percent. But it will come down to cutting services and capital investment projects in other New Trier Township villages that are non-home rule.

The most Northfield can increase its tax levy is 0.1 percent, said Steve Noble, finance director for the village. But the village is still required to find an additional \$207,860 to add to funding for pensions next year. The requirement from the state grew from \$574,803 to \$782,663—a 36.2 percent increase from

2009.

The same is true in Glencoe, where property tax increases for the police pension fund will increase by 0.1 percent, which amounts to less than \$8,000, said Dave Clark, finance director for the village.

“The village board is looking at service levels and how residents pay for services,” Clark said.

The village is looking at how it might be able to increase fees, including water, sewer and garbage fees, Clark said. This will take place during the budget process.

Glencoe officials will host a meeting Thursday, Dec. 17 to discuss the tax levy and alternatives concerning village revenues and expenses.

“We’re trying to take a balanced approach,” Clark said. “We’re not saying, we’ve got to kick up the fees. It’s more like, ‘what are the desirable services’ [and looking at that] to find a way to fund our public pension.”

In Northfield, it’s too soon to say what the impact of the increased pension requirement will be, Noble said.

“We’re looking at all the options,” he said. “We’ll look at core services. So far we’ve been able to [avoid] changes or reductions in quality of service. At some point we have to start thinking about service levels.”

The Village of Kenilworth estimates that the increase in its police pension fund will be 30 to 40 percent next year—a range of \$75,134 to \$100,178.

“This increase will reduce the property tax revenue otherwise available to the village to pay for village operations,” Village President Fred Steingraber wrote in a recent village newsletter. “The increase in pension contributions will require the village to consider increases in fees, reductions in services and an increase in property taxes to avoid increasing the size of the village current expected annual operating deficit.”

In Winnetka, pension obligations have increased by 213 percent over the past 10 years, according to the village. The 2010 requirement is up by a total of \$615,905—a 23.8 percent increase from 2009.

Opposition to measures that would extend the time municipalities have to fully fund the pensions largely came from police and fire organizations. Illinois firefighter and police organizations say those measure don’t solve the pension problem and might even worsen it.

According to Pat Devaney, president of the Associated Fire Fighters of Illinois, the AFFI proposed several measures “that would require municipalities to take a responsible long-term funding approach to these plans” and will continue to do so regardless of whether the current bill passes.

“The municipalities have consistently, historically come to the legislature asking that the target date for fully funding pension funds will be moved off into the future,” said David Wickster, executive director of the Illinois Fraternal Order of Police labor council.. “That’s happened a number of times, and they’re doing it again.”

The current target date of 2033 was set in 1993, when the legislature voted to move the then-target date of 2020 back 13 years.

Like the Associated Fire Fighters of Illinois, The Illinois Public Pensions Fund Association is looking for in-

depth discussion about keeping pension funds solvent in the future.

“What we don’t want to do is dig a bigger hole,” said James McNamee, president of the IPPFA. “We have to protect the funding stream.”

McNamee added that fire and police personnel do not get social security, and many rely solely on their pensions to support themselves and their families after retirement.

“Long term, we need to sit down with all parties and come up with a sustainable public pension system that balances the interests of public safety employees with the tax payers that fund them,” he said. “If we don’t come up with a solution in the next couple of years, this is a problem that’s only going to get worse.”

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