

Wednesday

Journal

Of Oak Park and River Forest

9/29/2009 10:00:00 PM

The story is pensions, not firefighters

The headline is "Oak Park lays off 5 firefighters." But the story is pension costs.

The headline is "RF facing another \$4.3 million in red ink." But the story is pension costs.

In the past week, first on Page 1 of our print edition and then as the lead story on our Web site, we've had officials in both Oak Park and River Forest acknowledge that runaway pension costs, and to a notable degree, rising health care premiums, are pushing local municipalities to the financial brink. River Forest, under new leadership, is just beginning to catch on that critics have been right and the village's financial situation is grim. Oak Park has known for two or three years that it's broke and the layoffs in the fire department are just the latest effort to cut costs.

We've been declaring a pension bomb for a decade and getting the evil eye as a result. Truth is that so long as the economy expanded and the stock market soared, the vast liability of municipal pensions could be disguised. Sure costs were rising as insane pension giveaways were dolloped out to firefighters, cops, teachers and others. But so long as the real estate transfer tax spun out gold and the stock market run-up inflated pension funds, there was never an immediate crisis.

The wholesale tanking of the economy a year back has laid bare just how vulnerable our local municipal budgets really are. And since these are pensions we're talking about, there is no quick fix. We're on the hook for decades to come. That's the arithmetic of longer life spans and pensions that encourage people to retire at 55.

Was everyone asleep when these deals got made?!

So this isn't a short-term problem. Think of it as the floor joists giving way in the house of municipal finance. Our local governments are not going to be the same going forward. Everyone agrees that taxpayers are maxed out on the property taxes they can pay. Our pension obligations are going to be met. No one will sit by while teachers and firefighters are denied the benefits they were promised. These were stupid deals, but they're real deals. That means that municipal services are going to have to be cut; it means that cross-village consolidations are going to be essential. Five firefighters gone today, a tri-village fire department with fewer staff and fewer stations will have to be next.

This being Illinois, you have to know that the incompetents in Springfield have their thumb on the scale of the debacle. Pension law is set at the state level. And there can be no solution until Springfield brings comprehensive reform to the pension system. We need a dual pension system offering lower benefits to new employees. We need an end to every manner of early retirement plans. We need a lid on cost of living adjustments. And we need a hard look at the role of local pension boards across the state.

There is an immediate budget boost for Oak Park in cutting the fire department. The village manager estimates it will save Oak Park \$300,000 in the next year. The real savings, though, and the prism elected officials have missed till now, is the millions that will be saved by not locking in pension benefits for these young firefighters. That's the new reality. Same as the old reality. Only this time, it can't be ignored.

Reader Comments

Posted: Thursday, October 01, 2009

Article comment by: **Jim Coughlin**

The Village of Oak Park has got to get it's act together and explain to the community why more than \$1.4 million was spent on legal fees. The figures provided by Mr. Wilkie do not include expenditures covering 2008 and 2009. So, we might assume the total is likely closer to \$2,000,000. That is an outrage! Employees are being shown the door, fees skyrocketing, and public services significantly reduced because of severe budget constraints. That's the story we've been fed. Yet, a steady stream of our scare tax dollars are flowing to law firms just to represent the Village in endless battles with employee unions. I suspect the decisions to engage in these costly actions are being made by the Village Manager Barwin, Human Resources Director Spataro and Village Attorney Heise. We need and should demand a complete and independent accounting detailing of all of the Village funds spent for outside legal counsel from 2000 to present. What is the hourly rate charged by these firms? Are legal services open to any competitive bidding process? Who is negotiating with the firms and awarding the contracts? There appears to be absolutely no oversight by President Pope and the board of trustees. They have failed to take any action in an effort to control these costs while management engages in aggressive tactics against it's own staff. The administration operates without any restraint or consequence. Why can't these disagreements be resolved without involving the courts and labor boards? How do Oak Park's expenditures compare to other communities? Are there more effective methods that have been proven to promote a sense of fairness and harmony in the workplace? Wilkie's letter raises a number of serious questions about the effectiveness and leadership of the people calling the shots. I think we may be seeing just the tip of iceberg regarding wasteful and inappropriate spending by the people we trust to act responsibly and always in the best interests of Oak Park citizens. There should be no need to file FOIA requests to get all the facts out. The VMA slate campaigned with a pledge of openness and transparency. Prove it!

Posted: Thursday, October 01, 2009

Article comment by: **COWBOY**

That is a very good point Rich. I think you hit this nail directly on the head.

The other point that I'd like to add is that the firefighters are required to contribute a portion of their annual salary to pension also. It's not as if the only organization that is contributing to the pension, is the municipality that hired the firefighters.

The firefighters themselves put just under 10 percent of their salary, out of their paycheck into the pension

fund. For example, if a firefighter makes \$50,000 in a year, that firefighter contributes just under \$5,000 of his own money into the fund. That comes out of his/her paycheck along with multiple other deductions that the firefighter has to contribute to.

So it is not like the municipalities are the only entity here that are contributing to the pension funds. The firefighters put their share in.

Actually, the firefighters' don't even have a choice in the matter whether or not to put their FULL share into the pension fund. If the firefighter has a bad year at home financially, he/she doesn't have the option of UNDER-FUNDING his/her portion for the year and using that monetary portion for something else, and then 20 years later worrying about making up the payment. He/She has to FULLY-FUND his/her share into the pension at the moment the paycheck hits the printing press.

Posted: Wednesday, September 30, 2009

Article comment by: **Rich Wilkie**

The Wednesday Journal are again singing from the same hymn book supplied by the Municipal League strategists in their campaign to attack the pension funds of police and firefighters. The "financial burden" the village finds itself in regards to their obligation to fund the pensions, is that it has been self imposed by their administration's (including the sins of past administrations) decision to UNDER fund at the time when the tax money was acquired from the taxpayers and spend it on something else. The analogy I would offer up to you is the shocking surprise a young college student feels when at the end of the month he/she receives a large bill to be paid after freely using their new credit card. As if their responsibility to pay for the things they had not had to pay for at the time, would not still be there in the future. To quote a past Village President, (which I will not name for many reasons, besides that I like him and he is still around), "Why should we worry about something that won't be an issue for 20 years or more?" Well, it's been over 20 years now and here's the bill. I've included a response to a previous and similar editorial from the Wednesday Journal on this subject from Steve Rose written on June 28, 2008.

Dan Haley's viewpoint regarding firefighter pensions is a bit distorted. He states that "Can we afford to have cops and firefighters retire after 20 years of service? These people are 50. They could live on pensions for twice as long as they worked. Is it rational?" The reality is the vast majority of firefighters in Oak Park work for 26 years or more and the retirement age of these firefighters is usually 55 or higher. It would be great to think that firefighters live twice as long as they work. The reality is that firefighters on average have a life expectancy of 10 years less than the average individual, due to the numerous exposures to toxins, stress and other negative health factors associated with the job.

Mr. Haley would be better served if he would look at the reasons that pension's funding is where it is in Oak Park. The Village's Comprehensive Annual Financial Reports show that from 2000 to 2006, The Village under funded their Annual Required Contributions to the Firefighter's Pension Fund by an average of 9.7% a year or 58.19% for the 6 years. During this time the active firefighters contributed their required portions (currently 9.455% of their annual pay). The fund itself returned about a 7 to 8% return annually on its investments during the same period.

It should be noted that statues set forth by our state legislature rule the pension system. A process is set up that calls for all interested parties, in particular The Associated Firefighters of Illinois and the Illinois Municipal League, to negotiate any changes in the pension. These changes are then are sent to the legislature for consideration. A recent example of this process is House Bill 5088, which further defines the structure and accountability in the firefighter's pension, with the intent to make the funds better managed and increase their performance.

Stephen Rose,

Representing the viewpoint of
Oak Park Firefighters Association
IAFF Local 95

Here also are some examples of the Village Administration's decisions on fiscal spending of your taxes:
PAYMENTS OF LEGAL FEES TO TWO SELECTED LAW FIRMS FROM 2002 – 2007

Payments to Franczek & Sullivan
2002 2003 2004 2005 2006 2007

\$69,919 \$296,983.32 \$232,060.87 \$330,929.98 \$203,142.99 \$217,243.82

Total \$ amount 2002 – 2007 = \$1,350,279.90

(Franczek & Sullivan represents the Village in labor dealings unfair labor practices, negotiations, grievances and arbitrations with IAFF Local 95.)

Payments to Klein, Thorpe & Jenkins
2002 2003 2004 2005 2006 2007

\$185,687 \$346,285.26 \$255,237.90 \$133,995.46 \$50,971.13 \$70,743.99

Total \$ amount 2002 – 2007 = \$1,042,920.70

(Klein, Thorpe & Jenkins represented the Village in their suit against the Oak Park Fire Pension Board. The action took place from 2003 to 2005, ending with a Appellate Court ruling (case # 1-05-0316) in the favor of the Fire Pension Board and Dennis Weidler. The case was also heard in the Circuit Court case # 03 CH21547).

The Village paid Klein, Thorpe & Jenkins \$735,518.62 in 2003, 2004 and 2005.

The amounts shown were taken from reports of the Village's Revenues and Receipts reports that were furnished by the Village as part of a Freedom of Information request by the Oak Park Firefighters Association, IAFF Local 95.

While going over budget numbers for the Union, I came across a line item that stands out.

In the Village's 2007 Comprehensive Annual Financial Report (Pg. 95),

The original budgeted amount for the Fire Administration line item was \$419,859.

The actual amount spent in the Fire Administration section was shown as \$988,169. The difference over budgeted of: \$568,306 Explain This?

This is what was already cut with the co-operation of the Oak Park Fire Fighters Union and the Village.

Oak Park Fire Department Re-organization proposal

The following proposal is just that, a proposal, with the intent to reduce the 2009 department budget without impacting the number of personnel or apparatus that respond to emergencies within the Village of Oak Park boundaries.

For clarification purposes there are two groups within the department, shift personnel and day personnel.

Shift personnel work a 24/48 hour schedule. Shift personnel start work at 7:30 am and are relieved from duty the following morning at 7:30 am.

The department members who work on shift have the primary responsibility of emergency response, either fire or emergency medical service.

Day personnel are department members who work a thirty seven and a half hour work week. They work a normal workday performing administrative functions, fire prevention work, public education and training.

There are currently seventy two (72) budgeted positions for the fire department in the 2008 village budget.

Sixty three (63) of those positions are assigned to shift work: 3 Battalion Chiefs, 12 Lieutenants and 48 Firefighters.

There are nine (9) budgeted day positions: 1 Fire Chief, 2 Deputy Fire Chiefs, 2 Battalion Chiefs, 1 Training Lieutenant, 1 Fire Inspector, 1 Executive Secretary and 1 Administrative Secretary.

The proposal is to keep the number of shift personnel at sixty-three (63) but to reduce the number of day personnel at this time to four (4).

The four (4) positions that would remain in 2009 are: 1 Fire Chief, 1 Deputy Chief of Operations, 1 Deputy Chief of Support Services and 1 Executive Secretary. The current number of personnel on shift

would remain the same: 1 Battalion Chief, 4 Lieutenants and 16 Firefighters.

The positions that would be eliminated at this time are: 1 Battalion Chief / Training Division, 1 Training Lieutenant, 1 Battalion Chief / Fire Prevention Bureau, 1 Fire Inspector and 1 Administrative Secretary.

The positions that would be eliminated at this time are:

1 Battalion Chief / Training Division \$107, 244.00

1 Training Lieutenant \$ 79, 786.00

1 Battalion Chief / Fire Prevention Bureau \$107, 244.00

1 Fire Inspector \$ 73, 038.00

1 Administrative Secretary (Amt. of Salary Unknown) \$ Unknown

Proposed Changes \$367, 312.00

+ Unknown Amt. of Exec. Sec.

Since those cuts were made there are additional vacancy savings:

1 Deputy Chief of Support Services \$120, 292.00

1 Vacant Fire Fighter Paramedic Shift Personnel \$ 68, 493.00

(Starting Pay FF./PM: \$46, 255 – \$188,785.00

Top Pay FF./PM after 6.5 years: \$68, 493)

New Total Of Fire Budget Cuts: \$556,097.00

+ Unknown Amt. of Exec. Sec.

Let's assume the salary of the Executive Secretary is \$50,000.00 (which is probably a low estimate).

The total amount of the Fire Department budget cuts, prior to the lay-off of 5 Fire Fighter Paramedics is ruffly: \$606,097.00

If you use the Village's 1.4 factor for additional savings in benefits: \$848,535.80 since November 2008. That's \$77,139.62 per month for the last 11 months.

All the work and duties of the individuals of those positions that were cut have been absorbed by the remaining Fire Department members.

Are the mistakes and short falls, [Colt Development \$5M, Parking Fund Bailout \$10M, People Soft \$XXM, Under Funding the Pension Fund(s), the Stock Market, Bank and Real Estate downturn, etc.] going to be born by the Fire Department.

And now the reason or fault is going to be pinned on the Public Safety Pensions.

It's today's world, don't accept responsibility for your own actions and decisions when you can blame someone or something else.