

PUBLIC SAFETY EMPLOYEE COALITION



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Downstate Police and Fire Pension Reform

GENERAL ASSEMBLY - UPDATE 4/28/10

Police and firefighter coalition representatives met with the pension reform committee for over 9 ½ hours last week in an effort to negotiate meaningful pension reforms. While the meeting was productive it did not produce an agreed bill.

The coalition entered the current bill process with a primary goal that public safety pension benefit savings must be coupled with an enforcement mechanism that insures pension funding at the statutorily required level by public employers.

It is no secret that a major contributing factor to low pension fund balances has been caused by deliberate underfunding. Some municipalities underfund pension obligations by allowing their actuary to use inflated investment return assumptions – which allows them to base contributions on irrational and unrealistic projections. *For example, between 1999 and 2008, the City of Springfield assumed an 8 percent annual return on its pension investments. The actual return averaged 5.85 percent for the police pension fund and 5 percent for the fire pension fund, according to COGFA.* Other municipalities employ a less sophisticated tactic – they simply ignore the law and refuse to make statutorily required contributions.

If municipal underfunding is allowed to continue, public pensions will continue to be placed in jeopardy and the General Assembly will be asked to keep on “reforming” the pension systems year after year.

Last week, the coalition indicated that several concessions, within the context of an overall pension reform package, would be possible in an agreed pension reform bill. Benefit changes under discussion would *reduce public employer costs by at least 50%* for newly hired police and fire employees.

However, a “reform” bill that does not include both benefit and funding changes is not reform by any definition. Any legislation designed to “fix” fire and police pension systems must include the same protection that other municipal pension funds enjoy. Specifically, the Coalition proposes the same funding enforcement mechanism used for the IMRF system.

Despite the offer of significant benefit savings and several modest funding reform proposals – municipal representatives *incredibly* continue to refuse to agree to the inclusion of a true funding enforcement mechanism.

REAL PENSION REFORM MUST ADDRESS BOTH SIDES OF THE PENSION EQUATION – INCLUDING REAL MUNICIPAL FUNDING ENFORCEMENT!!!

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