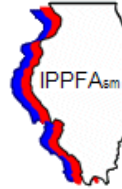


PUBLIC SAFETY EMPLOYEE COALITION



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Downstate Police and Fire Pension Reform GENERAL ASSEMBLY - UPDATE 11/16/2010

Police and firefighter coalition representatives met throughout the spring legislative session in an effort to negotiate meaningful pension reforms. While the meetings were productive they did not produce an agreed bill.

The police and fire coalition entered the current bill process with a primary goal that public safety pension benefit savings must be coupled with a contribution compliance 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.

The police and fire coalition continues to support several benefit concessions, within the context of an overall pension reform package, in an agreed pension reform bill (HB 5873 A#3). Benefit modifications in the bill would *reduce public employer costs by at least 50%* for newly hired police and fire employees. The legislation also provides immediate property tax relief of up to 10% due to the inclusion of a modified amortization period and approach.

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 compliance mechanism used for the IMRF system.

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

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

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