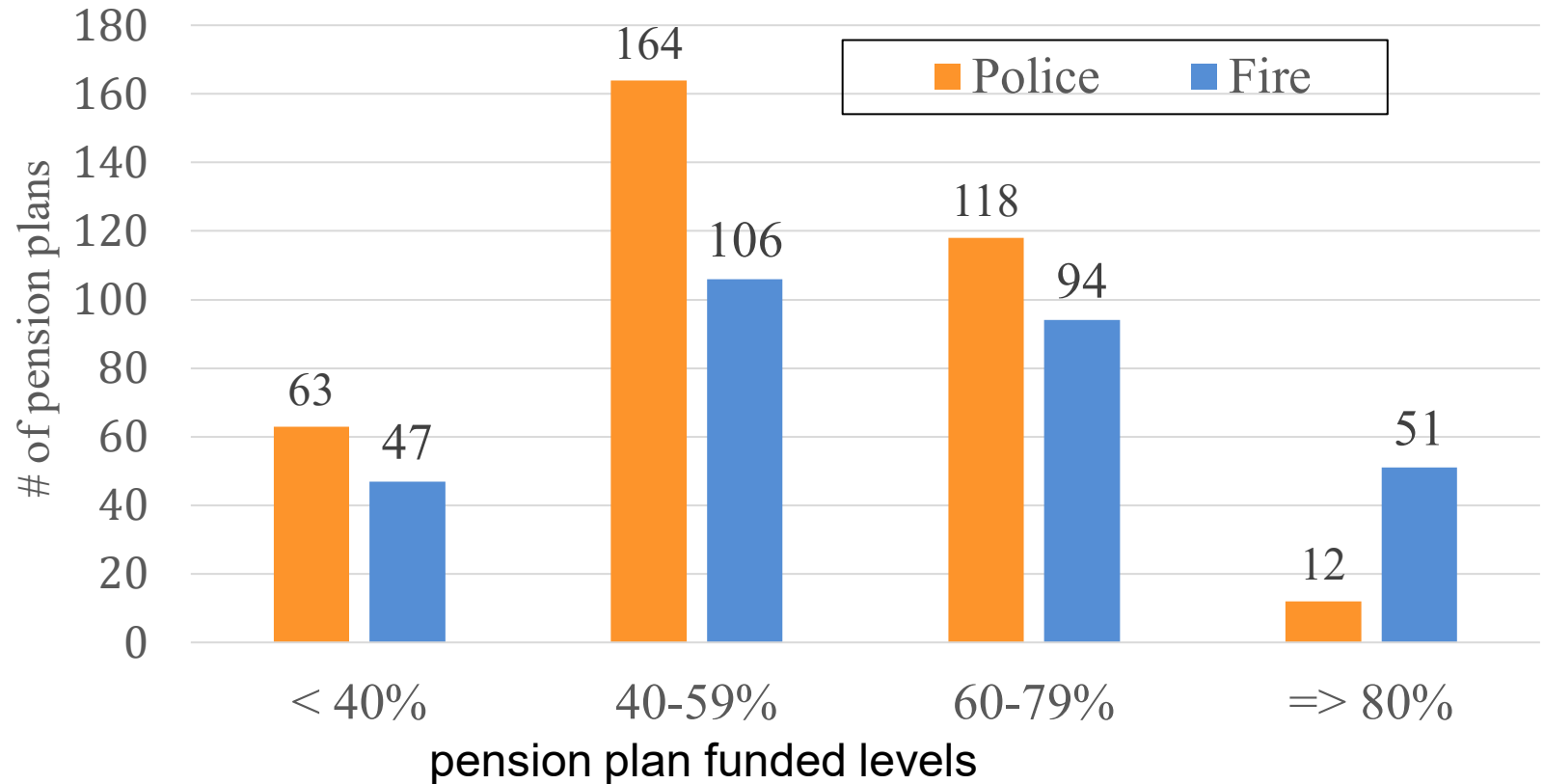




Police and Fire Pension Funding Challenges in Illinois

Beverly Bunch, University of Illinois Springfield
Patricia Byrnes, University of Illinois Springfield
Glenn Cassidy, University of Albany

Illinois Police and Fire Pension Plan Funded Levels - 2018



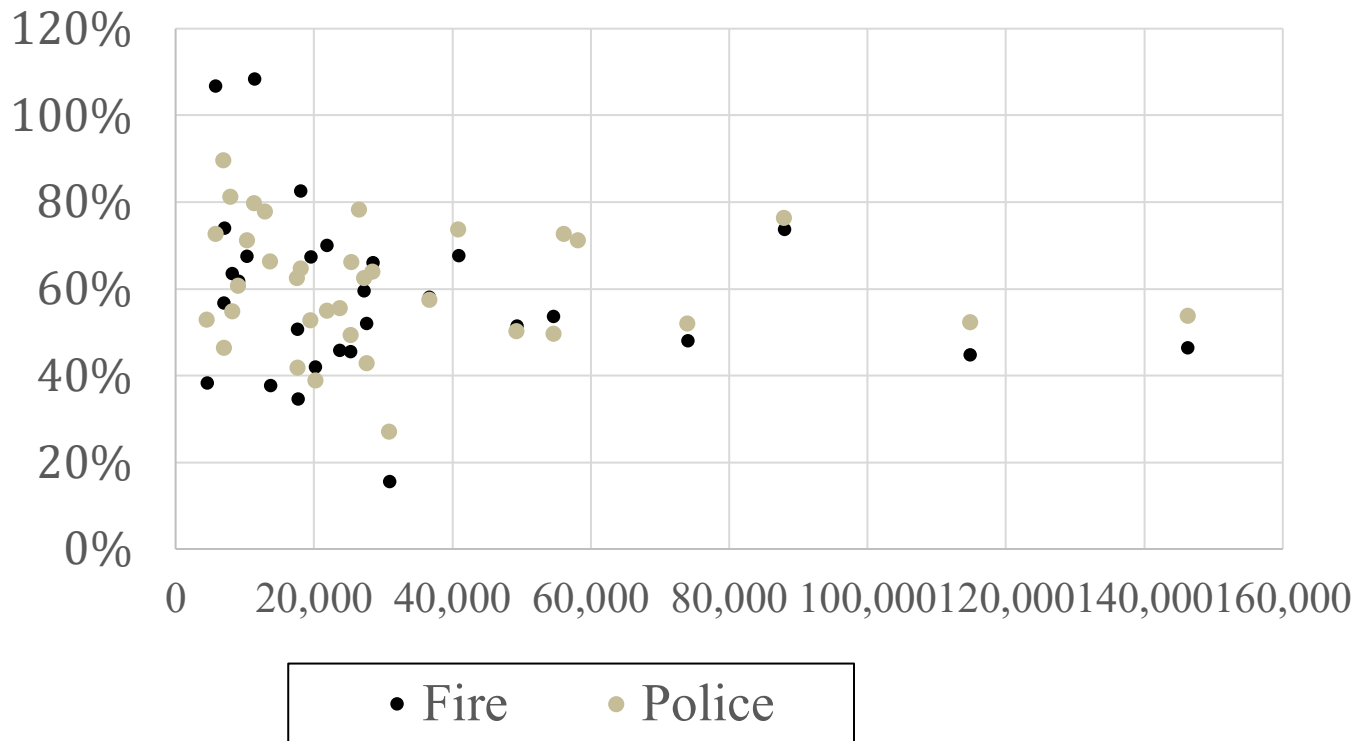


Study Approach

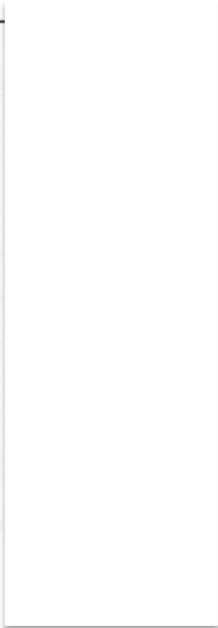
- Conducted interviews in the first half of 2019
- Officials from 36 municipalities
 - All had a police pension plan
 - 28 had a fire pension plan
- Interviewees
 - Most were an elected treasurer or an appointed finance director
 - 39% served as a voting member on a police or fire pension board
 - An additional 47% served as a treasurer of a pension board



Police and Fire Pension Plan Funded Levels by Population for the Municipalities in this Study (2018)



MUNICIPALITIES REPRESENTED IN THE INTERVIEWS



- | | |
|-------------|-----------------|
| Canton | Addison |
| Carbondale | Bartlett |
| Champaign | Burbank |
| Charleston | Downers Grove |
| Clinton | Evanston |
| Danville | Geneva |
| Eureka | Lake Forest |
| Glen Carbon | Lansing |
| Macomb | Lincolnshire |
| Mattoon | Lockport |
| Mt. Zion | Minooka |
| Normal | North Aurora |
| Rochelle | Orland Park |
| Rockford | Rolling Meadows |
| Salem | Tinley Park |
| Shelbyville | Vernon Hills |
| Springfield | West Dundee |
| Troy | Wilmette |



Major Factors Contributing to Pension Fund Challenges

- #1 answer in interviews: state sets pension benefits but municipalities have to fund those benefits
- quotes from local government officials
 - “state requirements for local pension funding can be extremely costly for implementation”
 - “police and fire are everyone’s heroes – difficult for legislators to say no”
 - “unsustainable benefits”



Growth in Pension Funding Requirements

- Significant growth in pension requirements
 - “we now pay two times more than we did 10 years ago”
 - “contributions have increased from \$1 million to \$7 million over the past 10-12 years”



Actuarial Study and Assumptions

- 80% of our sample hired a local actuary
- Some municipalities use different actuarial assumptions than the state
 - Some more aggressive
 - targets for funded level, e.g., 90% by 2033
 - entry age normal instead of projected unit costs



Funding Sources

- Property Taxes
 - Increase the tax levy
 - Keep levy stable and decrease other components

- Sales Taxes
 - Increase in sales tax rates
 - 6 home rule municipalities have increased the tax rate
 - 2 non-home rule municipalities



Funding Sources

- Supplement with Other Revenues
 - Public safety pension fees
 - Video gambling tax
 - Electricity and natural gas tax
 - Food and beverage tax
 - Red light camera fines
 - Marijuana tax



Other Funding Approaches

- Free up general fund revenues
 - Decrease expenditures in general fund
 - Increase revenues in general fund
- Draw down reserves
- Pension obligation bonds
 - Have to budget for debt service



Strategies Used by Municipalities to Manage Pension and Disability Costs

- Consider pension costs when deciding whether to add new positions
- Hold firm on longevity during contract negotiations
- Use part-time instead of full-time police officers
- Convert from sworn positions to civilian positions when feasible
- Implement safety programs
- Address disability claims



How the State Could Help Municipal Governments with Pension Funding Challenges

- Eliminate voter approval requirement for non-home rule municipalities to increase sales tax or property tax if the revenues will be used for pensions
- Give more guidance to municipalities that have to establish a pension plan because they have reached the 5,000-population threshold
- Extend the 2040 deadline for pension plans to be 90 percent funded
- Clarify what is considered a “catastrophic injury”



Recommendations

- Take a multi-year perspective
- Learn from the past
 - Own experience
 - Experiences of others
- Educate others
 - Elected officials
 - The public
 - State legislators and their staff

Q&A Slide

Most States Have Statewide Options or Requirements for Police and Fire Pensions

Type of Pension Plan	# of States
State Pension System includes police and fire pensions	24
Statewide Municipal Pension Plan includes police and fire pensions	23
10 states have separate plans for police and fire combined	
5 states have separate plans for police versus fire	
8 state combine police and fire with other local employees	

¹⁴ Source: Author coding based on Urban Institute Database, 2018.



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