November Mayor’s Report - The Pension Issue

November 21 2011 9:17 AM

“State’s Pension Situation Deadly.” This was the headline of a Telegraph Editorial on October 10, 2011. They are on target with their observations.

Over the past 48 months, public safety employees have experienced an unprecedented transition. The economic downturn has hit home very hard and it is becoming increasingly clear that governments cannot continue funding pensions in the same manner as they have previously funded them because of the unsustainable rising cost.

Across the country, reduced revenues caused escalating forced temporary layoffs and reduced staffing through attrition. While many have tried to scare the public into thinking that a loss of resources would have dramatic impact on citizens, it has often had little or no impact and is not sustainable long-term. Worst of all, this strategy does nothing for reengineering the organization for sustainability and growth.

The rules governing public safety employees’ pensions are controlled by the Illinois General Assembly and the Governor, not by your local government. Over the last two decades, the General Assembly has been extremely generous to these pensions with little thought given as to how they will be funded or the effects on municipal finances.

According to a June 16, 2010, article from the State Journal Register, between 2000 and 2005, the employee contributions for police pensions increased .02% while costs rose 3% of payroll. At the same time, firefighter contributions increased by 1.2% while the taxpayer costs increased 7.5%. There were two other significant increases to the firefighter pensions, without funding, between 2000 and 2005.

Many people are quick to jump on the bandwagon that had payments been made fully and in a timely manner to the pension funds, we would not be in this crisis. They are only partially correct. I agree communities should be held responsible for past obligations, but let us keep the playing field level.

Pension recipients can match their maximum benefit amount (75% of their salary in 30 years instead of 35 years) and allow surviving spouses the same pension benefits for the rest of their lives. This means a person can retire at age 50 with 75% of their salary. If that person lives to 81, they will have drawn this 75% for more years than they actually worked, with no contributions.

Since 2002, locally, Alton's pension obligation to police and fire has risen almost 64%, an average of **$273,863** per year. No cost of government has escalated at a faster pace than public safety pensions. City taxpayers bridged that gap numerous times and, at this point, I feel the taxpayer is tapped out.

While strides in pension reform were adopted last year by the General Assembly, they are insignificant at the present time because they only affect new hires. These new hires have to work 30 years through the system before any real financial impact will occur. Immediate relief is needed.

If our public safety employees are to survive, their first objective should be redefining unsustainable pension payments and future contributions. Union leaders must take control of their own destiny by redefining how they do business, particularly when dealing with our elected representatives in Springfield.

I have always believed reasonable people make reasonable decisions. The days of doing business as usual, because we have always done it that way, are finished. One can no longer blame external factors for setbacks, but must take responsibility for positioning themselves for the future. There is no time for procrastinating because the fate of our public safety employees, their pension system, municipal finances, and public services are at stake. Let us work together to relieve the burden on the taxpayers and save the pension systems for our public safety employees.