

RESOLUTION NO. R-25-2009

**A RESOLUTION OF THE VILLAGE OF WINNETKA
URGING THE GENERAL ASSEMBLY
TO STOP ENACTING PENSION ENHANCEMENTS,
TO PROTECT POLICE AND FIRE PENSIONS,
AND TO ADOPT MEANINGFUL PENSION REFORM**

WHEREAS, police officers and firefighters/paramedics provide critical, life saving services to the citizens of the Village of Winnetka and they are admired and respected by the Winnetka Village Council; and

WHEREAS, our public safety officers deserve a pension that reflects their value to Winnetkans; and

WHEREAS, the Illinois General Assembly determines pension benefits for police officers and firefighters, and

WHEREAS, as required by Illinois Pension Code, Winnetka has established the Police Pension Fund and Firefighters Pension Fund, which are defined benefit pension and disability plans funded by property taxes levied by the Village; and

WHEREAS, the Illinois General Assembly has created 5-person pension boards for police and fire pensions, and the employee representatives outnumber the taxpayer representatives by 3 to 2; and

WHEREAS, over the last ten years, the Illinois General Assembly has authorized three major pension enhancements for police officers and firefighters; and

WHEREAS, during the last ten years, the value of pension investments has been eroded due to significant losses in the capital markets which has increased the unfunded liabilities of police and fire pension funds; and

WHEREAS, pension benefits are determined by the final rate of pay for police officers and firefighters; and

WHEREAS, under the State's collective bargaining laws, wage adjustments are determined by third-party arbitrators when impasse is reached between the unions and

municipalities, and these wage adjustments during the last ten years have been generally above the rate of inflation, which has also increased the unfunded liabilities of police and fire pensions; and

WHEREAS, as a result of (i) increased pension benefits mandated by the Illinois General Assembly, (ii) arbitration decisions setting wage adjustments above the inflation rate, and (iii) the difficult investment climate in the capital markets, the unfunded liabilities of local police and fire pension funds have substantially increased, threatening their long-term financial sustainability; and

WHEREAS, despite Winnetka's very conservative fiscal practice of not only paying the annual normal pension costs, but also increasing the Village's funding rate by intentionally reducing the assumed interest rate in the Village's funding assumption in 2007, the Village's unfunded pension liabilities increased 65% for the Police Pension Fund and 69% for the Firefighters Pension Fund in the 8 years from 2000 to 2008 and the unfunded liability will increase even more for 2009 due to the losses in the capital markets during 2008; and

WHEREAS, according to the 2008 report of the Illinois Department of Financial and Professional Regulation, the statewide unfunded pension liability for firefighters was \$1.98 billion or \$220,000 per active firefighter and \$2.85 billion or \$211,000 per active police officer; and

WHEREAS, the Illinois General Assembly has not provided any funding for municipalities to pay for the increased pension benefits they have authorized, and therefore municipalities have been required to levy additional property taxes for police and fire pension funds, and

WHEREAS, in 2008, Winnetka's tax levy for the Police Pension Fund equaled \$26,000 for each police officer and \$35,000 for each firefighter; and

WHEREAS, Illinois municipalities are being required to continue to increase property tax levies to fund police and fire pensions at a time when taxpayers have been losing their jobs and/or houses and have seen the values of their personal retirement accounts plummet; and

WHEREAS, as a percentage of wages, the pension contributions of Winnetka police officers and firefighters amount to 9.91% and 9.455% of their wages, respectively, while

Winnetka taxpayers' pension contributions amount to 31.2% of police officers' wages and 39.5% of firefighters' wages; and

WHEREAS, if the increasing unfunded liability crisis for police and fire pension funds is not addressed, the consequences will be:

1. Public safety will be jeopardized as municipalities will be reluctant to hire additional police officers or firefighters due to the very high pension costs;
2. The funding of Illinois police and firefighter pensions will place an increasing financial burden on local taxpayers by consuming a substantially higher percentage of their real estate tax bills;
3. Illinois municipalities will be forced to reduce service levels and lay off non-public safety employees to mitigate the impact of the increased property tax payments that are required to offset public safety pension obligations; and
4. Financially fragile municipalities in Illinois will face a downward death spiral towards bankruptcy due to the increasing cost of pensions, a steady or declining revenue base, and wage adjustments being set above the inflation rate by third-party arbitrators; and

WHEREAS, Article XIII, Section 5 of the Constitution of the State of Illinois of 1970 guarantees the pension benefits of police officers and firefighters by specifying that the pension system of any unit of local government "shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired;" and

WHEREAS, the State of Illinois must reform its pension law to create a pension system for public safety officers that recognizes their high value as municipal employees and is also financially sustainable, in order to guarantee these pension benefits in the future.

NOW, THEREFORE, be it resolved by the Council of the Village of Winnetka as follows:

SECTION 1: The foregoing recitals are hereby incorporated as the findings of the Council of the Village of Winnetka, as if fully set forth herein.

SECTION 2: Regarding the current police and fire pension systems, the Village of Winnetka urges the Illinois General Assembly to:

- a) Maintain current pension benefits for all current police officers and firefighters;
- b) Stop approving any new or enhanced police and fire pension benefits.
- c) Change the membership of fire and police pension boards so that the taxpayer representatives outnumber the employee representatives.
- d) Consider whether local investment authority should be broadened to allow for police and fire pension funds to invest up to 60% of their assets in common stock as long as a professional, independent investment advisor is retained by the local board.
- e) Allow the municipality the right to present evidence and testimony at all police and fire pension board meetings.
- f) Reset the current pension amortization schedule from 2033 to a reasonable period in order to provide for a lesser pension levy increase in the year 2010 and beyond, that will help to mitigate the immediate impact on taxpayers.
- g) Modify the current collective bargaining laws by enacting a provision similar to a Wisconsin law specifying that mandatory arbitration is not allowed if the employer offers a cost of wage adjustment that equals the change in the consumer price index with an appropriate maximum salary adjustment and factoring in the cost of health insurance.
- h) Work toward a comprehensive stabilization plan and meaningful pension reform that would create new pension systems for all public safety and also non-public safety employees hired after some specific date in the near future and the new pension systems would take into consideration:
 - i. Increasing the age of retirement,
 - ii. Increasing minimum years of service for unreduced benefits,
 - iii. Reducing the final salary used for pension benefits from the current final rate of pay for public safety officers and the average of the last four years for IRMF employees to the average salary of the last eight years,
 - iv. Adopting a defined-contribution plan rather than a defined-benefit plan,

- v. Increasing contributions from employees to make up for market losses,
- vi. Adopting restrictions similar to the current IMRF requirements that would prohibit “double dipping” where public safety employees receive a pension from one Illinois municipality and a salary from another Illinois municipality.

SECTION 3: This Resolution is adopted by the Council of the Village of Winnetka in the exercise of its home rule powers pursuant to Section 6 of Article VII of the Illinois Constitution of 1970.

SECTION 4: This Resolution shall take effect immediately upon its adoption.


ADOPTED this 19th day of May, 2009, pursuant to the following roll call vote:

AYES: Trustees Greable, Johnson, Pedian, Poor, Rintz, Spinney

NAYS: None

ABSENT: None

Signed:


Village President

Countersigned:


Village Clerk