



## Legislation Text

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File #: 19-1079, Version: 1

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### **CITY COUNCIL AGENDA ITEM**

#### **ACTION REQUESTED:**

Adopt the resolution supporting public safety pension fund consolidation

**DEPARTMENT:** City Manager's Office

**SUBMITTED BY:** Doug Krieger, City Manager

#### **BOARD/COMMISSION REVIEW:**

N/A

#### **BACKGROUND:**

Police and fire retirement funds statewide average 55 percent of the funding required, which represents a 20 percent decline over the past two decades. Many smaller funds have underperformed because their assets are too small to put in higher-performing funds and they are forced to pay higher investment fees. Currently, each of the local funds is managed by a five-member board, or 3,300 pension fund trustees, making investment and benefit decisions, along with their own staff of accountants, consultants, actuaries, benefit managers and attorneys, which costs more money that could go toward investments.

In Naperville, public safety pension contributions have risen 222 percent, or 11.1 percent annually, since 2000, amounting to a \$14.8 million cost to taxpayers this fiscal year alone. The public safety pension funding impacts property taxes. While Naperville's property tax receipts have increased annually by around 3 percent, the portion of a homeowner's property tax bill associated with public safety pensions has risen to 30 percent today compared to 7 percent in 2000. This comes even as the City has taken several steps to mitigate the impact of the rising pension costs, such as allocating additional sales tax revenue and making additional contributions. As a result of this financial pressure, Naperville has been a strong proponent of pension reform and has identified this as one of our legislative priorities for several years.

On February 11, 2019, Governor Pritzker announced the creation of the Pension Consolidation Feasibility Task Force ("Task Force"). This task force was charged with exploring and making recommendations for consolidation of pension funds in order to achieve the greatest value for employees, retirees, and taxpayers. On October 10, 2019, the Task Force issued their report, including two main recommendations: 1.) Consolidate suburban & downstate police and fire pension plan assets and 2.) Review consolidation of suburban/downstate police & fire pension plan benefit administration; review of other state and local plans to determine advantages of consolidation.

**DISCUSSION:**

The attached resolution demonstrates the City of Naperville's support of the principles included within the recommendation. The legislative text was issued as an amendment to SB 616 on October 29, 2019. The City of Naperville will be reviewing the legislation and hiring an actuarial analysis of the anticipated financial impact. Although the specific financial impact is not yet known, this resolution addresses the principles of consolidation, which the City of Naperville is supportive of.

**FISCAL IMPACT:**

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