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The Civic Federation

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December 6, 2010

The Honorable Pat Quinn
Governor of Illinois
207 Statehouse
Springfield, IL 62706

Re: Senate Bill 3538

Dear Governor Quinn:

The Civic Federation urges you to sign Senate Bill 3538, a bill to reform new employee pension benefits and employer contributions for police and fire pension funds.

This bill is an important step toward saving many public safety pension funds that are at risk of running out of money to pay promised benefits. By raising the normal retirement age from age 50 to 55 and limiting the final average salary on which pensions are based, it makes some needed changes to benefits for new hires.

Senate Bill 3583 will require significantly higher employer contributions for the City of Chicago. These contribution increases are long overdue, since the employer contribution to the City's four pension funds is currently unrelated to the health of the fund. Senate Bill 3583 could be improved by also requiring contribution increases for employees. The Civic Federation believes that employees need to share in the rising costs of public pension plans and recommends that both employer and employee contributions be restructured such that employees pay a proportion of required contributions, similar to the new structure of the Chicago Transit Authority contributions. We recommend that a proportional relationship be set whereby, for example, the employer pays 50% and the employees pay 50% of the annual required contribution. Whether the proportion is 50%/50%, 60%/40%, or some other ratio, it is critical that both parties pay a share of required contributions, and that those contributions relate to the fiscal health of the fund.

While we support the enactment of Senate Bill 3538, the Civic Federation cautions that it will not resolve the pension crisis facing many local governments. Lawmakers will need to consider changing current employees' non-vested benefits and increasing employee contributions to make Illinois public pensions truly sustainable.

Sincerely,



Laurence Msall
President



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