



AGENDA

FINANCE COMMITTEE

Finance Committee: February 3, 2026 at 5:15 PM

Village Hall 740 Hillgrove Avenue, Western Springs, IL 60558

- A. Call to Order**
- B. Approval of Minutes**
 - 1. Minutes - January 20, 2026
- C. Public Comment**
- D. New Business**
 - 1. 2026 Vendors
 - 2. Local Sales Tax
- E. Other Business**
 - 1. Pension Legislation
- F. Schedule Next Committee Meeting**

Individuals with disabilities who plan to attend / participate in this meeting and who require accommodations to allow them to observe and participate, or who have questions regarding accessibility of the meeting or facilities, please email accomodations@wsprings.com or contact Jill Izzo at 708-246-1800, extension 127.

Finance Committee Meeting Minutes
Tuesday, January 20, 2026
Village Hall

Others Present:

Karen Martin, Chairperson
Scott Lewis, Trustee
Heidi Rudolph, Village President *arrived at 5:19pm*
John Mastandona, Director of Finance
Ellen Baer, Village Manager
Matt Super, Director of Municipal Services
Heather Valone, Director of Community Development *arrived at 5:26pm*

Meeting called to order at 5:17 pm

Items of Discussion:

- **Minutes:** The minutes of the November 4, 2025, Finance Committee were approved as presented. Motion by Trustee Lewis and second by Chairperson Martin.

The minutes of the November 4, 2025, Finance Committee were approved as presented. Motion by Trustee Lewis and second by Chairperson Martin.

- **Public Comment:** Resident, Lisa Den Besten addressed the committee stating that she was interested in one of the agenda items on tonight's meeting, but that the detail was not included in the published packet. She understood that it was going to be supplied tonight but suggested that it may be appropriate to make sure to highlight that within the packet. Chairperson Martin thanked her for her comments and suggested to staff that it may be appropriate to highlight further in future scenarios.
- **Discussion of Revenues, Service Costs, and Long-Term Financial Stability:** Director Mastandona discussed the importance of long-term financial stability and the importance of reducing financial risks through revenue diversification when possible. He gave an update on the current water/sewer rate study, stating that all data for operations have been collected and that a capital needs assessment has just been completed for the water treatment plant. He discussed how that data will be used to analyze current rates against short-term and long-term needs. He also discussed the need to reflect on the budget process and items that had to be deferred due to funding gaps. He explained that this is an annual process and talked about the current fleet being an area of concern that lacks a dedicated funding source. The committee discussed previous conversations about the ability to implement a local sales tax. Staff stated that they will bring a report to the next finance committee presenting the current funding gaps discovered through the recently completed budget process.
- **Modification to Fees - Village Fee Schedule:** Director Valone presented the modified fees schedule. She went explained that the fees exist within the Village Code but this new table will exist within the code, allowing staff and the public to see the fees in one place which should promote transparency. She went through the table explaining each item that has a suggested increase. She stated that most of these fees have not been updated for a long time and all increases reflect a measurement of resources utilized, such as staff time or expenses incurred by the Village. The Committee reviewed the request and Chairperson Martin motioned that the

request be placed on the February 9th Board of Trustees meeting agenda and a second by Trustee Lewis. Motion passed by a roll call vote.

- **Policy for Cook County Property Tax Incentive Requests:** Director Valone presented some property tax incentive classifications offered by Cook County. She stated that this was a preliminary discussion of potential tools that could be used by the Village to help promote economic development. The committee discussed how this could be used within the Village and discussed if there was a need. Staff stated that this was just a preliminary discussion of one option and that further discussion will occur at a later date.
- **Other Business:** Director Valone provided an economic development update to the committee highlighting a recent meeting with a local municipality who has had recent success in development. The committee discussed items that work for them and discussed tools that could benefit the Village.
- **Schedule Next Meeting:** The next Finance Committee meeting was confirmed to be held on Tuesday, February 3, 2026, at 5:15pm/

Motion to adjourn by Trustee Scott Lewis and second by Chairperson Karen Martin.

There being no further business, the meeting was adjourned at 7:56 pm

Respectfully Submitted,
John Mastandona
Director of Finance

APPROVED:



AGENDA ITEM SUMMARY

FINANCE COMMITTEE

Finance Committee: February 3, 2026

AGENDA ITEM D.1.

To: Finance Committee
From: John Mastandona, Director of Finance
CC: Ellen Baer, Village Manager
RE: 2026 Vendors

Recommendation

Consider a recommendation to advance the item for review and discussion of the 2026 Vendor List

Summary

The attached schedule contains a list of recommended vendors whose annual charges may exceed \$25,000. Vendors that have agreements already approved by the Village Board are not included in this list. Each department has presented their list to their respective committee and are now forwarding the list to the Finance Committee for review and subsequent recommendation to the Board of Trustees. Please note that increases to the proposed listed annual charges will require further approval. Expenditures for the listed vendors will be presented and approved through the Village's Monthly Financial reports, along with all payables.

Department	FY 2026 Projected Amount
<i>Finance Department</i>	
<i>Vendors</i>	
United States Postal Service (USPS)	43,000
Amazon	40,000
Lauterbach & Amen	50,000
Third Millenium	37,000
Tyler Technology	63,000
<i>Administration</i>	

<i>Vendors</i>		
Nicor		25,000
ComED		620,000
One Step, Inc.		25,000
Intergovernmental Risk Management (IRMA)		72,280
Lyons Township Area Communications Center (LTACC)		341,000
BDO USA LLP		160,000
CDW Government		35,000
Dell Marketing LP		35,000
Verizon		50,000
NEC		32,000
Wells Fargo		42,000
<i>Community Development-Planning and Zoning</i>		
<i>Vendors</i>		
Don Morris		185,000
EZA Engineering		40,000
<i>Municipal Services</i>		
<i>Vendors</i>		
Vulcan Materials Company		90,000
Heidelberg Materials Midwest AGG, Inc		90,000
MOHR Oil		100,000
Ziebell Water Services		135,000
Metropolitan Water Reclamation District		50,000

Financial Impact

The FY 2026 Approved Budget includes funds for the specified vendors. Any increase of what is included would require further Board action.

Recommended Motion

I move to recommend to the Village Board the review and discussion of the 2026 Vendor List

Strategic Plan Alignment

Financial Sustainability

File Attachments

None



AGENDA ITEM SUMMARY

FINANCE COMMITTEE

Finance Committee: February 3, 2026

AGENDA ITEM D.2.

To: Finance Committee

From: John Mastandona, Director of Finance

CC: Ellen Baer, Village Manager

RE: Local Sales Tax

Recommendation

Consider a recommendation to approve an ordinance implementing a locally imposed sales tax in the Village of Western Springs.

Summary

This item was presented for discussion at the Finance Committee held on June 10, 2025, along with other state legislative changes. The committee discussed the overall health of the Village's finances, along with the increasing strain on expenditures, due to unfunded mandates, pension obligations, market conditions, and capital needs. The Finance Committee recommended that the item be brought to the entire Board of Trustees at its upcoming strategic plan meeting in June 2025.

As recommended, the Board of Trustees discussed this item at their Special Meeting for strategic planning held on June 16, 2025, where it was requested that staff collect data throughout the 2026 budget process and report the findings.

Staff will provide the results of the data collection at this February 2026 Finance Committee meeting to be used to support the discussion.

Background

Public Act 103-0781 gave the ability for non-home rule communities to implement a local sales tax. This tax is on all other goods that do not qualify as groceries. The tax may not be more than 1% and may be imposed only in 0.25% increments. These locally-imposed taxes are used to fund vital services like public safety and public works, infrastructure improvements, property tax relief, and other needs of the community. Prior to Public Act 103-0781, only home rule municipalities had the authority to impose a local sales tax by ordinance. The state does impose an administrative fee, which is currently 1.5% of locally-imposed collections. Utilizing 2024 data, a 1% local sales tax would generate approximately **\$1 million** of additional revenue.

The deadline in relation to the start of collections is the same as the Grocery Sales Tax.

<u>Deadline to File Ord with</u>	<u>Collections to</u>
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<u>IDOR</u>	<u>Begin</u>
October 1, 2025	January 1, 2026
April 1, 2026	July 1, 2026

Financial Impact

Revenues collected by the Village supports operational and capital needs.

Recommended Motion

I move to recommend to the Village Board the approval of an ordinance implementing a locally imposed sales tax in the Village of Western Springs.

Strategic Plan Alignment

Financial Growth

File Attachments

None



DuPage Mayors and Managers Conference

an association of municipalities representing 1,000,000 people

2026 Legislative Action Program

A coalition of cities and villages working together, the Conference fosters collaboration and advocates for excellence in municipal government.

➤ **Protect Sustainable Municipal Pensions**

The sustainability of municipal pensions, as well as the taxpayers that fund them, must be protected by preventing further Tier 2 pension benefit increases for police (Article 3), fire (Article 4), and IMRF (Article 7).

➤ **Invest in Local Communities**

To ensure local governments can deliver essential services to our communities, municipal revenues must be maintained or increased, and barriers such as unfunded mandates and preemptions of local authority must be mitigated.

➤ **Modernize Public Records Management**

As the use of technology and digital records continues to evolve, common sense changes to the Freedom of Information Act and Open Meetings Act must be made to preserve transparency, improve efficiency, and mitigate the use of public records for entertainment and profit.

➤ **Adapt to Evolving Mobility Choices**

Our transportation system must adapt to meet both current and future mobility needs, including investing in public transit service connectivity in the suburbs, regulating e-scooters and e-bikes to protect public safety, and ensuring sustainable revenues for local road infrastructure.



Welcome

Municipal Pensions Briefing

Senator Laura Ellman and Representative Mary Beth Canty

*Northwest Municipal Conference and
DuPage Mayors and Managers Conference*

Introduction

Municipal Pension Briefing
December 2, 2025



- Article 3 (Police), Article 4 (Fire) and Article 7 (Illinois Municipal Retirement Fund) provide pensions for municipal employees outside the City of Chicago.
- Retirement age, benefits, employee contributions, Cost of Living Adjustments, etc. are established in the state's Pension Code.
- Municipalities fund pensions through employer and employee contributions (No State Funding).
- Illinois Police Officers' Pension Investment Fund, Illinois Firefighters' Pension Investment Fund, and the Illinois Municipal Retirement Fund manage consolidated investments while maintaining segregated accounts for each municipality.

Agenda

Municipal Pension Briefing
December 2, 2025



1. What led to Tier 2 Pension Legislation
2. Tier 2 Negotiations
3. Tier 2 Pension Benefits for Municipal Employees
4. Investment Fund Consolidation
5. The Social Security "Safe Harbor Concern"
6. Tier 2 Municipal Pensions and Taxpayers
7. Concerns Going Forward: SB 1937



What Led to Tier 2 Pension Legislation

Mark Fowler
NWMC Executive Director

1990-2010: Pension Benefit Increases

Municipal Pension Briefing
December 2, 2025



- 1993: Firefighter Benefit Increase (Public Act 87-1265)
Cost = 1.535% of payroll
- 1993: Police Benefit Increase (Public Act 87-1265)
Cost = 1.65% of payroll
- 1999: Firefighter Benefit Increase (Public Act 91-0466)
Cost = 1.51% of payroll (1.306% employer share)
- 2000: Police Benefit Increase (Public Act 91-0939)
Cost = 1.51% of payroll (1.306% employer share)
- 2004: Firefighter Benefit Increase (Public Act 93-0689)
Cost = 5.63% of payroll (4.63% employer share)

Source: Illinois Municipal League

Unfunded Liabilities Grew

Municipal Pension Briefing
December 2, 2025



Police (30 funds) & Firefighters (22 funds)

- 1999: Average funded ratio – 89.6% (Police), 99.5% (Fire)
- 2007: Average funded ratio – 70.4%, 76.1% (Fire)
- 1999: 34 of 52 at 90% funded or better (19 over 100%)
- 2007: 3 of 52 at 90% funded or better
- 1999: 6 of 52 at 75% funded or less
- 2007: 30 of 52 at 75% funded or less

Source: 2008 NWMC Pension Study

Unfunded Liabilities Grew

• DuPage Police Pension Funds

	1999	2010
Contributions per employee	\$8,380	\$23,720
Average Funded Ratio	84%	64%
90% Funded or Better	10 of 30 funds	1 of 30 funds
75% Funded or Less	7 of 30 funds	27 of 30 funds

How Did Municipalities Respond?

Municipalities were attempting to keep up

Increasing contributions to pension funds

Contributions per employee **doubled** in less than 10 years*

- Police: \$8,246 per employee in 1999 to \$16,529 per employee in 2007 (+100.4%)
- Fire: \$6,960 per employee in 1999 to \$14,103 per employee in 2007 (+102.6%)

*Based on all 30 municipalities in study

Source: 2008 NWMC Pension Study

Impact on Tax Levy

Public safety pensions taking an increasing larger share of municipal property tax levy since 1999

- Police and fire pensions grew from 12.1% of the average municipal levy in 1999 to 18.9% in 2007*
- Police alone grew from 7.2% in 1999 to 10.5% in 2007
- Fire alone grew from 4.9% in 1999 to 8.4% in 2007

*Based on 22 municipalities imposing separate line item for police pension levies and 18 imposing separate line item for fire pension levies

Source: 2008 NWMC Pension Study

Economic Factors

- 2001: Stock market crash
- 2002: Recession
- 2006: Subprime mortgage crisis
- 2008: Stock market crash
- 2007-09: The "Great Recession"

- Pension funds suffered investment losses
- Municipal revenues (sales and property taxes) dropped
- Taxpayers, especially homeowners, squeezed

2009: The Perfect Storm

Declining revenues (budget stress)
+
Growing unfunded liabilities
+
Rapidly increasing actuarially required contribution
=
Statewide pension crisis

Police funded ratio = 51.2% Fire funded ratio = 51.1%
Several funds faced possible insolvency

Sought Legislative Relief

Senate Bill 2011 (Sen. Pam Althoff)

Negotiations with unions over a proposal to implement a two-year, 10% cap on increases to municipal contributions

Would have spared NWMC property taxpayers approx. \$7 million

Held in the House



Tier 2 Negotiations Public Act 96-1495

Doug Krieger
Manager, City of Naperville

Tier 2 Negotiation Details



Dates of Negotiations

- March 9, 2010
- March 11, 2010
- April 14, 2010
- April 22, 2010

May 5, 2010 – Senator Link amends HB 5873

Negotiating Teams included representatives from municipalities and public safety unions.

Neither public safety unions nor municipalities supported final Tier 2 legislation.

Issues	Outcome
Retirement age	Compromise
Early retirement reduction	Compromise
Max pension	Compromise
Final salary	Compromise
Disability benefit	Public safety position
Surviving Spouse	Public safety position
Retirement COLA	Compromise
Termination benefits	Public safety position



Tier 2 Pension Benefits for Municipal Employees

Chris Staron
NWMC Policy Director

Tier 2 Benefits: Public Safety



	Tier 1	Tier 2
Employee Contribution	9.91% (Police) & 9.455% (Fire)	No change
Final Rate of Earning	Salary on final day of service	<ul style="list-style-type: none"> Average of 4 out of last 5 years' salary. Pensionable salary cap increases by lesser of CPI-U or 3%.
Full Retirement	Age 50 with 20 years of service	Age 55 with 10 years of service
Early Retirement Deduction	Not applicable	Age 50 with 10 years, reduced .5% per month younger than age 55
Pension Formula	2.5% x FRE x Years of Service	No change
Maximum Pension	75% of FRE	75% of FRE
Cost of Living Adjustment (COLA)	3% Compounded	Lesser of 1/2 CPI-U or 3%

Tier 2 Benefits: IMRF



	Tier 1	Tier 2
Employee Contribution		No change
Final Rate of Earning	<ul style="list-style-type: none"> Average of highest 4 out of last 10 years' salary. Pensionable salary cap at \$305,000 	<ul style="list-style-type: none"> Average of highest 8 out of last 10 years of service. Pensionable salary cap increases by lesser of 1/2 CPI-U or 3%.
Full Retirement	Age 60 with 8 years of service	Age 67 with 10 years of service
Early Retirement Deduction	Age 55 with 8 years, reduced by .25% per month younger than 60.	Age 62 with 10 years, reduced .5% per month younger than age 67
Pension Formula	((1.67% x Service Credit to 15 years) + (2% x Service Credit over 15 years)) x FRE	No change
Maximum Pension	75% of FRE	75% of FRE
Cost of Living Adjustment (COLA)	3%	Lesser of 1/2 CPI-U or 3%

Sample Tier 2 Pension: NWWMC



Final Rate of Earning: **\$111,021** x Years of Service: **30** x Multiplier: **2.5%** =

(Based on average NWWMC salaries)

Starting Pension at 55: **\$83,266**

Pension Benefits accumulated by age 75: **\$1.89 million**

Sample Tier 2 Pension: DMMC



Final Rate of Earning: **\$118,603** x Years of Service: **30** x Multiplier: **2.5%** =

(Based on average DuPage FRE)

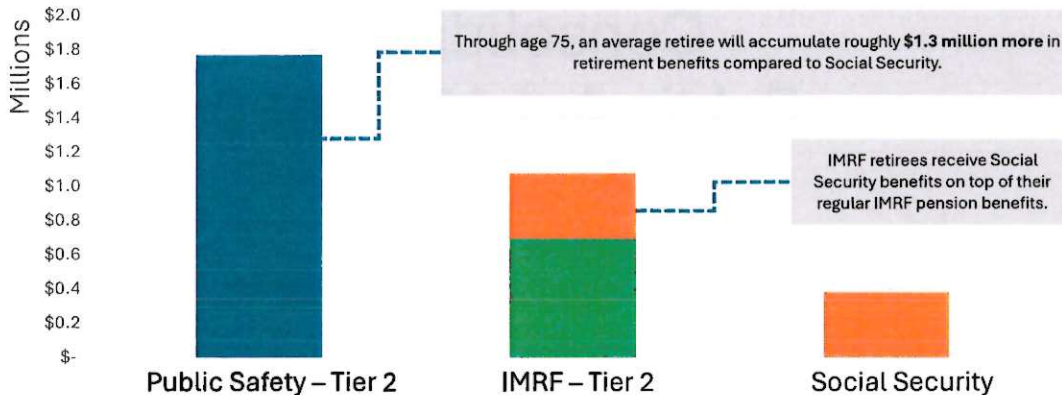
Starting Pension at 55: **\$88,952**

Pension Benefits accumulated by age 75: **\$2.02 million**

Illinois Municipal Pensions vs. Social Security



Cumulative Retirement Benefit Through Age 75



Based on maximum pensions at \$100,000 final rate of earning. Public safety pensions reach maximum at 30 years of service. IMRF pensions reach maximum at 40 years of service. Social Security calculates pension based on highest 35 years of employment.

Midwest Public Safety Pension Comparisons



State	Employee Contribution	Full Retirement Age	Pension Formula	Cost of Living Adjustment (COLA)	Funded Ratio
Illinois	9.91% (Police) & 9.455% (Fire)	55	2.5% x Service Credit x FAS (4 out of 5 years)	Lesser of 1/2 CPI-U or 3% (not compounding)	65.08%
Wisconsin	6.8% (Variable)	54 (53 w/ 25 years of service)	2.5 x Service Credit x FAS	Variable (based on investment fund performance)	96%
Indiana	6%	52	52% + (2% x Service Credit over 20 years)	Lesser of CPI-U or 3%	93.2%
Iowa	9.4%	55	((3% x Service Credit to 22 years) + (2% x Service Credit over 22 years)) x FAS (3 years)	1.5% plus a flat-dollar amount based on number of years retired (maxes at \$35 per month)	84.57%
Missouri	0-6% as elected by employer	55	2.5% x Service Credit x FAS (Note: Employer has control over multiplier – 2.5% is max)	Lesser of CPI-U or 4%. COLA must be approved by Pension Board annually	95.1%
Kentucky	9%	60 (or 25 years of service)	Does not apply – Hybrid Cash Balance Plan enacted for new hires after 1/1/2014	Only granted based on 100% funded ratio or General Assembly action	47.58%
Michigan	5%	55 (50 under certain circumstances)	((2% x Service Credit to 25 years) + (1% x Service Credit over 25 years)) x FAS (5 years)	Determined by Municipality through collective bargaining	N/A – No consolidated figures available
Minnesota	11.8% (Variable)	55	3% x Service Credit x FAS (5 years)	1% (compounding)	93.06%

Constitutional Protection

Illinois pension benefits are constitutionally protected – “Enforceable contractual relationship, the benefits of which shall not be diminished or impaired.”

Constitutional protection is not enjoyed by all bordering states:

- In 2013, the Kentucky General Assembly changed the law for granting COLAs on existing pensions. Kentucky has not passed a COLA since 2011.
- Minnesota’s employee contribution has increased 6 times since 2009, going from 8.6% to 11.8%.
- Wisconsin’s employee contributions are variable based on the funding ratio of the pension system.
- Wisconsin’s COLA is variable based on investment performance, resulting in negative COLAs from 2008-2012.
- Missouri’s COLA is at the discretion of the Missouri Local Government Employees Retirement System Board of Trustees.

Illinois public safety employees enjoy a pension that is agreed to (and constitutionally protected) when beginning employment.



Investment Fund Consolidation Public Act 101-0610

Doug Krieger
Trustee, Firefighters’ Pension
Investment Fund

Pension Funding

Three pension funding sources:

1. Employee Contribution:
 - Firefighters: 9.455% of salary
 - Police: 9.91% of salary
 - IMRF: 4.5% of salary



2. Employer (Taxpayer) Actuarially Required Contribution

3. Investment Returns





The Social Security “Safe Harbor” Concern

Mark Fowler
NWMC Executive Director

Tier 2 Pension Comparisons

Municipal Pension Briefing
December 2, 2025

	Municipal Public Safety	IMRF	TRS	SERS
Full Retirement	Age 55 with 10 years of service Average of 4 out of last 5 years salary.	Age 67 with 10 years of service Average of highest 8 out of your last 10 years of service.	Age 67 with 10 years of service Average of 8 out of last 10 years salary.	Age 67 with 10 years of service Average of 8 out of last 10 years salary.
Final Rate of Earning	Pensionable salary cap increases by lesser of CPI-U or 3%.	Pensionable salary cap increases by lesser of ½ CPI-U or 3%.	Pensionable salary cap increases by lesser of ½ CPI-U or 3%.	Pensionable salary cap increases by lesser of ½ CPI-U or 3%.
Employee Contribution	9.91% (Police) 9.455% (Fire)	4.50%	9%	Members without Social Security - 8% Members with Social Security - 4%
Employer Contribution	Municipality	Municipality	State and local school districts	State
Cost of Living Adjustment (COLA)	Lesser of 1/2 CPI-U or 3%	Lesser of 1/2 CPI-U or 3%	Lesser of 1/2 CPI-U or 3%	Lesser of 1/2 CPI-U or 3%
Social Security	Determined by local community	IMRF employees participate in Social Security	Not applicable	Depends on the employee (see above)
Meets Safe Harbor	YES	YES	NO	NO (without Social Security)

Tier 2 municipal pensions meet or exceed Safe Harbor standards.

[Link to COGFA Study: Public Safety Pensions, State Pensions](#)

Public safety pensions differ substantially from teachers and state employees. Under Tier 2, a municipal public safety employee can retire at age 55, with 30 years of service. A Tier 2 teacher must wait until age 67, a full twelve years longer, to retire.

A Different Situation

Municipal Pension Briefing
December 2, 2025




- Social Security “Safe Harbor” concerns recognized
- Consolidation bill addressed pensionable cap and final average salary issues
- In June 2024, the Commission on Government Forecasting and Accountability (CGFA) released a report on Safe Harbor for Article 3 and 4 Pension Plans. The report concluded that:

To-date and into the near future, the Article 3 and 4 Funds satisfy the requirements of a Social Security replacement plan and that employers and employees are properly exempt from FICA (Federal Insurance Contributions Act) taxes.



Tier 2 Municipal Pensions & Taxpayers

Chris Staron
NWMC Policy Director

Doug Krieger
Manager, City of Naperville

Public Safety Pension Funds Before and After Tier 2 – NWMC Case Study

Municipal Pension Briefing
December 2, 2025

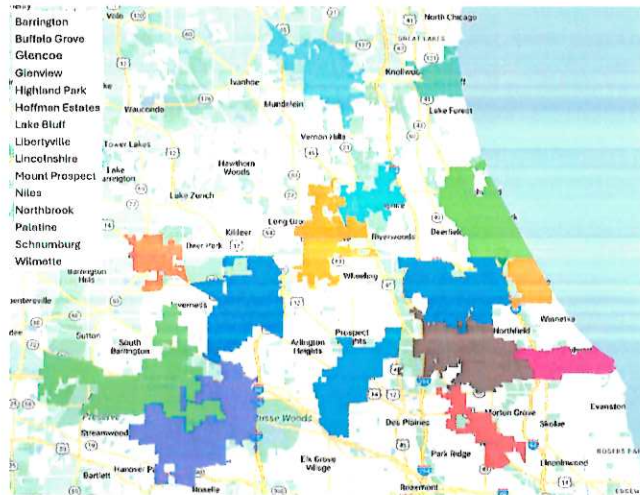
Examining 15 NWMC Communities (27 Funds)

Varying fund sizes –

- Assets from \$14 million to \$130 million
- Contributions from \$822,000 to \$8.5 million

Varying funded ratios –

- 68% to over 100% in 2001
- 50% to 91% in 2024



Public Safety Pension Funds Before and After Tier 2

Municipal Pension Briefing
December 2, 2025

	Decade Before Tier 2	After Tier 2
Contributions	Annual Growth of 12.69%	Annual Growth of 7.44%
Liabilities	Annual Growth of 9.15% (7.29% statewide)	Annual Growth of 4.84% (5.1% statewide)
Funding Ratio	Dropped from 86% in 2001 to 57% in 2010 (69.1% to 54.51% statewide)	Slowly rebounding to 64% in 2024 (65.1% statewide)

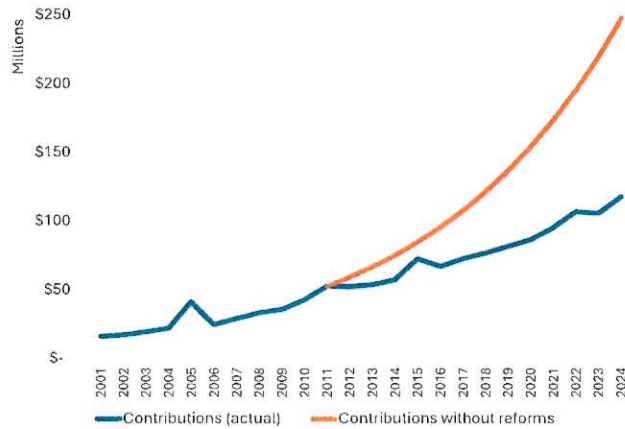
Public Safety Pension Fund Contributions

Communities' commitment to appropriately funding pensions:

- Since 2001, annual contributions have increased by 641%.

If trends from before Tier 2 would have continued . . .

- **Taxpayers** would have contributed an additional \$691.5 million to public safety pensions.
- 2024 **taxpayer** contributions would have been 111% higher.

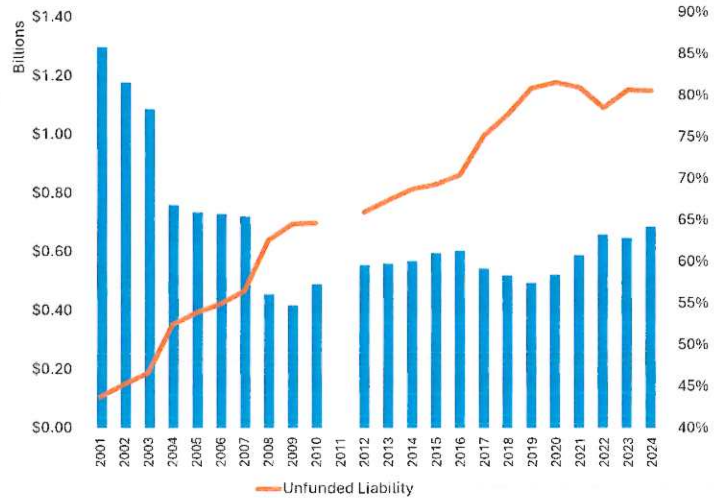


Unfunded Liabilities & Funded Ratio

Since the passage of Tier 2, the public safety pension system has moved towards stability.

After a decade of growing unfunded liabilities, assets are growing quicker than liabilities.

Funded ratios are slowly recovering.



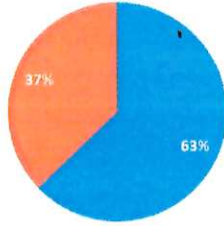
Tier 2 Taxpayer Relief

- The growth in annual pension contributions continue to grow faster than inflation.
- Without Tier 2, taxpayer contributions between now and 2040 would increase:
 - Schaumburg: **\$54.9 million**
 - Lake Forest: **\$21.2 million**
 - Des Plaines: **\$39.6 million**
 - Prospect Heights: **\$7.6 million**

Non-Home Rule Case Study: Lombard

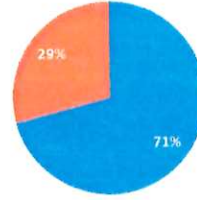
PROPERTY TAX LEVY ALLOCATED TO PENSIONS

■ 2023 Levy for Pensions ■ For Other Uses



PROPERTY TAX LEVY ALLOCATED TO PENSIONS IF TIER 2 ELIMINATED FOR PUBLIC SAFETY PENSIONS

■ 2023 Levy for Pensions if Tier 2 was eliminated for Police and Fire ■ For Other Uses



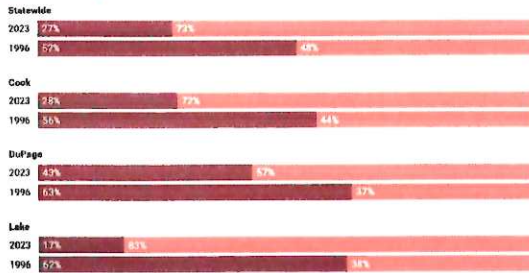
Source: Village of Lombard FY2023 Actuarial Analysis

Impact on Property Taxes

Illinois fire protection crowded out by pensions

Share of property taxes going to pensions, protective services, 1996 versus 2023

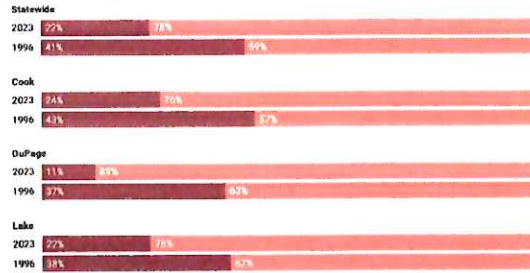
■ Fire protection ■ Firefighter pensions



Police protection crowded out by Illinois pensions

Share of property taxes going to pensions and protective services, 1996 vs. 2023

■ Police protection ■ Police pensions



Source: Illinois Department of Revenue, Illinois Policy Institute



Concerns Going Forward: Senate Bill 1937

Mark Fowler
NWMC Executive Director

Chris Staron
NWMC Policy Director

Municipal Pension Funds and the Future of Local Budgets

- Tier 2 is not a silver bullet or quick fix to Illinois' pension issues
- The median Fire fund is 74% funded
- The median Police fund is 64% funded
- The deadline to achieve a funded ratio of 90% is 2040
- Any Tier 2 or other benefit increases will create immediate unfunded liabilities which will require higher contributions that add to taxpayer costs

Senate Bill 1937 Summary

- Police (Article 3), Fire (Article 4) and IMRF (Article 7)
 - Legislation increases the cost-of-living adjustment (COLA)
 - Lowers the normal retirement age for full benefit
 - Ties the pensionable salary cap to the Social Security wage base
- Police (Article 3) and Fire (Article 4)
 - Moves back the statutory funding deadline to reach 90% from 2040 to 2055

Senate Bill 1937 Impacts

- Immediate increase to unfunded liability and normal cost
- NWMC Estimate – Year 1 Normal Cost Increase: \$18-35 million
- With full Tier 2 employment, the normal cost will be 35-100% higher under SB 1937.
- Estimated Contribution Increases through 2040:
 - Naperville: \$59,306,755 (14% annual property tax increase to pension levy)
 - Lombard: \$42,522,000 (10% annual property tax increase)*
 - Wheaton: \$58,314,231 (10% annual property tax increase)
 - Des Plaines: \$18,054,000 (4.5% annual property tax increase)
 - Burr Ridge: \$14,116,000 (25% annual property tax increase)*

*Non-home rule communities, subject to PTELL

Public Safety Pension Funds: Reamortization



- SB 1937 moves funding deadline from 2040 to 2055.
- Reamortization can provide flexibility to communities by extending the time reach 90% funding.
- *But* extending the deadline significantly increases the long-term costs to taxpayers.
- SB 1937 pairs reamortization with enhancements further increasing long-term costs.
- The cost of existing pensions and enhancements is shifted to future generation.

Increase (Decrease) in Estimated Employer Contributions (\$ in Million)					
Age 52 with 20 Years for Unreduced Pension & 90% by MFY 2055					
Time period	Aurora Fire	Harvey Fire	Aurora Police	East St. Louis Police	Total
MFY 2025 (first year of implementation)	(\$2.656)	(\$1.203)	(\$4.093)	(\$0.779)	(\$8.731)
Through MFY 2056	\$222.731	\$61.475	\$310.673	\$36.262	\$631.14

Source: COGFA Pension Impact Note on SB 1937

Pensions and Bond Ratings



- Since 2009, both state and local borrowing costs have shown a meaningful sensitivity to the sponsor's ratio of unfunded liability to revenue.
- Pensions have become increasingly relevant to the municipal bond markets and can have a meaningful impact on the borrowing costs of a municipality. As such, adequate funding, monitoring, and management of public pensions should continue to be an important component of fiscal management for state and local governments.

Source: Center for Retirement Research at Boston College:
"How Have Municipal Bond Markets Reacted to Pension Reform?"

Demographic Issue



In many communities, Tier 2 members equal/outnumber Tier 1

Number of retired members growing rapidly:

Police Funds

- 2012: 2:1 active to retired members (12,978 : 6,519)
- 2024: 6:5 active to retired members (13,489 : 11,649)

Firefighter Funds

- 2012: 2:1 active to retired members (9,196 : 4,521)
- 2024: 5:4 active to retired members (9,993 : 8,119)

Source: Illinois Department of Insurance