



Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook, IL 60523-2337

Service Representatives 1-800-ASK-IMRF

www.imrf.org

October 23, 2007

Dear Editor:

John McCarron makes some valid points about the mismanagement of public employee pensions in Illinois, including his assertion that the state has not set aside enough funds to cover its commitments (“Money pits: Pensions, politicians and pills,” Perspective, Oct. 21). Even so, his column overlooks the benefits of public pensions to everybody in Illinois and perpetuates misconceptions about how best to remedy the pension problem.

Public pensions are a great asset to the state. They help government employers attract and retain qualified professionals to ensure proper delivery of needed services. Pensions also serve as a financial engine for the state’s economy. Eighty-five percent or more of municipal workers in Illinois stay here when they retire and plow their retirement dollars back into local businesses. We can attribute 2.9 percent of the state’s economy to retired government workers spending their pension benefits.

The column also fails to point out that the five Illinois pension funds with a combined unfunded liability of \$40 billion currently have more than \$100 billion in assets available to fund benefits owed. Moreover, these systems are capable of making up the deficit. What is needed is a sensible, long-term plan that includes: a commitment to fully funding the systems with a dedicated income stream that can not be tapped for other uses; enacting legislation that will close loopholes that expose the system to abuses; and a moratorium on benefit increases that do not have a clear and immediate source of funding.

Most of these retirement systems, it should be noted, do not participate in Social Security. This relieves the city, county and state of Social Security contributions. It also means that unlike private sector employees who have 401(k) plans and Social Security, these public employees only have their pensions to fall back on.

The fact is most public employees participate in pension plans that are well managed, well funded and closely regulated. The Illinois Municipal Retirement Fund, for example, which is 100 percent funded, guarantees modest pensions to supplement retirees’ other savings and benefits, not so-called “Cadillac benefits.”

-more-

Converting the state's defined benefit pension plans to 401(k)-style defined contribution plans as some have suggested is not the answer. That would surely prove expensive, raising administrative expenses considerably over the next 10 to 15 years and costing more long-term than traditional pensions.

Finally, it is worth noting that this column ran on the first day of National Save for Retirement Week, which urges employees to take full advantage of employer-sponsored retirement savings plans. This event draws much-needed attention to the importance of offering meaningful ways for people to save for retirement. Fortifying our pension systems is a good start.

A handwritten signature in black ink, reading "Louis W. Kosiba". The signature is fluid and cursive, with a large initial "L" and "W".

*Louis W. Kosiba
Executive Director
Illinois Municipal Retirement Fund
Oak Brook, Ill.*