



# Illinois Municipal Retirement Fund

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Chicago Tribune Editor:

Dennis Byrne is correct when he argues that funding and benefit changes should be made to solve Illinois' pension challenges (1/25 column, "Wanted: Pols who'll challenge unions"). But Mr. Byrne is wrong to suggest that new hires should accept a 401k plan that is inferior to that of their new colleagues.

Defined benefit public pensions provide the same retirement income at nearly half of the cost of individual 401k accounts. They help municipalities attract and retain quality workers that provide vital services, such as educational support, road maintenance and public safety. Additionally, they fuel local and national economies. In 2009, for example, Illinois Municipal Retirement Fund (IMRF) benefit payments produced nearly \$1.5 billion in economic activity in Illinois, which translates into approximately 11,300 jobs, more than McDonalds' Illinois workforce.

And, unlike 401ks, DB pensions also ensure financial security; 401k accounts were intended to *supplement* pensions and have proven to be an insufficient source of retirement income. As the 2008 economic downturn proved, 401ks place employees at the whims of financial markets, and can create a community of retirees who lack self-sufficiency and become dependent on government assistance down the road.

Second, the majority of retired public workers are not receiving "overly generous" pensions, as Mr. Byrne claims. The average monthly benefit for a new IMRF retiree in 2008 was a modest \$1,248.

Separately, Mr. Byrne is correct in noting that local governments face serious financial challenges. That's why the IMRF Board of Trustees adopted a plan to moderate the impact of 2008 investment losses on employer rate contributions. Most employers were given the option of "phasing in" rate increases, which caps yearly increases at 10 percent. As a result, the average IMRF contribution rate in 2010 is 10.76 percent of payroll, not "more than one half of an employee's annual salary," as Wilmette Village Trustee Mike Basil states.

Public pensions reward long-serving public employees in a responsible manner for the valuable work they do. As a nation, we should be looking at ways to "get back to basics" and ensure *all* Americans have access to a secure retirement. A wide and growing body of research shows that Americans with all three legs of the retirement security stool – a pension, individual savings and Social Security – have the best chance of being self-sufficient in retirement.

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