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CIVIC FEDERATION PRAISES MWRD FOR RESPONSIBLE PENSION FUNDING

(CHICAGO) In an analysis released today, the Civic Federation supports the Metropolitan Water Reclamation District's (MWRD) FY2014 Tentative Budget of \$1.2 billion for its responsible pension practices and transparent long-term planning. The full 50-page report is available at www.civicfed.org.

“The District is prudently basing its pension contribution this year on the actuarial needs of the fund, rather than blindly following statutory requirements,” said Laurence Msall, president of the Civic Federation. “This level of vigilance is critical to the future health of our state and local government pension funds, even after necessary reforms are enacted.” The District's responsible pension fund stewardship is guided by its continued reliance on publicly-available long-term financial plans.

The MWRD set a standard for local governments last year by successfully petitioning the Illinois General Assembly for pension funding reform legislation. Prior to the implementation of this legislation, the market value funded ratio of the District's pension fund was only 51.1% in FY2012. The legislation increases the contributions to the pension fund for Tier 1 employees hired before January 1, 2011 and the employer contribution made by the District starting January 1, 2013. However, the District has determined that the new funding requirements are insufficient to meet the actuarial needs of the fund in FY2014. In its FY2014 budget, the MWRD proposes to make an additional employer contribution beyond the new statutorily-required level for a total employer contribution of \$75.0 million. Unlike other area local governments that are not allowed to contribute more or less than statutory requirements, the MWRD is allowed to transfer interest earned on any of its moneys to its pension funds.

The District also continues to maintain substantial reserves for unanticipated expenses or emergencies. In FY2014 the District is setting aside 38.5% of its operating funds as non-appropriated fund balance. This level exceeds the District's established policy of maintaining 12-15% of appropriations as reserves. While the District notes in the budget that it plans to reduce its level of reserves, the Civic Federation encourages the District to improve its fund balance policy by adding a maximum target and a formal plan for spending down excessive reserves. The District should consider using some of its excess fund balance for pay-as-you-go capital projects or additional pension contributions to reduce unfunded liabilities. The District could also moderate or abate its property tax levy until the excess reserves are spent down. The FY2014 budget includes a 5.2% increase in the District's gross property tax levy, which includes both non-tax-capped funds and those limited by the Property Tax Extension Limitation Law (PTELL).

The Civic Federation's full analysis also includes recommendations to further improve the MWRD's budgetary transparency by adding information to its budget documents and by increasing the time allowed for public review before a vote is taken on the final version of the budget by the District's Board of Commissioners.

The Civic Federation is an independent, non-partisan government research organization that promotes efficient delivery of public services and sustainable tax policies in the Chicago region and State of Illinois. For more information, please visit the Federation's website at www.civicfed.org.



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