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CIVIC FEDERATION SALUTES MWRD LEADERSHIP ON OPEB LIABILITIES

District One of Few Governments in Illinois to Address OPEB Funding Issue

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(CHICAGO) The Civic Federation announced its **support** of the \$968.7 million FY2007 Metropolitan Water Reclamation District tentative budget today because it minimizes the burden on taxpayers and incorporates sound financial planning techniques.

In stark contrast to many local governments in northeastern Illinois, the District makes a strong effort to follow sound, rational principles of strategic and long-term planning in its budgeting process. These steps include publishing a five-year financial forecast, a Capital Improvement Plan, and performance measures in the budget book. The District has shown fiscal restraint by not increasing the property tax levy to the maximum amount allowable under the tax cap law. The levy for tax capped funds will increase by 2.8% or \$7.3 million, and the gross property tax levy, including non-tax capped funds, will increase by only 0.1%. Finally, the MWRD has developed a plan that proposes targeted future personnel reductions and will increase employee contributions to health insurance.

The most remarkable plan the District has made, however, is for the creation of a trust fund to begin saving for the payment of Other Post Employment Benefits (OPEB) or the health insurance, life insurance, and long-term care coverage an employer will pay to its retirees. While reporting OPEB liabilities is a new requirement for governments, Government Accounting Standards Board (GASB) does not require the additional step of funding future non-pension benefits; the MWRD has taken that leadership position of its own volition. "The MWRD has moved beyond the question of how to report OPEB liabilities currently occupying most other local governments and has moved toward a concrete plan to pay for them," said Msall. "The Civic Federation is impressed by the prescience and responsibility of this move."

The main **concern** the Federation had with the District's long-term finances was the downward trend in the MWRD Retirement Fund's funded ratio. Between FY2001 and FY2005, the most recent year for which data are available, the funded ratio dropped from 85.9% to 70.8%. The funded ratio is a measure of how well a government is prepared to meet its future pension obligations. While the MWRD Retirement Fund is not yet in crisis, the continued decline in funded ratio is a cause for concern. The Federation provided a number of recommendations in its analysis to improve the long-term financial health of its pension fund, most of which would require General Assembly authorization. They include containing future liabilities by establishing a two-tiered system with more modest benefits for new employees and requiring benefit enhancements to be tied to contribution increases.

The report is available on our website www.civicfed.org.

The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.