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FOREST PRESERVE DISTRICT BUDGETARY ACHIEVEMENTS THREATENED BY DECLINING HEALTH OF PENSION FUND

(CHICAGO) – In a report released today, the Civic Federation supports the \$178.8 million FY2014 budget proposed by the Forest Preserve District of Cook County. The budget holds the property tax levy flat and maintains substantial reserve funds. However, the Federation warns that these achievements are threatened by the declining health of the District's pension fund. The full 57-page report is available at civicfed.org.

“We applaud the steps taken by President Preckwinkle and Superintendent Randall to produce a reasonable budget plan,” said Laurence Msall, president of the Civic Federation. “However, this plan is only possible because State law requires the District to contribute an inadequate amount to its pensions.” The FY2014 budget holds the property tax levy flat for the fifth year in a row while continuing to follow its own fund balance policy. The current fund balance level is healthy enough that the District should consider adding a maximum target to its fund balance policy to prevent excessive accumulation of resources that could impact intergenerational equity.

These budgetary achievements would be threatened if the District were required to pay an actuarially sound amount to its pension fund. The market value funded ratio of the District's pension fund has fallen from 80.9% in FY2003 to 59.2% in FY2012 due in large part to contributions that have been insufficient to maintain the health of the fund. Actuaries for the pension fund estimate that the District's annual contribution would need to increase to approximately five times the current level in order to meet actuarial requirements. Without reform, the pension fund is projected to be insolvent by 2031.

The Civic Federation urges the Forest Preserve District to develop its own pension reform framework based on the characteristics of its fund, including funding levels, member population and statutory provisions. The District should aggressively push for such a plan to be passed by the Illinois General Assembly rather than wait for the State to resolve its own pension crisis. The Civic Federation further recommends that the District develop and implement a long-term financial plan to ensure fiscal sustainability. Long-term planning should include examination of the pension plan and other financial pressures including recent growth of the District's workforce.

The full analysis also emphasizes the continued inadequacy of the Forest Preserve District's governing structure. This structure, where the District and the County are governed by the same Board of Commissioners, results in an unavoidable conflict of interest between the County's mission to provide economic development and the Forest Preserve District's mission to conserve land. Moody's Investors Service cited this shared governance as a concern when downgrading the District's general obligation debt to A1 from Aa2 in August 2013. The Federation first addressed this issue in a 2008 report and continues to urge the creation of a separately-elected, unpaid Forest Preserve Board to provide critical governance and oversight.

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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