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Village of Willowbrook

COMMUNITY NEWSLETTER & PARKS FALL FUN GUIDE

September —December 2012



Robert A. Napoli
Mayor

MAYOR'S MESSAGE

This newsletter is devoted to the Village pensions we as taxpayers are obligated to provide to our employees. I as Mayor, and your Village Board members, are all taxpaying citizens/residents of the Village. One of my main objectives as Mayor is to provide full transparency (i.e., facts and knowledge) as to how your Village government operates. The following is a brief overview of the Village pension systems followed by a brief statistical analysis illustrating the actual pension amounts your Village is required to provide our employees upon retirement.

Any time a government spends taxpayer monies which exceed the amount that is reasonable and appropriate for the promotion of a legitimate public purpose, the excess of such public spending constitutes waste. Further, when that spending greatly exceeds the amount necessary to achieve that public purpose, it can be fairly said that such great excess of spending constitutes wasteful extravagance.

Being cognizant of taxpayer concerns about excessive government spending at both the Federal and State levels and, particularly, your dismay at Illinois' allowance of excessively generous pension benefits to municipal retirees that are unmatched in private industry, I directed our professional staff to perform a study of the Village's two public employee pension funds to determine whether the retirement benefits being awarded thereunder meet the definition of wasteful extravagance set forth above. This study, entitled **Village Pension Funds Analysis** immediately follows this message. I urge each of you to give it your careful consideration and invite you to convey any comments you may have regarding its content to me at the Village Hall.

After a careful reading of the Analysis, I have concluded that it convincingly demonstrates that the benefits being awarded retirees by the Willowbrook Police Pension Fund (WPPF) are clearly extravagant as they are far in excess of what is reasonably necessary to humanely care for retirees. In support of this conclusion, I offer the comparative benefits table taken from the Analysis. That table shows that the Village's **non-police** IMRF retirees can, over the course of their retirement years, each receive pension payments equal to **48%** of their entire 30 year active career earnings; whereas, its **police** WPPF retirees can, over the course of their retirement years, each receive pension payments equal to **120%** of their entire 30 year active career earnings. Stated another way, that table shows that Willowbrook's police retirees can earn more money in retirement than they earned as active employees.

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The Village of Willowbrook

COMMUNITY NEWSLETTER

Mayor's Message Continued from Front Page

Now, for those of you reading this message who, as taxpayers like myself, also live upon a modest, private pension or social security, such extravagant pension allowances as are presently received by the Village's WPPF retirees must come as both a great shock and a disturbing surprise. Assuming this to be the case, I suspect many of you are now asking yourselves how in the world could the Village have permitted this to have happened to its taxpayers?

To answer that question, I need to first share some background information with you. To begin with, the Village first established the Willowbrook Police Pension Fund (WPPF) in 1983 as required by the Illinois Pension Code. The WPPF, like the 348 other police pension funds in Illinois, is a separate, self-managed entity. The WPPF is governed by a Board of Trustees, a majority of which represent the police employees and retirees. The employee and retiree representative Trustees make up the Board and manage the fund. The WPPF gets its money from three (3) main sources: (a) payments made by the Village; (b) payments made by active police employees; and, (c) income derived from the Board's investment of the fund's assets.

Furthermore, while the State of Illinois makes no financial contribution to the WPPF, it sets by statute the level of the fund's pension benefits that the Village must fund through the WPPF. The State also sets the non-fluctuating contribution of police employees (now 9.91% of salary) to the fund. Finally, because the investment income of the WPPF fluctuates depending upon the success or failure of the Board's investment decisions, the statute requires the Village to make up any shortfall in the funding of required pension benefits. **In sum, it is the State of Illinois not Willowbrook that sets the level of WPPF pension benefits; and, it is the State of Illinois not Willowbrook, that over the years has periodically amended the level of WPPF pension benefits to their present level of extravagance.**

Yet, to fully understand why Illinois has established such retirement benefits for police retirees at their present level of extravagance, you also need to recognize that public-sector unions are an integral part of the political coalition that today controls state government. Being a part of that governing coalition has allowed the police unions to maximize their pension benefits via periodic legislative changes over the last 30 years to the Illinois Pension Code.

I have chosen to sound the fiscal alarm now on the status of the WPPF because the rising cost of its police pensions to the Village is not sustainable over the long term. At present, the Village's FY 2012-2013 Budget estimates that the total expense of the Police Department to the Village treasury will be 59% or \$4.14M of the Village's total general fund expenses of \$7.06M. Additionally, the Village's state-mandated contribution to the WPPF has doubled over the past 7 years. At present, there are 20 active officers serving in the Department and 10 retirees covered by the WPPF. However, the latter retired figure will likely change dramatically over the next 5 years given that the average age and service of the Department's active officers is higher than the state average. This being so, as many as another 11 officers will become retirement eligible over the next 5 years. Therefore, it is probable that the Village's current contribution to the WPPF of \$581,988 could easily more than double sometime during that same period.

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Community Newsletter

Mayor's Message (Continued from Inside Front Cover)

Aware of this impending fiscal threat, the Village has, through the DuPage Mayors and Managers Conference, been lobbying our state officials to reform public employee pension levels. Thus far, we have met with very little success. The IML Legislative Update for August, 2012 confirms that public-sector pension reform is not even included by legislative leaders within the pension reform effort begun during the Spring 2012 Legislative Session. Governor Quinn has called for a Special Legislative Session to occur on August 17th for the expressed purpose of considering "the broad issue of pensions." Regardless of the outcome of the session (many believe that no pension reform efforts will occur prior to the national elections in November), we will remain determined in our efforts to persuade the State to adopt the necessary public-sector pension reforms.

I remain optimistic that comprehensive public-sector pension reform will somehow soon be achieved. I say this because virtually no one I talk to in government/public any longer denies the urgent need for such reform. Yet, lest anyone think or suggest that I am talking about more than the elimination of wasteful extravagance from existing pension benefits, let me be clear: I want only to reform public employee pensions to avoid an inevitable fiscal crisis, and, thereby, to insure that the WPPF's contributors and retirees will have dependable and equitable retirement savings in the years ahead.

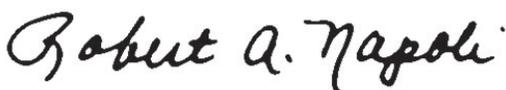
At this point, I would like to leave you with some thoughts a great historian offered almost a century ago on the unfunded pension promises then made to public workers by British politicians. His remarks may today help to explain for you the obvious reluctance of Springfield legislators to reform the state's public-sector pension plans notwithstanding the widespread recognition of their enormous unfunded liabilities.

"A public worker gets promised a pension. If the correct value, based on best assumption, is not set aside to fund that pension, then we have the equivalent of a theft of services. Future taxpayers will have to make up for past underfunding, a Ponzi scheme will ensue, or those promises will not be kept despite whatever laws (which politicians have a way of interpreting to their advantage as necessary) are on the books."

J.B. Bury

Again, I welcome any comments, observations or suggestions you may have regarding the foregoing message. Finally, please be assured that, in keeping with the requirements of the law and fairness to all, we at the Village Hall will continue to do everything we possibly can to protect the public treasury while at the same time meeting the pension obligations imposed upon the Village by state legislature. This pension issue must be addressed as soon as possible to ensure the fiscal health of the Village.

My Best,



Mayor Robert A. Napoli

Community Newsletter

Village Pension Funds Analysis

The Village contributes to two defined benefit pension funds for its current employees: the Illinois Municipal Retirement Fund (IMRF) and the Willowbrook Police Pension Plan Fund (WPPF).

Illinois Municipal Retirement Fund (IMRF)

The IMRF was created in 1939 to provide disability, retirement and death benefits to non-public safety (i.e., non-police and fire) local government employees. The IMRF covers a variety of local government employees from county and village employees to park district and non-teaching school district employees. Overall, nearly 3,000 separate units of government participate in the IMRF. Currently, the IMRF has over 182,000 actively working members and approximately 89,000 retirees and beneficiaries.

Non-police Village employees who meet or exceed the required annual hourly standard (i.e., work over 1,000 hours/year) are required by state law to be enrolled in the IMRF as participating members. Depending upon the particular employee's hire date, the employee will be enrolled in either the Tier 1 or Tier 2 plan. The table below outlines the benefit levels of each tier.

IMRF Summary		
	IMRF Tier 1	IMRF Tier 2
Eligibility	Members enrolled before January 1, 2011	Members enrolled after January 1, 2011
Vesting Requirement	8 Years	10 Years
Normal Retirement Age (Full Pension)	60	67
Earliest Retirement Age (Reduced Pension)	55	62
Final Rate of Earnings (FRE)	Average of highest 48 months in the last 10 years of service	Average of highest 96 months in the last 10 years of service
Annual Pension Increases	3% (non-compounding)	Lesser of 3% or half the CPI (non-compounding)
Salary Cap	Before 1/1/96: None After 1/1/96: \$245,000	\$106,800 + the lesser of half the CPI or 3%.
Full Pension (40 years of service)	75% of FRE	75% of FRE

Under the Tier 1 plan, participating members who retire at or after age 60 with 8 years of service credit are entitled to an annual retirement benefit, payable monthly for life. The benefit amount is equal to 1.67% of their final rate of earnings (FRE) for each year up to 15 years, and 2% for each year thereafter up to a maximum pension amount of 75% after 40 years of service.

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Village Pension Funds Analysis Continued From Page 2

The IMRF is funded through three sources: employee contributions, employer contributions, and investment returns. The IMRF does not receive funding from the state of Illinois. Participating IMRF members (i.e., non-police Village employees) are required by state statute to contribute 4.5% of their annual salary to the IMRF. The Village's contribution rate is also established by state statute. The Village's Fiscal Year 12/13 required total contribution amount was \$156,812, which represents 17.95% of covered payroll. The investment returns serve as the largest source of funding for IMRF benefits -- almost 60%. Since 1982, the IMRF has earned a compounded investment return of 9.95% annually. As of December 31st, 2011, the IMRF as a whole is 83% funded according to the IMRF's 2011 Annual Financial Report.

Below is a table describing the retirement benefit packages for four (4) hypothetical employees retiring at the age of 60 under the Tier 1 IMRF plan. The four employees include: 1) a retiring non-supervisory employee earning \$60,000 per year with 25 years of service, 2) another retiring non-supervisory employee earning \$60,000 per year with 30 years of service, 3) a retiring Administrator earning \$158,135 per year with 25 years of service, and 4) a retiring Administrator earning \$158,135 per year with 30 years of service. All calculations assume the employee will live to be 76 years of age after retirement, based on the current life expectancy from the Census.

Example - IMRF Financial Summary					
		Non-Supervisory Employee		Administrator	
		25 Years of Service	30 Years of Service	25 Years of Service	30 Years of Service
A	Employee Salary	\$60,000	\$60,000	\$158,135	\$158,135
B	Career Earnings	\$1,125,000	\$1,350,000	\$2,601,687	\$3,122,025
C	Career Employee Contributions (4.5%)	\$50,625	\$60,750	\$117,075	\$140,491
D	Total Village Contributions	\$136,935	\$163,428	\$319,788	\$380,519
E	Percentage of Final Rate of Pay	45%	55%	45%	55%
F	Annual Employee Pension Benefit	A x E= \$27,000	A x E= \$33,000	A x E= \$71,160	A x E= \$86,974
G	Total Earned After Retirement (76 Year Life Expectancy)	\$529,200	\$646,800	\$1,394,750	\$1,704,695
H	Surviving Spouse Benefit for 10 Years (50% of pension benefits at the time of death)	\$195,750	\$239,250	\$515,915	\$630,563
I	Total Pension Benefit (Employee + Surviving Spouse)	G + H= \$724,950	G + H= \$886,050	G + H= \$1,910,666	G + H= \$2,335,258
J	Total Lifetime Compensation (Salary + Pension Benefits)	B + I= \$1,849,950	B + I= \$2,236,050	B + I= \$4,512,353	B + I= \$5,457,283

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Village Pension Funds Analysis Continued From Page 3

Willowbrook Police Pension Fund (WPPF)

The Village's sworn police personnel are covered by the Willowbrook Police Pension Fund (WPPF). Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may only be amended by the Illinois legislature. The state of Illinois sets the pension benefits that the Village must fund through the local pension plan. Like the IMRF, the WPPF has two different tiers based upon hire date. These tiers are detailed in the table below. Currently, the Village does not have any police employees covered under the Tier 2 plan.

WPPF Plan Summary		
	Tier 1	Tier 2
Eligibility	Hired before January 1, 2011	Hired on or after January 1, 2011
Vesting Requirement	8 Years (reduced benefit) 20+ Years (full benefit)	10+ Years
Normal Retirement Age (Full Pension)	50	55
Final Rate of Earning	Salary on the last day of employment	Salary on the last day of employment
Annual Pension Increases	3% beginning at age 55 (compounded annually)	3% beginning at age 60 (non-compounding)
Salary Cap	None	\$106,800 + the lesser of half the CPI or 3% compounded
Full Pension (30 Years of Service)	75% of final salary	75% of final salary

Willowbrook police officers are required to contribute 9.91% of their base salary to the WPPF and the Village is required to contribute the remaining amounts necessary to finance the fund. In accordance with current state law, the WPPF must be 90% funded by year 2041. A hired actuary performs an annual calculation which determines the Village's contribution amount for that year to keep the plan's funding on track. The Village's Fiscal Year 12/13 required contribution amount was \$581,988, which represents 27.6% of covered payroll. The Village's contribution rate also fluctuates depending upon the level of benefits approved, and periodically amended, by the Illinois legislature.

The following table (top of page 5) presents hypothetical career earnings, contributions, retirement benefits and surviving spouse benefits for the three (3) Tier 1 classes of officers who retire at the age of 50: 1) Patrol Officer, 2) Sergeant and, 3) Chief of Police.

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Village Pension Funds Analysis Continued From Page 4

Example WPPF Plan Financial Summary

		Patrol Officer		Sergeant		Chief of Police	
		25 Years of Service	30 Years of Service	25 Years of Service	30 Years of Service	25 Years of Service	30 Years of Service
A	Employee Salary	\$82,773	\$82,773	\$91,050	\$91,050	\$125,107	\$125,107
B	Career Earnings	\$1,724,262	\$2,069,129	\$1,827,737	\$2,193,286	\$2,253,450	\$2,704,142
C	Career Employee Contributions (9.91%)	\$170,874	\$205,050	\$181,128	\$217,354	\$223,316	\$267,980
D	Total Village Contributions	\$284,158	\$340,992	\$301,211	\$361,453	\$371,368	\$445,642
E	Percentage of Final Rate of Pay	62.5%	75%	62.5%	75%	62.5%	75%
F	Annual Employee Pension Benefit	A x E= \$51,733	A x E= \$62,079	A x E= \$56,906	A x E= \$68,287	A x E= \$78,191	A x E= \$93,830
G	Total Employee Earned After Retirement (76 Year Life Expectancy)	\$2,075,385	\$2,490,473	\$2,282,926	\$2,739,510	\$3,136,847	\$3,764,217
H	Surviving Spouse Benefit for 10 Years (100% of pension benefits at the time of death)	\$1,106,742	\$1,328,098	\$1,217,418	\$1,460,901	\$1,672,789	\$2,007,347
I	Total Pension Benefit (Employee + Surviving Spouse)	G + H= \$3,182,127	G + H= \$3,818,571	G + H= \$3,500,345	G + H= \$4,200,411	G + H= \$4,809,636	G + H= \$5,771,565
J	Total Lifetime Compensation (Salary + Pension Benefits)	B + I= \$4,906,389	B + I= \$5,887,700	B + I= \$5,328,082	B + I= \$6,393,697	B + I= \$7,063,086	B + I= \$8,475,707

According to the most recent estimates, both the Village's pension funds are well funded at the current time with IMRF at 83% funded and the WPPF at 82%. However, if you compare the two retirement funds it becomes clear that the benefit levels offered by the WPPF will become increasingly difficult for the Village to fund. One way to compare the two pension programs is to compare the career earnings of an employee while employed to the earnings that same employee will make once retired. The table below provides an example:

As the table illustrates, the IMRF employees receive a pension benefit equal to roughly half of their career earnings. Whereas, under the WPPF, the Village's police employees earn more money in retirement than was earned over the course of their entire 30 year career. Accordingly, it should be apparent that the WPPF's extravagant level of benefit funding is not sustainable in the long term and reform of those benefits at the state level is now a fiscal imperative.

Comparison: IMRF to WPPF		
	IMRF Employee	WPPF Employee
Annual Salary at Retirement	\$60,000	\$82,773
Career Earnings	\$1,350,000	\$2,069,129
Years of Service	30	30
Total Earned After Retirement	\$646,800	\$2,490,473
Ratio of Retirement Benefits to Career Earnings	48%, Roughly 1:2 (i.e., \$1 in pension payments received for every \$2 earned during career)	120%, Roughly 6:5 (i.e., \$6 in pension payments received for every \$5 earned during career)

Community Newsletter

New Businesses in Willowbrook

The Village of Willowbrook strives to promote a competitive, vibrant marketplace for both existing and incoming businesses. In an effort to promote these incoming businesses, the Village would like to highlight the following new additions to the Willowbrook business community.

Two new businesses, TCBY and Magic Nails, recently opened their doors in the Hinsdale Lake Commons Shopping Center located at the intersection of Route 83 and 63rd Street. TCBY is a frozen yogurt shop that is known for their great tasting, healthy frozen desserts. For information on TCBY, call 630-920-8229. Magic Nails offers a variety of services ranging from manicures and pedicures to spa treatments. Appointments can be made by calling 630-325-5979.

Later this month, Luciano's Woodfire Bistro will be holding its ribbon cutting ceremony. Luciano's is an Italian restaurant featuring a wood burning oven for pizza, steaks, and chops, plus seafood and pasta dishes. The new restaurant is located at 7611 Madison Street. For information on Luciano's, call 630-321-9999.

Upcoming Election Information

The election date for the General Election is **Tuesday, November 6, 2012**. The last day to register to vote is **Tuesday, October 9, 2012**.

The State Congressional Districts have been realigned for 2012. Previously, the Village of Willowbrook was covered under one district. After November, there will be two. The dividing line between the two districts is Plainfield Road. North of Plainfield Road will be the 6th Congressional District and South of Plainfield Road will be the 11th Congressional District. State Senator and Representative Districts will remain the same.

Willowbrook residents can register to vote in person at local City, Village or Township offices in DuPage County or at the Election Commission office, in addition to some local libraries. You will be asked to show two pieces of identification, one with your current address.

Residents may also register by mail using an approved registration application form, which can be downloaded from the DuPage Election Commission website at www.dupageelections.com. You must mail or deliver the form to the Election Commission no later than 28 days before the election along with a copy of your current photo ID or a copy of a current utility bill, bank statement, paycheck or other government document that shows your name and address. If registering by mail, then you must vote in person the first time you vote. Be sure to remember to bring a photo ID when you go to vote.

After registering you will receive a voter's card in the mail which will state where your polling place will be. If you have already registered, you can learn where your polling place will be by visiting the Election Commission website or contacting the Village Hall.

If residents have questions, they can contact the DuPage Election at 630-407-5600 or the Village Clerk's office at 630-920-2234.



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Sue Berglund Mike Mistele
Umberto Davi Frank Trilla

Village Administrator

Timothy J. Halik



Village of Willowbrook **Contact Information**

Village Hall	323-8215
TTY	920-2257
Police Department (emergency)	911
Police Department (non-emergency)	325-2808
TTY	920-2269

Village Hours: Monday—Friday
8:30 a.m.—4:30 p.m.

Police Department Hours Monday—Friday
8:30 a.m.—11:00 p.m.

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