

# COMMUNITIES IN CRISIS

More than half of Illinois cities get “F” grades for local pensions

## Effingham

## 2019 Grade: D

In 2003, Effingham’s police, fire and municipal pension funds already faced a shortfall of **\$4.9 million**. That meant every Effingham household, on average, was on the hook for **\$908** in future taxes just to eliminate that shortfall.

*Effingham began contributing more money – taxpayer dollars – to pensions in an attempt to make the plans healthier. Over the next 16 years, city contributions increasingly crowded out spending for public safety, roads and other core services.*

	2003	2019	Change
City (taxpayer) contributions to pensions	\$0.67 million	\$2.07 million	Up 3.1X
Share of city general budget for pensions	7.9%	15.5%	Up 2.0X

*Despite the ramp-up in city payments over those 16 years, Effingham’s pension debts didn’t decrease. Instead, they jumped by 3.8 times!*

By 2019, the shortfall in Effingham’s police, fire and municipal pension funds totaled **\$18.5 million**. That means each Effingham household, on average, is now on the hook for **\$3,476** in debt.

### Everyone loses under Effingham’s pension crisis:



#### Taxpayers are tapped out

Effingham residents are paying more and more into a broken system. City taxpayers in 2019 contributed 3.1 times more to pensions than in 2003, yet city debts are 3.8 times larger.



#### Pension costs are devouring the city’s budget

Effingham pension contributions have grown to consume 15.5% of the city’s budget, up from 7.9% in 2003. That’s crowded out spending on public safety, roads and other core services.



#### Effingham worker retirement security is collapsing

The health of Effingham’s local pension plans have worsened despite those increased taxpayer contributions. In 2003, the plans had 82.1% of the money they needed. By 2019, that had dropped to just 68.0%.



#### Effingham’s crisis will only get worse

Effingham has fewer active government workers available to help pay for a growing number of retirees. In 2003, there were 1.59 active workers for every pensioner. By 2019, there were 0.98 active workers per pensioner.

2019 GRADE



2003 GRADE



# Effingham receives a "D" grade for its local pension crisis

Local officials handcuffed by state pension mandates.

Wirepoints quantified the negative impact of local pensions by examining the finances of Illinois' 175 largest cities from 2003 to 2019. The analysis was based on ten equally-weighted metrics. Cities were given an A through F grade based on a 100-point scale (10 points per metric).\*

Effingham received a "D" grade in 2019. The city's total score dropped from 74 in 2003 to 63 in 2019, a decline of 11 points.

Effingham was one of 64 cities to receive a "D" grade in 2019.

Effingham Key Facts		
<b>City demographics</b>	<b>2000</b>	<b>2019</b>
Population	12,384	12,563
Households	5,374	5,336
Median household income	\$34,761	\$47,582
<b>City budget</b>	<b>2003</b>	<b>2019</b>
General revenues	\$8,520,712	\$13,370,656
Total revenues	\$18,735,756	\$31,206,223
Total property taxes	\$3,918,670	\$7,111,934
<b>Pension health (police, fire &amp; IMRF)</b>	<b>2003</b>	<b>2019</b>
Total accrued liabilities (benefits owed)	\$27,239,844	\$57,948,708
Total pension assets	\$22,361,590	\$39,403,353
Funded ratio	82.1%	68.0%
Total pension shortfall	\$4,878,254	\$18,545,355
Per household	\$908	\$3,476
Active public safety workers	35	43
Public safety pension beneficiaries	22	44
<b>City pension contributions</b>	<b>2003</b>	<b>2019</b>
City contributions	\$671,286	\$2,067,519
Per household	\$125	\$387
Percentage of city's general budget	7.9%	15.5%
Employees' contributions	\$328,369	\$684,098

175 Cities - Summary Scores			
Grade	Score	Number of cities	
		2003	2019
A	≥90	4	0
B	80-89	35	1
C	70-79	81	8
D	60-69	48	64
F	≤59	7	102

Effingham Score				
Metric	2003	2019	2003	2019
1. Police pension funded ratio	75.2%	71.4%	7	7
2. Firefighter pension funded ratio	85.6%	59.5%	8	5
3. Municipal (IMRF) pension funded ratio	87.4%	72.6%	8	7
4. City pension debts per household as a percentage of median household income	2.6%	7.3%	8	7
5. City contributions per household as a percentage of median household income	0.36%	0.81%	8	6
6. City contributions as a percentage of total budget	3.6%	6.6%	8	5
7. Ratio of city contributions to employee contributions	2.04	3.02	7	5
8. Percentage surplus/shortfall in actuarially-required city contribution (Police & Fire only)	-30.1%	25.5%	3	10
9. Asset-to-payout ratio (Police & Fire only)	30.5	13.1	10	7
10. Worker-to-beneficiary ratio (Police & Fire only)	1.59	0.98	7	4
<b>Total score</b>			<b>74</b>	<b>63</b>
<b>Grade</b>			<b>C</b>	<b>D</b>

\*Wirepoints analyzed 175 of Illinois' largest cities, excluding Chicago, that have a local police, firefighter and municipal (IMRF) pension fund.

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