Dave H Email #1

From: Dave H <dshirons@yahoo.com>
Sent: Saturday, January 16, 2016 9:20 AM
To: Leslie Bednar; Ellen Popit; Kathy Jackson; Adrienne L. Elam; Troy Brown; spalmer@ilinoisheartland.org
Subject: IHLS ERI Proposal

To: All IHLS Employees, Management, Board Members, Member Libraries and their Patrons

I find it absolutely ludicrous that the management and board of the Illinois Heartland Library System are considering implementing an Early Retirement Incentive (ERI) program due to projected funding cuts. To me, given the financial position of the state and of IHLS, this decision is fiscally irresponsible. The financial crisis in Illinois is now unfortunately seeping down to systems. The projected reduction in area and per capita grant funding would be devastating to IHLS operations. Given this scenario, does it really make financial sense to incur $ 750,000 in ERI liability? The preceding question is not rhetorical, so I'll ask again: Does it really make financial sense to incur $ 750,000 in ERI liability? It's a question that needs to be answered honestly. (For simplicity, I use $ 750,000 as the liability amount, but the actual amount is probably closer to $ 850,000 - $1,000,000).

Once this ERI liability is incurred, who is going to pay for it? The remaining downsized IHLS? With the dire forecast, I'm not sure that even a downsized IHLS can survive and it certainly shouldn't be saddled with an additional $ 750,000 liability if it does survive. If IHLS ceases to exist in the future and the liability cannot be paid, will the rest of the organizations participating in IMRF have to foot the bill? Will the taxpayers of the state of Illinois ultimately have to foot the bill?

To cut to the chase, the implementation of ERI will simply be, on the average, a "bonus" payment of roughly $ 83,000 to the nine people who could potentially retire under the program. That's all it is – a bonus paid to people leaving the organization. I fail to see why such a "bonus" should be paid, or how it will enhance library services. These ERI-eligible employees probably already have 20+ years of service, and most probably already qualify to retire already. (The exceptions would be those who haven't reached age 55.) In any event, these people already have a substantial vested retirement package waiting for them to cushion the blow of any potential job loss.

I'm also concerned who is advocating the ERI program. Are there persons in upper management who stand to benefit significantly financially from this transaction? Human nature being what it is, it would be hard for someone pushing the program to be truly independent and put the system's interests first if he/she were one of the lucky nine to benefit from such a program. I know from 25 years of dealing with state and local governments that ERI programs tend to be highly favored by executives whose pensions would increase tremendously because of their eligibility to participate in such a program. It's really easy to support a bonus for oneself.

And why does the system need an (lower case) "early retirement incentive?" When the four southern systems merged, and there were countless job terminations, yet not one of the four systems offered any such "incentive." (Not all systems even offered a severance package.) If one was unlucky enough to have their job eliminated, their employment was terminated regardless of the number of years of service to the system, regardless of the number of years vested with IMRF, and regardless of age. So why is the situation with IHLS any different? Why should IHLS have to pay for people to retire? Why should the system be saddled with such a burdensome liability, with absolutely nothing to show for it in the way of services to members or services to the public? It defies logic.

What is the current unfunded pension liability for IHLS? Like most organizations, it probably has a significant underfunded liability, much of which was carried over to the new system from the four merged systems. Does the board really think an additional $ 750,000 needs to be added to an already existing significant underfunded liability?

Some might say the ERI program is part of the compensation package for long-term employees. But isn't the IMRF pension itself the compensation package for long-term employees? The more years one works, the sooner one is vested in the program, and the final monthly retirement payment increases with each year of service. That's quite a program already.

There are enough unknowns in life that make managing any business extremely difficult. No one knows what the future of system funding will be, no one knows how much medical costs are going to skyrocket, no one knows how technological advances will change system services. There are enough of these unknowns that are thrust upon management, and they have to be dealt with day in and day out. The ERI is one of those burdens that the Board has the absolute power to decide. They can determine if that liability will be zero or $ 750,000 or more. IT IS TOTALLY WITHIN THE POWER OF THE IHLS BOARD TO DECIDE WHAT THIS LIABILITY WILL BE!

Maybe it's the good old-fashioned "populist" in me, but I would think there would be more concern for those who don't have a pension to fall back on, those employees who haven't put enough years into the system to have something significant waiting for them at the end. I notice there is a severance program, which is commendable, but it is nothing even remotely close to the massive ERI severance package for those nine lucky employees.

I'll let the good old-fashioned "conservative" in me speak now. This is simply yet another situation where the powers-that-be can decide to enact a program at significant cost and then proceed to "kick the can" down the road; in other words, deferring payment of the costs to future years when those decision-makers will be long-retired and not accountable for any of the consequences. And even worse, making a commitment to this liability without even the slightest ability to know what future funding from the state will be.

And finally, the good old-fashioned "liberal" side: Yet another situation where the few, the lucky nine, the employees who are already vested in the IMRF program, are essentially given a "golden parachute" with which to retire, while the remaining rank and file plod on, not knowing whether they will have jobs long enough to even become vested in IMRF, let alone qualify for a comfortable retirement income when the time comes.

CURRENT EMPLOYEES: Let the management and board of IHLS know how you feel about ERI. This affects ALL employees, not just the lucky nine.

CURRENT MEMBER LIBRARIES: Remember that IHLS incurring an ERI liability means that $ 750,000 will have to be paid off in the future (and even more with interest, probably), which also means at least $ 750,000 less to spend on member library services. Member services is really what IHLS is all about: Serving the Public!

CURRENT BOARD MEMBERS: Remember your responsibilities as board members for making sound financial decisions that benefit the public member libraries and employees as a whole, not just for the few. Is the implementation of ERI really good public policy and good stewardship?

CURRENT TAXPAYERS: Remember these are your tax dollars at work. You also have a voice as to how your tax dollars are spent. The IHLS board is voting how to spend your money. Write to IHLS management. Write to Secretary of State Jesse White. Write to your local state legislator. Let them know how you feel!