



Rescuing Illinois?? Public Safety Pension Funds

Description

When it comes to government bodies, such as townships, special districts, and school districts, Illinois is far ahead of the pack. Pension funds are no exception ?? Illinois is home to 653 downstate public safety pension funds. If your town has more than 5,000 residents and employs at least one full-time police officer or firefighter, your town has a public safety pension fund. While a few of these funds are completely funded, nearly 98 percent have more liabilities than assets. (You can use our [BGA statewide public safety fund database](#) to see and compare all of these funds.)

In Harvey, the Illinois comptroller has [withheld state contributions](#) to the town because it failed to make the proper contributions to its pension funds on time. This resulted in the town [laying off a sizable portion](#) of its public safety officers.

According to [Chicago Tonight](#), several towns ??in the Chicago area, [such as] Burbank, Evergreen Park, Maywood, Melrose Park and Niles?? could face similar trouble.

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Recently, several government finance, watchdog groups and officials have pushed to consolidate and streamline excessive units of government. Over the past couple of years, new laws have made it easier to consolidate government in order to save taxpayer money by ending excessive and duplicative layers of government. The Illinois General Assembly planted the seeds for public safety pension consolidation, though these efforts have yet to come to full bloom.

[The Pension Fairness for Illinois Communities Coalition](#), a group of municipalities and local government and business organizations focused on pension reform, says that it ??costs on average \$1,434 per participant annually to operate the firefighter pension fund system [and] on average \$1,369 per participant to operate the police pension fund system.?? Yet, the Illinois Municipal Retirement Fund (IMRF) spends only \$368 per participant. The 653 funds have about 3,300 trustees overseeing them.

According to the coalition, operating several hundred separate public safety pension funds costs taxpayers \$33 million more than what it would cost if the funds were consolidated and operated more

like the IMRF.

Proposals for consolidation

The growing interest in trying to address at least a small piece of local pension woes is evident in Springfield, where state Sen. Pamela Althoff, R-McHenry, has sponsored seven bills that would advance consolidation of public safety pension funds. All the bills contemplate action by January 1, 2020. With one exception, the first order of business for these bills would be the establishment of "Transition Boards," which would be responsible for facilitating the consolidation process. These details aside, the bills represent three distinct approaches to what consolidation should look like:

1. Merging all public safety funds into new statewide entities.

Four bills — [SB 3422](#), [SB 3424](#), [SB 3487](#), and [SB 3444](#) — focus on creating central funds for police and fire. Under the proposals, all local funds would be rolled up into these two statewide funds by 2020. The funds and investments would be governed by new boards known as the Downstate Police Pension Fund and the Downstate Firefighter Pension Fund.

Under [SB 3422](#) (police) and [SB 3424](#) (fire), the funds would be governed by an 11-member board of trustees with a majority elected by fund participants. Under both proposals, all the individual funds would cease to exist and all benefits and contributions would be managed by the statewide entities.

[SB 3444](#), similarly, merges police and firefighter pension funds into respective singular funds, with the same trustee structure. However, SB 3444 does not fully eliminate local boards. Instead, this proposal converts the current boards of trustees of the individual public safety pension funds into "pension benefit determination and payment boards." These boards would act as local agents for the statewide funds. They would have the power to determine pension benefits and make payments to members under the oversight of the statewide fund trustees.

Like the bills above, [SB 3487](#) consolidates the police pension funds into a singular fund. However, in addition to focusing solely on police, it also changes the contribution rates for fund participants. After the consolidation process, if members want to remain under a [Tier 1 system](#), their contribution rate becomes 35 percent of their salary (rather than 9.91 percent of their salary). Or, members can choose a Tier 2 system, where their contribution rates remain the same.

2. Taking the investment power of each eligible police and firefighter pension fund and transferring it into the Illinois Municipal Retirement Fund (IMRF).

One bill, [SB 3423](#), would keep public safety pension funds in their place — with a caveat. The healthiest funds, those that can cover three or more months of money owed, would have their investment powers transferred to IMRF. The individual public safety pension funds still would exist; however, from that point on, the investment decisions and assets would be managed by IMRF. This also is the exception among the rest of the bills — there would be no formation of a transition board. Rather, 24 months after the bill becomes law, IMRF takes over investment decisions for the eligible funds. For those public safety pension funds that do not have enough assets to meet the three-month requirement, everything remains the same.

3. Taking each police and firefighter pension fund in the state and merging them into IMRF.

Two nearly identical bills, [SB 3425](#) and [SB 3426](#), would merge all public safety pension funds into IMRF, which would be responsible for collecting contributions and paying out benefits. Similar to the other proposals [SB 3422](#), [SB 3424](#), and [SB 3487](#) local boards would be eliminated as administration is transferred to IMRF.

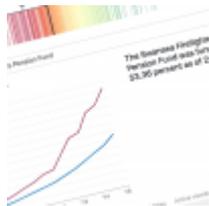
Springfield debate

These bills have not been heard in committee just yet, but stakeholders already have been vocal both in support and opposition to them. The Illinois Municipal League (IML), for one, has long [supported proposals](#) for public safety pension consolidation. In addition, the Civic Federation, a nonprofit organization focused on fiscal accountability, has offered support for many of the public safety pension consolidation bills and [called](#) for a thorough analysis of each of the proposals to determine which one would offer the greatest benefits.

[Analysis](#)

[Statewide Police and Fire Pension Fund Database: How Much Does Your Town Owe?](#)

[April 5, 2018](#)



Meanwhile, [IMRF has expressed concern](#) that, among other things, consolidation of the funds under its management should not adversely affect its existing portfolio. Police and fire labor unions also have come out against all the proposals, arguing during a House Personnel and Pensions hearing on April 24th, that the benefits of consolidation can be achieved through other means.

Approving legislation to consolidate these public safety funds might not be possible in this legislative session, but the dialogue should continue.

Illinoisans should be aware of the financial status of their [local funds](#). They can tell city, state and pension fund officials they expect thoughtful leadership and progress toward consolidation in the coming legislative session.