



ILLINOIS FIRE CHIEFS ASSOCIATION

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Recap of Pension Investment Consolidation

The consolidation of the Article 4 Pension investments has been a significant topic during 2019. We wanted to give a brief overview of the timeline and what the IFCA has done with this legislation.

On October 10th, the Governor's Pension Consolidation Task Force issued its report. The task force consisted of a number of members, however the AFFI and the IML were primary contributors from the fire service. They were chosen for this task force since they were considered to represent the two major parties – the participants/beneficiaries and the employers – of the Article 4 pension funds. In summary, this report effectively recommended that the consolidation of Article 4 investments would increase the investment return. Also, it made recommendations for significant changes to the Tier II pensions that would prevent more significant future issues. The IFCA review the report and provided a review of what was contained in the report.

The Governor's office indicated early on that they would like to pass this legislation in veto session. The legislative committee has been discussing this issue for some time. While we felt that this consolidation could be good for at least some of our members and might be good for most of our members, we were hesitant to provide support, or for that matter opposition, without seeing the language of the bill. We made it known to the Governor's staff that providing language was key to any decision by our membership. Immediately prior to the beginning of veto session, when it became apparent that the Governor planned to introduce a bill to consolidate Article 4 Pensions, we sent a letter to the Governor asking that he hold off on this legislation as we had not yet seen language on this change.

A short time later, legislation was posted (Senate Bill 616 Amendment 1) and we conducted a page by page review of the language as well as an evaluation of key points. We had a number of concerns with the bill. The key concerns were (1) the ability of Article 4 funds to pay benefits and other bills, (2) concerns with a single actuarial report and the problems that might cause, (3) the interpretation that all Article 4 funds would be required to pay an \$8,000 annual fee to IDOI, and (4) the cost of transition to the Article 4 funds. These were expressed to the Senate President (the bill's sponsor) and to the Governor's office. We received a phone call from Deputy Governor Hynes asking us to explain our concerns.

On Monday, as we approached the final three days of veto session, Senate Bill 1300 was amended (Amendment 5) which became the consolidation bill. SB1300 HFA5 contained much of the initial bill, however it contained substantial changes. We quickly reviewed this bill and noted the changes in a

page by page evaluation. This bill addressed the ability for Article 4 funds to maintain accounts for expenses, one of our significant issues, and addressed many of the minor issues we presented. It did not address our other major issues – annual fees and actuarial reports – in the new language.

On Tuesday, the IML, one of the primary players in the consolidation effort, strongly opposed the bill due to three words and a comma (“A third party,”) added to the bill. These words effectively precluded municipalities or Districts from becoming party to decisions by the Article 4 Board, primarily seen in disability hearings. Tuesday evening, a hearing was held that we attended. IML presented its case against this language, but there was little other substantive opposition. Deputy Governor Hynes directly addressed the annual fee we were concerned with, indicating that it was \$8000 total for the consolidated funds (not for each Article 4 agency). He also indicated that they looked at the ability to change the actuarial reporting, as we requested, however he felt the change created greater problems and expense. Both of these items were points we asked him to address. With the agreement to change the language IML took issue with, the Amendment passed out of committee.

Wednesday, Amendment 6 was posted to eliminate the three words and comma IML had a problem with. Also Amendment 7 was posted changing the definition for some police officer positions (no impact to Article 4). Amendments 5, 6, and 7 all passed the House on Wednesday (96-14).

On Thursday, the Senate considered concurrence of these three amendments. Some debate took place, mostly centered on the transition costs and the increase in benefits to the Tier II members. In the end, the Senate voted 42-12 to pass the consolidation legislation.

Senate Bill 1300 with all the amendments will head to the Governor for his signature. We expect that he will act quickly to sign it. This will go into effect on January 1, 2020.

Copies of all information referenced in this review are located in the legislation section of the IFCA website.