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Illinois Municipal's new chief promises to work to maintain fund's success

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Brian Collins, executive director of the Illinois Municipal Retirement Fund

Brian Collins, the new executive director of the \$41 billion Illinois Municipal Retirement Fund, isn't looking to rest on the plan's investment and operations laurels.

"I've inherited a lot of very positive things," said Mr. Collins, who became executive director Jan. 8, replacing the retired Louis Kosiba. "That means my challenge is not to just sit back and let it run. It'll take a continued effort on both (the investment and operations) fronts. It takes major ongoing effort to stay top-decile. So one thing I'm sure of is that things won't stay the same. We will keep changing, we will keep staying relevant, both on the investment side and on the operations side."

Mr. Collins joined IMRF after serving as chief financial officer of the city of Memphis, Tenn., where he also oversaw the \$2.2 billion Memphis City Retirement System. He left a plan that was 84% funded as of June 30 to join a statewide pension fund that was 97% funded as of Dec. 31 and had net returns as of that date of 15.73% for one year, an annualized 7.75% for three years and an annualized 9.7% for five years — all above the 7.5% annual rate of return assumption.

"Our investment team, it seems to me, is very engaged, actively engaged," Mr. Collins said in an interview at his Oak Brook, Ill., office. Dhvani Shah, IMRF's chief investment officer, "is a very, very astute manager of both the people, her terrific team, and all our money manager partners. We have a strong external team that rivals a strong internal team that we have. How we do things over the next five years will probably be different than we did them in the last five years. What will be the same I hope, is results. And you don't continue to get good results by maintaining last decade's strategy."

Mr. Collins said the same drive for excellence is his aim for the retirement fund's operations and benefits side. As part of that goal, he said IMRF is entering the competition for the Malcolm Baldrige National Quality Award, which recognizes performance excellence among U.S. organizations in business, health care, education and non-profit sectors.

"We're not doing it just for the sake of gathering a trophy," Mr. Collins said. "The process there is what's really important. Because one of the things it seems to me, and I talked to our board of trustees about this from the first time we met, is that organizations like ours have a monopoly. We don't have to compete for customers, so we have to challenge ourselves to be the very best, and one really terrific way to do that is to engage in this competition where we are constantly competing against other first-class, world-class organizations and studying how they do what they do, and trying to emulate, meet or exceed those standards."

What Mr. Collins likes about the award, he said, is "it's not like we're benchmarking ourselves against other pension funds. Because, when you're in this process, there are hospitals, non-for profits, industrial companies, everything. And what we are trying to do is learn from them how they interact with their customers. Because our customers are members as well as our employers. They're interacting every day with other providers of services, and we want their experience with us to rival if not exceed their experience with others..."

"It's quite a challenge for me to come in and try to maintain that," Mr. Collins added. "The bar has been set high, and in two months, I feel as though I personally fit well with the culture, and I'm excited to maintain and continue that."

One issue he faced when he accepted the IMRF job was clarifying to peers that IMRF is not in the same funding difficulties as other public plans in the state. Illinois Municipal requires mandatory contributions from participating government entities, while other statewide public plans are funded through the Illinois General Assembly, which has not adequately funded those plans.

Mr. Collins said his experience as CFO in Memphis, particularly with his oversight of the pension fund, was "a great opportunity" despite the financial difficulty the city was facing when he assumed the post. "I was at my job in the wake of the Detroit (2013 bankruptcy filing), and Memphis was frequently referred to as the next potential Detroit," Mr. Collins said. "I think I have a great appreciation for both the investment challenges and the political backdrop that goes with pension plans, and operational experience is always a good thing. I came from a much bigger city experience, but here I have a much bigger pension plan. So all of the issues I faced there from just a management perspective, an executive perspective, I think will hold me in good stead here."

Mr. Collins had specific praise for Illinois Municipal's emerging managers program, in which minority- or women-owned money managers run 18.4% of the plan's overall assets and 26.7% of its actively managed assets in all asset classes except timber and agriculture.

"It has been a win-win" for the managers and Illinois Municipal, Mr. Collins said. "We've been excited about tapping into an underutilized segment and we've been thrilled with the results. You know, doing the right thing and the smart thing are the same thing. We'll continue to do that."

Mr. Collins said Illinois Municipal's performance and funded status show that public plans can operate efficiently and successfully.

"A lot of issues were laid bare in the Great Recession, and I think there was a great awakening" for public plans, Mr. Collins said.

"I think (public defined benefit) plans are here to stay in the public sector. Organizations like IMRF are living proof that they can be both a very meaningful benefit to a retiree and cost-effective. You just have to pay as you go. Unfortunately, the politics of it can sometimes get distracted by these stories of somebody somewhere spiking their salary. There's always a story that's really a one-off and wouldn't impact any system financially, but is an easy headline. The overall health of public pensions has improved, I think, greatly in the last five to six years ... And I think if plans are funded on a regular basis, people will see that they can work, and it's hard to deny that they work. It's a very cost-effective, cost-efficient way to provide for income in retirement."

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