



October 17, 2016

Mr. Mark L. Fowler  
Executive Director  
Northwest Municipal Conference  
1600 East Golf Road, Suite 0700  
Des Plaines, IL 60016

**Re: White Paper from the Pension Fairness for Illinois Communities Coalition**

Dear Mr. Fowler:

IMRF supports efficiency and cost savings at the municipal level. We received the draft White Paper and agree some fashion of consolidation would be in the best interest of both taxpayers as well as public safety employees. Our preference is that an independent pension system/fund be established for local police and fire pension funds which covers all current funds and funds established in the future. An example is the Ohio Police and Fire Pension Fund.

IMRF prefers this approach for several reasons. First, it would allow for the creation of a Board of Trustees comprised solely of public safety officials and independent representatives of the public. Second, the Board could better focus on issues unique to public safety participants. Third, it would not disrupt IMRF administrative operations for our 2,970 employers. Fourth, integration of assets from local funds would not adversely affect IMRF investments for the thousands of IMRF employers which are not cities or villages. Finally, administrative costs for operating the Public Safety Fund would be transparent.

However, if the General Assembly decided to merge those funds into IMRF, IMRF believes the enabling legislation should address the following issues:

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### **Governance**

There should be two separate Boards of Trustees: one for IMRF members and a separate one for public safety. The State Retirement System is a model in that it covers three systems (State Employees; Judges; General Assembly). Membership for the Public Safety Fund would need to be determined. The size of the separate Public Safety Board should be no larger than the current IMRF Board of eight.

### **Actuarial Issues**

IMRF's current actuaries would be used. Due to the difference in benefit structures, including an early retirement age for public safety employees, separate assumptions would need to be developed. The actuaries would also calculate unique employer contribution rates for each community. No community could have a separate actuary to determine its employer contribution rate. The Illinois Department of Insurance would also cease to calculate employer contributions.

### **Funding**

Separate real estate tax levies would need to be maintained for Police and Fire pension funds – separate from the IMRF levy. This recognizes the actuarial differences between these pension funds, and allows municipalities to properly identify and allocate pension costs. IMRF's "policing authority" to ensure collection of required employer contributions would need to be extended to cover police and fire. Monthly reports would need to be submitted to ensure proper reporting of participation along with monthly submittals of employee and employer contributions. Funding levels for police and fire would need to be independent of IMRF so that IMRF's funding level would not be adversely affected.

### **Investments-Integrated**

If police and fire administration was fully integrated into IMRF, the assets would be merged. Employer reserves would be allocated gains and losses as current employer reserves. Separate funding levels would be established for each police, fire and civilian reserve account with IMRF, as is the current procedure. Police and fire representatives could sit on IMRF's investment committee.

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**Investments-Only**

If IMRF were not responsible for police and fire administration, but only for investing assets, then all assets for all the local funds would need to be transferred to IMRF. To achieve maximum economies of scale, asset transfers could not be voluntary (as has been suggested in the past).

With a separate investment portfolio, with unique cash flow demands, a separate asset allocation would be necessary. A separate public safety investment committee would be needed. This also assumes IMRF would not be responsible for processing payments. Rather, local governments would request money transfers from IMRF's master trustee to process benefit payments.

**Disability Benefits**

If IMRF were to fully administer local police and fire benefits, due consideration must be given regarding how to process disability benefit applications and appeals. As is currently the case, IMRF staff would process claims and make initial determinations. Benefits granted would be processed. When benefits are denied, due process requires a hearing. IMRF would support use of hearing officers to review claims and make final administrative decisions which would then be eligible for appeal to the Circuit Court pursuant to the Administrative Review Act.

I am certain there are other issues and questions to be addressed. IMRF would welcome an opportunity to discuss the proposals set forth in the White Paper with the Pension Fairness for Illinois Communities Coalition or the Northwest Municipal Conference.

Thank you for consideration of IMRF's feedback. Please feel free to contact me directly at 630-368-5355.

Very truly yours,

Louis W. Kosiba  
Executive Director