

PENSION POINTERS



Preparing For An Upcoming Pension Fund Audit By The Illinois Department Of Insurance, Public Pension Division

By Dennis J. Orsey, Attorney at Law, Granite City, IL
orseylaw@msn.com

Editor's Note: Pension Pointers is a column provided for our members who also serve on the Fire Pension Board.

The Illinois Department of Insurance, Public Pension Division regulates Police and Firefighter Pension Funds under Articles 3 and 4 of the Illinois Pension Code. The Department has adopted rules and regulations regarding the operation and conduct of these funds. Boards are required to file Annual Statements with IDOI. The Department provides each fund with an Actuarial Report annually which provides a snapshot of the fund at the close of each fiscal year. The Department conducts periodic audits of pension funds to make certain that pension boards are in compliance with all State laws, rules, and regulations. Should the Department determine that violations of the law have occurred, an administrative hearing can take place. The Department can issue sanctions against the pension board or fund which can include monetary fines should violations exist.

All Board members and individuals who provide investment services to your pension fund should be alerted to legislation which was signed into law by the Governor on August 29, 2008 which was effective on that date. Public Act 095-0950 requires the Public Pension Division of the Illinois Department of Insurance to conduct examinations of Article 3 and Article 4 pension funds every 3 years.¹

This article is designed to assist Trustees in preparing for audits which will be conducted by the Illinois Department

of Insurance, Public Pension Division. The Department will typically work with the Board President, Board Secretary, and Treasurer to obtain most of the required information. However, all Trustees are encouraged to work collectively as a Board to assure that proper documentation is maintained for the Pension Fund and that it can be provided on demand by the Department. The following is information which Trustees should have on file:

- A. Copies of minutes of all board meetings which should be signed by the Board Secretary or Board President;
- B. Current listing of pension fund investments, to include CUSIP# on Government Securities;
- C. Copies of Investment Policy and Guidelines as adopted by the board;
- D. Any investment agreements with banks, brokerage houses, investment managers, etc.
- E. Copies of **ALL** bank and brokerage house statements for the current periods;
- F. Insurance company contracts (general and separate accounts) to include current prospectus, copies of Annual statement and/or quarterly statements on separate accounts only.
- G. Copy of treasurer's surety bond.
- H. Copies of salary ordinances, pay plans and union contracts for current periods;
- I. Pension payment history prior to

deductions for each pensioner showing pension increases, adjustments, etc or copies of check disbursement register;

- J. Copies of the two most recent fiscal year's end tax levy ordinance;
- K. Copies of the portions of the CPA audit (to include the opinion letter financial statements and notes) pertaining to the Pension Fund (to include any statistical data regarding tax levies).
- L. Copies of any litigation involving the Pension Fund.
- M. Bank confirmation form(s)

MEMBER RECORDS

Files which the board maintains for each of its members should be certain to include the following information:

- A. Copy of a signed application to join the pension fund along with documentation showing Pension Board approved the application for member to join the Fund;
- B. Birth Certificate of each member;
- C. Documentation regarding members marital status (Certificate of Marriage);
- D. Documentation regarding dependents (under age 18) of each member, including birth certificate of each dependent;

Continued on page 31

Pension Pointers

Continued from page 30

- E. Copies of any QILDRO (Qualified Illinois Domestic Relations Order) relevant to any member;
- F. Documentation regarding any members who transferred into the Fund under the provisions of the Portability Law along with effective date of transfer;
- G. Copy of all pension calculations being paid on pensions, survivor pension, duty disability pension, non-duty disability pensions, etc.;²
- H. Copy of death certificates for all surviving spouses pension benefits;
- I. Proof of annual physicals for all disability pensions paid until pensioner reached the age of 50;
- J. Copy of three doctors statements for all disability pensioners.

SALARY REVIEW

- A. Information on how the Municipality pays each member (monthly, weekly, etc.);
 - B. Information regarding normal hours per pay period;
 - C. Information on whether the Municipality pays any of the following:
 - i. Longevity pay;
 - ii. Education incentive;
 - iii. Shift differential;
 - iv. Holiday pay in lump sum;
1. Based upon current staffing and funding issues, the DOI is conducting audits approximately every six (6) years.
2. The Illinois Department of Insurance, Public Pension Division maintains a benefits calculator which can be used on line to assist pension boards in calculating retirement and disability benefits. The website for the Department is www.insurance.illinois.gov/Applications/Pension/Default.aspx
3 Contributions by participants which are based upon statutory percentages of their salary. Currently, firefighter's contribute 9.455% of their pay while police officers are required to contribute 9.91% of their pay. These employee contribution rates are significantly less than the employer contribution rates and can only be altered by the Illinois General Assembly. (40 ILCS 5/3 - 125.1 Police) (40 ILCS 5/4 - 118.1 Fire)

About the Author: Dennis J. Orsey is an attorney from Granite City, Illinois who represents over 45 Public Safety Pension Funds consisting of Fire Protection Districts, Firefighter and Police Pension Funds throughout Illinois.

- v. Holiday pay as holidays occur;
- vi. Other special day;
- vii. FLSA Wages.
- D. Information as to whether the salary is being paid according to Municipal Ordinance, Union Contract or other;
- E. Information as to whether any retroactive pay increases have been paid during the period of the current examination;
- F. Whether or not any pension payments are affected by the retroactive pay increase, and if so, be prepared to provide the name of the pensioner and the effective date of the contract;
- G. Whether or not pension deductions are being withheld as provided in the Department of Insurance Regulation Part 4402.30 (50 IL ADC 4402.30), Definition of Salary;
"Salary for purposes of this Part, means any fixed compensation received by an employee of a municipality that participates in one of the pension funds established under Article 3 or 4 of the Pension Code, which has been approved through an appropriations ordinance of the municipality. Salary is received regularly and is attached to rank or class to which the firefighter or police officer is assigned."

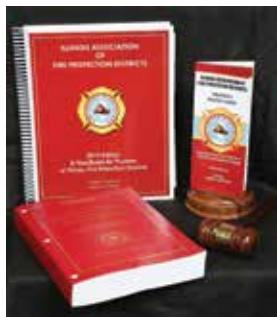
- H. Information regarding the percentage of salary at which deductions are being taken;³
- I. Whether deductions are being started with the first days pay for a new employee and is the initial salary/deduction prorated for other than a regular payroll period;

TAX LEVY

- A. What date are taxes levied by the municipality due;
- B. What date has the fund received tax monies from the municipality.

Please keep in mind that all pension fund trustees have a fiduciary duty to see that contributions are properly made by the municipality. Trustees are under a statutory duty to investigate any possibility of under funding as it relates to the fund.

Pension Fund Trustees should utilize information in this article to do a review of their current files to make certain that they have in their possession all of the information outlined above. By having this information on file, when the notice is received from the IDOI to conduct the audit, you will be able to produce the information quickly without undue stress.



NOW AVAILABLE, Order your 2015 Editions Today

The **Text of Laws relating to Illinois Fire Protection Districts and the State Fire Marshal** and the **IAFPD Handbook for Trustees** are the best resources to better understand the laws that administer and govern fire protection districts.

Both publications are revised from their 2012 Editions and may be ordered by calling IAFPD at 800-524-6620. Members receive discounted pricing.

The Trustee's Pocket Guide is a quick reference guide to frequently asked questions, filing requirements and legal responsibilities and was a gift for those who attended the conference in June. A free copy of the Text of Laws is included in fire district membership.