

LEGISLATIVE UPDATE



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The Power of Pensions

One thing that I have quickly learned by working with the fire service is the importance of pensions. Of the many bills we track for IAFPD, a large percentage has some impact on pensions. This session is no different, but while pension bills remain a hot topic with the legislature, the focus can change dramatically in the space of a few weeks.

At the beginning of the spring 2019 session, public safety pension consolidation was in the spotlight. The Illinois Municipal League introduced a number of bills in an attempt to address the public safety pension crisis. The IML legislative platform included bills to consolidate all downstate public safety pensions funds with the Illinois Municipal Retirement Fund, consolidate the investments of downstate fire and police pension funds with IMRF while retaining local pension boards, creation of a single downstate fire pension fund and police pension fund separate from the IMRF, and other variations of ways to consolidate public safety pensions.

While pensions consolidation is not a new issue for the Illinois Municipal League or sympathetic lawmakers, the fact that Governor JB Pritzker announced the creation of a taskforce to study the concept gave greater credence to the topic. Shortly after his inauguration, Pritzker named the Pension Consolidation Feasibility Task Force to work on two objectives: study the feasibility of consolidating pension funds to achieve higher investment returns, and look at transferring state-owned assets to the

pension funds to help meet unfunded liabilities.

The Illinois Public Pension Fund Association commissioned a study on the impact of proposed consolidation of pension funds. The study found that any move to consolidate the 641 downstate funds into a single state pension fund would be costly and create significant risks. IPPFA estimates that the cost associated with liquidating all 641 funds and re-investing their assets into a larger fund could generate a one-time cost of \$155 million in commissions, taxes, fees and potential market losses.

IPPFA is not the only opponent of pension consolidation. The Illinois Municipal Retirement Fund has expressed reservations about proposals that would combine downstate pensions funds with their own assets. At the mid-way point of the spring session, subject matter hearings have been held on the consolidation bills and the Governor's Task Force continues to meet, but it appears that pension consolidation may be on hold for the time being.

One pension bill that does appear to "have legs" this session is Senate Bill 37. An initiative of the Associated Fire Fighters of Illinois, SB 37 as introduced would require any unit of government that employs part-time fire fighters who are full-time with another department to contribute to their primary employer's pension fund. For purposes of the bill, the part-time employer is considered the secondary employer and the full-time employer the primary employer.

Similar legislation was introduced in the 100th General Assembly as Senate Bill 1335. Opponents of that bill, including IAFPD, were successful in stopping the bill in 2018 before it could be voted on by the full Senate. This year, Senate Bill 37 has passed the Senate with a comfortable margin and is currently in the second chamber. Like the previous version, it would require districts to pay into the pension fund of another unit of government without providing a means to fund the payments, or any governance role in the pension fund. The way the bill is currently drafted, it would also require the secondary employer to deduct amounts from the part-time employees' pay to be directed to their primary employers' pensions fund.

Obviously, IAFPD continues to oppose the bill on the basis of costs to our members as well as impact on public safety. At this time, we are attempting to negotiate with the sponsors and other stakeholders. Please keep an eye on your email for any related action alerts as discussions on Senate Bill 37 continue during the final six weeks of the spring session. ■