

# PENSION POINTERS



## Firefighters' Pension Investment Fund Initiates Examination of Article 4 Funds

By Carolyn Welch Clifford  
Ottosen DiNolfo Hasenbalg & Castaldo, Ltd.

In mid-March 2023, the Firefighters' Pension Investment Fund (FPIF) launched notice letters to the initial batch of Article 4 funds it plans to have audited this year under Section 1A-104 of the Illinois Pension Code (40 ILCS 5/1A-104). As you may recall, Section 1A-104 requires downstate police and firefighters' pension funds to be examined every three years. However, when the Illinois Department of Insurance (DOI) was previously responsible for these examinations, many funds had not been audited for over a decade.

FPIF has stated that it is committed to actually conducting these examinations on the statutory three-year cycle, with approximately 100 funds being consistently and strategically audited every year for compliance with "agreed upon procedures." For those Article 4 funds who have received FPIF's notice, FPIF has advised that one of two outside auditing firms will perform the remote examination in the upcoming weeks for the first 63 funds (with 30 to 35 funds to be examined in the fall). Specifically, FPIF has stated:

- Article 4 funds who are slated to be audited this spring will be contacted directly by FPIF's auditing firms by March 31, 2023 with an initial document request list. The documents to be requested will include board policies, meeting minutes, trustee training certificates, financial records, as well as service credit and benefit records of the fund's members.
- The examination will cover only the most recent full fiscal year

**About the Author:** *Carolyn Welch Clifford* is a senior partner with Ottosen DiNolfo Hasenbalg & Castaldo, Ltd. in Naperville, Illinois. Ms. Clifford concentrates her practice in the representation of Illinois firefighter and police pension funds, as well as fire and police commissions and fire protection districts. She currently serves as the Chair of the Public Safety Affinity Group for the National Association of Public Pension Attorneys (NAPPA). She is a frequent speaker at fire service and public pension conferences in Illinois and nationally and contributes regularly to several publications. Ms. Clifford earned her B.S. and J.D. degrees from the University of Illinois in Urbana-Champaign. You can contact her at [cclifford@ottosenlaw.com](mailto:cclifford@ottosenlaw.com).

(not multiple prior years) and will be generally "slimmed down" in scope, compared to previous DOI examinations.

- Once the auditing firm issues its "Draft Report," the Article 4 fund will have 30 days to provide a response to the auditing firm regarding any discrepancies or disputes it has with the draft before the report becomes issued as a "Final Report" 30 days thereafter.
- Funds who were unable to submit a response to the "Draft Report" will have a second opportunity to respond to the report within 30 days of issuance of the "Final Report." Thirty days after the issuance of the Final Report, FPIF will deliver the Final Report – together with any responses from the Article 4 fund – to the fund's underlying municipality or fire protection district.
- As before, an Article 4 fund may request a hearing related to the examination with the DOI, if necessary. Enforcement authority continues to lie with the DOI, should a fund fail to cooperate with the document request or otherwise comply with the

examination process, under Article 1A; thus, FPIF will refer any such issues to the DOI.

In contrast to FPIF, the Illinois Police Officers' Pension Investment Fund (IPOPIF) has taken the position that it is opposed to taking on the auditing responsibility from the DOI. The DOI, however, is sponsoring legislation to remove itself entirely from Section 1A-104 in Senate Bill 2102. The consolidation law had added the Consolidated Funds as an examining authority ("The Division (DOI) or the Consolidated Fund, as appropriate, shall examine or investigate each pension fund established under Article 3 or 4 of the Code." (40 ILCS 5/1A-104(b)) Senate Bill 2102 would remove the Division (DOI) from that subsection of Section 1A-104.

Richard White, Executive Director of IPOPIF, explained that the IPOPIF Board of Trustees feels these statutory examinations are part of the regulatory responsibility under the Illinois Pension Code that conflicts with their fiduciary duty. As noted above, under Article 1A, the DOI remains the statutory regulating agency with the responsibility for oversight and compliance enforcement for Illinois' public pension funds. ■