



Public Safety Pension Fund Reform & Consolidation Fact Sheet

THE PROBLEM

Communities across Illinois are facing a funding crisis with their police and firefighter pension funds. With many communities massively underfunded, retirees face uncertainty and taxpayers continue to see their property tax levies and sales taxes increase, while services continue to get cut and layoffs are a true possibility. Illinois currently has more than 650 individual police and firefighter pension funds. Each of these pension funds consists of five-member boards, meaning there are roughly 3,300 pension fund trustees making decisions concerning benefit awards and the retention of professional services. This has contributed to redundant administrative costs and lower returns for pensioners.

OUR SOLUTION

A full consolidation of pension funds would create long-term taxpayer savings by combining all public safety pension assets into a single fund. This consolidated fund would have the ability to produce greater returns on investments for public safety employees by combining assets that will better diversify the investment portfolio while also providing a more streamlined process for handling pension benefit awards and disability determinations.

This plan would resemble the Illinois Municipal Retirement Fund (IMRF), which is the second largest and best funded pension system in the state. IMRF provides pension benefits to non-uniformed local government employees and is governed by one board consisting of eight members. Consolidated funds such as IMRF are designed to employ professional staff, streamline administrative costs and maximize investment returns. The individual public safety pension funds cannot compete with the performance of a consolidated fund like IMRF.

CONSOLIDATION IS A “WIN-WIN” FOR TAXPAYERS & PUBLIC SAFETY EMPLOYEES

At a time when municipalities are already facing budgeting constraints due to cuts to municipal revenue and additional costs from unfunded mandates, communities and taxpayers are struggling to fund public safety pensions. The overall health of the funds has deteriorated since the General Assembly enacted a series of benefit enhancements from the 1990s through the first decade of the 2000s. A full consolidation of municipal public safety pension funds would reduce costs for municipalities and taxpayers without diminishing existing pension and disability benefits to public safety employees. It would also help provide peace of mind for public servants who rely on these benefits once they retire.

ACTION AT THE STATEHOUSE IS NEEDED

Opponents to reform and consolidation claim these funds must be managed at the local level, but a significant number of the 3,300 trustees sitting on these boards are not even required to live in the communities they serve. Additionally, individual boards often lack the medical and financial expertise needed to make disability, pension benefit and investment decisions. The result is a status quo that is unsustainable. A single consolidated public safety pension fund would better serve municipalities, public safety employees and taxpayers by freeing up tax dollars for vital municipal services. Taking this step will ensure pension funds are managed more efficiently, with funds being directed toward actual retirement savings instead of unnecessary expenses.