



Pritzker Signs Police, Fire Pension Fund Consolidation Bill with Hidden Costs

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CHICAGO (Dec. 18, 2019) – Today, Illinois Gov. J.B. Pritzker signed Senate Bill 1300 to consolidate more than 640 local police and fire pension funds. A recent amendment also added provisions that ramp up Tier II benefits for those hired after 2011.

While consolidating these numerous funds might offer a positive step forward, analysis from Illinois Policy reveals the bill itself is far from perfect and will do nothing to solve the state's \$137 billion pension crisis.

Background:

- While the Pension Fund Consolidation Feasibility Task Force notes one combined fund could bring in as much as \$160 million to \$288 million in additional annual revenue due to higher investment returns, the new Tier II provisions did not come with any public estimates of their cost.
- These efforts only affect 5.5% of the state's total pension burden. Downstate and suburban police and fire funds hold about \$11 billion out of the state's \$200 billion total pension debt.
- Passing benefit increases without financial analysis is how Illinois' pension systems were wrecked in the first place.
- The ease of having funds in one pot could also make it ripe for a bailout that would trigger statewide tax hikes. This would punish communities that have properly funded their pension plans.

Statement on SB 1300 from Adam Schuster, director of budget and tax research:

“This new law should come with only half a celebration. While the bill could make Illinois' pension funds more efficient and provide taxpayers savings, it's irresponsible that there was no analysis to show if this fix will save the state money on the net.

“Pritzker’s team shouldn’t use this move as an excuse to press pause on pension reform. Illinois still has \$200 billion in state and local pension debt that endangers the retirement security of those who served the public. Improvements to Tier II benefits should be accompanied by a constitutional amendment to ensure these changes are affordable.

“Ultimately, it was never a lack of revenue that created Illinois’ pension problem, but rather unsustainable growth in its liabilities. We must look out for taxpayers and local communities by preventing a bailout that would trigger massive statewide tax hikes.

“In order to address the root cause of our state’s pension crisis, lawmakers need to come together in support of a pension constitutional amendment that protects earned benefits while allowing for changes in the growth of future, unearned benefits.”

For bookings or interviews, contact media@illinoispolicy.org or (312) 607-4977.