



Legistar # 190465

MEMORANDUM

To: Finance and Administration Committee
From: Timothy Sexton, Director of Finance
Date: November 14, 2019
Subject: Legislative Updates

A pension consolidation bill was approved by the Illinois House and Senate in the veto session. The legislation now goes to the Governor, who has said he will sign it and it will become law. What does this mean for Lombard?

There are two main provisions that will impact Lombard. First, all of the assets for Lombard's Police Pension Fund will be consolidated with all other Police Pension Funds (other than Chicago). Likewise, all of the assets for Lombard's Fire Pension Fund will be consolidated with all other Fire Pension Funds (other than Chicago). While the assets are being combined for investment purposes, similar to IMRF, separate accounts will be kept for each pension fund. The consolidation is only for investments and not the administration of the pension funds.

Second, the actuary calculations will be done by the consolidated fund, and they will determine the actuarial assumptions to use. Since Lombard currently uses the Entry Age Normal Cost Method and amortizes the unfunded liability to 100%, instead of the Projected Unit Cost method and 90% which is the minimum required by statute, we do not anticipate major increases for Lombard related to this provision. However, there will be many municipalities that will see significant increases in their required contributions.

Staff will review the information on this bill with the Committee at the meeting.