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## Civic Federation Position Statement

December 3, 2008



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### **Civic Federation Supports Treasurer Giannoulis' Proposal to Consolidate the Investment Activities of the Five Illinois Pension Boards**

The Civic Federation **supports** Illinois Treasurer Alexi Giannoulis' proposal to merge the investment functions of all five state-funded pension systems into a single fund managed by a new Illinois Public Employees' Retirement System (ILPERS).

The benefits of consolidating the investment aspects of the five pension systems include reduced costs due to economies of scale and savings in administrative expenses related to operating separate pension investment bodies. Treasurer Giannoulis estimates that the savings from the implementation of ILPERS could total as much as \$82 million.

The Federation **commends** Treasurer Giannoulis for incorporating financial training requirements into his proposal, which will dramatically improve the financial and investment oversight of the Illinois pension funds. The Civic Federation has for many years urged the state to require financial training for pension board members as they must make complex financial and investment decisions affecting billions of dollars in state pension assets. It is especially important in these difficult economic times that pension board members have financial training in order to provide informed oversight of investments.

The Treasurer's proposal would further require ILPERS to make investment information more accessible and transparent by making monthly investment updates available online. The Civic Federation supports the transparency measures included in the legislation. The taxpayers that fund public employee pensions have the right to easily view how their tax dollars are being invested and what kind of returns they are making.

ILPERS will merge only the investment duties of the pension boards; each fund will retain a board to administer benefits and address beneficiary issues. Even though the pension boards will no longer manage investments if the Treasurer's legislation is approved, the Civic Federation restates our conviction that the first and foremost responsibility of a pension board of trustees should be to ensure that sufficient funds are available to pay promised benefits when they come due. A board should not advocate or lobby for the interests of one stakeholder, especially when advocating those interests creates greater liabilities for the fund.

Treasurer Giannoulis' initiative will not fix Illinois' beleaguered pension system, but we fully support the training, transparency, and ethics reforms it makes as a commendable step toward more comprehensive public pension reform in Illinois.