



One Mission. Community Banks.®

June 14, 2019

The Honorable Governor JB Pritzker
207 State House
Springfield, IL 62706

Dear Governor Pritzker,

On behalf of the 312 member banks represented by the Community Bankers Association of Illinois (CBAI), I would like to offer our perspective on municipal pension consolidation. CBAI members employ over 33,000 Illinois residents at banks and branches that serve hundreds of communities in all geographic regions of our state. Three quarters of a typical community bank's loan portfolio is made up of small business and agricultural lending. These small employers are the lifeblood that brings vitality to communities around the state including those in rural and underserved areas. CBAI members are proud to be able to provide competitively priced access to financial products to our neighbors and fellow job creators.

Over the past year, CBAI has engaged in ongoing discussions on the issue of municipal pension consolidation including conversations with the Illinois municipal league. We understand the underlying desire to get the best possible rate of return for pension investments. As community bankers, we take fiduciary responsibility and yield on investments seriously as well. Community bankers we also understand that the net return on certain investment cannot simply be measured in basis points.

Community banks work with our local leaders to ensure that municipal deposits are not only well cared for and prudently managed but also invested in a way that puts that capital to use building the vitality of local community. Only by factoring in the net economic benefit of funds being invested locally, to grow the local economy, can you get a true picture of the rate of return on the investment.

A community bank with \$200-\$300 million in assets simply doesn't have the capacity or ability to service single investments of billions of dollars. Municipal pension consolidation would eliminate community banks from the market. In fact, only the largest mega-banks and financial firms are capable of servicing accounts of that large. Simply put, consolidation would lead to a loss of local investment opportunities for community banks and the communities they serve.

As you consider the potential upsides of municipal pension consolidation, I would urge you to factor in the potential loss to local economies if those funds are no longer readily and cost effectively available for local investment.

Thank you for your consideration,

Sincerely,

Jerry Peck
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Representing Illinois' Real Community Banks