

Our Opinion: Cleaning up funeral fund mess a big job

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THERE IS one purpose for purchasing a pre-need funeral plan: peace of mind.

Whether buying in advance for oneself or for a loved one, the purchaser of a pre-need package wants to ensure that the financial stress of funeral costs won't be piled atop the emotional duress of death when the time comes.

That's how it's supposed to work.

BUT FOR SOME 49,000 buyers of pre-need contracts through a trust fund administered by the Illinois Funeral Directors Association, the purchase of pre-paid funeral services has brought nothing but headaches and angst. In what is described in a lawsuit as a massive Ponzi scheme, the IFDA is alleged to have made more than \$190 million in questionable investments, putting many funeral homes at huge financial risk and leaving thousands of individuals wondering whether their investments will cover funeral expenses for themselves and their loved ones.

It's a complicated and frustrating tale with roots that stretch back 29 years. The passage of time has sufficiently clouded the origin and evolution of the trust that discerning just who should be held accountable may ultimately prove impossible. In the meantime, however, there are many questions that must be answered both to address this situation and to prevent it from happening again:

* A lawsuit in Cook County Circuit Court alleges that the IFDA invested pre-need funds entrusted to it by individual funeral homes in life insurance policies on funeral home directors and IFDA officials. The plan was for death benefits from those policies to exceed the costs of funerals for purchasers of the IFDA pre-need plan. But the insured directors and officials aren't dying fast enough to cover those costs, the suit alleges.

"They were paying Beneficiary A's benefits with Beneficiary B's contributions," said John Duggan, an Aurora attorney who has filed a similar suit. "That's a classic Ponzi scheme."

Where was the oversight when this investing was going on?

* The IFDA would never have been allowed into the trust fund business had then-Comptroller Roland Burris not authorized it to manage the trust in 1980. The IFDA later was a lobbying client for Burris, who met with state officials in 2007 after Comptroller Dan Hynes' office warned that the fund had a \$39 million deficit. Hynes stripped the IFDA of authority to manage the trust in September of that year and ruled that it never should have had that authority.

Burris, now a U.S. senator, owes an explanation on his role in both those events. (He has not responded to The State Journal-Register's questions.)

* We find it a curious quirk of state government that regulation of pre-need funeral plans falls to the office of the comptroller. A bill sponsored by state Rep. Dan Brady, R-Bloomington and himself a funeral director, would establish a framework of consumer protections and would require that sellers of pre-need funeral plans be licensed by the Department of Financial and Professional Regulation. Sellers would be required to receive continuing education, and buyers would be informed of specific deposit options for their funds.

We support this bill and believe it would prevent another disaster like the one involving the IFDA fund.

* State law ensures that purchasers of pre-need plans can't lose money on their investment. That means if you paid a funeral home for a pre-need plan and the funeral home put your money in the IFDA trust, your principal is safe. But many people don't know where that investment went and are now unclear of its status.

There must be an effort to notify individuals of their investment's status and exactly what will happen when funeral bills arrive.

Maybe that won't be enough to provide the peace of mind the initial investment intended, but it's a necessary step in restoring order to this chaotic situation.

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