

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 0971**

February 25, 2009

SPONSOR (S): Beaubien

SYSTEM(S): Downstate Police and Downstate Firefighters Pension Funds

FISCAL IMPACT: HB 0971 may have a fiscal impact, but the impact cannot be determined. If Illinois downstate police and downstate firefighters pension funds in the specified range are allowed increased types of investments, there may be a fiscal impact due to a change in asset allocation. Asset allocation affects a fund's long-term investment returns. If asset allocation does not change significantly, the impact of HB 0971 may not be significant.

SUBJECT MATTER: HB 0971 amends the General Provisions Article of the Illinois Pension Code to increase the available investment options for downstate police and downstate firefighters pension funds with total assets greater than \$10,000,000.

FISCAL IMPACT: HB 0971 may have a fiscal impact, but the impact cannot be determined. If Illinois downstate police and downstate firefighters pension funds in the specified range are allowed increased types of investments, there may be a fiscal impact due to a change in asset allocation. Asset allocation affects a fund's long-term investment returns. If asset allocation does not change significantly, the impact of HB 0971 may not be significant.

COMMENTS: Currently, downstate police and downstate firefighters pension funds with assets of at least \$5,000,000 are permitted to invest in common stocks, corporate securities and preferred stocks up to 5% of their net present value of total assets. Their total investments in mutual funds, common stocks, corporate stocks and preferred stocks may not exceed 35% of their net present value of total assets

HB 0971 amends the types and amounts of investment permitted for downstate police and downstate firefighters pension funds with total assets of at least \$10,000,000. If these pension funds use the services of an investment management consultant or investment manager, they will be permitted to increase their total investments in common stock, corporate securities, preferred stock and mutual funds to 50% of their net present value of total assets.