

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 5059**

March 2, 2010

SPONSOR (S): Joyce

SYSTEM(S): General Provisions Article

FISCAL IMPACT: HB 5059 may have a fiscal impact, but the impact cannot be determined. If Illinois public pension funds and retirement systems cannot make any new investments in specific types of assets, and have to divest certain assets and reinvest the proceeds in other assets, there may be a fiscal impact due to a change in asset allocation. Asset allocation affects a system's or fund's long-term investment returns. If asset allocation changes significantly, the financial impact of HB 5059 may be significant.

SUBJECT MATTER: HB 5059 amends the Illinois Pension Code to prohibit a retirement system or pension fund from any new or continuing investment in any fund which trades or invests in derivatives in off markets or non-open markets.

FISCAL IMPACT: SB 0099 may have a fiscal impact, but the impact cannot be determined. If Illinois public pension funds and retirement systems cannot make any new investments in specific types of assets, and have to divest certain assets and reinvest the proceeds in other assets, there may be a fiscal impact due to a change in asset allocation. Asset allocation affects a system's or fund's long-term investment returns. If asset allocation changes significantly, the financial impact of SB 0099 may be significant.

COMMENTS: Currently, any fiduciary of a retirement system or pension fund established under the Illinois Pension Code is permitted to transfer or disburse funds to, deposit into, acquire any bonds or commercial paper from, or otherwise loan to or invest in any fund which trades or invests in derivatives. HB 5059 establishes a retirement system or pension fund may not invest in any funds that trade derivatives in off markets or non-open markets. If a retirement system or pension fund created under the Pension Code has existing investments in such a fund on the effective date of HB 5059, then the retirement system or pension fund must divest all their interests in such funds within one year. No reimbursement by the State will be required for the implementation of the HB 5059 requirements.

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