

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **SB 2525**

January 20, 2010

SPONSOR (S): Martinez

SYSTEM(S): General Provisions Article

FISCAL IMPACT: The fiscal impact of SB 2525 cannot be calculated as the amount of additional legal expenses that Illinois public pension funds and retirement systems may incur due to mandatory indemnification is unknown.

SUBJECT MATTER: SB 2525 amends the Illinois Pension Code to require that every retirement system, pension fund, or other system or fund established under the Code indemnify and protect the trustees, staff, and consultants against all damage claims and suits when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees (indemnification is currently discretionary).

FISCAL IMPACT: The fiscal impact of SB 2525 cannot be calculated as the amount of additional legal expenses that Illinois public pension funds and retirement systems may incur due to mandatory indemnification is unknown.

COMMENT: Currently, every retirement system, pension fund, or other system or fund established under the Illinois Pension Code may indemnify and protect the trustees, staff, and consultants against all damage claims and suits, including defense thereof, when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees. SB 2525 makes indemnification mandatory rather than optional. SB 2525 requires that every retirement system, pension fund, or other system or fund established under this Code must indemnify and protect the trustees, staff, and consultants against all damage claims and suits when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees.

In addition, SB 2525 provides that a retirement system's, pension fund's, or investment board's goals for the management of assets in specific asset classes by emerging investment managers shall be based on the percentage of total dollar amount of assets to be managed for investment service contracts (rather than the percentage of total dollar

amount of investment service contracts) let to minority owned businesses, female owned businesses, and businesses owned by a person with a disability.

Currently, no trustee or employee of a retirement system, pension fund, or investment board created under this Code shall intentionally solicit or accept any gift from any prohibited source. Solicitation or acceptance of educational materials, however, is not prohibited. SB 2525 includes that solicitation or acceptance of costs associated with educational purposes is not a prohibited expense.

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