

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 1253**

February 23, 2007

SPONSOR (S): Watson

SYSTEM(S): Downstate Police Pension Funds (Cities Under 500,000), Firefighters
Pension Funds (Cities under 500,000) and Illinois Municipal Retirement
Fund

FISCAL IMPACT: HB 1253 may have a fiscal impact, but the impact cannot be determined. If Illinois public pension funds and retirement systems cannot invest in certain assets, there may be a fiscal impact due to the lack of optimal asset allocation. Asset allocation affects a system's or fund's long-term investment returns. If asset allocation does not have to change significantly, the impact of HB 1253 may not be significant.

SUBJECT MATTER: HB 1253 amends the Illinois Pension Code to prohibit specified retirement and pension funds from investing in securities issued by an employer of fund employees if that investment would result in more than 10% of the individual fund's total assets being invested in such employer securities.

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COMMENTS: HB 1253 amends the Downstate Police Article (Cities under 500,000), the Downstate Firefighters' Article (Cities under 500,000), and the Illinois Municipal Retirement Fund Article of the Illinois Pension Code. The bill provides that any retirement system or pension fund under these Articles may not acquire a security issued by an employer of employees under any of these Articles if such acquisition causes the fair market value of all such employer securities held by the retirement system or pension fund to exceed 10% of the fair market value of all assets owned by the retirement system or pension fund.

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