

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 4891**

April 3, 2008

SPONSOR (S): Dugan – Chapa LaVia

SYSTEM(S): Downstate Firefighters Pension Funds (Cities under 500,000)

FISCAL IMPACT: HB 4891 may have a fiscal impact, but the exact amount of impact cannot be determined. If Illinois public pension funds and retirement systems can invest in certain additional assets, there may be a fiscal impact due to more favorable asset allocation. Asset allocation affects a system's or fund's long-term investment returns by enhancing average percentage earned. If asset allocation does not change significantly, the impact of HB 4891 may not be significant.

SUBJECT MATTER: HB 4891 amends the Illinois Pension Code to remove various restrictions on the investment activities of the Downstate (Cities under 500,000) Firefighters' Pension Funds and requires these funds to appoint licensed investment advisers.

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COMMENTS: Downstate (Cities under 500,000) Firefighters' Pension Funds with assets of \$5,000,000 or more are permitted to place only 35% of their total investments in stocks or convertible debt. Downstate Firefighters' Pension Funds with assets of \$2,500,000 or more, but less than \$5,000,000, are permitted to invest up to 35% of their investment total in mutual funds, but are not permitted to invest in stocks or convertible debt. HB 4891 amends these restrictions to allow all Downstate Firefighters' Pension Funds to invest up to 40% of the fund's total investments in stocks and convertible debt. The bill also removes various other minor restrictions on the investment options for these funds. Finally, HB 4891 requires these funds to appoint licensed investment advisers.

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