## COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

## 95TH GENERAL ASSEMBLY

BILL NO: **HB 4959** 

April 1, 2008

- SPONSOR (S): May Fortner, et al.
- SYSTEM(S): Downstate Police Pension Funds (Cities under 500,000) and Firefighters Pension Funds (Cities under 500,000) with net assets of \$5,000,000 or more

FISCAL IMPACT: HB 4959 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 4959 may not be significant.

<u>SUBJECT MATTER</u>: HB 4959 amends the Illinois Pension Code to allow specified retirement and pension funds to invest in international corporate securities, and removes any requirements that these securities comply with requirements of Sections 12, 13 and 14 of the 1934 Federal Securities Exchange Act. In addition, these funds are allowed to increase their investments in common and preferred stocks from 35% to 50% of their total investments if they utilize an investment manager or consultant.

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<u>COMMENTS</u>: HB 4959 amends the Downstate Police Article (Cities under 500,000) and the Downstate Firefighters' Article (Cities under 500,000) of the Illinois Pension Code. The bill provides that any retirement system or pension fund under these Articles with total assets of at least \$5,000,000 may invest in common or preferred stocks of an international corporation. These stocks do not have to comply with any of the requirements listed in Sections 12. 13 and 14 of the federal Securities Exchange Act of 1934.

If a fund under these sections of the Code utilizes an investment management consultant or licensed investment manager, the fund shall be permitted to invest up to 50% of the market value of their assets in common and preferred stocks. If the fund does not utilize an investment management consultant or licensed investment manager, the fund shall be permitted to invest no more than 35% of the market value of their assets in common and preferred stocks.

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