

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **SB 1653**

March 1, 2007

SPONSOR (S): Raoul - Harmon

SYSTEM(S): General Provisions Article, Sanitary District Article

FISCAL IMPACT: SB 1653 may have a fiscal impact, but the impact cannot be determined. If Illinois public pension funds and retirement systems are free to use additional types of investments, 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 the pension funds are allowed greater discretion in asset allocation, the impact of SB 1653 may be significant.

SUBJECT MATTER: The General Provisions Article of the Illinois Pension Code is amended by SB 1653 to add international equities and bonds to the list of approved investment vehicles for pension funds and retirement systems in the State of Illinois. The Sanitary District Article of the Code is amended by SB 1653 to provide that the Metropolitan Water Reclamation District Retirement Fund shall not invest more than 75% of the aggregate market value of all fund investments in stocks and convertible debt.

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COMMENTS: Pension funds and retirement systems in the State of Illinois are only permitted to invest in approved securities listed in the Illinois Pension Code. SB 1653 adds international stocks and bonds, whether purchased individually or as part of a pooled investment, to this list of approved securities. SB 1653 also provides that, for the Metropolitan Water Reclamation District Retirement Fund, the total market value of all stocks and convertible debt shall not exceed 75% of the aggregate market value of all fund investments.

The following changes in the Illinois Pension Code are made by SB 1653 for Metropolitan Water Reclamation District employees: (1) All retirement annuity payments first payable on or after January 1, 2008, shall begin the first of the month following the date of retirement, (2) All surviving spouse annuity payments first payable on or after January 1, 2008, shall begin the first of the month following the annuitant's death, (3) Any employee in service before June

13, 1997 shall also receive a child's disability benefit of \$10 per month for each qualifying child during the period of employee disability, (4) Employee contributions are adjusted to 7% of salary for the retirement annuity plus 0.5% of salary for the annual increases in this annuity, (5) A line of succession is specified for the payment of employee contribution refunds after the death of an annuitant, and (6) Establishes the amount of payment for any refunds of employee contributions remaining unpaid upon the death of the employee and spouse. Finally, SB 1653 expands the investment authority of the Board of the Metropolitan Water Reclamation District Retirement Fund by deeming investment in international stocks and bonds a prudent investment decision.

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