

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 100TH GENERAL ASSEMBLY

BILL NO: **SB 0779**

February 14, 2017

SPONSOR (S): Biss

SYSTEM(S): General Provisions Article (All funds)

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**FISCAL IMPACT:** According to TRS, it is difficult to determine the precise impact of SB 0779 as it is unknown how many alternative investment funds would become unavailable to systems due to the new restrictions made by this legislation. However, the system claims there might be less alternative investment choices available for them and thus SB 779 might have an influence on TRS' projected rate of return and business operations.

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**SUBJECT MATTER:** SB 0779 creates new regulations regarding transparency in an alternative investment fund for all pension systems under the Illinois Pension Code including the Illinois State Board of Investment (ISBI).

**COMMENT:** Under SB 0779, a retirement system should disclose a new investment agreement on an alternative investment fund within 90 days after entering into the agreement. The following items need to be included in the disclosures, along with provisions of the agreement.

- All management fee waiver provisions;
- All indemnification provisions;
- All clawback provisions; and
- The cover page and signature block of the agreement.

In the case of a new agreement with a modification of a previous new agreement, for which proper disclosures have already been made, it is acceptable for a system to disclose only the newly modified parts that either would affect or wouldn't affect the previously disclosed provisions, whichever is applicable.

Under this legislation, a retirement system should not enter into an agreement to participate in an alternative investment fund without the fund's annual disclosures, which contain (1) the fees and expenses, paid to the alternative investment fund by the retirement system, (2) the retirement system's portion of other additional fees such as carried interest, (3) the amount of all management fee waivers made by the alternative investment fund, and (4) the total amount of portfolio holding fees incurred by the alternative investment fund.

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