

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

100TH GENERAL ASSEMBLY

BILL NO: **SB 3423**

March 12, 2018

SPONSOR (S): Althoff

SYSTEM(S): General Provisions, Downstate police, Downstate firefighters, and the Illinois Municipal Retirement Fund (IMRF)

FISCAL IMPACT: According to the Department of Insurance (DOI), more than 97% of all active Downstate Police and Downstate Firefighter pension funds would qualify for the transfer of the investment power to IMRF under SB 3423.

SUBJECT MATTER: SB 3423 amends the Illinois Pension Code by moving the investment power to Illinois Municipal Retirement Fund (IMRF) from Downstate Police and Downstate Fire pension funds whose net assets in trust exceed a threshold amount set by this bill.

COMMENT: Under current law, the boards of trustees of Downstate Police and Downstate Firefighter pension funds have the authority to control and manage their investments.

Movement of the Investment Authority to IMRF

SB 3423 moves the investment authority to IMRF from eligible Downstate Police and Downstate Firefighter pension funds that have net assets in trust exceeding the threshold amount, equal to 3 months of current liabilities, including benefit payments and operational expenses. Once the transfer is made, the investment authority of an eligible pension fund shall terminate. Also, an eligible pension fund shall transfer quarterly any available assets for investment to IMRF. However, the investment authority does not need to be moved to IMRF if a pension fund;

- 1) Has net assets that are less than the threshold amount in trust; or
- 2) Elects to pass its investment management to the Illinois State Board of Investment (ISBI) before the effective date of this bill.

Role of the Department of Insurance (DOI)

Within 24 months of the effective date of this bill, the DOI shall make a certified investment assets list after auditing the investment assets of each eligible pension fund and distribute the certified investment assets list to each eligible pension fund and IMRF. Once an eligible pension fund receives the list, the pension fund should cease the investment activities and transfer to IMRF all its assets, minus the amount of reserves to cover 3 months' current liabilities, including benefit payments and operational expenses.

Role of the IMRF

Upon the initial transfer of assets and the investment power of an eligible pension fund to the board of trustees of the IMRF, the board of trustees of the IMRF shall be, in perpetuity, responsible for the investment management on behalf of the eligible pension fund, while any fees for the investment service shall be paid by that eligible pension fund.

For assets invested by IMRF on behalf of a pension fund, any earnings on the assets shall be considered as part of the fund's reserves. In addition, IMRF shall report to the pension fund at least annually.

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