

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 1389**

March 5, 2019

SPONSOR (S): Weaver

SYSTEM(S): Downstate Police and Fire Pension Funds

FISCAL IMPACT: SB 1389 proposes to remove the limitations on how much and in what way Downstate Police and Fire pension funds can invest. Such investments would be made under the auspices of the Prudent Investor Rule. An in-depth analysis by an independent investment consultant would be necessary to properly determine the fiscal impact.

SUBJECT MATTER: SB 1389 removes investment limitations for Downstate Police and Fire pension funds, as described below in the Comment section.

COMMENT: SB 1389 would allow Downstate Police and Fire pension funds to invest more freely than current statute allows. This bill removes total asset requirements barring smaller funds from investing in equities and allows all funds to invest their assets as they deem appropriate. The bill mandates that investments be made under the auspices of the "Prudent Investor Rule," which holds that investments shall be made with the care, skill, and prudence that a person acting in a like capacity and familiar with such matters would exercise.

SB 1389 removes limitations associated with the four brackets established under current statute. The lowest bracket is funds with under \$2.5 million in assets, which currently can only invest 10% of their assets in equities and the rest in fixed income and money market instruments. Funds with assets totalling between \$2.5 and \$5 million may invest 45% of their assets in selected equities (with the exception of common and preferred stock). Funds with assets totalling between \$5 and \$10 million may invest 45% in qualified equities, mutual funds, and maintain separate accounts with insurance companies. Finally, funds over \$10 million may, as of 2012, invest up to 65% of assets in qualified assets.

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