



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 0529, as amended by HA 001

May 17, 2023

SPONSOR (S): Manley

SYSTEM: Police Officers' Pension Investment Article

FISCAL IMPACT

HB 0529, as amended by HA 1, makes a number of technical and administrative changes to the operations of the Police Officers' Pension Investment Fund that will not have a discernible fiscal impact. The bill also lengthens the "transition period" by which all Downstate Police Pension Funds were to have transferred their assets to the consolidated fund. Current law sets the asset transfer deadline at July 1, 2022, or 30 months after the effective date of Public Act 101-0610, the Police and Fire Pension Investment Consolidation Act of 2020. HB 529, as amended by HA 1, would move the deadline to January 1, 2023, or 36 months after the effective date of P.A. 101-0610.

Please see the comment on the bottom of Page 3 of this impact note for an update on the Downstate Police Pension funds that have not yet transferred assets to the Police Officers' Pension Investment Fund.

SUBJECT MATTER: HB 0529, as amended by HA 1, amends the Police Officers' Pension Investment Article of the Pension Code by making technical changes to the operations of the Board of Trustees of the Fund. The bill also extends the deadline by which Downstate Police Pension Funds must have transferred assets to the Police Officers' Pension Investment Fund from July 1, 2022 to January 1, 2023.

COMMENT: HB 0529, as amended by HA 1, amends the Police Officers' Pension Investment Article of the Pension Code. The Police Officers' Pension Investment Fund was created pursuant to Public Act 101-0610, which took effect on January 1, 2020 (The Downstate Police and Fire

Pension Investment Consolidation Act of 2020). The bill, as amended, makes technical and administrative changes as detailed below:

Oath of Office Procedure for Pension Fund Trustees

Currently, each trustee of the Police Officers' Pension Investment Fund Board must take their oath of office before the Secretary of State. HB 0529, as amended by HA 1, allows trustees to take their oath of office before the Secretary of State or the board-appointed legal counsel of the fund.

Reimbursement of Travel Expenses for Board-Related Expenses

Current law dictates that trustees of the Police Officers' Pension Investment Fund Board of Trustees are reimbursed for travel expenses while conducting board business at the rate granted to members of the Commission on Government Forecasting and Accountability. HB 0529, as amended by HA 1, deletes this reference to CGFA and states that trustees shall be reimbursed for board-related travel pursuant to rules adopted by the board in accordance with the General Provisions Article of the Pension Code. The General Provisions Article states that expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board must be approved by a majority of the board prior to the travel or educational mission.

Procedures for filling vacancies on the Board of Trustees

Currently, the board of the police investment fund is comprised of 9 members from the following groups:

- Three (3) members who are mayors, presidents, CEOs, CFOs, or other officers, executives, or department heads of municipalities that have participating pension funds and are elected by the mayors and presidents of municipalities that have participating pension funds;
- Three (3) members who are active participants elected by other active participants of the Fund;
- Two (2) members who are retired beneficiaries of the Fund elected by other retired beneficiaries of the Fund; and
- One (1) member appointed by the Governor, recommended by the Illinois Municipal League and confirmed by the Senate.

For a vacancy of an elected trustee occurring with an unexpired term of 6 months or more, current law dictates that an election shall be conducted for the vacancy. For a vacancy of an elected trustee occurring with an unexpired term of less than 6 months, current law dictates that the vacancy be filled by appointment by the Board, with the nominee coming from the applicable cohort (management, retiree, etc.).

HB 0529, as amended by HA 1, creates a mechanism whereby board vacancies are filled in the same manner, regardless of time remaining in the unexpired term. For each of the above groups,

a vacancy is to be filled by a Board-appointed candidate from a list produced by the cohort from whence the vacancy has arisen.

Extension of Deadline for Transition Period for Transfer of Assets from Downstate Police Funds to the Consolidated Fund

HB 0529, as amended by HA 1, lengthens the “transition period” end date created by Public Act 101-610 from 30 months after the effective date of the Act (July 1, 2022) to 36 months after the effective date (January 1, 2023). The Act defines this period as the window of time during which Downstate Police pension fund assets, and responsibility for custody and control of those assets, must have been transferred from the transferor pension funds to the Police Officers’ Pension Investment Fund. The investment fund says that the date change is being sought so that those funds who did not meet the original transition period deadline would not be found non-compliant with the dictates of the original law.

An investment update from April 2023 posted on the consolidated fund’s website states that 324 funds have been fully transferred and reconciled. Most of the assets have been received for four funds but are still in process from 2022, with three of those funds waiting on residual assets and one waiting on a CPA report. The report references four funds estimated at \$38 million that were scheduled to transfer on May 1, 2023. The report also makes note of 15 “litigant funds” worth an estimated \$1.2 billion, but the transfer status of these funds was not provided by the report. The report also references 10 funds worth an estimated \$74 million that did not transfer assets to the Fund. As with the “litigant funds,” no reason was given for why these 10 pension funds have not transferred their assets to the consolidated fund.

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