

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 0871**

February 18, 2009

SPONSOR (S): Watson

SYSTEM(S): General Provisions Article (Downstate Police, Fire)

FISCAL IMPACT: HB 0871 may have a fiscal impact, but the impact cannot be determined. If police and fire pension funds and retirement systems cannot invest in certain assets, there may be a fiscal impact due to the lack of optimal asset allocation. Asset allocation affects a system's or fund's long-term investment returns. If asset allocation does not have to change significantly, the impact of HB 0871 may not be significant.

SUBJECT MATTER: HB 0871 amends the General Provisions Article of the Illinois Pension Code to prohibit Downstate Police and Fire pension funds from investing in securities issued by an employer of fund employees if that investment would result in more than 10% of the individual fund's total assets being invested in such employer securities.

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COMMENTS: HB 0871 amends the General Provisions Article of the Illinois Pension Code. The bill provides that any Downstate Police or Fire pension fund may not acquire a security issued by an employer of employees covered by a Downstate Police or Fire pension fund if such acquisition causes the fair market value of all such employer securities held by the retirement system or pension fund to exceed 10% of the fair market value of all assets owned by the retirement system or pension fund.

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