

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

96TH GENERAL ASSEMBLY

BILL NO: **HB 2557**

February 23, 2009

SPONSOR (S): Bradley

SYSTEM(S): General Provisions Article

FISCAL IMPACT: The fiscal impact of HB 2557 cannot be calculated, as it is unknown at this time which investment vehicles each pension fund would select. It is unknown whether the economic opportunity investments as enumerated in the bill would provide a rate of return that would meet or exceed each pension fund's actuarially determined rate of return on investments.

SUBJECT MATTER: HB 2557 amends the Illinois Pension Code. The bill encourages the pension funds, and any State agency making investments on behalf of pension funds, to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible. SB 2557 requires each pension system, with the exception of Downstate Police and Firefighters to submit a report to the Governor and General Assembly by September 1 each year to identify the economic opportunity investments made by the fund. HB 2557 would be effective immediately.

FISCAL IMPACT: The fiscal impact of HB 2557 cannot be calculated, as it is unknown at this time which investment vehicles each pension fund would select. It is unknown whether the economic opportunity investments as enumerated in the bill would provide a rate of return that would meet or exceed each pension fund's actuarially determined rate of return on investments.

COMMENTS: HB 2557 makes the following changes to the General Provisions Article of the Illinois Pension Code:

Economic Opportunity Investments Requirements – State-Funded Systems

HB 2557 requires the five State-funded pension systems (SERS, SURS, TRS, GARS, and JRS) to make "all reasonable efforts" to invest in economic opportunity investments. "Economic opportunity investments" are defined as qualified investments that promote economic development within the State of Illinois through investments in companies, partnerships, and projects that promote the economy of the state or a region of the state. Such investments include venture capital programs, coal and other natural resource development, tourism, infrastructure, and real estate, among others. (See "Reporting Requirements" on the following page).

Economic Opportunity Investments – Reporting Requirements

HB 2557 requires each pension fund established under the Pension Code (with the exception of Downstate Police and Fire pension funds) to submit a report to the Governor and General Assembly by September 1st of each year that identifies the economic investment opportunities made by the fund and other information such as the primary location of the business or project, and the percentage of the fund's assets in economic opportunity investments. HB 2557 also requires that all affected pension funds must comply with current statutory requirements for trustees and fiduciaries when making economic opportunity investments.

MM:dkb

LRB096 09754 AMC 19917 b