

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 97TH GENERAL ASSEMBLY

BILL NO: **SB 1679**

March 2, 2011

SPONSOR(S): Schoenberg

SYSTEM(S): Downstate Police, Downstate Fire, IMRF

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**FISCAL IMPACT:** P.A. 96-1495, the Police and Fire Pension Reform Act of 2010, requires the Commission on Government Forecasting and Accountability to conduct a study on the feasibility of creating an investment pool to supplement and enhance the investment opportunities available to Downstate police and fire pension funds. The Commission plans to issue an RFP for a consultant to study the issue of investment consolidation. Pursuant to the Act, the report is to be completed by December 31, 2011.

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**SUBJECT MATTER:** SB 1679 amends the Downstate Police, Downstate Fire, and IMRF Articles of the Illinois Pension Code to require the board of each downstate police and downstate fire pension fund to transfer to the IMRF board of trustees all investments owned by the funds for management and administration. Once the transfer is complete, SB 1679 terminates the authority of the boards of each downstate police and downstate fire pension fund to make investments. SB 1679 provides for the election of a police officer trustee and a firefighter trustee to IMRF board of trustees.

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**COMMENT:**

**Administering Downstate Police and Downstate Fire Pension Funds**

Currently, each downstate police and downstate fire pension fund controls and manages all of their own investment expenditures and income, including interest dividends, capital gains and other distributions on the investments. Under HB 1679, on the

effective date of this amendatory Act of the 97th General Assembly, each fund will relinquish their investment authority to the IMRF board of trustees.

#### Investment of Downstate Police and Fire Funds by the IMRF Board of Trustees

SB 1679 provides that the board of each downstate police and downstate fire pension fund must transfer to the IMRF board of trustees all investments owned by the fund of every kind and character. Once the transfer is complete, the board of the fund will give up all authority to make investments and thus all investments of the reserves of each fund will be made solely by the IMRF board of trustees. HB 1679 stipulates that the transfers must not be made later than the first day of the fourth month next following the effective date of this amendatory Act. Under HB 1679, before each transfer, an audit of the investments must be completed by a certified public accountant who is (1) selected by the IMRF board and (2) approved by the Auditor General of the State of Illinois.

#### IMRF Board of Trustees

Currently, the IMRF board of trustees is composed of eight members: four executive trustees who must be a chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality or instrumentality; three active employees; and one annuitant trustee. SB 1679 adds two more trustees to the IMRF board, thus comprising the board of ten members. One added trustee will be a police officer who participates in a downstate police pension fund. The second added trustee will be a firefighter who participates in a downstate fire pension fund.

#### IMRF Board of Trustees Elections

In order for a police officer to become the police officer trustee of the IMRF board of trustees under SB 1679, a petition for that police office must be signed by at least 100 persons who were participants of a downstate police pension fund during July of the current year and who, if their status remains unchanged, would be eligible to vote for the candidate at the following election. Similarly, in order for a firefighter to become the firefighter trustee of the IMRF board of trustees under SB 1679, a petition for that firefighter must be signed by at least 100 persons who were participants of a downstate fire pension fund during July of the current year and who, if their status remains unchanged, would be eligible to vote for the candidate at the following election.

Under SB 1679, each participant in a downstate police pension fund gets one vote at any election in which a police officer trustee is to be elected, and each participant is able to cast his or her vote for any candidate on the police officer trustee ballot. In the same way, each participant in a downstate fire pension fund gets one vote at any election in which a firefighter trustee is to be elected, and each participant is able to cast his or her vote for any candidate on the firefighter trustee ballot.

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