

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

95TH GENERAL ASSEMBLY

BILL NO: **HB 0562, as amended by HA #001**

April 10, 2008

SPONSOR (S): Bradley, J. – Granberg, et al.

SYSTETM(S): General Provisions Article

FISCAL IMPACT: The fiscal impact of HB 0562, as amended by HA #001, 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 contained 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 0562, as amended by HA #001, establishes a policy of encouraging public pension funds and any State agency investing funds on behalf of pension funds to make "economic opportunity investments" in order to promote the economy of Illinois. The bill requires the five State-funded retirement systems to make a reasonable effort to invest in economic opportunity investments. In addition, the bill, as amended, sets a public policy goal of promoting Illinois businesses in a manner that is consistent with the standards of fiduciary prudence.

FISCAL IMPACT: The fiscal impact of HB 0562, as amended by HA #001, 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 contained 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 0562, as amended by HA #001, makes the following changes to the General Provisions Article of the Illinois Pension Code:

Economic Opportunity Investments

HB 0562, as amended, sets a public policy goal of encouraging pension funds to promote the economy of Illinois through the use of economic opportunity investments. The bill also requires the five State-funded pension systems (SERS, SURS, TRS, GARS, and JRS) to make "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. Such investments include, but are not limited to, venture capital programs, coal and other natural resource development, tourism, infrastructure, and real estate, among others. The bill defines “Illinois businesses” as a business that is headquartered in Illinois.

Economic Opportunity Investments – Reporting Requirements

HB 0562, as amended by HA #001, 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. The bill also requires that all affected pension funds must comply with current statutory requirements for trustees and fiduciaries when making economic opportunity investments.

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