

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 95TH GENERAL ASSEMBLY

BILL NO: **HB 0562**

February 6, 2007

SPONSOR (S): Bradley, J.

SYSTEM(S): General Provisions Article

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**FISCAL IMPACT:** The fiscal impact of HB 0562 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.

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**SUBJECT MATTER:** HB 0562 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 a minimum of 5% of pension fund assets in economic opportunity investments. HB 0562 requires all pension funds established under the Pension Code (except for Downstate Police and Fire pension funds) to submit annual reports to the Governor and General Assembly on the status of economic opportunity investments made by the respective funds.

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**COMMENTS:** HB 0562 makes the following changes to the General Provisions Article of the Illinois Pension Code:

*Economic Opportunity Investments Requirements – State-Funded Systems*

HB 0562 requires the five State-funded pension systems (SERS, SURS, TRS, GARS, and JRS) to make "all reasonable efforts" to invest a minimum of 5% of pension fund assets 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. HB 0562 stipulates that if a State-funded pension system fails to meet the minimum economic opportunity investment requirement, the pension fund shall include in its annual report to the Governor and General Assembly the reason for not meeting the 5% investment minimum (see “Reporting Requirements” below).

*Economic Opportunity Investments – Reporting Requirements*

HB 0562 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 0562 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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