

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO: HB 3547

March 5, 2019

SPONSOR (S): Rita

SYSTEM(S): Downstate Fire

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**FISCAL IMPACT:** An in-depth analysis by an independent investment consultant would be needed to assess the impact of allowing all Downstate Fire pension funds to invest up to 75% of their net present assets in common or preferred stocks. Under current law, Downstate Fire pension funds are restricted in the amount of equities in which they may invest, as enumerated below in the Comment section.

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**SUBJECT MATTER:** HB 3547 amends the General Provisions article of the Illinois Pension Code to allow Downstate Fire pension funds to invest up to 75% of the net present assets in common or preferred stocks.

**COMMENT:** Currently, Downstate Fire pension funds are restricted in the amount of equities in which they may invest, depending on asset size. The lowest bracket is funds with under \$2.5 million in assets, which currently can only invest 10% of their assets in equities and the rest in fixed income and money market instruments. Funds with assets totalling between \$2.5 and \$5 million may invest 45% of their assets in selected equities (with the exception of common and preferred stock). Funds with assets totalling between \$5 and \$10 million may invest 45% in qualified equities, mutual funds, and maintain separate accounts with insurance companies. Finally, funds over \$10 million may, as of 2012, invest up to 65% of assets in qualified assets.

In addition to allowing up to 75% of net present assets to be invested in common or preferred stocks, HB 3547 would also provide that any corporate bonds held by the Downstate Fire pension fund may be deemed fixed income.

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