

# COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

## PENSION IMPACT NOTE

### 101ST GENERAL ASSEMBLY

BILL NO: **SB 1108**

February 7, 2019

SPONSOR (S): Landek

SYSTEM(S): Downstate Police and Firefighters

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**FISCAL IMPACT:** While SB 1108 envisions a consolidation of investment powers of Downstate Police and Fire pension funds under the auspices of IMRF, the bill sets a threshold asset amount equal to three months' worth of liabilities in order for a police or fire pension fund to be eligible for consolidation. An in-depth study by an independent investment consultant would be required to ascertain the full fiscal impact of SB 1108.

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**SUBJECT MATTER:** SB 1108 amends the Illinois Pension Code by shifting the investment power from Downstate Police and Firefighter local pension boards to the Board of Trustees of the Illinois Municipal Retirement Fund (IMRF). The bill provides a twenty-four month period during which the Department of Insurance shall determine a certified list of investment assets for each fund that, when completed, are transferred to IMRF.

#### **COMMENT:**

##### **Shifting Investment Authority**

- Eligible Pensions
  - In order to transfer investment authority from the pension fund to the IMRF, the pension must reach a “threshold amount” of net assets equal to 3 months of current liabilities.
    - Pension funds that previously elected to be managed under the Illinois State Board of Investments are exempt.
- Over the 24 months following the enactment of this bill, the Department of Insurance will conduct an audit of eligible funds and present a certified investment list to the Illinois Municipal Retirement Fund and eligible funds as audits are completed.
  - Once presented the list, eligible funds must cease investment activity.
- Eligible funds shall transfer available investments with 30 days of the end of each fiscal year quarter and send written notices to IMRF as transfers are made.

- The bill mandates a full audit within 6 months of the completion of the transfer of assets, completed by the Auditor General's designated public accountant. The audit includes:
  - i. full description of investments acquired and their average costs;
  - ii. full description of the securities sold or exchanged, showing average proceeds or other conditions of an exchange;
  - iii. gains or losses during the transfer;
  - iv. investment income;
  - v. administrative expenses of the board;
  - vi. and the proportion of administrative expenses allocable to each pension fund.
- SB 1108 necessitates no administrative or fiscal changes for IMRF; the bill only transfers investment assets and authority.

#### Local Boards

- Local Pension Boards are not removed under SB 1108.
- SB 1108 mandates that IMRF make annual reports to local boards, and that local boards can request reports throughout the year.
  - IMRF shall provide a full receipt to the local board once the transfer of all assets, securities, and other pension investments to IMRF is completed.
- The IMRF also makes deposits into local pension funds, from which benefits are paid.
  - Municipalities with transferred pension funds are required to maintain reserves equal to 3 months' current liabilities.
- Any disputes between local boards and the IMRF shall be resolved by the Director of the Department of Insurance.

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