

COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

101ST GENERAL ASSEMBLY

BILL NO: **SB 2312**

December 2, 2019

SPONSOR (S): Plummer

SYSTEM(S): Downstate Police and Fire

FISCAL IMPACT: The consolidated funds for Article 3 and 4 (Downstate Police and Fire) that would be established by SB 1300 have not yet been created. SB 1300 has not, as of this writing, been signed into law. SB 2312 proposes a prohibition on “commingling” of pension fund assets under the consolidated funds. It is not clear from the legislation how this prohibition is intended to work, therefore, the impact cannot be assessed. With no further amendments to this bill, it would be left to the transition boards and/or the permanent police and fire consolidated investment boards to interpret the meaning of the prohibition on commingling contained in this bill.

SUBJECT MATTER: SB 2312 amends the Miscellaneous Collateral Provisions Article of the Pension Code with regard to Downstate Police and Firefighter Pension Funds. The bill provides that if SB 1300 is signed into law, a prohibition on “commingling” of pension fund accounts will take effect, either on the effective date of SB 2312, or upon the effective date of SB 1300, whichever is later. SB 1300 set up two consolidated investment entities for Article 3 and 4 pension funds. More detail is provided in the Comment section below.

COMMENT: SB 1300, which passed both chambers of the legislature on Nov. 14, 2019, but has yet to be transmitted to the Governor, would create the Downstate Police Officers’ and Firefighters Investment Funds to combine and invest pension assets for Article 3 and Article 4 funds. Following SB 1300’s effective date, a transition period would begin in which temporary Boards of Trustees would be appointed to each fund, and the assets from all participating funds would be moved to the consolidated funds during a period of time known as the “transition period.” SB 1300 states that the transition period shall be no longer than 30 months and would end as so determined by the transition board. The consolidated funds would thereafter assume all investment authority of Downstate Police and Fire pension fund assets.

SB 2312 amends the Pension Code with regard to the consolidated funds described above. The bill purports to introduce a prohibition on the “commingling” of assets, providing that all commingled assets would be returned to their respective funds. “Commingling” is generally understood as the pooling of assets from various sources, however, neither SB 1300 nor SB 2312 provide a definition of the term as it pertains to the consolidated funds.

It is unclear how SB 2312 is intended to work in tandem with SB 1300, as it would seemingly nullify the consolidation. Further clarification would be needed to assess the functional impact of SB 2312. In the absence of further amendments to this bill, the transition boards and/or the permanent boards of the Downstate Police and Fire investment funds would be tasked with interpreting and carrying out the prohibition on commingling contained in SB 2312.

CM:bs

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