Below is a page based commentary on SB616A1. The language is paraphrased and summarized000 for brevity. A copy of the amended bill is attached if you chose to read the actual language – pages are cited for each comment. The most significant items are in bold. Many of the bolded items are further discussed in additional commentary. Changes specific to Article 3 are not included.

Amends Illinois Finance Authority Act. Enables IFA to fund the consolidation (p2).

Allows the IFA to make loans to the new consolidated funds (p36).

Added/adjusted definitions Transferor Pension (p37).

Adds new funds to retirement fund definition (p 39).

Eliminates investment authority of local pension boards after transfer of funds (p45)

Adds definition of Consolidated Fund (p46/47)

Defines Transition Period (p 49)

Changes the IDOI examination of pension funds once the funds are in the consolidated fund (pp 49-52)

Adds the new consolidated funds to the rest of the funds (except Article 3 and 4) that must report economic opportunity investments to the Governor (p54)

Removes the reporting requirements once funds are consolidated and places it upon the consolidated fund (p56)

Once consolidated, requires the consolidated fund to obtain the actuary report and removes the ability of the local fund and employer to obtain one (pp56-57).

Requires changes from actuarial reports by the consolidated fund to be initially implemented over three years. (pp57-58).

The consolidated actuary report will be determining for the contribution required by the employer (p58).

After consolidation, the annual compliance fee shall be $8000 (was .02% NTE $8000) payable by the consolidated fund (p58-59).

After consolidation, removes the penalties for Article 3 and 4 for failure to file reports - they are required to be funded by the consolidated fund (p63).

For Tier 2, adds the option to take the greater pensionable salary from prior four of five years or eight of ten (previously only 8/10), provides that this change does not result in retroactive payments (p75).

For Tier 2, removes the "one-half" from the increase in the total pensionable salary making the increase CPI-U up to 3% annually, retroactive to the start of Tier 2 (p75).

For Tier 2 adds the survivor benefit for non-duty death to be the greater of 54% of salary or 66-2/3% of earned pension benefits (previously 66-2-3% of earned benefits). Adds in children clauses, total benefit cannot be greater than 75% of final salary (pp82-83).

Transfers investment authority to the new consolidated firefighter fund (section 22C). Requires transfer of all investment funds within 30 months of effective date. Effective date currently June 1, 2020 – all funds would need to be transferred by December 31, 2022. Local fund then has no control of investments (p84).

Creates Article 22C. Authorizes consolidated fund to manage all investments established under Article 4. Defines certain terms (pp108-111).

Establishes purpose and governance. Provides that no pension fund will benefit more than others and the funding level of one fund will have no impact on other funds (pp111-112).

Provides for an appointment of a transition board within six months of the effective date. Nine members will be on the board – three from employers, two from participants, one from beneficiaries, one from the IML, one from the AFFI. The State Treasurer will also serve and be the Chair. (p112)

The permanent board will be established upon the conclusion of the transition period. There will be eight members with the same makeup as the transition board, with the exception of the State Treasurer. Members will serve without compensation (pp112-114).

The transition board will hold elections for the permanent board, the permanent board will hold subsequent elections. For the permanent board, nominees must have at least 20 nominations. Defines terms and election process, allows for the board to develop rules (p114-117)

Boards are required to meet at least quarterly. (p117)

Administration of the Fund. Executive Director will be appointed until transition is completed then the permanent board will make a permanent appointment. Ability of the board to advisors including custodians, legal assistance, auditing, investment advisors and other consultants. (pp117-118)

Requires the separation and accounting for each individual fund. Investment returns will be distributed equally based on the value of each fund. (pp118)

Executive director has the ability to hire staff and set compensation, with board approval. Requires an annual budget. (pp118-119)

Requires the transfer of funds back to the pension funds for the required benefit payments and expenses. (p119)

Consolidated board may indemnify based on the current code and acquire office space. Required to maintain bonding. (pp119-120)

The board is able to adopt rules to implement and administer the consolidated fund. Rules are not subject to review by JCAR. (p120)

Definition of the transition period. Period will end no later than December 31, 2022. The permanent board is not bound by contracted entered into by the transition board. (p121)

Each fund will be audited by the transition board (with IDOI), costs paid by the consolidated fund. The consolidated fund will provide a certified investment asset list to the pension fund. The consolidated fund will initiate the transfer of funds within 10 days of providing the asset list. Upon determination of the certified asset list, the pension fund may not sell or purchase assets. (pp121-122)

When the consolidated fund is prepared to accept the transfer of the funds, the executive director will notify the pension fund of the transfer date no less than 30 days prior to the transfer date. On that date, the pension fund will no longer have investment authority. On the transfer date, the local custodian relationship will be severed. (pp122-123)

Within 90 days after the end of the transition period, IDOI and the consolidated fund will cooperate in transferring all pension fund assets in the custody of the local pension fund. (p123)

The consolidated board shall adopt necessary rules to implement the transition, not subject to the JCAR process. The consolidated fund shall be audited within six months after the end of the transition period. (pp123-124)

The IFA is authorized to loan the consolidated fund up to $7,500,000. The loan will be repaid with interest. (p124)

The consolidated board has the authority to manage funds to obtain a total return on investments for the long term. This authority begins upon transfer. (p125)

Assets shall be maintained in funds outside the State treasury. Funds are not subject to administrative charges or chargebacks. (pp125-126)

The board may not delegate management functions but may compensate others for financial services. The consolidated board is not restricted in investing funds in public, private, real estate or other investments authorized by the code. The funds are restricted by the requirements of the investment portions of the code, but not the restrictions placed on Article 4 pensions. Custodians are required to meet certain qualifications. (pp126-128)

The consolidated fund is required to keep proper accounting, value all pension funds in a similar fashion and maintain accounting of all distributions charged to each pension fund (pp128-129).

The consolidated fund will provide an annual audit and quarterly reports (pp129-130).

Technical language and notification of State mandates (pp130-132)