

Below is a page based commentary on SB1300A5. The language is paraphrased and summarized 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. Changes specific to Article 3 are not included. *Items in italics have not changed from SB616A1.*

Status of our concerns with SB616A1:

- Ability to maintain funds for expenses. Fixed in new language (p104)
- Actuarial report – spread changes over a greater time period and allow for secondary reports – were not addressed in the new language and remain the same
- Annual compliance fee was not addressed. Our interpretation is this is \$8000/per fund/year
- Tier 2 changes remain unchanged (we are in favor)
- Concern over loss due to transfer of assets. Moving the effective date forward actually increases this concern
- Investment authority remains unchanged.
- Many of the missing items we questioned were addressed in some fashion

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

Allows the IFA to make loans to the new consolidated funds (p36-37) – Slight change from SB616.

Allows the IFA to make loans to the new consolidated funds (p40) – Change from SB616

Added definitions Transferor Pension (p40).

Removes training requirement for accounting and actuarial training, changes initial hours to 16 from 32 (pg41) – NEW

Adds 4 hours of one time training on consolidation (pg42) – NEW

Reduces annual training requirement to 8 hours (p43) NEW

Adds new funds to retirement fund definition (p 39 in 616). – Removed

Eliminates investment authority of local pension boards after transfer of funds (p43-44)

Adds other types of police and investigators to the list of eligibles (p52) – NEW

Adds definition of Consolidated Fund (p55)

Defines Transition Period (p 57)

Changes the IDOI examination of pension funds once the funds are in the consolidated fund (p58-60)

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 in 616) - Removed

Removes the reporting requirements once funds are consolidated and places it upon the consolidated fund (p62)

Once consolidated, requires the consolidated fund to obtain the actuary report and removes the ability of the local fund and employer to obtain one (pp63-64).

Requires changes from actuarial reports by the consolidated fund to be initially implemented over three years. (p64).

The consolidated actuary report will be determining for the contribution required by the employer (p64).

After consolidation, the annual compliance fee shall be \$8000 (was .02% NTE \$8000) payable by the consolidated fund (p54-65).

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 (p86).

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 (p87).

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 (pp93-94).

Reaffirms the ability of the Article 4 (current) Pension board to determine all benefits and that the Investment (consolidated) Fund has no authority to alter or intervene. (pp95-96) – NEW

Adds that funds provided by the Consolidated Fund, returned to the Article 4 fund for use are considered as part of the Article 4 fund's assets (p100) – NEW

Further clarifies timeline of the Article 4 Board's duties (p102) - NEW

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 January 1, 2020 – all funds would need to be transferred by June 30, 2022. Local fund then has no control of investments (p103).

Allows the Article 4 to hold funds returned by the Consolidated Fund for payment of expenses. (p104)-NEW

Technical exception for a surviving spouse from prior to 2011 who elected a refund of contributions to re-establish the pension credits (p107) – NEW

Allows a police officer to buy five years of service from a Federal or non-Illinois PD (p126, 128) – NEW

Allows Certain police to buy 8 years of service if they were not already in Article 3 (p130) – NEW

Technical change to include new Tier 2 changes (p131) – NEW

Changes addressing University Police (pp133-152) – NEW

Changes to TRS Board (pp152-157) – NEW

Creates Article 22B – Police Consolidated Fund (p157-183) – NOT REVIEWED

Creates Article 22C. Authorizes consolidated fund to manage all investments established under Article 4. Defines certain terms (pp184-186). Note – subsections 109, 110, 111 defining types of members (employer, participant, beneficiary) REMOVED

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 (pp186-187).

Provides for an appointment of a transition board within one of the effective date. Nine members will be on the board – three from employers, three from participants recommended by the AFFI, one from beneficiaries recommended by the AFFI, one from the IML, one (more) from the AFFI. The State Treasurer will also serve and be the Chair. (p187-188) – Some Changes

The permanent board will be established upon the conclusion of the transition period. There will be ~~eight~~ nine members with the same makeup as the transition board, with the exception that the participant and beneficiary members are elected from all participants (not just AFFI members) and does not include the State Treasurer. Members will serve without compensation (pp188-191).

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~~ 400 nominations for participants and 100 nominations for beneficiaries. Defines terms and election process, allows for the board to develop rules (p191-196) – Significant changes from SB616

Boards are required to meet at least quarterly. Requires the vote of 5 Trustees, 6 for certain decisions. (p196)

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. (pp196-197)

Requires the separation and accounting for each individual fund. Investment returns will be distributed equally based on the value of each fund. (pp197-198)

Executive director has the ability to hire staff and set compensation, with board approval. Requires an annual budget. (pp198)

Requires the transfer of funds back to the pension funds for the required benefit payments and expenses. (p198)

Consolidated board may indemnify based on the current code and acquire office space. Required to maintain bonding. (pp198-199)

The board is able to adopt rules to implement and administer the consolidated fund. Rules are not subject to review by JCAR. (p199-200)

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. (p200)

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. (pp200-201)

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. (pp201-202)

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. (p202)

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. (pp202-203)

The IFA is authorized to loan the consolidated fund up to \$7,500,000. The loan will be repaid with interest. (pp203-204)

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. (p204)

Assets shall be maintained in funds outside the State treasury. Funds are not subject to administrative charges or chargebacks. (pp204-205)

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. (pp204-207)

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 (pp207-208).

The consolidated fund will provide an annual audit and quarterly reports (pp208-210).

Makes changes to IMRF for elected officials (p211) – NEW

Minor Change for Capitol Police Pension (p212) – NEW

Technical language and notification of State mandates (pp214-215)

Effective date changed to January 1, 2020 (p216) - NEW