Proposed Change in the Law

Requires an actuary who prepares actuarial statements for a pension fund to post a bond of $2 billion.

The bill applies to all Illinois public pension systems.

Reasons for Position

The main effect on this bill for IMRF would be to increase the annual costs of the Fund because actuaries would obviously need to pass on the cost of the bond on to the pension funds. Currently, the cost can be as high as 10% of the amount of the bond, meaning it could increase the cost of these providers by as much as $200 million.

In addition, it would mean that newer and smaller firms would find it difficult to compete in this market, including MWBE firms. While the cost of the bond could be passed on to the funds, it may be more difficult for a small and/or new firm for a bond firm’s underwriters to approve issuing the bond in the first place without a satisfactory track record and/or may charge even more to issue the bond, making it unlikely for the funds to take on such costs.