



Sen. Elgie R. Sims, Jr.

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10000HB4412sam001

LRB100 15616 MJP 39979 a

1 AMENDMENT TO HOUSE BILL 4412

2 AMENDMENT NO. _____. Amend House Bill 4412 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by
5 changing Section 1-109.1 as follows:

6 (40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)

7 Sec. 1-109.1. Allocation and delegation of fiduciary
8 duties.

9 (1) Subject to the provisions of Section 22A-113 of this
10 Code and subsections (2) and (3) of this Section, the board of
11 trustees of a retirement system or pension fund established
12 under this Code may:

13 (a) Appoint one or more investment managers as
14 fiduciaries to manage (including the power to acquire and
15 dispose of) any assets of the retirement system or pension
16 fund; and

1 (b) Allocate duties among themselves and designate
2 others as fiduciaries to carry out specific fiduciary
3 activities other than the management of the assets of the
4 retirement system or pension fund.

5 (2) The board of trustees of a pension fund established
6 under Article 5, 6, 8, 9, 10, 11, 12 or 17 of this Code may not
7 transfer its investment authority, nor transfer the assets of
8 the fund to any other person or entity for the purpose of
9 consolidating or merging its assets and management with any
10 other pension fund or public investment authority, unless the
11 board resolution authorizing such transfer is submitted for
12 approval to the contributors and pensioners of the fund at
13 elections held not less than 30 days after the adoption of such
14 resolution by the board, and such resolution is approved by a
15 majority of the votes cast on the question in both the
16 contributors election and the pensioners election. The
17 election procedures and qualifications governing the election
18 of trustees shall govern the submission of resolutions for
19 approval under this paragraph, insofar as they may be made
20 applicable.

21 (3) Pursuant to subsections (h) and (i) of Section 6 of
22 Article VII of the Illinois Constitution, the investment
23 authority of boards of trustees of retirement systems and
24 pension funds established under this Code is declared to be a
25 subject of exclusive State jurisdiction, and the concurrent
26 exercise by a home rule unit of any power affecting such

1 investment authority is hereby specifically denied and
2 preempted.

3 (4) For the purposes of this Code, "emerging investment
4 manager" means a qualified investment adviser that manages an
5 investment portfolio of at least \$10,000,000 but less than
6 \$10,000,000,000 and is a "minority-owned business",
7 "women-owned business" or "business owned by a person with a
8 disability" as those terms are defined in the Business
9 Enterprise for Minorities, Women, and Persons with
10 Disabilities Act.

11 It is hereby declared to be the public policy of the State
12 of Illinois to encourage the trustees of public employee
13 retirement systems, pension funds, and investment boards to use
14 emerging investment managers in managing their system's
15 assets, encompassing all asset classes, and increase the
16 racial, ethnic, and gender diversity of its fiduciaries, to the
17 greatest extent feasible within the bounds of financial and
18 fiduciary prudence, and to take affirmative steps to remove any
19 barriers to the full participation in investment opportunities
20 afforded by those retirement systems, pension funds, and
21 investment boards.

22 On or before January 1, 2010, a retirement system, pension
23 fund, or investment board subject to this Code, except those
24 whose investments are restricted by Section 1-113.2 of this
25 Code, shall adopt a policy that sets forth goals for
26 utilization of emerging investment managers. This policy shall

1 include quantifiable goals for the management of assets in
2 specific asset classes by emerging investment managers. The
3 retirement system, pension fund, or investment board shall
4 establish 3 separate goals for: (i) emerging investment
5 managers that are minority-owned businesses; (ii) emerging
6 investment managers that are women-owned businesses; and (iii)
7 emerging investment managers that are businesses owned by a
8 person with a disability. The goals established shall be based
9 on the percentage of total dollar amount of investment service
10 contracts let to minority-owned businesses, women-owned
11 businesses, and businesses owned by a person with a disability,
12 as those terms are defined in the Business Enterprise for
13 Minorities, Women, and Persons with Disabilities Act. The
14 retirement system, pension fund, or investment board shall
15 annually review the goals established under this subsection.

16 If in any case an emerging investment manager meets the
17 criteria established by a board for a specific search and meets
18 the criteria established by a consultant for that search, then
19 that emerging investment manager shall receive an invitation by
20 the board of trustees, or an investment committee of the board
21 of trustees, to present his or her firm for final consideration
22 of a contract. In the case where multiple emerging investment
23 managers meet the criteria of this Section, the staff may
24 choose the most qualified firm or firms to present to the
25 board.

26 The use of an emerging investment manager does not

1 constitute a transfer of investment authority for the purposes
2 of subsection (2) of this Section.

3 (5) Each retirement system, pension fund, or investment
4 board subject to this Code, except those whose investments are
5 restricted by Section 1-113.2 of this Code, shall establish a
6 policy that sets forth goals for increasing the racial, ethnic,
7 and gender diversity of its fiduciaries, including its
8 consultants and senior staff. Each retirement system, pension
9 fund, or investment board shall make its best efforts to ensure
10 that the racial and ethnic makeup of its senior administrative
11 staff represents the racial and ethnic makeup of its
12 membership. Each system, fund, and investment board shall
13 annually review the goals established under this subsection.

14 (6) On or before January 1, 2010, a retirement system,
15 pension fund, or investment board subject to this Code, except
16 those whose investments are restricted by Section 1-113.2 of
17 this Code, shall adopt a policy that sets forth goals for
18 utilization of businesses owned by minorities, women, and
19 persons with disabilities for all contracts and services. The
20 goals established shall be based on the percentage of total
21 dollar amount of all contracts let to minority-owned
22 businesses, women-owned businesses, and businesses owned by a
23 person with a disability, as those terms are defined in the
24 Business Enterprise for Minorities, Women, and Persons with
25 Disabilities Act. The retirement system, pension fund, or
26 investment board shall annually review the goals established

1 under this subsection.

2 (7) On or before January 1, 2010, a retirement system,
3 pension fund, or investment board subject to this Code, except
4 those whose investments are restricted by Section 1-113.2 of
5 this Code, shall adopt a policy that sets forth goals for
6 increasing the utilization of minority broker-dealers. For the
7 purposes of this Code, "minority broker-dealer" means a
8 qualified broker-dealer who meets the definition of
9 "minority-owned business", "women-owned business", or
10 "business owned by a person with a disability", as those terms
11 are defined in the Business Enterprise for Minorities, Women,
12 and Persons with Disabilities Act. The retirement system,
13 pension fund, or investment board shall annually review the
14 goals established under this Section.

15 (8) Each retirement system, pension fund, and investment
16 board subject to this Code, except those whose investments are
17 restricted by Section 1-113.2 of this Code, shall submit a
18 report to the Governor and the General Assembly by January 1 of
19 each year that includes the following: (i) the policy adopted
20 under subsection (4) of this Section, including the names and
21 addresses of the emerging investment managers used, percentage
22 of the assets under the investment control of emerging
23 investment managers for the 3 separate goals, and the actions
24 it has undertaken to increase the use of emerging investment
25 managers, including encouraging other investment managers to
26 use emerging investment managers as subcontractors when the

1 opportunity arises; (ii) the policy adopted under subsection
2 (5) of this Section; (iii) the policy adopted under subsection
3 (6) of this Section; (iv) the policy adopted under subsection
4 (7) of this Section, including specific actions undertaken to
5 increase the use of minority broker-dealers; and (v) the policy
6 adopted under subsection (9) of this Section.

7 (9) On or before February 1, 2015, a retirement system,
8 pension fund, or investment board subject to this Code, except
9 those whose investments are restricted by Section 1-113.2 of
10 this Code, shall adopt a policy that sets forth goals for
11 increasing the utilization of minority investment managers.
12 For the purposes of this Code, "minority investment manager"
13 means a qualified investment manager that manages an investment
14 portfolio and meets the definition of "minority-owned
15 business", "women-owned business", or "business owned by a
16 person with a disability", as those terms are defined in the
17 Business Enterprise for Minorities, Women, and Persons with
18 Disabilities Act.

19 It is hereby declared to be the public policy of the State
20 of Illinois to encourage the trustees of public employee
21 retirement systems, pension funds, and investment boards to use
22 minority investment managers in managing their systems'
23 assets, encompassing all asset classes, and to increase the
24 racial, ethnic, and gender diversity of their fiduciaries, to
25 the greatest extent feasible within the bounds of financial and
26 fiduciary prudence, and to take affirmative steps to remove any

1 barriers to the full participation in investment opportunities
2 afforded by those retirement systems, pension funds, and
3 investment boards.

4 The retirement system, pension fund, or investment board
5 shall establish 3 separate goals for: (i) minority investment
6 managers that are minority-owned businesses; (ii) minority
7 investment managers that are women-owned businesses; and (iii)
8 minority investment managers that are businesses owned by a
9 person with a disability. The retirement system, pension fund,
10 or investment board shall annually review the goals established
11 under this Section.

12 If in any case a minority investment manager meets the
13 criteria established by a board for a specific search and meets
14 the criteria established by a consultant for that search, then
15 that minority investment manager shall receive an invitation by
16 the board of trustees, or an investment committee of the board
17 of trustees, to present his or her firm for final consideration
18 of a contract. In the case where multiple minority investment
19 managers meet the criteria of this Section, the staff may
20 choose the most qualified firm or firms to present to the
21 board.

22 The use of a minority investment manager does not
23 constitute a transfer of investment authority for the purposes
24 of subsection (2) of this Section.

25 (10) Beginning January 1, 2016, it shall be the
26 aspirational goal for a retirement system, pension fund, or

1 investment board subject to this Code to use emerging
2 investment managers for not less than 20% of the total funds
3 under management. Furthermore, it shall be the aspirational
4 goal that not less than 20% of investment advisors be
5 minorities, women, and persons with disabilities as those terms
6 are defined in the Business Enterprise for Minorities, Women,
7 and Persons with Disabilities Act. It shall be the aspirational
8 goal to utilize businesses owned by minorities, women, and
9 persons with disabilities for not less than 20% of contracts
10 awarded for "information technology services", "accounting
11 services", "insurance brokers", "architectural and engineering
12 services", and "legal services" as those terms are defined in
13 the Act.

14 (Source: P.A. 99-462, eff. 8-25-15; 100-391, eff. 8-25-17.)

15 Section 99. Effective date. This Act takes effect upon
16 becoming law."