



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB1576

by Rep. Ryan Spain

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Creates the Downstate Police Pension Investment Board and the Downstate Firefighter Pension Investment Board. Moves the investment authority of downstate police and firefighter pension funds to those Investment Boards. Includes provisions relating to the transfer and investment of the affected assets, auditing and reporting requirements, and the operation and administration of the Investment Boards. Reduces the amount of training required for trustees of those pension funds. Changes all downstate police and firefighter pension funds to a fiscal year beginning May 1. Doubles the annual compliance fee paid by the funds to the Department of Insurance. Requires the Department of Insurance to impose penalties of up to \$2,000 per day for noncompliance with certain provisions relating to the transfer of investment assets. Makes conforming and other changes. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB101 05116 RPS 50128 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Pension Code is amended by changing
5 Sections 1-109.3, 1-113.1, 1-113.2, 1-113.3, 1-113.4,
6 1-113.4a, 1-113.5, 1-113.6, 1-113.7, 1A-112, 1A-113, 3-125,
7 3-127, 3-132, 3-135, 4-118, 4-120, 4-123, and 4-128 and by
8 adding Sections 1-101.6, 1-101.7, 1-113.05, 1-136, 3-135.1,
9 3-135.2, 4-128.1, and 4-128.2 and Articles 22B and 22C follows:

10 (40 ILCS 5/1-101.6 new)

11 Sec. 1-101.6. Eligible pension fund. "Eligible pension
12 fund" means a pension fund established pursuant to Article 3 or
13 Article 4 of this Code that has net assets in trust that exceed
14 the threshold amount defined in Section 1-101.7 of this Code.
15 The status of "eligible pension fund", once established,
16 continues in effect without regard to subsequent variations in
17 the net assets of the pension fund.

18 (40 ILCS 5/1-101.7 new)

19 Sec. 1-101.7. Threshold amount. "Threshold amount", when
20 used in relation to the financial assets of a pension fund
21 established under Article 3 or Article 4 of this Code, means an
22 amount equal to 3 months of current liabilities of the pension

1 fund, including benefit payments owed to annuitants and
2 beneficiaries of the pension fund and reasonable operational
3 expenses.

4 (40 ILCS 5/1-109.3)

5 Sec. 1-109.3. Training requirement for Article 3 and
6 Article 4 pension trustees.

7 (a) All elected and appointed trustees under Article 3 and
8 4 of this Code must participate in a mandatory trustee
9 certification training seminar that consists of at least 8 ~~32~~
10 hours of initial trustee certification at a training seminar
11 ~~facility~~ that is accredited and affiliated with a State of
12 Illinois certified college or university or approved by the
13 Department of Insurance. This training must include, without
14 limitation, both ~~all~~ of the following:

15 (1) Duties and liabilities of a fiduciary under this
16 ~~Article 1 of the Illinois Pension Code~~.

17 (2) Duties of a pension board trustee under Article 3
18 or Article 4, as applicable, of this Code. ~~Adjudication of~~
19 ~~pension claims~~.

20 ~~(3) Basic accounting and actuarial training.~~

21 ~~(4) Trustee ethics.~~

22 ~~(5) The Illinois Open Meetings Act.~~

23 ~~(6) The Illinois Freedom of Information Act.~~

24 The training required under this subsection (a) must be
25 completed within the first year that a trustee is elected or

1 appointed under an Article 3 or 4 pension fund. The elected and
2 appointed trustees of an Article 3 or 4 pension fund who are
3 police officers (as defined in Section 3-106 of this Code) or
4 firefighters (as defined in Section 4-106 of this Code) or are
5 employed by the municipality shall be permitted time away from
6 their duties to attend such training without reduction of
7 accrued leave or benefit time. Active or appointed trustees
8 serving on the effective date of this amendatory Act of the
9 96th General Assembly shall not be required to attend the
10 training required under this subsection (a).

11 (b) In addition to the initial trustee certification
12 training required under subsection (a), all elected and
13 appointed trustees under Article 3 and 4 of this Code,
14 including trustees serving on the effective date of this
15 amendatory Act of the 101st General Assembly ~~this amendatory~~
16 ~~Act of the 96th General Assembly~~, shall also participate in a
17 minimum of 4 ~~16~~ hours of continuing trustee education each year
18 after the first year that the trustee is elected or appointed.
19 The continuing trustee education training must include,
20 without limitation, both of the following:

21 (1) Duties and liabilities of a fiduciary under this
22 Article.

23 (2) Duties of a pension board trustee under Article 3
24 or Article 4, as applicable, of this Code.

25 (c) The training required under this Section shall be paid
26 for by the pension fund.

1 (d) Any board member who does not timely complete the
2 training required under this Section is not eligible to serve
3 on the board of trustees of an Article 3 or 4 pension fund,
4 unless the board member completes the missed training within 6
5 months after the date the member failed to complete the
6 required training. In the event of a board member's failure to
7 complete the required training, a successor shall be appointed
8 or elected, as applicable, for the unexpired term. A successor
9 who is elected under such circumstances must be elected at a
10 special election called by the board and conducted in the same
11 manner as a regular election under Article 3 or 4, as
12 applicable.

13 (Source: P.A. 96-429, eff. 8-13-09.)

14 (40 ILCS 5/1-113.05 new)

15 Sec. 1-113.05. Transfer of investment authority of certain
16 pension funds established under Article 3 or 4.

17 (a) Upon receiving a certified investment asset list from
18 the Department of Insurance pursuant to Section 3-135.1 of this
19 Code, the board of trustees of an eligible pension fund
20 established under Article 3 of this Code shall cease investment
21 activities and shall transfer all investment assets of the
22 pension fund to the Downstate Police Pension Investment Board
23 in the manner prescribed by rules adopted by the Downstate
24 Police Pension Investment Board. Upon completion of that
25 transfer, the investment authority of the board of trustees

1 shall terminate.

2 (b) Upon receiving a certified investment asset list from
3 the Department of Insurance pursuant to Section 4-128.1 of this
4 Code, the board of trustees of an eligible pension fund
5 established under Article 4 of this Code shall cease investment
6 activities and shall transfer all investment assets of the
7 pension fund to the Downstate Firefighter Pension Investment
8 Board in the manner prescribed by rules adopted by the
9 Downstate Firefighter Pension Investment Board. Upon
10 completion of that transfer, the investment authority of the
11 board of trustees shall terminate.

12 (40 ILCS 5/1-113.1)

13 Sec. 1-113.1. Investment authority of certain pension
14 funds established under Article 3 or 4.

15 (a) Beginning 18 months after the effective date of this
16 amendatory Act of the 101st General Assembly or when the
17 transfer of investment authority is made pursuant to Section
18 1-113.05, whichever occurs first, subsection (b) of this
19 Section does not apply to any pension fund that is an eligible
20 pension fund as defined in Section 1-101.6.

21 This Section continues to apply to any pension fund
22 established under Article 3 or 4 that is not an eligible
23 pension fund as defined in Section 1-101.6.

24 (b) The board of trustees of a police pension fund
25 established under Article 3 of this Code or firefighter pension

1 fund established under Article 4 of this Code shall draw
2 pension funds from the treasurer of the municipality and,
3 beginning January 1, 1998, invest any part thereof in the name
4 of the board in the items listed in Sections 1-113.2 through
5 1-113.4 according to the limitations and requirements of this
6 Article. These investments shall be made with the care, skill,
7 prudence, and diligence that a prudent person acting in like
8 capacity and familiar with such matters would use in the
9 conduct of an enterprise of like character with like aims.

10 Interest and any other income from the investments shall be
11 credited to the pension fund.

12 For the purposes of Sections 1-113.2 through 1-113.11, the
13 "net assets" of a pension fund include both the cash and
14 invested assets of the pension fund.

15 (Source: P.A. 90-507, eff. 8-22-97.)

16 (40 ILCS 5/1-113.2)

17 Sec. 1-113.2. List of permitted investments for certain ~~all~~
18 Article 3 or 4 pension funds.

19 (a) Beginning 18 months after the effective date of this
20 amendatory Act of the 101st General Assembly or when the
21 transfer of investment authority is made pursuant to Section
22 1-113.05, whichever occurs first, subsection (b) of this
23 Section does not apply to any pension fund that is an eligible
24 pension fund as defined in Section 1-101.6.

25 (b) Except as provided in subsection (a), any ~~Any~~ pension

1 fund established under Article 3 or 4 may invest in the
2 following items:

3 (1) Interest bearing direct obligations of the United
4 States of America.

5 (2) Interest bearing obligations to the extent that
6 they are fully guaranteed or insured as to payment of
7 principal and interest by the United States of America.

8 (3) Interest bearing bonds, notes, debentures, or
9 other similar obligations of agencies of the United States
10 of America. For the purposes of this Section, "agencies of
11 the United States of America" includes: (i) the Federal
12 National Mortgage Association and the Student Loan
13 Marketing Association; (ii) federal land banks, federal
14 intermediate credit banks, federal farm credit banks, and
15 any other entity authorized to issue direct debt
16 obligations of the United States of America under the Farm
17 Credit Act of 1971 or amendments to that Act; (iii) federal
18 home loan banks and the Federal Home Loan Mortgage
19 Corporation; and (iv) any agency created by Act of Congress
20 that is authorized to issue direct debt obligations of the
21 United States of America.

22 (4) Interest bearing savings accounts or certificates
23 of deposit, issued by federally chartered banks or savings
24 and loan associations, to the extent that the deposits are
25 insured by agencies or instrumentalities of the federal
26 government.

1 (5) Interest bearing savings accounts or certificates
2 of deposit, issued by State of Illinois chartered banks or
3 savings and loan associations, to the extent that the
4 deposits are insured by agencies or instrumentalities of
5 the federal government.

6 (6) Investments in credit unions, to the extent that
7 the investments are insured by agencies or
8 instrumentalities of the federal government.

9 (7) Interest bearing bonds of the State of Illinois.

10 (8) Pooled interest bearing accounts managed by the
11 Illinois Public Treasurer's Investment Pool in accordance
12 with the Deposit of State Moneys Act, interest bearing
13 funds or pooled accounts of the Illinois Metropolitan
14 Investment Funds, and interest bearing funds or pooled
15 accounts managed, operated, and administered by banks,
16 subsidiaries of banks, or subsidiaries of bank holding
17 companies in accordance with the laws of the State of
18 Illinois.

19 (9) Interest bearing bonds or tax anticipation
20 warrants of any county, township, or municipal corporation
21 of the State of Illinois.

22 (10) Direct obligations of the State of Israel, subject
23 to the conditions and limitations of item (5.1) of Section
24 1-113.

25 (11) Money market mutual funds managed by investment
26 companies that are registered under the federal Investment

1 Company Act of 1940 and the Illinois Securities Law of 1953
2 and are diversified, open-ended management investment
3 companies; provided that the portfolio of the money market
4 mutual fund is limited to the following:

5 (i) bonds, notes, certificates of indebtedness,
6 treasury bills, or other securities that are
7 guaranteed by the full faith and credit of the United
8 States of America as to principal and interest;

9 (ii) bonds, notes, debentures, or other similar
10 obligations of the United States of America or its
11 agencies; and

12 (iii) short term obligations of corporations
13 organized in the United States with assets exceeding
14 \$400,000,000, provided that (A) the obligations mature
15 no later than 180 days from the date of purchase, (B)
16 at the time of purchase, the obligations are rated by
17 at least 2 standard national rating services at one of
18 their 3 highest classifications, and (C) the
19 obligations held by the mutual fund do not exceed 10%
20 of the corporation's outstanding obligations.

21 (12) General accounts of life insurance companies
22 authorized to transact business in Illinois.

23 (13) Any combination of the following, not to exceed
24 10% of the pension fund's net assets:

25 (i) separate accounts that are managed by life
26 insurance companies authorized to transact business in

1 Illinois and are comprised of diversified portfolios
2 consisting of common or preferred stocks, bonds, or
3 money market instruments;

4 (ii) separate accounts that are managed by
5 insurance companies authorized to transact business in
6 Illinois, and are comprised of real estate or loans
7 upon real estate secured by first or second mortgages;
8 and

9 (iii) mutual funds that meet the following
10 requirements:

11 (A) the mutual fund is managed by an investment
12 company as defined and registered under the
13 federal Investment Company Act of 1940 and
14 registered under the Illinois Securities Law of
15 1953;

16 (B) the mutual fund has been in operation for
17 at least 5 years;

18 (C) the mutual fund has total net assets of
19 \$250 million or more; and

20 (D) the mutual fund is comprised of
21 diversified portfolios of common or preferred
22 stocks, bonds, or money market instruments.

23 (14) Corporate bonds managed through an investment
24 advisor must meet all of the following requirements:

25 (1) The bonds must be rated as investment grade by
26 one of the 2 largest rating services at the time of

1 purchase.

2 (2) If subsequently downgraded below investment
3 grade, the bonds must be liquidated from the portfolio
4 within 90 days after being downgraded by the manager.

5 (Source: P.A. 96-1495, eff. 1-1-11.)

6 (40 ILCS 5/1-113.3)

7 Sec. 1-113.3. List of additional permitted investments for
8 certain pension funds with net assets of \$2,500,000 or more.

9 (a) Beginning 18 months after the effective date of this
10 amendatory Act of the 101st General Assembly or when the
11 transfer of investment authority is made pursuant to Section
12 1-113.05, whichever occurs first, subsection (a-5) of this
13 Section does not apply to any pension fund that is an eligible
14 pension fund as defined in Section 1-101.6.

15 (a-5) Except as provided in subsection (a), in ~~(a)~~ In
16 addition to the items in Section 3-113.2, a pension fund
17 established under Article 3 or 4 that has net assets of at
18 least \$2,500,000 may invest a portion of its net assets in the
19 following items:

20 (1) Separate accounts that are managed by life
21 insurance companies authorized to transact business in
22 Illinois and are comprised of diversified portfolios
23 consisting of common or preferred stocks, bonds, or money
24 market instruments.

25 (2) Mutual funds that meet the following requirements:

1 (i) the mutual fund is managed by an investment
2 company as defined and registered under the federal
3 Investment Company Act of 1940 and registered under the
4 Illinois Securities Law of 1953;

5 (ii) the mutual fund has been in operation for at
6 least 5 years;

7 (iii) the mutual fund has total net assets of \$250
8 million or more; and

9 (iv) the mutual fund is comprised of diversified
10 portfolios of common or preferred stocks, bonds, or
11 money market instruments.

12 (b) A pension fund's total investment in the items
13 authorized under this Section shall not exceed 35% of the
14 market value of the pension fund's net present assets stated in
15 its most recent annual report on file with the Illinois
16 Department of Insurance.

17 (Source: P.A. 90-507, eff. 8-22-97.)

18 (40 ILCS 5/1-113.4)

19 Sec. 1-113.4. List of additional permitted investments for
20 certain pension funds with net assets of \$5,000,000 or more.

21 (a) Beginning 18 months after the effective date of this
22 amendatory Act of the 101st General Assembly or when the
23 transfer of investment authority is made pursuant to Section
24 1-113.05, whichever occurs first, subsection (a-5) of this
25 Section does not apply to any pension fund that is an eligible

1 pension fund as defined in Section 1-101.6.

2 (a-5) Except as provided in subsection (a), in ~~(a)~~ In
3 addition to the items in Sections 1-113.2 and 1-113.3, a
4 pension fund established under Article 3 or 4 that has net
5 assets of at least \$5,000,000 and has appointed an investment
6 adviser under Section 1-113.5 may, through that investment
7 adviser, invest a portion of its assets in common and preferred
8 stocks authorized for investments of trust funds under the laws
9 of the State of Illinois. The stocks must meet all of the
10 following requirements:

11 (1) The common stocks are listed on a national
12 securities exchange or board of trade (as defined in the
13 federal Securities Exchange Act of 1934 and set forth in
14 subdivision G of Section 3 of the Illinois Securities Law
15 of 1953) or quoted in the National Association of
16 Securities Dealers Automated Quotation System National
17 Market System (NASDAQ NMS).

18 (2) The securities are of a corporation created or
19 existing under the laws of the United States or any state,
20 district, or territory thereof and the corporation has been
21 in existence for at least 5 years.

22 (3) The corporation has not been in arrears on payment
23 of dividends on its preferred stock during the preceding 5
24 years.

25 (4) The market value of stock in any one corporation
26 does not exceed 5% of the cash and invested assets of the

1 pension fund, and the investments in the stock of any one
2 corporation do not exceed 5% of the total outstanding stock
3 of that corporation.

4 (5) The straight preferred stocks or convertible
5 preferred stocks are issued or guaranteed by a corporation
6 whose common stock qualifies for investment by the board.

7 (6) The issuer of the stocks has been subject to the
8 requirements of Section 12 of the federal Securities
9 Exchange Act of 1934 and has been current with the filing
10 requirements of Sections 13 and 14 of that Act during the
11 preceding 3 years.

12 (b) A pension fund's total investment in the items
13 authorized under this Section and Section 1-113.3 shall not
14 exceed 35% of the market value of the pension fund's net
15 present assets stated in its most recent annual report on file
16 with the Illinois Department of Insurance.

17 (c) A pension fund that invests funds under this Section
18 shall electronically file with the Division any reports of its
19 investment activities that the Division may require, at the
20 times and in the format required by the Division.

21 (Source: P.A. 100-201, eff. 8-18-17.)

22 (40 ILCS 5/1-113.4a)

23 Sec. 1-113.4a. List of additional permitted investments
24 for certain Article 3 and 4 pension funds with net assets of
25 \$10,000,000 or more.

1 (a) Beginning 18 months after the effective date of this
2 amendatory Act of the 101st General Assembly or when the
3 transfer of investment authority is made pursuant to Section
4 1-113.05, whichever occurs first, subsection (a-5) of this
5 Section does not apply to any pension fund that is an eligible
6 pension fund as defined in Section 1-101.6.

7 (a-5) Except as provided in subsection (a), in ~~(a)~~ In
8 addition to the items in Sections 1-113.2 and 1-113.3, a
9 pension fund established under Article 3 or 4 that has net
10 assets of at least \$10,000,000 and has appointed an investment
11 adviser, as defined under Sections 1-101.4 and 1-113.5, may,
12 through that investment adviser, invest an additional portion
13 of its assets in common and preferred stocks and mutual funds.

14 (b) The stocks must meet all of the following requirements:

15 (1) The common stocks must be listed on a national
16 securities exchange or board of trade (as defined in the
17 Federal Securities Exchange Act of 1934 and set forth in
18 paragraph G of Section 3 of the Illinois Securities Law of
19 1953) or quoted in the National Association of Securities
20 Dealers Automated Quotation System National Market System.

21 (2) The securities must be of a corporation in
22 existence for at least 5 years.

23 (3) The market value of stock in any one corporation
24 may not exceed 5% of the cash and invested assets of the
25 pension fund, and the investments in the stock of any one
26 corporation may not exceed 5% of the total outstanding

1 stock of that corporation.

2 (4) The straight preferred stocks or convertible
3 preferred stocks must be issued or guaranteed by a
4 corporation whose common stock qualifies for investment by
5 the board.

6 (c) The mutual funds must meet the following requirements:

7 (1) The mutual fund must be managed by an investment
8 company registered under the Federal Investment Company
9 Act of 1940 and registered under the Illinois Securities
10 Law of 1953.

11 (2) The mutual fund must have been in operation for at
12 least 5 years.

13 (3) The mutual fund must have total net assets of
14 \$250,000,000 or more.

15 (4) The mutual fund must be comprised of a diversified
16 portfolio of common or preferred stocks, bonds, or money
17 market instruments.

18 (d) A pension fund's total investment in the items
19 authorized under this Section and Section 1-113.3 shall not
20 exceed 50% effective July 1, 2011 and 55% effective July 1,
21 2012 of the market value of the pension fund's net present
22 assets stated in its most recent annual report on file with the
23 Department of Insurance.

24 (e) A pension fund that invests funds under this Section
25 shall electronically file with the Division any reports of its
26 investment activities that the Division may require, at the

1 time and in the format required by the Division.

2 (Source: P.A. 96-1495, eff. 1-1-11.)

3 (40 ILCS 5/1-113.5)

4 Sec. 1-113.5. Investment advisers and investment services
5 for certain ~~all~~ Article 3 or 4 pension funds.

6 (a) Beginning 18 months after the effective date of this
7 amendatory Act of the 101st General Assembly or when the
8 transfer of investment authority is made pursuant to Section
9 1-113.05, whichever occurs first, subsection (a-1) of this
10 Section does not apply to any pension fund that is an eligible
11 pension fund as defined in Section 1-101.6.

12 (a-1) Except as provided in subsection (a), the ~~(a)~~ ~~The~~
13 board of trustees of a pension fund established under Article 3
14 or 4 of this Code may appoint investment advisers as defined in
15 Section 1-101.4. The board of any pension fund investing in
16 common or preferred stock under Section 1-113.4 shall appoint
17 an investment adviser before making such investments.

18 The investment adviser or consultant shall be a fiduciary,
19 as defined in Section 1-101.2, with respect to the pension fund
20 and shall be one of the following:

21 (1) an investment adviser registered under the federal
22 Investment Advisers Act of 1940 and the Illinois Securities
23 Law of 1953;

24 (2) a bank or trust company authorized to conduct a
25 trust business in Illinois;

1 (3) a life insurance company authorized to transact
2 business in Illinois; or

3 (4) an investment company as defined and registered
4 under the federal Investment Company Act of 1940 and
5 registered under the Illinois Securities Law of 1953.

6 (a-5) Notwithstanding any other provision of law, a person
7 or entity that provides consulting services (referred to as a
8 "consultant" in this Section) to a pension fund with respect to
9 the selection of fiduciaries may not be awarded a contract to
10 provide those consulting services that is more than 5 years in
11 duration. No contract to provide such consulting services may
12 be renewed or extended. At the end of the term of a contract,
13 however, the contractor is eligible to compete for a new
14 contract. No person shall attempt to avoid or contravene the
15 restrictions of this subsection by any means. All offers from
16 responsive offerors shall be accompanied by disclosure of the
17 names and addresses of the following:

18 (1) The offeror.

19 (2) Any entity that is a parent of, or owns a
20 controlling interest in, the offeror.

21 (3) Any entity that is a subsidiary of, or in which a
22 controlling interest is owned by, the offeror.

23 Beginning on July 1, 2008, a person, other than a trustee
24 or an employee of a pension fund or retirement system, may not
25 act as a consultant under this Section unless that person is at
26 least one of the following: (i) registered as an investment

1 adviser under the federal Investment Advisers Act of 1940 (15
2 U.S.C. 80b-1, et seq.); (ii) registered as an investment
3 adviser under the Illinois Securities Law of 1953; (iii) a
4 bank, as defined in the Investment Advisers Act of 1940; or
5 (iv) an insurance company authorized to transact business in
6 this State.

7 (b) All investment advice and services provided by an
8 investment adviser or a consultant appointed under this Section
9 shall be rendered pursuant to a written contract between the
10 investment adviser and the board, and in accordance with the
11 board's investment policy.

12 The contract shall include all of the following:

13 (1) acknowledgement in writing by the investment
14 adviser that he or she is a fiduciary with respect to the
15 pension fund;

16 (2) the board's investment policy;

17 (3) full disclosure of direct and indirect fees,
18 commissions, penalties, and any other compensation that
19 may be received by the investment adviser, including
20 reimbursement for expenses; and

21 (4) a requirement that the investment adviser submit
22 periodic written reports, on at least a quarterly basis,
23 for the board's review at its regularly scheduled meetings.
24 All returns on investment shall be reported as net returns
25 after payment of all fees, commissions, and any other
26 compensation.

1 (b-5) Each contract described in subsection (b) shall also
2 include (i) full disclosure of direct and indirect fees,
3 commissions, penalties, and other compensation, including
4 reimbursement for expenses, that may be paid by or on behalf of
5 the investment adviser or consultant in connection with the
6 provision of services to the pension fund and (ii) a
7 requirement that the investment adviser or consultant update
8 the disclosure promptly after a modification of those payments
9 or an additional payment.

10 Within 30 days after the effective date of this amendatory
11 Act of the 95th General Assembly, each investment adviser and
12 consultant providing services on the effective date or subject
13 to an existing contract for the provision of services must
14 disclose to the board of trustees all direct and indirect fees,
15 commissions, penalties, and other compensation paid by or on
16 behalf of the investment adviser or consultant in connection
17 with the provision of those services and shall update that
18 disclosure promptly after a modification of those payments or
19 an additional payment.

20 A person required to make a disclosure under subsection (d)
21 is also required to disclose direct and indirect fees,
22 commissions, penalties, or other compensation that shall or may
23 be paid by or on behalf of the person in connection with the
24 rendering of those services. The person shall update the
25 disclosure promptly after a modification of those payments or
26 an additional payment.

1 The disclosures required by this subsection shall be in
2 writing and shall include the date and amount of each payment
3 and the name and address of each recipient of a payment.

4 (c) Within 30 days after appointing an investment adviser
5 or consultant, the board shall submit a copy of the contract to
6 the Division of Insurance of the Department of Financial and
7 Professional Regulation.

8 (d) Investment services provided by a person other than an
9 investment adviser appointed under this Section, including but
10 not limited to services provided by the kinds of persons listed
11 in items (1) through (4) of subsection (a), shall be rendered
12 only after full written disclosure of direct and indirect fees,
13 commissions, penalties, and any other compensation that shall
14 or may be received by the person rendering those services.

15 (e) The board of trustees of each pension fund shall retain
16 records of investment transactions in accordance with the rules
17 of the Department of Financial and Professional Regulation.

18 (f) Upon the initial transfer of assets and investment
19 authority of an eligible pension fund under subsection (b) of
20 Section 3-135, and thereafter in perpetuity, the Downstate
21 Police Pension Investment Board shall provide all investment
22 services for that eligible pension fund.

23 The Downstate Police Pension Investment Board shall not be
24 held liable by or indemnify any individual annuitant or
25 beneficiary of any eligible pension fund established under
26 Article 3 for nonpayment of benefits by the eligible pension

1 fund.

2 (g) Upon the initial transfer of assets and investment
3 authority of an eligible pension fund under subsection (b) of
4 Section 4-128, and thereafter in perpetuity, the Downstate
5 Firefighter Pension Investment Board shall provide all
6 investment services for that eligible pension fund.

7 The Downstate Firefighter Pension Investment Board shall
8 not be held liable by or indemnify any individual annuitant or
9 beneficiary of any eligible pension fund established under
10 Article 4 for nonpayment of benefits by the eligible pension
11 fund.

12 (Source: P.A. 95-950, eff. 8-29-08; 96-6, eff. 4-3-09.)

13 (40 ILCS 5/1-113.6)

14 Sec. 1-113.6. Investment policies.

15 (a) Except as provided in subsection (b), every ~~Every~~ board
16 of trustees of a pension fund shall adopt a written investment
17 policy and file a copy of that policy with the Department of
18 Insurance within 30 days after its adoption. Whenever a board
19 changes its investment policy, it shall file a copy of the new
20 policy with the Department within 30 days.

21 (b) Beginning 18 months after the effective date of this
22 amendatory Act of the 101st General Assembly or when the
23 transfer of its investment authority under Section 1-113.05,
24 whichever occurs first, the requirement to maintain and file an
25 investment policy under subsection (a) ceases to apply to the

1 board of trustees of an eligible pension fund established under
2 Article 3 or Article 4 of this Code.

3 (Source: P.A. 90-507, eff. 8-22-97.)

4 (40 ILCS 5/1-113.7)

5 Sec. 1-113.7. Registration of investments; custody and
6 safekeeping.

7 This Section does not apply to investments that have been
8 transferred under Section 1-113.05.

9 The board of trustees may register the investments of its
10 pension fund in the name of the pension fund, in the nominee
11 name of a bank or trust company authorized to conduct a trust
12 business in Illinois, or in the nominee name of the Illinois
13 Public Treasurer's Investment Pool.

14 The assets of the pension fund and ownership of its
15 investments shall be protected through third-party custodial
16 safekeeping. The board of trustees may appoint as custodian of
17 the investments of its pension fund the treasurer of the
18 municipality, a bank or trust company authorized to conduct a
19 trust business in Illinois, or the Illinois Public Treasurer's
20 Investment Pool.

21 A dealer may not maintain possession of or control over
22 securities of a pension fund subject to the provisions of this
23 Section unless it is registered as a broker-dealer with the
24 U.S. Securities and Exchange Commission and is a member in good
25 standing of the National Association of Securities Dealers, and

1 (1) with respect to securities that are not issued only in
2 book-entry form, (A) all such securities of each fund are
3 either held in safekeeping in a place reasonably free from risk
4 of destruction or held in custody by a securities depository
5 that is a "clearing agency" registered with the U.S. Securities
6 and Exchange Commission, (B) the dealer is a member of the
7 Securities Investor Protection Corporation, (C) the dealer
8 sends to each fund, no less frequently than each calendar
9 quarter, an itemized statement showing the moneys and
10 securities in the custody or possession of the dealer at the
11 end of such period, and (D) an independent certified public
12 accountant conducts an audit, no less frequently than each
13 calendar year, that reviews the dealer's internal accounting
14 controls and procedures for safeguarding securities; and (2)
15 with respect to securities that are issued only in book-entry
16 form, (A) all such securities of each fund are held either in a
17 securities depository that is a "clearing agency" registered
18 with the U.S. Securities and Exchange Commission or in a bank
19 that is a member of the Federal Reserve System, (B) the dealer
20 records the ownership interest of the funds in such securities
21 on the dealer's books and records, (C) the dealer is a member
22 of the Securities Investor Protection Corporation, (D) the
23 dealer sends to each fund, no less frequently than each
24 calendar quarter, an itemized statement showing the moneys and
25 securities in the custody or possession of the dealer at the
26 end of such period, and (E) the dealer's financial statement

1 (which shall contain among other things a statement of the
2 dealer's net capital and its required net capital computed in
3 accordance with Rule 15c3-1 under the Securities Exchange Act
4 of 1934) is audited annually by an independent certified public
5 accountant, and the dealer's most recent audited financial
6 statement is furnished to the fund. No broker-dealer serving as
7 a custodian for any public pension fund as provided by this Act
8 shall be authorized to serve as an investment advisor for that
9 same public pension fund as described in Section 1-101.4 of
10 this Code, to the extent that the investment advisor acquires
11 or disposes of any asset of that same public pension fund.
12 Notwithstanding the foregoing, in no event may a broker or
13 dealer that is a natural person maintain possession of or
14 control over securities or other assets of a pension fund
15 subject to the provisions of this Section. In maintaining
16 securities of a pension fund subject to the provisions of this
17 Section, each dealer must maintain those securities in
18 conformity with the provisions of Rule 15c3-3(b) of the
19 Securities Exchange Act of 1934 (Physical Possession or Control
20 of Securities). The Director of the Department of Insurance may
21 adopt such rules and regulations as shall be necessary and
22 appropriate in his or her judgment to effectuate the purposes
23 of this Section.

24 A bank or trust company authorized to conduct a trust
25 business in Illinois shall register, deposit, or hold
26 investments for safekeeping, all in accordance with the

1 obligations and subject to the limitations of the Securities in
2 Fiduciary Accounts Act.

3 (Source: P.A. 92-651, eff. 7-11-02.)

4 (40 ILCS 5/1-136 new)

5 Sec. 1-136. Fiscal year for Article 3 and Article 4 pension
6 funds. For every pension fund established under Article 3 or
7 Article 4 of this Code, by April 30, 2020, the fiscal year of
8 the fund shall be transitioned to a fiscal year ending April
9 30, 2020, so that the fund thereafter operates on a May 1 to
10 April 30 fiscal year.

11 (40 ILCS 5/1A-112)

12 Sec. 1A-112. Fees.

13 (a) Every pension fund that is required to file an annual
14 statement under Section 1A-109 shall pay to the Department an
15 annual compliance fee. In the case of a pension fund under
16 Article 3 or 4 of this Code, the annual compliance fee shall be
17 0.04% ~~0.02%~~ (4 ~~2~~ basis points) of the total assets of the
18 pension fund, as reported in the most current annual statement
19 of the fund, but not more than \$16,000 ~~\$8,000~~. In the case of
20 all other pension funds and retirement systems, the annual
21 compliance fee shall be \$16,000 ~~\$8,000~~.

22 (b) The annual compliance fee shall be due on June 30 for
23 the following State fiscal year, except that the fee payable in
24 1997 for fiscal year 1998 shall be due no earlier than 30 days

1 following the effective date of this amendatory Act of 1997.

2 (c) Any information obtained by the Division that is
3 available to the public under the Freedom of Information Act
4 and is either compiled in published form or maintained on a
5 computer processible medium shall be furnished upon the written
6 request of any applicant and the payment of a reasonable
7 information services fee established by the Director,
8 sufficient to cover the total cost to the Division of
9 compiling, processing, maintaining, and generating the
10 information. The information may be furnished by means of
11 published copy or on a computer processed or computer
12 processible medium.

13 No fee may be charged to any person for information that
14 the Division is required by law to furnish to that person.

15 (d) Except as otherwise provided in this Section, all fees
16 and penalties collected by the Department under this Code shall
17 be deposited into the Public Pension Regulation Fund.

18 (e) Fees collected under subsection (c) of this Section and
19 money collected under Section 1A-107 shall be deposited into
20 the Technology Management Revolving Fund and credited to the
21 account of the Department's Public Pension Division. This
22 income shall be used exclusively for the purposes set forth in
23 Section 1A-107. Notwithstanding the provisions of Section
24 408.2 of the Illinois Insurance Code, no surplus funds
25 remaining in this account shall be deposited in the Insurance
26 Financial Regulation Fund. All money in this account that the

1 Director certifies is not needed for the purposes set forth in
2 Section 1A-107 of this Code shall be transferred to the Public
3 Pension Regulation Fund.

4 (f) Nothing in this Code prohibits the General Assembly
5 from appropriating funds from the General Revenue Fund to the
6 Department for the purpose of administering or enforcing this
7 Code.

8 (Source: P.A. 100-23, eff. 7-6-17.)

9 (40 ILCS 5/1A-113)

10 Sec. 1A-113. Penalties.

11 (a) A pension fund that fails, without just cause, to file
12 its annual statement within the time prescribed under Section
13 1A-109 shall pay to the Department a penalty to be determined
14 by the Department, which shall not exceed \$100 for each day's
15 delay.

16 (b) A pension fund that fails, without just cause, to file
17 its actuarial statement within the time prescribed under
18 Section 1A-110 or 1A-111 shall pay to the Department a penalty
19 to be determined by the Department, which shall not exceed \$100
20 for each day's delay.

21 (c) A pension fund that fails to pay a fee within the time
22 prescribed under Section 1A-112 shall pay to the Department a
23 penalty of 5% of the amount of the fee for each month or part of
24 a month that the fee is late. The entire penalty shall not
25 exceed 25% of the fee due.

1 (c-5) Whenever the Director of Insurance determines that a
2 pension fund is not in compliance with Section 3-132, 3-135,
3 3-135.1, 3-135.2, 4-123, 4-128, 4-128.1, or 4-128.2 of this
4 Code:

5 (1) The Director of Insurance shall notify the pension
6 fund board of trustees in writing of the noncompliance.

7 (2) The board of trustees of the pension fund shall
8 take immediate steps to come into compliance with the
9 applicable provisions of this Code within 15 days after the
10 date of the notice of noncompliance.

11 (3) If the pension fund does not come into compliance
12 with the applicable provisions of this Code within 15 days
13 after the date of the notice, the Department of Insurance
14 shall assess a penalty of up to \$2,000 per day of
15 noncompliance, to be paid by the fund within 21 days after
16 the date of the order assessing the penalty.

17 (4) A board so notified and assessed may request a
18 hearing on the noncompliance alleged in the notice within
19 15 days after the date of the notice.

20 Any hearing held under this subsection (c-5) shall be held
21 in accordance with the rules of the Department of Insurance.

22 (d) This subsection applies to any governmental unit or
23 pension fund, as defined in Section 1A-102, that is subject to
24 any law establishing a pension fund or retirement system for
25 the benefit of employees of the governmental unit.

26 Whenever the Division determines by examination,

1 investigation, or in any other manner that the governing body
2 or any elected or appointed officer or official of a
3 governmental unit has failed to comply with any provision of
4 this Code ~~that law~~:

5 (1) The Director shall notify in writing the governing
6 body, officer, or official of the specific provision or
7 provisions of the law with which the person has failed to
8 comply.

9 (2) Upon receipt of the notice, the person notified
10 shall take immediate steps to comply with the provisions of
11 law specified in the notice.

12 (3) If the person notified fails to comply within a
13 reasonable time after receiving the notice, the Director
14 may hold a hearing at which the person notified may show
15 cause for noncompliance with the law.

16 (4) If upon hearing the Director determines that good
17 and sufficient cause for noncompliance has not been shown,
18 the Director may order the person to submit evidence of
19 compliance within a specified period of not less than 30
20 days.

21 (5) If evidence of compliance has not been submitted to
22 the Director within the period of time prescribed in the
23 order and no administrative appeal from the order has been
24 initiated, the Director may assess a civil penalty of up to
25 \$2,000 against the governing body, officer, or official for
26 each noncompliance with an order of the Director.

1 The Director shall develop by rule, with as much
2 specificity as practicable, the standards and criteria to be
3 used in assessing penalties and their amounts. The standards
4 and criteria shall include, but need not be limited to,
5 consideration of evidence of efforts made in good faith to
6 comply with applicable legal requirements. This rulemaking is
7 subject to the provisions of the Illinois Administrative
8 Procedure Act.

9 If a penalty is not paid within 30 days of the date of
10 assessment, the Director without further notice shall report
11 the act of noncompliance to the Attorney General of this State.
12 It shall be the duty of the Attorney General or, if the
13 Attorney General so designates, the State's Attorney of the
14 county in which the governmental unit is located to apply
15 promptly by complaint on relation of the Director of Insurance
16 in the name of the people of the State of Illinois, as
17 plaintiff, to the circuit court of the county in which the
18 governmental unit is located for enforcement of the penalty
19 prescribed in this subsection or for such additional relief as
20 the nature of the case and the interest of the employees of the
21 governmental unit or the public may require.

22 (e) Whoever knowingly makes a false certificate, entry, or
23 memorandum upon any of the books or papers pertaining to any
24 pension fund or upon any statement, report, or exhibit filed or
25 offered for file with the Division or the Director of Insurance
26 in the course of any examination, inquiry, or investigation,

1 with intent to deceive the Director, the Division, or any of
2 its employees is guilty of a Class A misdemeanor.

3 (Source: P.A. 90-507, eff. 8-22-97.)

4 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)

5 Sec. 3-125. Financing.

6 (a) The city council or the board of trustees of the
7 municipality shall annually levy a tax upon all the taxable
8 property of the municipality at the rate on the dollar which
9 will produce an amount which, when added to the deductions from
10 the salaries or wages of police officers, and revenues
11 available from other sources, will equal a sum sufficient to
12 meet the annual requirements of the police pension fund. The
13 annual requirements to be provided by such tax levy are equal
14 to (1) the normal cost of the pension fund for the year
15 involved, plus (2) an amount sufficient to bring the total
16 assets of the pension fund up to 90% of the total actuarial
17 liabilities of the pension fund by the end of municipal fiscal
18 year 2040, as annually updated and determined by an enrolled
19 actuary employed by the Illinois Department of Insurance or by
20 an enrolled actuary retained by the pension fund or the
21 municipality. In making these determinations, the required
22 minimum employer contribution shall be calculated each year as
23 a level percentage of payroll over the years remaining up to
24 and including fiscal year 2040 and shall be determined under
25 the projected unit credit actuarial cost method and utilizing

1 the rate of return and asset total determined under Article 22B
2 of this Code. The tax shall be levied and collected in the same
3 manner as the general taxes of the municipality, and in
4 addition to all other taxes now or hereafter authorized to be
5 levied upon all property within the municipality, and shall be
6 in addition to the amount authorized to be levied for general
7 purposes as provided by Section 8-3-1 of the Illinois Municipal
8 Code, approved May 29, 1961, as amended. The tax shall be
9 forwarded directly to the treasurer of the board within 30
10 business days after receipt by the county.

11 (b) For purposes of determining the required employer
12 contribution to a pension fund, the value of the pension fund's
13 assets shall be equal to the actuarial value of the pension
14 fund's assets, which shall be calculated as follows:

15 (1) On March 30, 2011, the actuarial value of a pension
16 fund's assets shall be equal to the market value of the
17 assets as of that date.

18 (2) In determining the actuarial value of the System's
19 assets for fiscal years after March 30, 2011, any actuarial
20 gains or losses from investment return incurred in a fiscal
21 year shall be recognized in equal annual amounts over the
22 5-year period following that fiscal year.

23 (c) If a participating municipality fails to transmit to
24 the fund contributions required of it under this Article for
25 more than 90 days after the payment of those contributions is
26 due, the fund may, after giving notice to the municipality,

1 apply to the Director of Insurance for intercept. The
2 Department of Insurance shall certify to the State Comptroller
3 the amounts of the delinquent payments in accordance with any
4 applicable rules of the Department of Insurance Comptroller,
5 and the Comptroller must, beginning in fiscal year 2016, deduct
6 and remit to the fund the certified amounts or a portion of
7 those amounts from the following proportions of payments of
8 State funds to the municipality:

9 (1) in fiscal year 2016, one-third of the total amount
10 of any payments of State funds to the municipality;

11 (2) in fiscal year 2017, two-thirds of the total amount
12 of any payments of State funds to the municipality; and

13 (3) in fiscal year 2018 and each fiscal year
14 thereafter, the total amount of any payments of State funds
15 to the municipality.

16 The State Comptroller may not deduct from any payments of
17 State funds to the municipality more than the amount of
18 delinquent payments certified to the State Comptroller by the
19 fund.

20 (d) The police pension fund shall consist of the following
21 moneys which shall be set apart by the treasurer of the
22 municipality:

23 (1) All moneys derived from the taxes levied hereunder;

24 (2) Contributions by police officers under Section
25 3-125.1;

26 (3) All moneys accumulated by the municipality under

1 any previous legislation establishing a fund for the
2 benefit of disabled or retired police officers;

3 (4) Donations, gifts or other transfers authorized by
4 this Article.

5 (e) The Commission on Government Forecasting and
6 Accountability shall conduct a study of all funds established
7 under this Article and shall report its findings to the General
8 Assembly on or before January 1, 2013. To the fullest extent
9 possible, the study shall include, but not be limited to, the
10 following:

11 (1) fund balances;

12 (2) historical employer contribution rates for each
13 fund;

14 (3) the actuarial formulas used as a basis for employer
15 contributions, including the actual assumed rate of return
16 for each year, for each fund;

17 (4) available contribution funding sources;

18 (5) the impact of any revenue limitations caused by
19 PTELL and employer home rule or non-home rule status; and

20 (6) existing statutory funding compliance procedures
21 and funding enforcement mechanisms for all municipal
22 pension funds.

23 (Source: P.A. 99-8, eff. 7-9-15.)

24 (40 ILCS 5/3-127) (from Ch. 108 1/2, par. 3-127)

25 Sec. 3-127. Reserves.

1 (a) The board shall establish and maintain a reserve to
2 insure the payment of all obligations incurred under this
3 Article excluding retirement annuities established under
4 Section 3-109.3. The reserve to be accumulated shall be equal
5 to the estimated total actuarial requirements of the fund.

6 (b) In the case of an eligible pension fund that has
7 transferred its investment authority to the Downstate Police
8 Pension Investment Board under Section 1-113.05 of this Code,
9 the assets invested by the Downstate Police Pension Investment
10 Board on behalf of the pension fund, and the dividends and
11 other investment earnings attributable thereto, shall be
12 considered as part of the reserve for the purposes of this
13 Section.

14 The Downstate Police Pension Investment Board shall report
15 to the board of each such fund at least annually the financial
16 information on the invested assets and earnings attributable to
17 that pension fund so that the board may make the determinations
18 required under this Article.

19 (c) If a pension fund has a reserve of less than the
20 accrued liabilities of the fund, the board of the pension fund,
21 in making its annual report to the city council or board of
22 trustees of the municipality, shall designate the amount,
23 calculated as a level percentage of payroll, needed annually to
24 insure the accumulation of the reserve to the level of the
25 fund's accrued liabilities over a period of 40 years from July
26 1, 1993 for pension funds then in operation, or from the date

1 of establishment in the case of a fund created thereafter, so
2 that the necessary reserves will be attained over such a
3 period.

4 (Source: P.A. 91-939, eff. 2-1-01.)

5 (40 ILCS 5/3-132) (from Ch. 108 1/2, par. 3-132)

6 Sec. 3-132. To control and manage the Pension Fund.

7 (a) In accordance with the applicable provisions of
8 Articles 1 and 1A and this Article, the board of trustees of
9 the pension fund shall have the authority to control and
10 manage, exclusively, the following:

11 (1) the pension fund, and

12 ~~(2) investment expenditures and income, including~~
13 ~~interest dividends, capital gains and other distributions~~
14 ~~on the investments, and~~

15 (2) ~~(3)~~ all money donated, paid, assessed, or provided
16 by law for the pensioning of disabled and retired police
17 officers, their surviving spouses, minor children, and
18 dependent parents. All such money received or collected
19 shall be credited by the treasurer of the municipality to
20 the custodian's account of the pension fund and held by the
21 custodian for purposes of investment pursuant to Article
22 22B of this Code.

23 (b) Pursuant to rules adopted under Article 22B of this
24 Code, the board of trustees of an eligible pension fund shall
25 make periodic written application to the Downstate Police

1 Pension Investment Board for receipt and deposit of reserves
2 into the pension fund. Reserves in the amount of 3 months'
3 current liabilities, including annuity and benefit payments
4 and operational expenses owed by the fund, shall be held by the
5 treasurer of the municipality subject to the order and control
6 of the board. The treasurer of the municipality shall maintain
7 a record of all money received, transferred, and held for the
8 account of the board.

9 (c) In case of any dispute that may arise between the board
10 of trustees of the eligible pension fund and the Downstate
11 Police Pension Investment Board pursuant to subsection (b) of
12 this Section, the board of trustees of the eligible pension
13 fund shall appeal the dispute to the Director of Insurance. If
14 the Director finds that there exists a good faith dispute
15 between the parties, the Director may hold a hearing in
16 accordance with the rules of the Department of Insurance.

17 (Source: P.A. 90-507, eff. 8-22-97.)

18 (40 ILCS 5/3-135) (from Ch. 108 1/2, par. 3-135)

19 Sec. 3-135. To invest, manage, and transfer funds.

20 (a) Except as provided in subsection (b), Beginning January
21 1, 1998, the board shall invest funds in accordance with
22 Sections 1-113.1 through 1-113.10 of this Code.

23 Any pension fund that is not an eligible pension fund as
24 defined in Section 1-101.6 of this Code shall retain the
25 authority to control and manage investment expenditures and

1 income, including interest, dividends, capital gains, and
2 other distributions on the investments.

3 (b) The board of an eligible pension fund that receives a
4 certified investment asset list under Section 3-135.1 shall
5 cease investment activities upon receiving the certified
6 investment asset list and shall transfer all investment assets,
7 minus assets needed to comply with subsection (b) of Section
8 3-132, to the Downstate Police Pension Investment Board in the
9 manner prescribed by rules adopted by the Downstate Police
10 Pension Investment Board under Article 22B. Upon completion of
11 the transfer described in this subsection, the investment
12 authority of the board shall terminate.

13 (Source: P.A. 90-507, eff. 8-22-97.)

14 (40 ILCS 5/3-135.1 new)

15 Sec. 3-135.1. Certified investment asset list.

16 (a) Within 18 months of the effective date of this
17 amendatory Act of the 101st General Assembly, the Department of
18 Insurance shall audit the investment assets of each eligible
19 pension fund established under this Article to determine a
20 certified investment asset list. The audit shall be performed
21 by a certified public accountant. The board of the pension fund
22 shall defray the expense of the audit.

23 (b) Upon completion of the audit, the Department of
24 Insurance shall provide the certified investment asset list to
25 the eligible pension fund and the Downstate Police Pension

1 Investment Board. The Department of Insurance may adopt rules
2 governing the creation and distribution of the certified
3 investment asset list.

4 (40 ILCS 5/3-135.2 new)

5 Sec. 3-135.2. To transfer investment funds. At each
6 quarterly meeting of the board, the board of trustees of any
7 eligible pension fund shall transfer any available funds for
8 investment to the Downstate Police Pension Investment Board in
9 accordance with provisions of Article 22B of this Code. Each
10 transfer shall be made within 30 days after the end of the
11 fiscal year quarter and written notice of the transfer shall be
12 given to the Downstate Police Pension Investment Board.

13 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

14 Sec. 4-118. Financing.

15 (a) The city council or the board of trustees of the
16 municipality shall annually levy a tax upon all the taxable
17 property of the municipality at the rate on the dollar which
18 will produce an amount which, when added to the deductions from
19 the salaries or wages of firefighters and revenues available
20 from other sources, will equal a sum sufficient to meet the
21 annual actuarial requirements of the pension fund, as
22 determined by an enrolled actuary employed by the Illinois
23 Department of Insurance or by an enrolled actuary retained by
24 the pension fund or municipality. For the purposes of this

1 Section, the annual actuarial requirements of the pension fund
2 are equal to (1) the normal cost of the pension fund, or 17.5%
3 of the salaries and wages to be paid to firefighters for the
4 year involved, whichever is greater, plus (2) an annual amount
5 sufficient to bring the total assets of the pension fund up to
6 90% of the total actuarial liabilities of the pension fund by
7 the end of municipal fiscal year 2040, as annually updated and
8 determined by an enrolled actuary employed by the Illinois
9 Department of Insurance or by an enrolled actuary retained by
10 the pension fund or the municipality. In making these
11 determinations, the required minimum employer contribution
12 shall be calculated each year as a level percentage of payroll
13 over the years remaining up to and including fiscal year 2040
14 and shall be determined under the projected unit credit
15 actuarial cost method and utilizing the rate of return and
16 asset total determined under Article 22C of this Code. The
17 amount to be applied towards the amortization of the unfunded
18 accrued liability in any year shall not be less than the annual
19 amount required to amortize the unfunded accrued liability,
20 including interest, as a level percentage of payroll over the
21 number of years remaining in the 40 year amortization period.

22 (a-5) For purposes of determining the required employer
23 contribution to a pension fund, the value of the pension fund's
24 assets shall be equal to the actuarial value of the pension
25 fund's assets, which shall be calculated as follows:

26 (1) On March 30, 2011, the actuarial value of a pension

1 fund's assets shall be equal to the market value of the
2 assets as of that date.

3 (2) In determining the actuarial value of the pension
4 fund's assets for fiscal years after March 30, 2011, any
5 actuarial gains or losses from investment return incurred
6 in a fiscal year shall be recognized in equal annual
7 amounts over the 5-year period following that fiscal year.

8 (b) The tax shall be levied and collected in the same
9 manner as the general taxes of the municipality, and shall be
10 in addition to all other taxes now or hereafter authorized to
11 be levied upon all property within the municipality, and in
12 addition to the amount authorized to be levied for general
13 purposes, under Section 8-3-1 of the Illinois Municipal Code or
14 under Section 14 of the Fire Protection District Act. The tax
15 shall be forwarded directly to the treasurer of the board
16 within 30 business days of receipt by the county (or, in the
17 case of amounts added to the tax levy under subsection (f),
18 used by the municipality to pay the employer contributions
19 required under subsection (b-1) of Section 15-155 of this
20 Code).

21 (b-5) If a participating municipality fails to transmit to
22 the fund contributions required of it under this Article for
23 more than 90 days after the payment of those contributions is
24 due, the fund may, after giving notice to the municipality,
25 apply to the Director of Insurance for intercept. The
26 Department of Insurance shall certify to the State Comptroller

1 the amounts of the delinquent payments in accordance with any
2 applicable rules of the Department of Insurance ~~Comptroller~~,
3 and the Comptroller must, beginning in fiscal year 2016, deduct
4 and remit to the fund the certified amounts or a portion of
5 those amounts from the following proportions of payments of
6 State funds to the municipality:

7 (1) in fiscal year 2016, one-third of the total amount
8 of any payments of State funds to the municipality;

9 (2) in fiscal year 2017, two-thirds of the total amount
10 of any payments of State funds to the municipality; and

11 (3) in fiscal year 2018 and each fiscal year
12 thereafter, the total amount of any payments of State funds
13 to the municipality.

14 The State Comptroller may not deduct from any payments of
15 State funds to the municipality more than the amount of
16 delinquent payments certified to the State Comptroller by the
17 fund.

18 (c) The board shall make available to the membership and
19 the general public for inspection and copying at reasonable
20 times the most recent Actuarial Valuation Balance Sheet and Tax
21 Levy Requirement issued to the fund by the Department of
22 Insurance.

23 (d) The firefighters' pension fund shall consist of the
24 following moneys which shall be set apart by the treasurer of
25 the municipality: (1) all moneys derived from the taxes levied
26 hereunder; (2) contributions by firefighters as provided under

1 Section 4-118.1; (3) all rewards in money, fees, gifts, and
2 emoluments that may be paid or given for or on account of
3 extraordinary service by the fire department or any member
4 thereof, except when allowed to be retained by competitive
5 awards; and (4) any money, real estate or personal property
6 received by the board.

7 (e) For the purposes of this Section, "enrolled actuary"
8 means an actuary: (1) who is a member of the Society of
9 Actuaries or the American Academy of Actuaries; and (2) who is
10 enrolled under Subtitle C of Title III of the Employee
11 Retirement Income Security Act of 1974, or who has been engaged
12 in providing actuarial services to one or more public
13 retirement systems for a period of at least 3 years as of July
14 1, 1983.

15 (f) The corporate authorities of a municipality that
16 employs a person who is described in subdivision (d) of Section
17 4-106 may add to the tax levy otherwise provided for in this
18 Section an amount equal to the projected cost of the employer
19 contributions required to be paid by the municipality to the
20 State Universities Retirement System under subsection (b-1) of
21 Section 15-155 of this Code.

22 (g) The Commission on Government Forecasting and
23 Accountability shall conduct a study of all funds established
24 under this Article and shall report its findings to the General
25 Assembly on or before January 1, 2013. To the fullest extent
26 possible, the study shall include, but not be limited to, the

1 following:

2 (1) fund balances;

3 (2) historical employer contribution rates for each
4 fund;

5 (3) the actuarial formulas used as a basis for employer
6 contributions, including the actual assumed rate of return
7 for each year, for each fund;

8 (4) available contribution funding sources;

9 (5) the impact of any revenue limitations caused by
10 PTELL and employer home rule or non-home rule status; and

11 (6) existing statutory funding compliance procedures
12 and funding enforcement mechanisms for all municipal
13 pension funds.

14 (Source: P.A. 99-8, eff. 7-9-15.)

15 (40 ILCS 5/4-120) (from Ch. 108 1/2, par. 4-120)

16 Sec. 4-120. Reserves.

17 (a) The board shall establish and maintain a reserve to
18 insure the payment of all obligations incurred under this
19 Article. The reserve to be accumulated shall be equal to the
20 estimated total actuarial requirements of the Fund.

21 (b) In the case of an eligible pension fund that has
22 transferred its investment authority to the Downstate
23 Firefighter Pension Investment Board under Section 1-113.05 of
24 this Code, the assets invested by the Downstate Firefighter
25 Pension Investment Board on behalf of the pension fund, and the

1 dividends and other investment earnings attributable thereto,
2 shall be considered as part of the reserve for the purposes of
3 this Section.

4 The Downstate Firefighter Pension Investment Board shall
5 report to the board of each such fund at least annually the
6 financial information on the invested assets and earnings to
7 that pension fund so that the board may make the determinations
8 required under this Article.

9 (Source: P.A. 83-1440.)

10 (40 ILCS 5/4-123) (from Ch. 108 1/2, par. 4-123)

11 Sec. 4-123. To control and manage the Pension Fund.

12 (a) In accordance with the applicable provisions of
13 Articles 1 and 1A and this Article the board of trustees of the
14 pension fund shall have the authority, to control and manage,
15 exclusively, the following:

16 (1) the pension fund, and

17 ~~(2) investment expenditures and income, including~~
18 ~~interest dividends, capital gains, and other distributions~~
19 ~~on the investments, and~~

20 (2) ~~(3)~~ all money donated, paid, assessed, or provided
21 by law for the pensioning of disabled and retired
22 firefighters, their surviving spouses, minor children, and
23 dependent parents. All such money received or collected
24 shall be credited by the treasurer of the municipality to
25 the custodian's account of the pension fund and held by the

1 custodian for purposes of investment pursuant to Article
2 22C of this Code.

3 (b) Pursuant to rules adopted under Article 22C of this
4 Code, the board of trustees of an eligible pension fund shall
5 make periodic written application to the Downstate Firefighter
6 Pension Investment Board for receipt and deposit of reserves
7 into the pension fund. Reserves in the amount of 3 months'
8 current liabilities, including annuity and benefit payments
9 and operational expenses owed by the fund, shall be held by the
10 treasurer of the municipality subject to the order and control
11 of the board. The treasurer of the municipality shall maintain
12 a record of all money received, transferred, and held for the
13 account of the board.

14 (c) In case of any dispute that may arise between the board
15 of trustees of any eligible pension fund and the Downstate
16 Firefighter Pension Investment Board pursuant to subsection
17 (b) of this Section, the board of trustees of the pension fund
18 shall appeal the dispute to the Director of Insurance. If the
19 Director finds good faith dispute between the parties, the
20 Director may hold a hearing in accordance with the rules of the
21 Department of Insurance.

22 (Source: P.A. 90-507, eff. 8-22-97.)

23 (40 ILCS 5/4-128) (from Ch. 108 1/2, par. 4-128)
24 Sec. 4-128. To invest and transfer funds.

25 (a) Except as provided in subsection (b), Beginning January

1 ~~1, 1998,~~ the board shall invest funds in accordance with
2 Sections 1-113.1 through 1-113.10 of this Code.

3 Any pension fund that is not an eligible pension fund as
4 defined in Section 1-101.6 of this Code shall retain the
5 authority to control and manage investment expenditures and
6 income, including interest, dividends, capital gains, and
7 other distributions on the investments.

8 (b) The board of an eligible pension fund that receives a
9 certified investment asset list under Section 4-128.1 shall
10 cease investment activities upon receiving the certified
11 investment asset list and shall transfer all investment assets,
12 minus assets needed to comply with subsection (b) of Section
13 4-123, to the Downstate Firefighter Pension Investment Board in
14 the manner prescribed by rules adopted by the Downstate
15 Firefighter Pension Investment Board under Article 22C. Upon
16 completion of the transfer described in this subsection, the
17 investment authority of the board shall terminate.

18 (Source: P.A. 90-507, eff. 8-22-97.)

19 (40 ILCS 5/4-128.1 new)

20 Sec. 4-128.1. Certified investment asset list.

21 (a) Within 18 months of the effective date of this
22 amendatory Act of the 101st General Assembly, the Department of
23 Insurance shall audit the investment assets of each eligible
24 pension fund established under this Article to determine a
25 certified investment asset list. The audit shall be performed

1 by a certified public accountant. The board of the pension fund
2 shall defray the expense of the audit.

3 (b) Upon completion of the audit, the Department of
4 Insurance shall provide the certified investment asset list to
5 the eligible pension fund and the Downstate Firefighter Pension
6 Investment Board. The Department of Insurance may adopt rules
7 governing the creation and distribution of the certified
8 investment asset list.

9 (40 ILCS 5/4-128.2 new)

10 Sec. 4-128.2. To transfer investment funds. At each
11 quarterly meeting of the board, the board of trustees of any
12 eligible pension fund shall transfer any available funds for
13 investment to the Downstate Firefighter Pension Investment
14 Board in accordance with provisions of Article 22C of this
15 Code. Each transfer shall be made within 30 days of the end of
16 the fiscal year quarter and written notice of the transfer
17 shall be given to the Downstate Firefighter Pension Investment
18 Board.

19 (40 ILCS 5/Art. 22B heading new)

20 ARTICLE 22B. DOWNSTATE POLICE PENSION INVESTMENT BOARD

21 (40 ILCS 5/22B-101 new)

22 Sec. 22B-101. Establishment. The Downstate Police Pension
23 Investment Board is created with authority to manage, invest,

1 and reinvest the reserves, funds, assets, securities, and
2 moneys of any pension fund, as provided in this Article, and to
3 perform such other duties as may from time to time be
4 authorized by the General Assembly.

5 (40 ILCS 5/22B-102 new)

6 Sec. 22B-102. Definitions. For the purposes of this
7 Article, the following words and phrases shall have the meaning
8 ascribed to them unless the context requires otherwise.

9 (40 ILCS 5/22B-103 new)

10 Sec. 22B-103. Board. "Board": The Downstate Police Pension
11 Investment Board.

12 (40 ILCS 5/22B-105 new)

13 Sec. 22B-105. Pension fund. "Pension fund": A pension fund
14 established under Article 3 of this Code, including the
15 reserves, funds, assets, securities, moneys, and property of
16 the pension fund.

17 (40 ILCS 5/22B-106 new)

18 Sec. 22B-106. Manage. "Manage": To invest, reinvest,
19 exchange, and perform all investment functions with regard to
20 reserves, funds, assets, securities, and moneys that the board
21 is authorized to invest; and to preserve and protect such
22 reserves, funds, assets, securities, and moneys, including,

1 but not limited to, authority to vote any stocks, bonds, or
2 other securities and to give general or special proxies or
3 powers of attorney with or without power of substitution.
4 "Manage" does not include any functions, duties, or
5 responsibilities incident to the operation and administration
6 of pension funds other than that of investments.

7 (40 ILCS 5/22B-107 new)

8 Sec. 22B-107. Invest. "Invest": To acquire, invest,
9 reinvest, exchange, or retain property held for a pension fund
10 and to sell and manage the reserves, funds, securities, moneys,
11 or assets of any pension fund in accordance with this Article.

12 (40 ILCS 5/22B-108 new)

13 Sec. 22B-108. Investment. "Investment": Any property
14 acquired by the board for a pension fund.

15 (40 ILCS 5/22B-108.1 new)

16 Sec. 22B-108.1. Investment advisor. "Investment advisor":
17 Any person or business entity that provides investment advice
18 to the board on a personalized basis and with an understanding
19 of the policies and goals of the board. "Investment advisor"
20 does not include any person or business entity that provides
21 statistical or general market research data available for
22 purchase or use by others.

1 (40 ILCS 5/22B-109 new)

2 Sec. 22B-109. Membership of board. The board shall consist
3 of the following members:

4 (1) Two trustees who are active participants of a
5 police pension fund under Article 3, elected by the active
6 participants of the police pension funds.

7 (2) Two trustees who are beneficiaries of a police
8 pension fund under Article 3, elected by the beneficiaries
9 of the police pension funds.

10 (3) Four trustees who are mayors or presidents of
11 boards of trustees of municipalities, as defined in Section
12 3-103, elected by the mayors and presidents of boards of
13 trustees of municipalities.

14 The members shall serve for terms of 4 years, except that
15 the terms of office of the original members pursuant to this
16 amendatory Act of the 101st General Assembly shall be as
17 follows: 2 members, determined by lot, for a term of 1 year; 2
18 members, determined by lot, for a term of 2 years; 2 members,
19 determined by lot, for a term of 3 years; and 2 members,
20 determined by lot, for a term of 4 years. If there is a vacancy
21 among the members, the vacancy shall be filled for the
22 remainder of the unexpired term by a special election, to be
23 called by the board and conducted in the same manner as the
24 regular election.

25 The active police pension fund participants shall be
26 entitled to vote only for the members of the board who are

1 active police pension fund participants. Beneficiaries of
2 legal age may vote only for the members of the board who are
3 police pension fund beneficiaries. No person shall be entitled
4 to cast more than one ballot at such election.

5 Mayors and presidents of boards of trustees of
6 municipalities shall be entitled to vote only for the members
7 who are mayors or presidents of boards of trustees of
8 municipalities.

9 Each person elected to membership shall qualify by taking
10 an oath of office before the Secretary of State stating that he
11 or she will diligently and honestly administer the affairs of
12 the board and will not violate or knowingly permit the
13 violation of any provisions of this Article.

14 Members of the board shall receive no salary for service on
15 the board, but shall be reimbursed for travel expenses incurred
16 while on business for the board according to the standards in
17 effect for members of the Illinois Legislative Research Unit.

18 A majority of the members of the board shall constitute a
19 quorum. The board shall elect from its membership, biennially,
20 a chairperson, vice chairperson, and a recording secretary.
21 These officers, together with one other member elected by the
22 board, shall constitute the executive committee. During the
23 interim between regular meetings of the board, the executive
24 committee shall have authority to conduct all business of the
25 board and shall report such business conducted at the next
26 following meeting of the board for ratification.

1 No member of the board shall have any interest in any
2 brokerage fee, commission, or other profit or gain arising out
3 of any investment made by the board. This paragraph does not
4 preclude ownership by any member of any minority interest in
5 any common stock or any corporate obligation in which
6 investment is made by the board.

7 The board shall contract for a blanket fidelity bond in the
8 penal sum of not less than \$1,000,000 to cover members of the
9 board, the director, and all other employees of the board
10 conditioned for the faithful performance of the duties of their
11 respective offices, the premium on which shall be paid by the
12 board.

13 (40 ILCS 5/22B-110 new)

14 Sec. 22B-110. Administration.

15 (a) The board shall appoint a director to administer the
16 affairs of the board subject to and under its supervision and
17 fix his or her compensation. The board may appoint investment
18 officers and fix their compensation. With the approval of the
19 board, the director may employ such personnel, professional or
20 clerical, as may be desirable and fix their compensation. The
21 appointment and compensation of the personnel other than the
22 director and investment officers shall be subject to the
23 Personnel Code.

24 (b) The board may adopt such rules and regulations (not
25 inconsistent with this Article) as in its judgment are

1 desirable to implement and properly administer this Article. A
2 copy thereof shall be filed with the Secretary of State.

3 (c) The board may exercise any of the powers granted to
4 boards of trustees of pension funds under Sections 1-107 or
5 1-108 and may by resolution provide for the indemnification of
6 its members and any of its directors, officers, advisors, or
7 employees in a manner consistent with those Sections.

8 (d) An office for meetings of the board and for
9 administrative personnel shall be established at any suitable
10 place within the State as may be selected by the board. All
11 books and records of the board shall be kept in such office.

12 (40 ILCS 5/22B-111 new)

13 Sec. 22B-111. Management of investments.

14 (a) The board shall manage the investments of each pension
15 fund for the purpose of obtaining a total return on investments
16 for the long term. The Board also shall perform such other
17 functions as may be assigned or directed by the General
18 Assembly.

19 (b) The authority of the board to manage pension fund
20 investments and the liability of the board shall begin when
21 there has been a physical transfer of the pension fund
22 investments to the board and placed in the custody of the
23 board's custodian.

24 (c) The board may not delegate its management functions,
25 but it may, but is not required to, arrange to compensate for

1 personalized investment advisory service for any or all
2 investments under its control with any national or state bank
3 or trust company authorized to do a trust business and
4 domiciled in Illinois, other financial institution organized
5 under the laws of Illinois, or an investment advisor who is
6 qualified under the Federal Investment Advisers Act of 1940 and
7 is registered under the Illinois Securities Law of 1953.
8 Nothing contained in this Article shall prevent the board from
9 subscribing to general investment research services available
10 for purchase or use by others. The board shall also have the
11 authority to compensate for accounting services.

12 (d) This Section does not prohibit the board from directly
13 investing pension assets in public market investments, private
14 investments, real estate investments, or other investments
15 authorized by this Code.

16 (40 ILCS 5/22B-112 new)

17 Sec. 22B-112. Investment authority. The board shall have
18 the authority to invest funds, subject to the requirements and
19 restrictions set forth in Sections 1-109, 1-109.1, 1-109.2,
20 1-110, 1-111, 1-114, and 1-115 of this Code.

21 No bank or savings and loan association shall receive
22 investment funds as permitted by this Section, unless it has
23 complied with the requirements established pursuant to Section
24 6 of the Public Funds Investment Act. The limitations set forth
25 in that Section 6 shall be applicable only at the time of

1 investment and shall not require the liquidation of any
2 investment at any time.

3 The board shall have the authority to enter into such
4 agreements and to execute such documents as it determines to be
5 necessary to complete any investment transaction.

6 All investments shall be clearly held and accounted for to
7 indicate ownership by the board. The board may direct the
8 registration of securities in its own name or in the name of a
9 nominee created for the express purpose of registration of
10 securities by a national or state bank or trust company
11 authorized to conduct a trust business in the State of
12 Illinois.

13 Investments shall be carried at cost or at a value
14 determined in accordance with generally accepted accounting
15 principles and accounting procedures approved by the board.

16 The value of investments held by any pension fund in one or
17 more commingled investment accounts shall be determined in
18 accordance with generally accepted accounting principles.

19 (40 ILCS 5/22B-113 new)

20 Sec. 22B-113. Transfer of securities and investment
21 functions.

22 (a) As soon as practicable following the receipt of a
23 certified investment asset list provided under Section
24 3-135.1, the trustees of each pension fund shall transfer to
25 the Downstate Police Pension Investment Board for management

1 and investment all of their securities, including those for
2 which commitments have been made, and all funds, assets, or
3 moneys representing permanent or temporary investments, or
4 cash reserves maintained for the purpose of obtaining income
5 thereon.

6 (b) Prior to the transfer, the trustees of each pension
7 fund shall provide for completion of an audit by a certified
8 public accountant of the securities and other assets of the
9 pension fund, as directed and approved by the Downstate Police
10 Pension Investment Board, the expense of which shall be assumed
11 by the pension fund. Upon such transfer, the authority of the
12 Downstate Police Pension Investment Board with respect to the
13 pension fund is effective. These transfers shall be receipted
14 for in detail by the chairperson and director of the board.

15 (40 ILCS 5/22B-113.1 new)

16 Sec. 22B-113.1. Report of investable funds. Each pension
17 fund shall report to the board from time to time the amounts of
18 funds available for investment. These amounts shall be
19 transferred as soon as practical to the board's custodian or
20 the custodian's authorized agent for the account of the board
21 to be applied for investment by the board. Notice of each
22 transfer shall be given by the pension fund as the transfer
23 occurs.

24 (40 ILCS 5/22B-113.2 new)

1 Sec. 22B-113.2. Custodian.

2 (a) The securities, funds, and other assets transferred to
3 the Downstate Police Pension Investment Board or otherwise
4 acquired by the board shall be placed in the custody of the
5 board's custodian. The custodian shall provide adequate safe
6 deposit facilities therefor and hold all such securities,
7 funds, and other assets subject to the order of the board.

8 (b) As soon as may be practicable, the board shall appoint
9 and retain a qualified custodian. Until a custodian has been
10 appointed by the board, the State Treasurer shall serve as
11 official custodian of the board.

12 (c) The custodian shall furnish a corporate surety bond of
13 such amount as the board designates. The bond shall indemnify
14 the board against any loss that may result from any action or
15 failure to act by the custodian or any of the custodian's
16 agents. All charges incidental to the procuring and giving of
17 such bond shall be paid by the board. The bond shall be in the
18 custody of the board.

19 (40 ILCS 5/22B-113.3 new)

20 Sec. 22B-113.3. Transfer from eligible pension funds.

21 (a) Upon receipt of a certified investment asset list
22 provided under Section 3-135.1 of this Code for an eligible
23 pension fund, the Downstate Police Pension Investment Board
24 shall, as soon as practicable, initiate the transfer of assets
25 from the board of trustees of that fund, and the board of that

1 fund shall transfer to the Downstate Police Pension Investment
2 Board for management and investment all of its securities
3 including securities for which commitments have been made, and
4 all funds, assets, moneys representing permanent or temporary
5 investments, and cash reserves maintained for the purpose of
6 obtaining income thereon.

7 (b) Upon the transfer of securities and assets from a board
8 of trustees under this Section, the custody and control of the
9 Downstate Police Pension Investment Board over the present and
10 future assets of the pension fund shall take effect. The
11 transfer shall be receipted for in detail by the Downstate
12 Police Pension Investment Board and the receipt shall be
13 provided to the board of trustees of the pension fund within 30
14 days of the effective date of the transfer.

15 (40 ILCS 5/22B-114 new)

16 Sec. 22B-114. Accounting. In the management of pension fund
17 investments, the board:

18 (1) may, for investment purposes, commingle all or a
19 part of the invested assets of one or more pension funds
20 under its jurisdiction and authority;

21 (2) shall carry assets of all funds at cost or a value
22 determined in accordance with generally accepted
23 accounting principles and accounting procedures approved
24 by the board. Each investment initially transferred to the
25 board by a pension fund shall be similarly valued except

1 that the board may elect to place such value on any
2 investment conditionally in which case the amount of any
3 later realization of such asset in cash that is in excess
4 of or is less than the amount so credited shall be credited
5 or charged to the fund that made the transfer;

6 (3) shall keep proper books of account which shall
7 reflect at all times the value of all investments held by
8 the board for a pension fund whether for the separate
9 account of the fund or in a commingled fund;

10 (4) shall charge each pension fund with its share of
11 all expenses of the board at quarter-yearly periods pro
12 rata according to the value of the investments held for the
13 respective funds at the beginning of the quarter or any
14 other equitable formula; and

15 (5) shall charge all distributions made by the board to
16 or for a pension fund to the account maintained for that
17 fund.

18 (40 ILCS 5/22B-115 new)

19 Sec. 22B-115. Audits and reports.

20 (a) At least annually, the books, records, accounts, and
21 securities of the board shall be audited by a certified public
22 accountant designated by the Auditor General of the State. The
23 audit opinion shall be published as a part of the annual report
24 of the board.

25 (b) For the quarterly periods ending September 30, December

1 31, and March 31, the board shall submit to each pension fund
2 under its jurisdiction a report containing, among other things,
3 the following information:

4 (1) a full description of the investments acquired,
5 showing average costs;

6 (2) a full description of the securities sold or
7 exchanged, showing average proceeds or other conditions of
8 an exchange;

9 (3) gains or losses realized during the period;

10 (4) income from investments;

11 (5) administrative expenses of the board; and

12 (6) the proportion of administrative expenses
13 allocable to each pension fund.

14 (c) An annual report shall be prepared by the board for
15 submission to each pension fund under its jurisdiction within 6
16 months after the close of each fiscal year. A fiscal year shall
17 date from July 1 of one year to June 30 of the year next
18 following. This report shall contain full information
19 concerning the results of investment operations of the board
20 for the year, the information required under subsections (a)
21 and (b), and the following information:

22 (1) a listing of the investments held by the board as
23 at the end of the year showing their book values and market
24 values and their income yields on market values;

25 (2) the amounts as determined under item (1) of
26 subsection (b) allocable to each pension fund managed by

1 the board;

2 (3) comments on the pertinent factors affecting the
3 operations of the board for the year;

4 (4) a review of the policies maintained by the board
5 and any changes therein that occurred during the year;

6 (5) a copy of the audited financial statements for the
7 year;

8 (6) recommendations for possible changes in the law
9 governing the operations of the board; and

10 (7) a listing of the names of securities brokers and
11 dealers dealt with during the year showing the total amount
12 of commissions received by each on transactions with the
13 board.

14 (40 ILCS 5/22B-115.5 new)

15 Sec. 22B-115.5. Audit of transition. Within 6 months after
16 the transfer of investment assets from an eligible pension fund
17 established under Article 3 of this Code to the control of the
18 Board, the books, records, accounts, and securities of the
19 board shall be audited by a certified public accountant
20 designated by the Illinois Auditor General. The audit shall
21 include, but is not limited to, the following:

22 (i) a full description of the investments acquired,
23 showing average costs;

24 (ii) a full description of the securities sold or
25 exchanged, showing average proceeds or other conditions of

1 an exchange;
2 (iii) gains or losses realized during the period;
3 (iv) income from investments;
4 (v) administrative expenses of the board; and
5 (vi) the proportion of administrative expenses
6 allocable to each pension fund.
7 The audit report shall be published on the board's website
8 and filed with the Department of Insurance.

9 (40 ILCS 5/Art. 22C heading new)

10 ARTICLE 22C. DOWNSTATE FIREFIGHTER PENSION INVESTMENT BOARD

11 (40 ILCS 5/22C-101 new)

12 Sec. 22C-101. Establishment. The Downstate Firefighter
13 Pension Investment Board is created with authority to manage,
14 invest, and reinvest the reserves, funds, assets, securities,
15 and moneys of any pension fund, as provided in this Article and
16 to perform such other duties as may from time to time be
17 authorized by the General Assembly.

18 (40 ILCS 5/22C-102 new)

19 Sec. 22C-102. Definitions. For the purposes of this
20 Article, the following words and phrases shall have the meaning
21 ascribed to them unless the context requires otherwise.

22 (40 ILCS 5/22C-103 new)

1 Sec. 22C-103. Board. "Board": The Downstate Firefighter
2 Pension Investment Board.

3 (40 ILCS 5/22C-105 new)

4 Sec. 22C-105. Pension fund. "Pension fund": A pension fund
5 established under Article 4 of this Code, including the
6 reserves, funds, assets, securities, moneys, and property of
7 any pension fund or retirement system.

8 (40 ILCS 5/22C-106 new)

9 Sec. 22C-106. Manage. "Manage": To invest, reinvest,
10 exchange, and perform all investment functions with regard to
11 reserves, funds, assets, securities, and moneys that the board
12 is authorized to invest; and to preserve and protect such
13 reserves, funds, assets, securities, and moneys, including,
14 but not limited to, authority to vote any stocks, bonds, or
15 other securities and to give general or special proxies or
16 powers of attorney with or without power of substitution.
17 "Manage" does not include any functions, duties, or
18 responsibilities incident to the operation and administration
19 of pension funds other than that of investments.

20 (40 ILCS 5/22C-107 new)

21 Sec. 22C-107. Invest. "Invest": To acquire, invest,
22 reinvest, exchange, or retain property held for a pension fund
23 and to sell and manage the reserves, funds, securities, moneys,

1 or assets of any pension fund in accordance with this Article.

2 (40 ILCS 5/22C-108 new)

3 Sec. 22C-108. Investment. "Investment": Any property
4 acquired by the board for a pension fund.

5 (40 ILCS 5/22C-108.1 new)

6 Sec. 22C-108.1. Investment advisor. "Investment advisor":
7 Any person or business entity that provides investment advice
8 to the board on a personalized basis and with an understanding
9 of the policies and goals of the board. "Investment advisor"
10 does not include any person or business entity that provides
11 statistical or general market research data available for
12 purchase or use by others.

13 (40 ILCS 5/22C-109 new)

14 Sec. 22C-109. Membership of board. The board shall consist
15 of the following members:

16 (1) Two trustees who are active participants of a
17 firefighter pension fund under Article 4, elected by the
18 active participants of the firefighter pension funds.

19 (2) Two trustees who are beneficiaries of a firefighter
20 pension fund under Article 4, elected by the beneficiaries
21 of the firefighter pension funds.

22 (3) Four trustees who are mayors or presidents of
23 boards of trustees of municipalities, as defined in Section

1 4-103, elected by the mayors and presidents of boards of
2 trustees of municipalities.

3 The members shall serve for terms of 4 years, except that
4 the terms of office of the original members pursuant to this
5 amendatory Act of the 101st General Assembly shall be as
6 follows: 2 members, determined by lot, for a term of 1 year; 2
7 members, determined by lot, for a term of 2 years; 2 members,
8 determined by lot, for a term of 3 years; and 2 members,
9 determined by lot, for a term of 4 years. If there is a vacancy
10 among the members, the vacancy shall be filled for the
11 remainder of the unexpired term by a special election, to be
12 called by the board and conducted in the same manner as the
13 regular election.

14 The active firefighter pension fund participants shall be
15 entitled to vote only for the members of the board who are
16 active firefighter pension fund participants. Beneficiaries of
17 legal age may vote only for the members of the board who are
18 firefighter pension fund beneficiaries. No person shall be
19 entitled to cast more than one ballot at such election.

20 Mayors and presidents of boards of trustees of
21 municipalities shall be entitled to vote only for the members
22 who are mayors or presidents of boards of trustees of
23 municipalities.

24 Each person elected to membership shall qualify by taking
25 an oath of office before the Secretary of State stating that he
26 or she will diligently and honestly administer the affairs of

1 the board and will not violate or knowingly permit the
2 violation of any provisions of this Article.

3 Members of the board shall receive no salary for service on
4 the board but shall be reimbursed for travel expenses incurred
5 while on business for the board according to the standards in
6 effect for members of the Illinois Legislative Research Unit.

7 A majority of the members of the board shall constitute a
8 quorum. The board shall elect from its membership, biennially,
9 a chairperson, vice chairperson, and a recording secretary.
10 These officers, together with one other member elected by the
11 board, shall constitute the executive committee. During the
12 interim between regular meetings of the board, the executive
13 committee shall have authority to conduct all business of the
14 board and shall report such business conducted at the next
15 following meeting of the board for ratification.

16 No member of the board shall have any interest in any
17 brokerage fee, commission, or other profit or gain arising out
18 of any investment made by the board. This paragraph does not
19 preclude ownership by any member of any minority interest in
20 any common stock or any corporate obligation in which
21 investment is made by the board.

22 The board shall contract for a blanket fidelity bond in the
23 penal sum of not less than \$1,000,000 to cover members of the
24 board, the director, and all other employees of the board
25 conditioned for the faithful performance of the duties of their
26 respective offices, the premium on which shall be paid by the

1 board.

2 (40 ILCS 5/22C-110 new)

3 Sec. 22C-110. Administration.

4 (a) The board shall appoint a director to administer the
5 affairs of the board subject to and under its supervision and
6 fix his or her compensation. The board may appoint investment
7 officers and fix their compensation. With the approval of the
8 board, the director may employ such personnel, professional or
9 clerical, as may be desirable and fix their compensation. The
10 appointment and compensation of the personnel other than the
11 director and investment officers shall be subject to the
12 Personnel Code.

13 (b) The board may adopt such rules and regulations (not
14 inconsistent with this Article) as in its judgment are
15 desirable to implement and properly administer this Article. A
16 copy thereof shall be filed with the Secretary of State.

17 (c) The board may exercise any of the powers granted to
18 boards of trustees of pension funds under Sections 1-107 or
19 1-108 and may by resolution provide for the indemnification of
20 its members and any of its directors, officers, advisors, or
21 employees in a manner consistent with those Sections.

22 (d) An office for meetings of the board and for
23 administrative personnel shall be established at any suitable
24 place within the State as may be selected by the board. All
25 books and records of the board shall be kept in such office.

1 (40 ILCS 5/22C-111 new)

2 Sec. 22C-111. Management of investments.

3 (a) The board shall manage the investments of each pension
4 fund for the purpose of obtaining a total return on investments
5 for the long term. The board also shall perform such other
6 functions as may be assigned or directed by the General
7 Assembly.

8 (b) The authority of the board to manage pension fund
9 investments and the liability of the board shall begin when
10 there has been a physical transfer of the pension fund
11 investments to the board and placed in the custody of the
12 board's custodian.

13 (c) The board may not delegate its management functions,
14 but it may, but is not required to, arrange to compensate for
15 personalized investment advisory service for any or all
16 investments under its control with any national or state bank
17 or trust company authorized to do a trust business and
18 domiciled in Illinois, other financial institution organized
19 under the laws of Illinois, or an investment advisor who is
20 qualified under the Federal Investment Advisers Act of 1940 and
21 is registered under the Illinois Securities Law of 1953.
22 Nothing contained in this Article shall prevent the board from
23 subscribing to general investment research services available
24 for purchase or use by others. The board shall also have the
25 authority to compensate for accounting services.

1 (d) This Section does not prohibit the board from directly
2 investing pension assets in public market investments, private
3 investments, real estate investments, or other investments
4 authorized by this Code.

5 (40 ILCS 5/22C-112 new)

6 Sec. 22C-112. Investment authority. The board shall have
7 the authority to invest funds, subject to the requirements and
8 restrictions set forth in Sections 1-109, 1-109.1, 1-109.2,
9 1-110, 1-111, 1-114, and 1-115 of this Code.

10 No bank or savings and loan association shall receive
11 investment funds as permitted by this Section, unless it has
12 complied with the requirements established pursuant to Section
13 6 of the Public Funds Investment Act. The limitations set forth
14 in that Section 6 shall be applicable only at the time of
15 investment and shall not require the liquidation of any
16 investment at any time.

17 The board shall have the authority to enter into such
18 agreements and to execute such documents as it determines to be
19 necessary to complete any investment transaction.

20 All investments shall be clearly held and accounted for to
21 indicate ownership by the board. The board may direct the
22 registration of securities in its own name or in the name of a
23 nominee created for the express purpose of registration of
24 securities by a national or state bank or trust company
25 authorized to conduct a trust business in the State of

1 Illinois.

2 Investments shall be carried at cost or at a value
3 determined in accordance with generally accepted accounting
4 principles and accounting procedures approved by the board.

5 The value of investments held by any pension fund in one or
6 more commingled investment accounts shall be determined in
7 accordance with generally accepted accounting principles.

8 (40 ILCS 5/22C-113 new)

9 Sec. 22C-113. Transfer of securities and investment
10 functions.

11 (a) As soon as practicable following the receipt of a
12 certified investment asset list provided under Section
13 4-128.1, the trustees of each pension fund shall transfer to
14 the Downstate Firefighter Pension Investment Board for
15 management and investment all of their securities, including
16 those for which commitments have been made, and all funds,
17 assets, or moneys representing permanent or temporary
18 investments, or cash reserves maintained for the purpose of
19 obtaining income thereon.

20 (b) Prior to the transfer, the trustees of each pension
21 fund shall provide for completion of an audit by a certified
22 public accountant of the securities and other assets of the
23 pension fund, as directed and approved by the Downstate
24 Firefighter Pension Investment Board, the expense of which
25 shall be assumed by the pension fund. Upon such transfer, the

1 authority of the Downstate Firefighter Pension Investment
2 Board with respect to the pension fund is effective. These
3 transfers shall be receipted for in detail by the chairperson
4 and director of the board.

5 (40 ILCS 5/22C-113.1 new)

6 Sec. 22C-113.1. Report of investable funds. Each pension
7 fund shall report to the board from time to time the amounts of
8 funds available for investment. These amounts shall be
9 transferred as soon as practical to the board's custodian or
10 the custodian's authorized agent for the account of the board
11 to be applied for investment by the board. Notice of each
12 transfer shall be given by the pension fund as the transfer
13 occurs.

14 (40 ILCS 5/22C-113.2 new)

15 Sec. 22C-113.2. Custodian.

16 (a) The securities, funds, and other assets transferred to
17 the Downstate Firefighter Pension Investment Board or
18 otherwise acquired by the board shall be placed in the custody
19 of the board's custodian. The custodian shall provide adequate
20 safe deposit facilities therefor and hold all such securities,
21 funds, and other assets subject to the order of the board.

22 (b) As soon as may be practicable, the board shall appoint
23 and retain a qualified custodian. Until a custodian has been
24 appointed by the board, the State Treasurer shall serve as

1 official custodian of the board.

2 (c) The custodian shall furnish a corporate surety bond of
3 such amount as the board designates. The bond shall indemnify
4 the board against any loss that may result from any action or
5 failure to act by the custodian or any of the custodian's
6 agents. All charges incidental to the procuring and giving of
7 such bond shall be paid by the board. The bond shall be in the
8 custody of the board.

9 (40 ILCS 5/22C-113.3 new)

10 Sec. 22C-113.3. Transfer from eligible pension funds.

11 (a) Upon receipt of a certified investment asset list
12 provided under Section 4-128.1 of this Code for an eligible
13 pension fund, the Downstate Firefighter Pension Investment
14 Board shall, as soon as practicable, initiate the transfer of
15 assets from the board of trustees of that fund, and the board
16 of that fund shall transfer to the Downstate Firefighter
17 Pension Investment Board for management and investment all of
18 its securities including securities for which commitments have
19 been made, and all funds, assets, moneys representing permanent
20 or temporary investments, and cash reserves maintained for the
21 purpose of obtaining income thereon.

22 (b) Upon the transfer of securities and assets from a board
23 of trustees under this Section, the custody and control of the
24 Downstate Firefighter Pension Investment Board over the
25 present and future assets of the pension fund shall take

1 effect. The transfer shall be receipted for in detail by the
2 Downstate Firefighter Pension Investment Board and the receipt
3 shall be provided to the board of trustees of the pension fund
4 within 30 days of the effective date of the transfer.

5 (40 ILCS 5/22C-114 new)

6 Sec. 22C-114. Accounting. In the management of pension fund
7 investments, the board:

8 (1) may, for investment purposes, commingle all or a
9 part of the invested assets of one or more pension funds
10 under its jurisdiction and authority;

11 (2) shall carry assets of all funds at cost or a value
12 determined in accordance with generally accepted
13 accounting principles and accounting procedures approved
14 by the board. Each investment initially transferred to the
15 board by a pension fund shall be similarly valued except
16 that the board may elect to place such value on any
17 investment conditionally in which case the amount of any
18 later realization of such asset in cash that is in excess
19 of or is less than the amount so credited shall be credited
20 or charged to the fund that made the transfer;

21 (3) shall keep proper books of account which shall
22 reflect at all times the value of all investments held by
23 the board for a pension fund whether for the separate
24 account of the fund or in a commingled fund;

25 (4) shall charge each pension fund with its share of

1 all expenses of the board at quarter-yearly periods pro
2 rata according to the value of the investments held for the
3 respective funds at the beginning of the quarter or any
4 other equitable formula; and

5 (5) shall charge all distributions made by the board to
6 or for a pension fund to the account maintained for that
7 fund.

8 (40 ILCS 5/22C-115 new)

9 Sec. 22C-115. Audits and reports.

10 (a) At least annually, the books, records, accounts, and
11 securities of the board shall be audited by a certified public
12 accountant designated by the Auditor General of the State. The
13 audit opinion shall be published as a part of the annual report
14 of the board.

15 (b) For the quarterly periods ending September 30, December
16 31, and March 31, the board shall submit to each pension fund
17 under its jurisdiction a report containing, among other things,
18 the following information:

19 (1) a full description of the investments acquired,
20 showing average costs;

21 (2) a full description of the securities sold or
22 exchanged, showing average proceeds or other conditions of
23 an exchange;

24 (3) gains or losses realized during the period;

25 (4) income from investments;

- 1 (5) administrative expenses of the board; and
2 (6) the proportion of administrative expenses
3 allocable to each pension fund.

4 (c) An annual report shall be prepared by the board for
5 submission to each pension fund under its jurisdiction within 6
6 months after the close of each fiscal year. A fiscal year shall
7 date from July 1 of one year to June 30 of the year next
8 following. This report shall contain full information
9 concerning the results of investment operations of the board
10 for the year, the information required under subsections (a)
11 and (b), and the following information:

12 (1) a listing of the investments held by the board as
13 at the end of the year showing their book values and market
14 values and their income yields on market values;

15 (2) the amounts as determined under item (1) of
16 subsection (b) allocable to each pension fund managed by
17 the board;

18 (3) comments on the pertinent factors affecting the
19 operations of the board for the year;

20 (4) a review of the policies maintained by the board
21 and any changes therein that occurred during the year;

22 (5) a copy of the audited financial statements for the
23 year;

24 (6) recommendations for possible changes in the law
25 governing the operations of the board; and

26 (7) a listing of the names of securities brokers and

1 dealers dealt with during the year showing the total amount
2 of commissions received by each on transactions with the
3 board.

4 (40 ILCS 5/22C-115.5 new)

5 Sec. 22C-115.5. Audit of transition. Within 6 months after
6 the transfer of investment assets from an eligible pension fund
7 established under Article 4 of this Code to the control of the
8 Board, the books, records, accounts, and securities of the
9 board shall be audited by a certified public accountant
10 designated by the Illinois Auditor General. The audit shall
11 include, but is not limited to, the following:

12 (i) a full description of the investments acquired,
13 showing average costs;

14 (ii) a full description of the securities sold or
15 exchanged, showing average proceeds or other conditions of
16 an exchange;

17 (iii) gains or losses realized during the period;

18 (iv) income from investments;

19 (v) administrative expenses of the board; and

20 (vi) the proportion of administrative expenses
21 allocable to each pension fund.

22 The audit report shall be published on the board's website
23 and filed with the Department of Insurance.

24 Section 90. The State Mandates Act is amended by adding

1 Section 8.43 as follows:

2 (30 ILCS 805/8.43 new)

3 Sec. 8.43. Exempt mandate. Notwithstanding Sections 6 and 8
4 of this Act, no reimbursement by the State is required for the
5 implementation of any mandate created by this amendatory Act of
6 the 101st General Assembly.

7 Section 999. Effective date. This Act takes effect upon
8 becoming law.

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2 Statutes amended in order of appearance

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4	40 ILCS 5/1-101.7 new	
5	40 ILCS 5/1-109.3	
6	40 ILCS 5/1-113.05 new	
7	40 ILCS 5/1-113.1	
8	40 ILCS 5/1-113.2	
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15	40 ILCS 5/1-136 new	
16	40 ILCS 5/1A-112	
17	40 ILCS 5/1A-113	
18	40 ILCS 5/3-125	from Ch. 108 1/2, par. 3-125
19	40 ILCS 5/3-127	from Ch. 108 1/2, par. 3-127
20	40 ILCS 5/3-132	from Ch. 108 1/2, par. 3-132
21	40 ILCS 5/3-135	from Ch. 108 1/2, par. 3-135
22	40 ILCS 5/3-135.1 new	
23	40 ILCS 5/3-135.2 new	
24	40 ILCS 5/4-118	from Ch. 108 1/2, par. 4-118
25	40 ILCS 5/4-120	from Ch. 108 1/2, par. 4-120

1 40 ILCS 5/4-123 from Ch. 108 1/2, par. 4-123
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10 40 ILCS 5/22B-105 new
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22 30 ILCS 805/8.43 new