



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB3635

by Rep. William Davis

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-109.1	from Ch. 108 1/2, par. 1-109.1
40 ILCS 5/1-110	from Ch. 108 1/2, par. 1-110
40 ILCS 5/1-113.1	
40 ILCS 5/1-113.2	
40 ILCS 5/1-113.3	
40 ILCS 5/1-113.4	
40 ILCS 5/1-113.4a	
40 ILCS 5/1-113.14	
40 ILCS 5/1-113.16	
40 ILCS 5/1-113.20	
40 ILCS 5/1-150	
40 ILCS 5/4-128	from Ch. 108 1/2, par. 4-128

Amends the General Provisions and Downstate Firefighter Articles of the Illinois Pension Code. Removes provisions specifying, based on the net assets of the downstate firefighter pension fund, types of investments that a downstate firefighter pension fund may make. Removes certain limitations on the percentage of a downstate firefighter pension fund's net assets that may be invested in certain types of investments. Provides that the board of a firefighter pension fund shall invest funds with the care, skill, prudence, and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. Makes conforming changes. Effective immediately.

LRB101 10783 RPS 55905 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 1-109.1, 1-113.2, 1-113.3, 1-109.1, 1-110, 1-110.6,
6 1-113.1, 1-113.4, 1-113.4a, 1-113.14, 1-113.16, 1-113.20,
7 1-150, and 4-128 as follows:

8 (40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)

9 Sec. 1-109.1. Allocation and delegation of fiduciary
10 duties.

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

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

19 (b) Allocate duties among themselves and designate
20 others as fiduciaries to carry out specific fiduciary
21 activities other than the management of the assets of the
22 retirement system or pension fund.

23 (2) The board of trustees of a pension fund established

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

16 (3) Pursuant to subsections (h) and (i) of Section 6 of
17 Article VII of the Illinois Constitution, the investment
18 authority of boards of trustees of retirement systems and
19 pension funds established under this Code is declared to be a
20 subject of exclusive State jurisdiction, and the concurrent
21 exercise by a home rule unit of any power affecting such
22 investment authority is hereby specifically denied and
23 preempted.

24 (4) For the purposes of this Code, "emerging investment
25 manager" means a qualified investment adviser that manages an
26 investment portfolio of at least \$10,000,000 but less than

1 \$10,000,000,000 and is a "minority-owned business",
2 "women-owned business" or "business owned by a person with a
3 disability" as those terms are defined in the Business
4 Enterprise for Minorities, Women, and Persons with
5 Disabilities Act.

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

17 ~~A On or before January 1, 2010, a retirement system,~~
18 ~~pension fund, or investment board subject to this Code, except~~
19 ~~those under Article 3 or 4 whose investments are restricted by~~
20 ~~Section 1-113.2 of this Code,~~ shall adopt a policy that sets
21 forth goals for utilization of emerging investment managers.
22 This policy shall include quantifiable goals for the management
23 of assets in specific asset classes by emerging investment
24 managers. The retirement system, pension fund, or investment
25 board shall establish 3 separate goals for: (i) emerging
26 investment managers that are minority-owned businesses; (ii)

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

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

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

25 (5) Each retirement system, pension fund, or investment
26 board subject to this Code, except those under Article 3 or 4

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

11 (6) ~~A~~ ~~On or before January 1, 2010,~~ a retirement system,
12 pension fund, or investment board subject to this Code, except
13 those under Article 3 or 4 ~~whose investments are restricted by~~
14 ~~Section 1-113.2 of this Code~~, shall adopt a policy that sets
15 forth goals for utilization of businesses owned by minorities,
16 women, and persons with disabilities for all contracts and
17 services. The goals established shall be based on the
18 percentage of total dollar amount of all contracts let to
19 minority-owned businesses, women-owned businesses, and
20 businesses owned by a person with a disability, as those terms
21 are defined in the Business Enterprise for Minorities, Women,
22 and Persons with Disabilities Act. The retirement system,
23 pension fund, or investment board shall annually review the
24 goals established under this subsection.

25 (7) ~~A~~ ~~On or before January 1, 2010,~~ a retirement system,
26 pension fund, or investment board subject to this Code, except

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

12 (8) Each retirement system, pension fund, and investment
13 board subject to this Code, except those under Article 3 or 4
14 ~~whose investments are restricted by Section 1-113.2 of this~~
15 ~~Code~~, shall submit a report to the Governor and the General
16 Assembly by January 1 of each year that includes the following:
17 (i) the policy adopted under subsection (4) of this Section,
18 including the names and addresses of the emerging investment
19 managers used, percentage of the assets under the investment
20 control of emerging investment managers for the 3 separate
21 goals, and the actions it has undertaken to increase the use of
22 emerging investment managers, including encouraging other
23 investment managers to use emerging investment managers as
24 subcontractors when the opportunity arises; (ii) the policy
25 adopted under subsection (5) of this Section; (iii) the policy
26 adopted under subsection (6) of this Section; (iv) the policy

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

5 (9) ~~A On or before February 1, 2015, a retirement system,~~
6 pension fund, or investment board subject to this Code, except
7 those under Article 3 or 4 ~~whose investments are restricted by~~
8 ~~Section 1-113.2 of this Code,~~ shall adopt a policy that sets
9 forth goals for increasing the utilization of minority
10 investment managers. For the purposes of this Code, "minority
11 investment manager" means a qualified investment manager that
12 manages an investment portfolio and meets the definition of
13 "minority-owned business", "women-owned business", or
14 "business owned by a person with a disability", as those terms
15 are defined in the Business Enterprise for Minorities, Women,
16 and Persons with Disabilities Act.

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

1 investment boards.

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

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

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

23 (10) It ~~Beginning January 1, 2016, it~~ shall be the
24 aspirational goal for a retirement system, pension fund, or
25 investment board subject to this Code to use emerging
26 investment managers for not less than 20% of the total funds

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

12 (Source: P.A. 99-462, eff. 8-25-15; 100-391, eff. 8-25-17;
13 100-902, eff. 8-17-18.)

14 (40 ILCS 5/1-110) (from Ch. 108 1/2, par. 1-110)

15 Sec. 1-110. Prohibited Transactions.

16 (a) A fiduciary with respect to a retirement system,
17 pension fund, or investment board shall not cause the
18 retirement system or pension fund to engage in a transaction if
19 he or she knows or should know that such transaction
20 constitutes a direct or indirect:

21 (1) Sale or exchange, or leasing of any property from
22 the retirement system or pension fund to a party in
23 interest for less than adequate consideration, or from a
24 party in interest to a retirement system or pension fund
25 for more than adequate consideration.

1 (2) Lending of money or other extension of credit from
2 the retirement system or pension fund to a party in
3 interest without the receipt of adequate security and a
4 reasonable rate of interest, or from a party in interest to
5 a retirement system or pension fund with the provision of
6 excessive security or an unreasonably high rate of
7 interest.

8 (3) Furnishing of goods, services or facilities from
9 the retirement system or pension fund to a party in
10 interest for less than adequate consideration, or from a
11 party in interest to a retirement system or pension fund
12 for more than adequate consideration.

13 (4) Transfer to, or use by or for the benefit of, a
14 party in interest of any assets of a retirement system or
15 pension fund for less than adequate consideration.

16 (b) A fiduciary with respect to a retirement system or
17 pension fund established under this Code shall not:

18 (1) Deal with the assets of the retirement system or
19 pension fund in his own interest or for his own account;

20 (2) In his individual or any other capacity act in any
21 transaction involving the retirement system or pension
22 fund on behalf of a party whose interests are adverse to
23 the interests of the retirement system or pension fund or
24 the interests of its participants or beneficiaries; or

25 (3) Receive any consideration for his own personal
26 account from any party dealing with the retirement system

1 or pension fund in connection with a transaction involving
2 the assets of the retirement system or pension fund.

3 (c) Nothing in this Section shall be construed to prohibit
4 any trustee from:

5 (1) Receiving any benefit to which he may be entitled
6 as a participant or beneficiary in the retirement system or
7 pension fund.

8 (2) Receiving any reimbursement of expenses properly
9 and actually incurred in the performance of his duties with
10 the retirement system or pension fund.

11 (3) Serving as a trustee in addition to being an
12 officer, employee, agent or other representative of a party
13 in interest.

14 (d) A fiduciary of a pension fund established under Article
15 3 or 4 shall not knowingly cause or advise the pension fund to
16 engage in an investment transaction when the fiduciary (i) has
17 any direct interest in the income, gains, or profits of the
18 investment adviser through which the investment transaction is
19 made or (ii) has a business relationship with that investment
20 adviser that would result in a pecuniary benefit to the
21 fiduciary as a result of the investment transaction.

22 Violation of this subsection (d) is a Class 4 felony.

23 (e) A board member, employee, or consultant with respect to
24 a retirement system, pension fund, or investment board subject
25 to this Code, except those under Article 3 or 4 ~~whose~~
26 ~~investments are restricted by Section 1-113.2,~~ shall not

1 knowingly cause or advise the retirement system, pension fund,
2 or investment board to engage in an investment transaction with
3 an investment adviser when the board member, employee,
4 consultant, or their spouse (i) has any direct interest in the
5 income, gains, or profits of the investment adviser through
6 which the investment transaction is made or (ii) has a
7 relationship with that investment adviser that would result in
8 a pecuniary benefit to the board member, employee, or
9 consultant or spouse of such board member, employee, or
10 consultant as a result of the investment transaction. For
11 purposes of this subsection (e), a consultant includes an
12 employee or agent of a consulting firm who has greater than
13 7.5% ownership of the consulting firm.

14 Violation of this subsection (e) is a Class 4 felony.
15 (Source: P.A. 95-950, eff. 8-29-08; 96-6, eff. 4-3-09.)

16 (40 ILCS 5/1-113.1)

17 Sec. 1-113.1. Investment authority of pension funds
18 established under Article 3 ~~or 4~~. The board of trustees of a
19 police pension fund established under Article 3 of this Code ~~or~~
20 ~~firefighter pension fund established under Article 4 of this~~
21 ~~Code~~ shall draw pension funds from the treasurer of the
22 municipality and, beginning January 1, 1998, invest any part
23 thereof in the name of the board in the items listed in
24 Sections 1-113.2 through 1-113.4 according to the limitations
25 and requirements of this Article. These investments shall be

1 made with the care, skill, prudence, and diligence that a
2 prudent person acting in like capacity and familiar with such
3 matters would use in the conduct of an enterprise of like
4 character with like aims.

5 Interest and any other income from the investments shall be
6 credited to the pension fund.

7 For the purposes of Sections 1-113.2 through 1-113.11, the
8 "net assets" of a pension fund include both the cash and
9 invested assets of the pension fund.

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

11 (40 ILCS 5/1-113.2)

12 Sec. 1-113.2. List of permitted investments for all Article
13 ~~3 or 4~~ pension funds. Any pension fund established under
14 Article 3 ~~or 4~~ may invest in the following items:

15 (1) Interest bearing direct obligations of the United
16 States of America.

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

20 (3) Interest bearing bonds, notes, debentures, or other
21 similar obligations of agencies of the United States of
22 America. For the purposes of this Section, "agencies of the
23 United States of America" includes: (i) the Federal National
24 Mortgage Association and the Student Loan Marketing
25 Association; (ii) federal land banks, federal intermediate

1 credit banks, federal farm credit banks, and any other entity
2 authorized to issue direct debt obligations of the United
3 States of America under the Farm Credit Act of 1971 or
4 amendments to that Act; (iii) federal home loan banks and the
5 Federal Home Loan Mortgage Corporation; and (iv) any agency
6 created by Act of Congress that is authorized to issue direct
7 debt obligations of the United States of America.

8 (4) Interest bearing savings accounts or certificates of
9 deposit, issued by federally chartered banks or savings and
10 loan associations, to the extent that the deposits are insured
11 by agencies or instrumentalities of the federal government.

12 (5) Interest bearing savings accounts or certificates of
13 deposit, issued by State of Illinois chartered banks or savings
14 and loan associations, to the extent that the deposits are
15 insured by agencies or instrumentalities of the federal
16 government.

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

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

21 (8) Pooled interest bearing accounts managed by the
22 Illinois Public Treasurer's Investment Pool in accordance with
23 the Deposit of State Moneys Act, interest bearing funds or
24 pooled accounts of the Illinois Metropolitan Investment Funds,
25 and interest bearing funds or pooled accounts managed,
26 operated, and administered by banks, subsidiaries of banks, or

1 subsidiaries of bank holding companies in accordance with the
2 laws of the State of Illinois.

3 (9) Interest bearing bonds or tax anticipation warrants of
4 any county, township, or municipal corporation of the State of
5 Illinois.

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

8 (11) Money market mutual funds managed by investment
9 companies that are registered under the federal Investment
10 Company Act of 1940 and the Illinois Securities Law of 1953 and
11 are diversified, open-ended management investment companies;
12 provided that the portfolio of the money market mutual fund is
13 limited to the following:

14 (i) bonds, notes, certificates of indebtedness,
15 treasury bills, or other securities that are guaranteed by
16 the full faith and credit of the United States of America
17 as to principal and interest;

18 (ii) bonds, notes, debentures, or other similar
19 obligations of the United States of America or its
20 agencies; and

21 (iii) short term obligations of corporations organized
22 in the United States with assets exceeding \$400,000,000,
23 provided that (A) the obligations mature no later than 180
24 days from the date of purchase, (B) at the time of
25 purchase, the obligations are rated by at least 2 standard
26 national rating services at one of their 3 highest

1 classifications, and (C) the obligations held by the mutual
2 fund do not exceed 10% of the corporation's outstanding
3 obligations.

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

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

8 (i) separate accounts that are managed by life
9 insurance companies authorized to transact business in
10 Illinois and are comprised of diversified portfolios
11 consisting of common or preferred stocks, bonds, or money
12 market instruments;

13 (ii) separate accounts that are managed by insurance
14 companies authorized to transact business in Illinois, and
15 are comprised of real estate or loans upon real estate
16 secured by first or second mortgages; and

17 (iii) mutual funds that meet the following
18 requirements:

19 (A) the mutual fund is managed by an investment
20 company as defined and registered under the federal
21 Investment Company Act of 1940 and registered under the
22 Illinois Securities Law of 1953;

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

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

1 (D) the mutual fund is comprised of diversified
2 portfolios of common or preferred stocks, bonds, or
3 money market instruments.

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

6 (1) The bonds must be rated as investment grade by one
7 of the 2 largest rating services at the time of purchase.

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

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

12 (40 ILCS 5/1-113.3)

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

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

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

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

25 (i) the mutual fund is managed by an investment

1 company as defined and registered under the federal
2 Investment Company Act of 1940 and registered under the
3 Illinois Securities Law of 1953;

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

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

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

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

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

17 (40 ILCS 5/1-113.4)

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

20 (a) In addition to the items in Sections 1-113.2 and
21 1-113.3, a pension fund established under Article 3 ~~or 4~~ that
22 has net assets of at least \$5,000,000 and has appointed an
23 investment adviser under Section 1-113.5 may, through that
24 investment adviser, invest a portion of its assets in common
25 and preferred stocks authorized for investments of trust funds

1 under the laws of the State of Illinois. The stocks must meet
2 all of the following requirements:

3 (1) The common stocks are listed on a national
4 securities exchange or board of trade (as defined in the
5 federal Securities Exchange Act of 1934 and set forth in
6 subdivision G of Section 3 of the Illinois Securities Law
7 of 1953) or quoted in the National Association of
8 Securities Dealers Automated Quotation System National
9 Market System (NASDAQ NMS).

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

14 (3) The corporation has not been in arrears on payment
15 of dividends on its preferred stock during the preceding 5
16 years.

17 (4) The market value of stock in any one corporation
18 does not exceed 5% of the cash and invested assets of the
19 pension fund, and the investments in the stock of any one
20 corporation do not exceed 5% of the total outstanding stock
21 of that corporation.

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

25 (6) The issuer of the stocks has been subject to the
26 requirements of Section 12 of the federal Securities

1 Exchange Act of 1934 and has been current with the filing
2 requirements of Sections 13 and 14 of that Act during the
3 preceding 3 years.

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

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

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

14 (40 ILCS 5/1-113.4a)

15 Sec. 1-113.4a. List of additional permitted investments
16 for Article 3 ~~and 4~~ pension funds with net assets of
17 \$10,000,000 or more.

18 (a) In addition to the items in Sections 1-113.2 and
19 1-113.3, a pension fund established under Article 3 ~~or 4~~ that
20 has net assets of at least \$10,000,000 and has appointed an
21 investment adviser, as defined under Sections 1-101.4 and
22 1-113.5, may, through that investment adviser, invest an
23 additional portion of its assets in common and preferred stocks
24 and mutual funds.

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

1 (1) The common stocks must be listed on a national
2 securities exchange or board of trade (as defined in the
3 Federal Securities Exchange Act of 1934 and set forth in
4 paragraph G of Section 3 of the Illinois Securities Law of
5 1953) or quoted in the National Association of Securities
6 Dealers Automated Quotation System National Market System.

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

9 (3) The market value of stock in any one corporation
10 may not exceed 5% of the cash and invested assets of the
11 pension fund, and the investments in the stock of any one
12 corporation may not exceed 5% of the total outstanding
13 stock of that corporation.

14 (4) The straight preferred stocks or convertible
15 preferred stocks must be issued or guaranteed by a
16 corporation whose common stock qualifies for investment by
17 the board.

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

19 (1) The mutual fund must be managed by an investment
20 company registered under the Federal Investment Company
21 Act of 1940 and registered under the Illinois Securities
22 Law of 1953.

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

25 (3) The mutual fund must have total net assets of
26 \$250,000,000 or more.

1 (4) The mutual fund must be comprised of a diversified
2 portfolio of common or preferred stocks, bonds, or money
3 market instruments.

4 (d) A pension fund's total investment in the items
5 authorized under this Section and Section 1-113.3 shall not
6 exceed 50% effective July 1, 2011 and 55% effective July 1,
7 2012 of the market value of the pension fund's net present
8 assets stated in its most recent annual report on file with the
9 Department of Insurance.

10 (e) A pension fund that invests funds under this Section
11 shall electronically file with the Division any reports of its
12 investment activities that the Division may require, at the
13 time and in the format required by the Division.

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

15 (40 ILCS 5/1-113.14)

16 Sec. 1-113.14. Investment services for retirement systems,
17 pension funds, and investment boards, except those funds
18 established under Articles 3 and 4.

19 (a) For the purposes of this Section, "investment services"
20 means services provided by an investment adviser or a
21 consultant other than qualified fund-of-fund management
22 services as defined in Section 1-113.15.

23 (b) The selection and appointment of an investment adviser
24 or consultant for investment services by the board of a
25 retirement system, pension fund, or investment board subject to

1 this Code, except those under Article 3 or 4 ~~whose investments~~
2 ~~are restricted by Section 1-113.2~~, shall be made and awarded in
3 accordance with this Section. All contracts for investment
4 services shall be awarded by the board using a competitive
5 process that is substantially similar to the process required
6 for the procurement of professional and artistic services under
7 Article 35 of the Illinois Procurement Code. Each board of
8 trustees shall adopt a policy in accordance with this
9 subsection (b) within 60 days after the effective date of this
10 amendatory Act of the 96th General Assembly. The policy shall
11 be posted on its web site and filed with the Illinois
12 Procurement Policy Board. Exceptions to this Section are
13 allowed for (i) sole source procurements, (ii) emergency
14 procurements, (iii) at the discretion of the pension fund,
15 retirement system, or board of investment, contracts that are
16 nonrenewable and one year or less in duration, so long as the
17 contract has a value of less than \$20,000, and (iv) in the
18 discretion of the pension fund, retirement system, or
19 investment board, contracts for follow-on funds with the same
20 fund sponsor through closed-end funds. All exceptions granted
21 under this Section must be published on the system's, fund's,
22 or board's web site, shall name the person authorizing the
23 procurement, and shall include a brief explanation of the
24 reason for the exception.

25 A person, other than a trustee or an employee of a
26 retirement system, pension fund, or investment board, may not

1 act as a consultant or investment adviser under this Section
2 unless that person is registered as an investment adviser under
3 the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1,
4 et seq.) or a bank, as defined in the federal Investment
5 Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.).

6 (c) Investment services provided by an investment adviser
7 or a consultant appointed under this Section shall be rendered
8 pursuant to a written contract between the investment adviser
9 or consultant and the board.

10 The contract shall include all of the following:

11 (1) Acknowledgement in writing by the investment
12 adviser or consultant that he or she is a fiduciary with
13 respect to the pension fund or retirement system.

14 (2) The description of the board's investment policy
15 and notice that the policy is subject to change.

16 (3) (i) Full disclosure of direct and indirect fees,
17 commissions, penalties, and other compensation, including
18 reimbursement for expenses, that may be paid by or on
19 behalf of the consultant in connection with the provision
20 of services to the pension fund or retirement system and
21 (ii) a requirement that the consultant update the
22 disclosure promptly after a modification of those payments
23 or an additional payment.

24 (4) A requirement that the investment adviser or
25 consultant, in conjunction with the board's staff, submit
26 periodic written reports, on at least a quarterly basis,

1 for the board's review at its regularly scheduled meetings.
2 All returns on investment shall be reported as net returns
3 after payment of all fees, commissions, and any other
4 compensation.

5 (5) Disclosure of the names and addresses of (i) the
6 consultant or investment adviser; (ii) any entity that is a
7 parent of, or owns a controlling interest in, the
8 consultant or investment adviser; (iii) any entity that is
9 a subsidiary of, or in which a controlling interest is
10 owned by, the consultant or investment adviser; (iv) any
11 persons who have an ownership or distributive income share
12 in the consultant or investment adviser that is in excess
13 of 7.5%; or (v) serves as an executive officer of the
14 consultant or investment adviser.

15 (6) A disclosure of the names and addresses of all
16 subcontractors, if applicable, and the expected amount of
17 money each will receive under the contract, including an
18 acknowledgment that the contractor must promptly make
19 notification, in writing, if at any time during the term of
20 the contract a contractor adds or changes any
21 subcontractors. For purposes of this subparagraph (6),
22 "subcontractor" does not include non-investment related
23 professionals or professionals offering services that are
24 not directly related to the investment of assets, such as
25 legal counsel, actuary, proxy-voting services, services
26 used to track compliance with legal standards, and

1 investment fund of funds where the board has no direct
2 contractual relationship with the investment advisers or
3 partnerships.

4 (7) A description of service to be performed.

5 (8) A description of the need for the service.

6 (9) A description of the plan for post-performance
7 review.

8 (10) A description of the qualifications necessary.

9 (11) The duration of the contract.

10 (12) The method for charging and measuring cost.

11 (d) Notwithstanding any other provision of law, a
12 retirement system, pension fund, or investment board subject to
13 this Code, except those under Article 3 or 4 ~~whose investments~~
14 ~~are restricted by Section 1-113.2 of this Code~~, shall not enter
15 into a contract with a consultant that exceeds 5 years in
16 duration. No contract to provide consulting services may be
17 renewed or extended. At the end of the term of a contract,
18 however, the consultant is eligible to compete for a new
19 contract as provided in this Section. No retirement system,
20 pension fund, or investment board shall attempt to avoid or
21 contravene the restrictions of this subsection (d) by any
22 means.

23 (e) Within 60 days after the effective date of this
24 amendatory Act of the 96th General Assembly, each investment
25 adviser or consultant currently providing services or subject
26 to an existing contract for the provision of services must

1 disclose to the board of trustees all direct and indirect fees,
2 commissions, penalties, and other compensation paid by or on
3 behalf of the investment adviser or consultant in connection
4 with the provision of those services and shall update that
5 disclosure promptly after a modification of those payments or
6 an additional payment. The person shall update the disclosure
7 promptly after a modification of those payments or an
8 additional payment. The disclosures required by this
9 subsection (e) shall be in writing and shall include the date
10 and amount of each payment and the name and address of each
11 recipient of a payment.

12 (f) The retirement system, pension fund, or board of
13 investment shall develop uniform documents that shall be used
14 for the solicitation, review, and acceptance of all investment
15 services. The form shall include the terms contained in
16 subsection (c) of this Section. All such uniform documents
17 shall be posted on the retirement system's, pension fund's, or
18 investment board's web site.

19 (g) A description of every contract for investment services
20 shall be posted in a conspicuous manner on the web site of the
21 retirement system, pension fund, or investment board. The
22 description must include the name of the person or entity
23 awarded a contract, the total amount applicable to the
24 contract, the total fees paid or to be paid, and a disclosure
25 approved by the board describing the factors that contributed
26 to the selection of an investment adviser or consultant.

1 (Source: P.A. 98-433, eff. 8-16-13.)

2 (40 ILCS 5/1-113.16)

3 Sec. 1-113.16. Investment transparency.

4 (a) The purpose of this Section is to provide for
5 transparency in the investment of retirement or pension funds
6 and require the reporting of full and complete information
7 regarding the investments by pension funds, retirement
8 systems, and investment boards.

9 (b) A retirement system, pension fund, or investment board
10 subject to this Code and any committees established by such
11 system, fund, or board must comply with the Open Meetings Act.

12 (c) Any retirement system, pension fund, or investment
13 board subject to this Code that establishes a committee shall
14 ensure that the majority of the members on such committee are
15 board members. If any member of a committee is not a member of
16 the board for the system, fund, or board, then that committee
17 member shall be a fiduciary.

18 (d) A retirement system, pension fund, or investment board
19 subject to this Code, except those under Article 3 or 4 ~~whose~~
20 ~~investments are restricted by Section 1-113.2~~, shall maintain
21 an official web site and make available in a clear and
22 conspicuous manner, and update at least quarterly, all of the
23 following information concerning the investment of funds:

24 (1) The total amount of funds held by the pension fund,
25 retirement system, or investment board.

1 (2) The asset allocation for the investments made by
2 the pension fund, retirement system, or investment board.

3 (3) Current and historic return information.

4 (4) A detailed listing of the investment advisers for
5 all asset classes.

6 (5) Performance of investments compared against
7 established benchmarks.

8 (6) A detailed list of all consultants doing business
9 with the retirement system, pension fund, or investment
10 board.

11 (7) A detailed list of all contractors, other than
12 investment advisers and consultants, doing business with
13 the retirement system, pension fund, or investment board.

14 (8) Any requests for investment services.

15 (9) The names and email addresses of all board members,
16 directors, and senior staff.

17 (10) The report required under Section 1-109.1 of this
18 Code, if applicable.

19 (11) The description of each contract required under
20 subsection (g) of Section 1-113.14 of this Code, if
21 applicable.

22 (e) A pension fund under Article 3 or 4 ~~whose investments~~
23 ~~are restricted by Section 1-113.2 of this Code~~ shall make the
24 information required in subsection (d) of this Section
25 available on its web site or in a location that allows the
26 information to be available for inspection by the public.

1 (f) Nothing in this Section requires the pension fund,
2 retirement system, or investment board to make information
3 available on the Internet that is exempt from inspection and
4 copying under the Freedom of Information Act.

5 (Source: P.A. 96-6, eff. 4-3-09.)

6 (40 ILCS 5/1-113.20)

7 Sec. 1-113.20. Investment strategies; explicit and
8 implicit costs. Every pension fund, retirement system, and
9 investment board created under this Code, except those under
10 Article 3 or 4 ~~whose investments are restricted by Section~~
11 ~~1-113.2 of this Code~~, shall instruct the fund's, system's, or
12 board's investment advisors to utilize investment strategies
13 designed to ensure that all securities transactions are
14 executed in such a manner that the total explicit and implicit
15 costs and total proceeds in every transaction are the most
16 favorable under the circumstances.

17 (Source: P.A. 96-753, eff. 8-25-09.)

18 (40 ILCS 5/1-150)

19 Sec. 1-150. Approval of travel or educational mission. The
20 expenses for travel or educational missions of a board member
21 of a retirement system, pension fund, or investment board
22 created under this Code, except those under Article 3 or 4
23 ~~whose investments are restricted by Section 1-113.2 of this~~
24 ~~Code~~, must be approved by a majority of the board prior to the

1 travel or educational mission.

2 (Source: P.A. 96-6, eff. 4-3-09.)

3 (40 ILCS 5/4-128) (from Ch. 108 1/2, par. 4-128)

4 Sec. 4-128. To invest funds. The board shall invest funds
5 with the care, skill, prudence, and diligence that a prudent
6 person acting in like capacity and familiar with such matters
7 would use in the conduct of an enterprise of like character
8 with like aims ~~Beginning January 1, 1998, the board shall~~
9 ~~invest funds in accordance with Sections 1-113.1 through~~
10 ~~1-113.10 of this Code.~~

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

12 Section 99. Effective date. This Act takes effect upon
13 becoming law.