



## 96TH GENERAL ASSEMBLY

### State of Illinois

#### 2009 and 2010

##### HB0834

Introduced 2/9/2009, by Rep. Mark H. Beaubien, Jr.

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-113.1  
40 ILCS 5/3-135.1 new  
40 ILCS 5/4-128.1 new  
40 ILCS 5/7-201.2 new

Amends the Illinois Pension Code. Provides that the board of trustees of downstate police and downstate firefighter pension funds may, by a resolution adopted by a majority vote of its membership, transfer moneys of the pension fund to the Illinois Municipal Retirement Fund for management and administration. Provides guidelines for the Illinois Municipal Retirement Fund to follow in investment of the money of downstate police and downstate firefighter pension funds, including the transfer of the funds assets and quarterly and annual reports to the pension funds. Effective January 1, 2010.

LRB096 03828 AMC 13860 b

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 Section 1-113.1 and by adding Sections 3-135.1, 4-128.1, and  
6 7-201.2 as follows:

7 (40 ILCS 5/1-113.1)

8 Sec. 1-113.1. Investment authority of pension funds  
9 established under Article 3 or 4.

10 (a) The board of trustees of a police pension fund  
11 established under Article 3 of this Code or firefighter pension  
12 fund established under Article 4 of this Code shall draw  
13 pension funds from the treasurer of the municipality and,  
14 beginning January 1, 1998, invest any part thereof in the name  
15 of the board in the items listed in Sections 1-113.2 through  
16 1-113.4 according to the limitations and requirements of this  
17 Article. The board of trustees may also transfer moneys to the  
18 Illinois Municipal Retirement Fund for investment as provided  
19 under Section 7-201.2. The Illinois Municipal Retirement Fund  
20 is not limited to the items listed in Sections 1-113.2 through  
21 1-113.4 when investing these moneys, but it shall invest them  
22 in accordance with Section 7-201.

23 (b) These investments shall be made with the care, skill,

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

4 (c) Interest and any other income from the investments  
5 shall be credited to the pension fund.

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

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

10 (40 ILCS 5/3-135.1 new)

11 Sec. 3-135.1. Optional investment management by the  
12 Illinois Municipal Retirement Fund. The board may, by a  
13 resolution adopted by a majority vote of its membership,  
14 transfer moneys of the pension fund to the Illinois Municipal  
15 Retirement Fund for management and administration. Upon the  
16 completion of the transfer, the authority of the board to make  
17 investments of the transferred moneys terminates, and all  
18 investments of those moneys must be made by the Illinois  
19 Municipal Retirement Fund. All transfers and investments under  
20 this Section must be made in accordance with Section 7-201.2 of  
21 this Code.

22 (40 ILCS 5/4-128.1 new)

23 Sec. 4-128.1. Optional investment management by the  
24 Illinois Municipal Retirement Fund. The board may, by a

1 resolution adopted by a majority vote of its membership,  
2 transfer moneys of the pension fund to the Illinois Municipal  
3 Retirement Fund for management and administration. Upon the  
4 completion of the transfer, the authority of the board to make  
5 investments of the transferred moneys terminates, and all  
6 investments of those moneys must be made by the Illinois  
7 Municipal Retirement Fund. All transfers and investments under  
8 this Section must be made in accordance with Section 7-201.2 of  
9 this Code.

10 (40 ILCS 5/7-201.2 new)

11 Sec. 7-201.2. Investment of moneys of public safety pension  
12 funds.

13 (a) The board shall invest the moneys of any public safety  
14 pension fund that elects to transfer those moneys, under  
15 Section 3-135.1 or 4-128.1, to the Illinois Municipal  
16 Retirement Fund for the management of its investments and the  
17 performance of investment functions previously performed by  
18 the board of that pension fund, with respect to those moneys.

19 (b) Any election, transfer, investment, administration,  
20 and management of the moneys of any public safety pension fund  
21 must be in accordance with the provisions of Section 3-135.1 or  
22 4-128.1, the provisions of this Article, and with the  
23 provisions of any rule adopted under Section 7-198.

24 (c) The public safety pension fund must transfer the moneys  
25 not later than the first day of the 4th month next following

1 the date of the resolution adopted under Section 3-135.1 or  
2 4-128.1. The transfer must be made in cash assets, unless  
3 otherwise specified by the Illinois Municipal Retirement Fund.  
4 The authority of the Illinois Municipal Retirement Fund is  
5 effective upon the transfer. These transfers must be receipted  
6 for in detail by both the Chairman and the director of the  
7 board.

8 (d) In the management of the moneys of the public safety  
9 pension funds under this Section, the board:

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

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

24 (3) shall keep proper books of account that, at all  
25 times, reflect the value of all investments held by the  
26 board for a public safety pension fund, whether for the

1 separate account of the fund or in a commingled fund;

2 (4) may charge each public safety pension fund with its  
3 share of all of the expenses of the board that are related  
4 to the investments of public safety pension funds under  
5 this Section. These charges must be made at quarter yearly  
6 periods pro rata according to the value of the investments  
7 held for the respective funds at the beginning of the  
8 quarter or any other equitable formula; and

9 (5) shall charge all distributions made by the board to  
10 or for a public safety pension fund to the account  
11 maintained for that fund.

12 (e) For the quarterly periods ending September 30, December  
13 31, and March 31, the board shall submit to each pension fund  
14 under its jurisdiction a report setting forth, among other  
15 things, the following information:

16 (1) a full description of the investments acquired,  
17 showing average costs;

18 (2) a full description of the securities sold or  
19 exchanged, showing average proceeds or other conditions of  
20 an exchange;

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

22 (4) income from investments;

23 (5) administrative expenses of the board; and

24 (6) the proportion of administrative expenses  
25 allocable to each pension fund.

26 (f) The board shall prepare and submit an annual report to

1 each pension fund under its jurisdiction within 6 months after  
2 the close of each fiscal year of the Illinois Municipal  
3 Retirement Fund. This report must set forth full information  
4 concerning the results of investment operations of the board  
5 for the year. In addition to the information required under  
6 subsection (e), the annual report must include the following:

7 (1) a listing of the investments held by the board at  
8 the end of the year showing their book values and market  
9 values and their income yields on market values;

10 (2) the amounts, as determined under item (1) of this  
11 subsection (f) that are allocable to each pension fund  
12 managed by the board;

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

15 (4) a review of the policies maintained by the board  
16 and any changes to those policies that occurred during the  
17 year;

18 (5) a copy of the audited financial statements for the  
19 year;

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

22 (7) a listing of the names of securities brokers and  
23 dealers dealt with during the year showing the total amount  
24 of commissions received by each on transactions with the  
25 board.

26 (h) For the purposes of this Section, "public safety

1 pension fund" means any pension fund established under Article  
2 3 or 4 of this Code. In no event may a public safety pension  
3 fund be considered to be a participating municipality, as  
4 defined under Section 7-108.

5 Section 99. Effective date. This Act takes effect January  
6 1, 2010.