SB3945

LRB09622601AMC41910b

96TH GENERAL ASSEMBLY

State of Illinois

2009 and 2010

SB3945

Introduced 9/16/2010, by Sen. Chris Lauzen

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-113.1
30 ILCS 805/8.34 new

Amends the Illinois Pension Code. Provides that no more than 30% of a downstate police or downstate fire pension fund's assets may be invested in debt obligations of corporations subject to specified conditions. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

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FISCAL NOTE ACT MAY APPLY	PENSION IMPACT NOTE ACT MAY APPLY	STATE MANDATES ACT MAY REQUIRE REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

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

Section 5. The Illinois Pension Code is amended by changing Section 1-113.1 as follows:

(40 ILCS 5/1-113.1)

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

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

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

No more than 30% of the pension fund's assets may be invested in debt obligations of corporations subject to the following conditions: (1) corporate debt maturity is limited to a maximum of 30 years from the date of new issuance or remaining life of the security, (2) no greater than 3% of the pension fund's allowable allocation to corporate debt securities can be invested in a single corporate issuer, (3) no greater than 15% of the fund's allowable allocation to corporate debt securities can be invested into any one of the 10 Global Industry Classification Standards classified sectors, (4) deferable interest debt obligations are prohibited, (5) a maximum of 25% in callable corporate debt obligations are permitted, (6) no debt leverage is permitted within any bond mutual fund, ETF, or individual corporate debt portfolio to enhance yield, and (7) if the investment grade rating by one or more of 2 standard credit rating services falls below investment grade for any issuer, then the debt obligation must be sold if it is still rated below investment grade by at least 2 credit rating services after a period of 12 months of the downgrade.

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

Section 90. The State Mandates Act is amended by adding Section 8.34 as follows:

(30 ILCS 805/8.34 new)

Sec. 8.34. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 96th General Assembly.

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