

# SB0032



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

SB0032

Introduced 1/27/2011, by Sen. Chris Lauzen

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-113.1  
30 ILCS 805/8.35 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.

LRB097 00026 AMC 40027 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

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 as follows:

6 (40 ILCS 5/1-113.1)

7 Sec. 1-113.1. Investment authority of pension funds  
8 established under Article 3 or 4. The board of trustees of a  
9 police pension fund established under Article 3 of this Code or  
10 firefighter pension fund established under Article 4 of this  
11 Code shall draw pension funds from the treasurer of the  
12 municipality and, beginning January 1, 1998, invest any part  
13 thereof in the name of the board in the items listed in  
14 Sections 1-113.2 through 1-113.4 according to the limitations  
15 and requirements of this Article. These investments shall be  
16 made with the care, skill, prudence, and diligence that a  
17 prudent person acting in like capacity and familiar with such  
18 matters would use in the conduct of an enterprise of like  
19 character with like aims.

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

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

1 invested assets of the pension fund.

2 No more than 30% of the pension fund's assets may be  
3 invested in debt obligations of corporations subject to the  
4 following conditions: (1) corporate debt maturity is limited to  
5 a maximum of 30 years from the date of new issuance or  
6 remaining life of the security, (2) no greater than 3% of the  
7 pension fund's allowable allocation to corporate debt  
8 securities can be invested in a single corporate issuer, (3) no  
9 greater than 15% of the fund's allowable allocation to  
10 corporate debt securities can be invested into any one of the  
11 10 Global Industry Classification Standards classified  
12 sectors, (4) deferable interest debt obligations are  
13 prohibited, (5) a maximum of 25% in callable corporate debt  
14 obligations are permitted, (6) no debt leverage is permitted  
15 within any bond mutual fund, ETF, or individual corporate debt  
16 portfolio to enhance yield, and (7) if the investment grade  
17 rating by one or more of 2 standard credit rating services  
18 falls below investment grade for any issuer, then the debt  
19 obligation must be sold if it is still rated below investment  
20 grade by at least 2 credit rating services after a period of 12  
21 months of the downgrade.

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

23 Section 90. The State Mandates Act is amended by adding  
24 Section 8.35 as follows:

1 (30 ILCS 805/8.35 new)

2 Sec. 8.35. Exempt mandate. Notwithstanding Sections 6 and 8  
3 of this Act, no reimbursement by the State is required for the  
4 implementation of any mandate created by this amendatory Act of  
5 the 96th General Assembly.

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